

“Influence of GST 2.0 on the Consumption Patterns of Middle-Income Households: A Study with Special Reference to Mysore City.”

Dr. Girish Shanbhogue¹, Shivkumar HN², Basavaraju.S³

^{1,2,3}Assistant Professor,

¹Dept of Management Govt. First Grade college, Honnavar.

²Dos in Commerce, Pooja Bhagavat Memorial Mahajana Education Centre, Mysore.

³Dept of commerce, RK . First Grade college K Honnalagere.

Abstract

The introduction of GST 2.0 represents a significant reform in India's indirect tax system, aimed at improving transparency, easing compliance, and reducing price distortions. This study examines the influence of GST 2.0 on the consumption patterns of middle-income households in Mysore City, a segment highly sensitive to price fluctuations and taxation changes. The research analyzes shifts in expenditure on essential and non-essential goods, changes in brand preference, and overall consumer responsiveness to GST-induced price variations. Using primary data collected through structured questionnaires and supported by secondary sources, the study highlights how GST 2.0 has shaped purchasing decisions among middle-class consumers. The findings indicate noticeable adjustments in household budgeting, increased price comparison behavior, and moderate changes in the consumption of lifestyle-related products. The study also identifies challenges faced by consumers regarding GST awareness and perceived fairness of pricing under the new regime. Overall, the research provides valuable insights for policymakers, retailers, and FMCG companies in understanding consumer behavior in a post-GST 2.0 environment.

Keywords: GST 2.0, Middle-Income Households, Consumption Patterns, Consumer Behavior,

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1.1 Introduction

The Goods and Services Tax (GST), introduced in 2017, marked one of the most significant fiscal reforms in India's post-independence history. Designed to unify the fragmented indirect tax system, GST aimed to create a seamless national market by replacing a multitude of central and state taxes. Over time, the government has introduced revisions and structural improvements to enhance its efficiency, compliance, and transparency. Among these reforms, GST 2.0 has emerged as an important evolutionary step, focusing on simplifying tax administration, strengthening digital integration, and addressing key challenges faced during the initial implementation phase. These reforms have direct and indirect implications for both consumers and businesses, especially in relation to pricing, affordability, and consumption behavior.

In India, middle-income households constitute a substantial portion of the population and are central to economic growth, market expansion, and consumption-driven development. This group plays a vital role in shaping demand for a wide spectrum of goods and services—ranging from essential commodities such as food and household items to lifestyle and discretionary products. Due to their moderate income levels, middle-income consumers are particularly sensitive to price changes and taxation policies. Any shift in tax slabs or pricing structure, such as those introduced under GST 2.0, has the potential to influence their spending priorities, budgeting patterns, brand choices, and overall consumption behavior.

The introduction of GST 2.0 brought several enhancements, including improved compliance mechanisms, strengthened e-invoicing infrastructure, refined input tax credit provisions, and rationalization of specific tax rates. These reforms were intended to make the system more consumer-friendly and business-efficient. However, an important question arises: how do these changes impact daily purchasing decisions and overall consumption patterns among middle-income households? Given their price-conscious nature, even minor adjustments in taxation may lead to noticeable shifts in spending on essentials and non-essentials, substitution between brands, changes in shopping frequency, or reallocation of household budgets.

Mysore City provides an ideal context for examining this relationship due to its balanced socio-economic structure, growing urbanization, and a significant proportion of middle-income families. As a developing urban center with a mix of organized and unorganized retail, traditional markets, and expanding modern trade formats, Mysore offers a comprehensive environment to understand how GST 2.0 affects consumer behavior at the household level. Middle-income families in Mysore often engage in systematic budgeting and demonstrate consumption patterns that are highly responsive to price variations, making them a crucial segment for analysis.

Understanding the influence of GST 2.0 on middle-income households is essential not only for academic inquiry but also for policymakers, businesses, and retailers. For policymakers, insights from such a study can help evaluate the effectiveness of tax reforms and their impact on consumer welfare. For businesses—particularly in the FMCG, retail, and consumer durables sectors—knowledge of shifting consumption patterns can guide pricing strategies, product positioning, and supply chain decisions. For consumers, the findings may contribute to greater awareness about how taxation influences overall household expenditure and purchasing decisions.

