Advanced International Journal for Research (AIJFR)
E-ISSN: 3048-7641 ● Website: www.aijfr.com ● Email: editor@aijfr.com

"Consumer Perception of GST 2.0 And Its Influence on FMCG Purchase Decisions"

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Abstract
The implementation of Goods and Services Tax (GST) marked a significant reform in India's indirect tax system, aiming to create a unified market and enhance transparency. With the evolution toward GST 2.0 characterized by technological integration, simplified compliance mechanisms and rationalized tax structures its impact on consumer behaviours has become increasingly relevant. This study examines consumer perception of GST 2.0 and analyses its influence on purchase decisions in the Fast-Moving Consumer Goods (FMCG) sector.

The research explores key dimensions of consumer perception, including price sensitivity, tax awareness, perceived fairness and trust in the taxation system. It also investigates how changes in tax rates, input tax credits, and supply chain efficiencies under GST 2.0 affect product pricing and availability thereby shaping consumer buying behaviours.

The findings are expected to provide insights into the relationship between tax reforms and consumer decision-making highlighting the role of perceived price transparency and economic rationality in FMCG purchases. The study contributes to policy discussions by evaluating the effectiveness of GST 2.0 from a consumer-centric perspective and offers strategic implications for FMCG marketers in pricing, communication and demand management.

Keywords: GST 2.0, Consumer Perception, FMCG, Purchase Decision, Tax Awareness, Price Sensitivity
JEL Codes: H25, D12, M31, H71, D91.

1. Introduction

The implementation of GST under the GST Act 2017 marked a transformative reform aimed at simplifying India's indirect taxation system and improving economic efficiency (Government of India, 2017). By replacing multiple indirect taxes such as VAT, excise duty and service tax GST eliminated cascading effects and created a unified national market (KPMG, 2018; Deloitte, 2022). The evolution toward GST 2.0 reflects ongoing policy efforts to rationalize tax slabs, enhance compliance through digitalization and improve transparency (PwC, 2023; OECD, 2021).

These reforms are particularly relevant for the FMCG sector which is characterized by high consumption frequency, intense competition and strong price sensitivity (Nielsen, 2020; Ernst & Young, 2022). From a behavioural perspective taxation reforms influence consumer decision-making not only through actual price changes but also through perceived fairness and transparency (Thaler, 1985; Kahneman & Tversky, 1979). Empirical studies suggest that consumers respond differently depending on how taxes are presented and perceived highlighting the importance of perception as a mediating factor (Chetty et al., 2009; Allcott et al., 2019). Therefore, analysing consumer perception of GST 2.0 is essential for understanding its impact on FMCG purchase behaviour.

GST 2.0

GST 2.0 (Goods and Services Tax 2.0) represents the advanced phase of reforms in India's Goods and Services Tax system, aimed at improving efficiency, transparency and compliance after its initial implementation in 2017. This phase focuses on rationalizing tax rates into fewer slabs, strengthening digital infrastructure through mandatory e-invoicing and real-time return matching and enhancing the robustness of the GST Network (GSTN) to minimize tax evasion and fraud. Furthermore, GST 2.0 seeks to expand the tax base by including petroleum products, electricity and real estate, thereby ensuring seamless input tax credit and reducing cascading effects across sectors (GST Council, 2023; Ministry of Finance, 2023). The reform also prioritizes automated refund systems, simplified compliance procedures and improved dispute resolution mechanisms, which are expected to enhance ease of doing business and support MSMEs. Empirical studies indicate that these structural improvements can increase tax buoyancy, promote formalization of the economy and strengthen fiscal federalism in India (Rao, 2019; Kumar, 2020; International Monetary Fund, 2022).