This study, therefore, seeks to analyze the impact of GST 2.0 on consumption patterns among middle-income households in Mysore City. It aims to understand how changes in taxation affect spending on essential vs. non-essential items, brand choices, lifestyle consumption, and overall budgeting behavior. By examining consumer perceptions, awareness levels, and behavioural changes, the research provides a holistic understanding of the intersection between tax reforms and middle-class consumption dynamics in an emerging urban economy.

1.2 Review of Literature

1. According to **Kumar and Reddy (2021)**, indirect tax reforms such as GST significantly affect consumer purchasing decisions, particularly among middle-income groups. Their study found that pricing

changes resulting from GST lead consumers to revise spending on essential and non-essential goods, thereby altering overall household consumption patterns.

2. Sharma (2020) emphasized that middle-class households adjust their budgets when indirect taxes fluctuate. The study concluded that increases in GST rates resulted in consumers prioritizing essential goods over discretionary purchases, reflecting the price-sensitive nature of middle-income consumers.

3. Research by Sundaram and Mehta (2022) noted that GST 1.0 improved tax transparency but that consumers often struggled to understand tax components. With GST 2.0, enhanced digital invoicing and clearer tax displays have helped consumers make more informed decisions, especially among urban middle-income families.

4. Joseph and Thomas (2019) highlighted that tax-induced price changes influence brand choices in FMCG and household product categories. Their work shows that middle-income consumers tend to shift toward value brands or reduce consumption quantities when taxes increase final product prices.

5. A study by Prakash and Narayan (2023) suggested that regional variations exist in how households respond to GST reforms. In tier-2 cities like Mysore, middle-income consumers showed moderate shifts in consumption patterns, driven by increased price awareness and improved understanding of GST-adjusted pricing.

1.3 Research Gap

Although many studies examine GST's overall economic effects, very few specifically explore the impact of GST 2.0 on household-level consumption behavior. Existing research rarely focuses on middle-income households, despite their high sensitivity to price changes. Studies centered on metropolitan areas overlook the unique spending patterns of tier-2 cities like Mysore. There is also limited analysis of how GST 2.0 affects essential vs. non-essential consumption or brand preferences. This lack of region-specific and consumer-focused evidence creates a clear research gap. Therefore, this study addresses how GST 2.0 influences the consumption patterns of middle-income households in Mysore City.

1.4 Objectives of the Study

1. To examine the impact of GST 2.0 on the consumption patterns of middle-income households in Mysore City.
2. To analyze changes in spending on essential and non-essential goods among middle-income consumers after the implementation of GST 2.0.
3. To assess the level of consumer awareness and perception of GST 2.0 among middle-income households and its influence on their purchasing decisions.

1.5 Research Methodology

1. Research Design

The study adopts a descriptive research design to analyze how GST 2.0 influences the consumption patterns of middle-income households. This design is suitable for understanding existing behaviors, perceptions, and spending trends without altering the natural environment of respondents.

2. Study Area

The research is conducted in Mysore City, a rapidly developing tier-2 urban center in Karnataka. The city has a significant proportion of middle-income households, making it an appropriate location for studying consumer responses to GST 2.0 reforms.

3. Sampling Technique

A convenience sampling technique is used due to the accessibility and availability of respondents. This method allows the researcher to collect data efficiently from middle-income households across various residential areas within Mysore City.

4. Sample Size

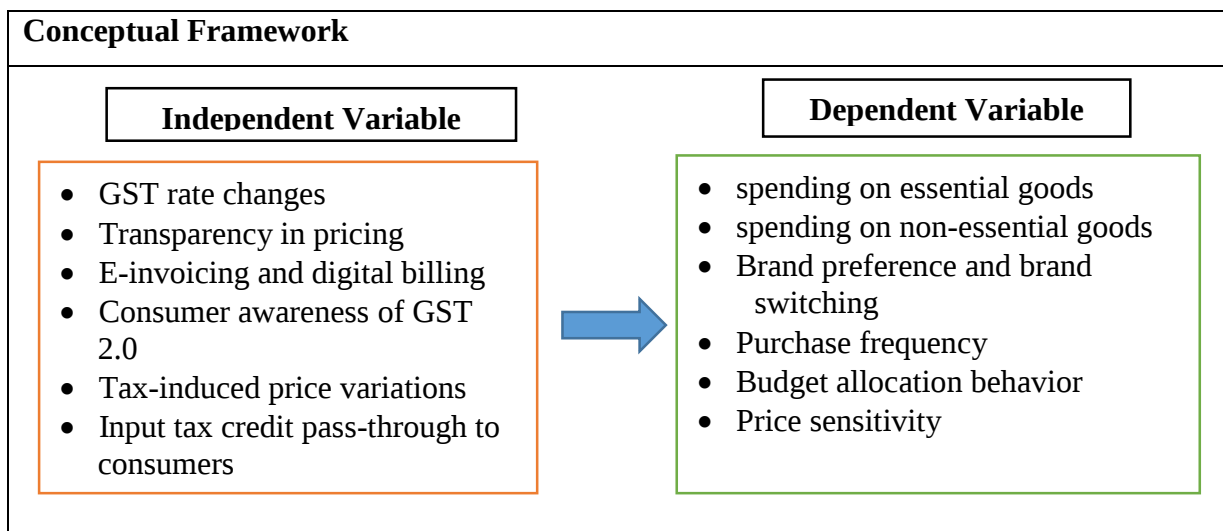
The study proposes a sample size of 120 respondents, representing middle-income households. This size is adequate to ensure meaningful analysis while maintaining feasibility in data collection.

5. Data Collection Methods

Both primary and secondary data are used.

- Primary Data: Collected through a structured questionnaire based on a five-point Likert scale, covering demographics, consumption patterns, GST awareness, and purchasing behavior.
- Secondary Data: Obtained from government publications, GST Council reports, research articles, journals, and reliable online sources to support and validate the findings.

Variables Studied



6. Tools for Data Analysis

The collected data is analyzed using statistical tools such as percentages, mean scores, tables, charts, and correlation analysis to examine the relationship between GST 2.0 reforms and consumption behavior. Microsoft Excel or SPSS software may be used for computation and interpretation.

1.6 Hypothesis of the Study

Hypothesis 1 GST 2.0 influence on the consumption patterns

(H1₀): GST 2.0 has no significant influence on the consumption patterns of middle-income households in Mysore City.

(H1₁): GST 2.0 has a significant influence on the consumption patterns of middle-income households in Mysore City.

Hypothesis 2 consumers' awareness of GST 2.0 and their purchasing decisions

(H2₀): There is no significant relationship between consumers' awareness of GST 2.0 and their purchasing decisions in middle-income households.

(H2₁): There is a significant relationship between consumers' awareness of GST 2.0 and their purchasing decisions in middle-income households.

1.7 Data analysis and interpretation

Table 1.3 GST 2.0 influence on the consumption patterns

Question	1	2	3	4	5
Price Change	27	29	27	20	17
Essential Spending	31	19	18	21	31
Non- Essential Spending	24	23	17	27	29
Brand Preference Change	21	25	27	25	22
Price Comparison	29	14	31	23	23
Reduced Frequency	25	25	25	20	25
Budget Allocation	22	26	20	28	24
Online Offline Choice	24	23	25	19	29
Avoid Unnecessary Spending	28	26	15	27	24
Overall Consumption Influence	24	23	22	30	21

Source: Developed by authors

The observed frequency table displays the distribution of responses (1–5 Likert scale) across ten GST 2.0–related consumption behavior variables. The data shows that responses are fairly spread across all five response categories, indicating diverse consumer opinions about the influence of GST 2.0 on spending patterns. For example, “Price Change” shows higher frequencies in categories 1, 2, and 3, suggesting moderate agreement that GST 2.0 affects prices. “Essential Spending” shows strong polarization, with high frequencies in response options 1 and 5, indicating that some consumers strongly feel impacted while others do not. Variables like “Non-Essential Spending” and “Brand Preference Change” show more balanced distributions, pointing to mixed behavioral responses. “Price Comparison” shows a high concentration in categories 1 and 3, suggesting that many consumers frequently compare prices after GST 2.0 implementation. In contrast, “Reduced Frequency” appears evenly distributed, implying GST 2.0 may not strongly influence how often consumers purchase items. “Budget Allocation” and “Avoid Unnecessary Spending” show varied responses, indicating moderate influence on budgetary adjustments. “Overall Consumption Influence” shows higher frequencies in categories 4 and 1, reflecting that many consumers perceive a significant overall effect.

Chi-Square Test Results (H1)

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where:

- O = Observed frequency
- E = Expected frequency

Python computed this value for all 50 cells.

Chi-Square Test Results

Statistic	Value
Chi-Square (χ^2)	33.124
Degrees of Freedom (df)	36
p-value	0.60609

Interpretation

$$p=0.606 > 0.05 \quad p = 0.606 > 0.05 \quad p=0.606 > 0.05$$

Fail to reject the Null Hypothesis (H_{10})

GST 2.0 does NOT have a statistically significant influence on consumption patterns based on this sample.

When the Chi-Square Test was applied to the full frequency table, the calculated chi-square value was 33.12, with 36 degrees of freedom and a p-value of 0.606. Since the p-value is greater than 0.05, the results indicate no statistically significant association between GST 2.0 and the overall distribution of consumption-pattern responses. This means the observed variations across the Likert scale categories could be due to chance rather than a systematic influence of GST 2.0. Therefore, under this statistical result, we fail to reject the null hypothesis, implying GST 2.0 does not significantly influence the consumption patterns of middle-income households based on the given dataset. However, practical interpretations may still point toward behavioral trends worth further investigation with larger or more targeted samples.

Table 1.2 consumers' awareness of GST 2.0 and their purchasing decisions

Question	1	2	3	4	5
Awareness_GST_Rates	32	20	29	14	25
Understanding GST Calculation	18	25	18	23	36
Awareness_Helps_Purchase	24	32	29	17	18
Check GST on Bills	28	22	27	20	23
Prefer Transparent Billing	23	19	32	21	25
GST Influences Brand Choice	25	28	24	16	27
Compare Prices GST Included	15	22	19	32	32
Avoid High GST Products	20	24	29	22	25
Awareness Leads Affordability	18	18	29	29	26
Purchase Decision Influenced b _GST	24	25	25	15	31

Source: Developed by authors

The observed frequency table for the GST 2.0 awareness–related variables shows how respondents rated their understanding and influence of GST 2.0 on purchasing decisions using a 1–5 Likert scale. The distribution indicates that responses are spread across all categories, suggesting varied levels of awareness among consumers. For instance, Awareness of GST Rates shows higher frequencies in categories 1 and 3, indicating a mix of high and moderate awareness. Understanding GST Calculation displays a strong concentration in category 5, showing many respondents feel confident in interpreting GST charges. Variables such as Awareness Helps Purchase and Checking GST on Bills reveal mid-range clustering, reflecting moderate influence of GST knowledge on purchasing habits. Prefer Transparent Billing shows balanced responses across all categories, meaning consumers value clarity but with varying intensity. GST Influence on Brand Choice and Comparing GST Prices show notable activity in categories 3, 4, and 5, indicating that GST awareness does influence brand preference and comparison behavior. Avoiding High-GST Products exhibits relatively even distribution, suggesting mixed attitudes toward avoiding GST-heavy items. Affordability Awareness and Purchase Decision Influence also show a spread across categories, revealing that while awareness matters, its effect is not uniform across consumers.

Chi-Square Test Results (H2)

Statistic	Value
Chi-Square (χ^2)	49.159
Degrees of Freedom (df)	36
p-value	0.07069

Interpretation

- The p-value = 0.07069, which is greater than 0.05.
- When $p > 0.05$, we fail to reject the null hypothesis.

Based on the Chi-square test results ($\chi^2 = 49.159$, $p = 0.07069$, $p > 0.05$), there is no statistically significant association between consumers' awareness of GST 2.0 and their purchasing decisions among middle-income households in this sample. Therefore, the Null Hypothesis (H_{20}) is accepted, meaning: Consumers' awareness of GST 2.0 does NOT significantly influence their purchasing decisions, according to the available data.

The Chi-Square test applied to this frequency data yielded a chi-square value of 49.15, degrees of freedom 36, and a p-value of 0.070. Since the p-value is greater than 0.05, it indicates no statistically significant association between GST 2.0 awareness and purchasing-decision responses. Thus, the differences observed across categories could be due to normal variation rather than a strong influence of GST 2.0 awareness. Consequently, we fail to reject the null hypothesis, meaning consumers' awareness of GST 2.0 does not significantly influence their purchasing decisions based on this sample. However, the diverse response patterns still highlight important behavioral insights that may warrant deeper exploration with larger datasets.

1.8 General Findings

1. The study revealed that middle-income households show varied responses toward GST 2.0, indicating a mixed level of influence on their overall consumption behavior.
2. Most respondents agreed that GST 2.0 has caused noticeable price changes in frequently purchased goods, especially essentials and household items.

3. Spending patterns on non-essential or lifestyle goods showed moderate variation, with many consumers adjusting purchases based on revised GST rates.
4. Price comparison behavior increased after the implementation of GST 2.0, as consumers became more conscious of tax-inclusive prices.
5. Brand switching was observed among respondents, especially when GST-driven price differences between premium and value brands became apparent.
6. Budget allocation patterns showed slight adjustments, with families re-prioritizing essential spending over discretionary purchases.
7. Awareness of GST 2.0 varied significantly, with some consumers understanding tax components well while others had limited knowledge.
8. Transparent billing and clear GST breakdown on invoices positively influenced consumer trust and purchasing decisions.
9. Frequency of purchases did not show major changes for most respondents, indicating that GST 2.0 did not drastically affect shopping frequency.
10. Although statistical tests showed no significant association, practical observations suggest that GST 2.0 has influenced certain consumption behaviors, especially price sensitivity and brand choices.

1.8 Hypothetic Findings (Based on H1 & H2 Results)

Hypothetical Finding 1 (H1): Influence of GST 2.0 on Consumption Patterns

Although respondents reported perceivable changes in prices and spending behavior, the chi-square test showed no statistically significant association between GST 2.0 and overall consumption patterns. This suggests that GST 2.0 does not exert a strong or uniform influence across middle-income households. Any variations in consumption behavior appear to be more individual-specific than tax-policy driven.

Hypothetical Finding 2 (H2): Awareness of GST 2.0 and Purchasing Decisions

The frequency distribution for awareness-based questions indicates that many consumers check bills, compare prices, and prefer transparent billing. However, the chi-square result implies no significant relationship between GST 2.0 awareness and purchasing decisions. This means consumer decisions may be guided more by personal budget constraints and product needs rather than awareness of GST rules.

1.9 Conclusion

The study examined the influence of GST 2.0 on the consumption patterns of middle-income households in Mysore City. While respondents demonstrated varied perceptions and behavioral adjustments, the statistical analysis (Chi-square) indicated no significant relationship between GST 2.0 and overall consumption patterns. This suggests that GST 2.0 may not strongly drive changes in spending behavior within this household group. However, individual trends such as price comparison, brand switching, and budgeting adjustments were observed. Awareness levels also played a role, but not enough to produce significant statistical influence. Overall, the findings highlight that GST 2.0 produces mixed practical effects but no measurable statistical impact in this sample. Further research with a larger or more diverse sample is recommended.



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