2. Consumer Perception

Consumer perception is a psychological and cognitive process through which individuals select, organize and interpret stimuli to form meaningful judgments about products, services, or external information thereby shaping their attitudes and behavioural intentions. It is influenced by a combination of internal factors such as beliefs, motivation and prior experience and external factors such as social influence, communication and information exposure making it inherently subjective and dynamic. In the domain of consumer behaviour, perception plays a central role in value evaluation, trust formation and decision-making processes. The Theory of Planned Behaviour provides a strong theoretical foundation, suggesting that perception-driven attitudes along with subjective norms and perceived behavioural control, significantly determine behavioural intentions. Additionally, information processing theory highlights that clarity, consistency and credibility of information sources enhance positive consumer perception while ambiguity leads to cognitive dissonance and negative evaluations. Empirical evidence further indicates that perceived usefulness, ease of understanding and perceived risk are key determinants influencing consumer responses across contexts (Cheung et al., 2008; Kim et al., 2008; Paul & Rana, 2012). Thus, consumer perception acts as a critical mediator between external stimuli and consumer behaviour influencing both short-term decisions and long-term loyalty.

3. Conceptual Background of GST and Consumer Behaviour

GST influences consumer behaviour by altering price structures, improving transparency and affecting purchasing power (Kumar & Rai, 2018; Chitra, 2019). According to price perception theory consumers evaluate not only the absolute price but also its fairness and justification which significantly affects purchase decisions (Xia et al., 2004; Bolton et al., 2003).

Behavioural economics further suggests that tax salience plays a critical role in consumer responses as individuals tend to underestimate hidden taxes and react more strongly to visible price changes (Chetty et al., 2009; Finkelstein, 2009). The Theory of Planned Behaviour (Ajzen, 1991) explains that attitudes toward price fairness, social norms and perceived control over spending influence consumer decisions.

GST 2.0 impacts all these dimensions by increasing transparency, improving affordability and shaping social norms related to tax compliance (Singh & Verma, 2021; Gupta, 2021).

4. Objectives of the Study

The study aims to achieve the following objectives:

1. To examine consumer perception of GST 2.0
2. To systematically review literature on GST and consumer behaviour
3. To identify research gaps and suggest future directions

5. Literature Review

The reviewed literature reveals several key themes that explain the relationship between GST and consumer behaviour. First, studies on GST and consumer behaviour indicate that the reform has improved transparency and reduced tax cascading, thereby increasing consumer confidence and spending behaviour (Kumar & Rai, 2018; Chitra, 2019). However, initial implementation challenges and lack of awareness created confusion among consumers, leading to mixed perceptions (Sharma, 2020). Second, research on the FMCG sector highlights that GST has improved supply chain efficiency, reduced logistics costs and enhanced product availability which can potentially lower prices and increase demand (Deloitte, 2022). Third, consumer perception studies emphasize the role of awareness and education, with urban consumers generally exhibiting more positive perceptions compared to rural consumers due to better access to information (Singh & Verma, 2021). Fourth, emerging research on GST 2.0 suggests that tax rationalization and reduced rates on essential goods have improved affordability and consumption, although inconsistent benefit transmission remains a concern (PwC, 2023; Agarwal et al., 2025). Finally, studies on FMCG purchase behaviour indicate that consumers are highly price-sensitive and tend to adjust their purchase frequency, brand preferences, and consumption patterns in response to tax-induced price changes (Verma & Gupta, 2022).

6. Systematic Literature Review Table

No.	Author(s)	Year	Focus Area	Methodology	Key Findings	Research Insights
1.	Ajzen	1991	TPB	Theoretical	Attitudes influence behaviour	General theory
2.	Xia et al.	2004	Price fairness	Conceptual	Fair pricing influences buying	No GST context
3.	Chetty et al.	2009	Tax salience	Empirical	Tax visibility affects decisions	Behavioural scope limited
4.	Ranjith & Karat	2017	FMCG behaviour	Survey	GST affects buying	Limited scope
5.	Iyer	2018	Tax reform	Conceptual	Simplified system	No consumer link

6.	KPMG	2018	GST economy	Report	Improved supply chain	No consumer focus
7.	Kumar & Rai	2018	GST behaviour	Survey	Transparency improves consumption	FMCG gap
8.	Thomas	2019	Inflation	Secondary	Short-term inflation	No behaviour
9.	Chitra	2019	Spending behaviour	Empirical	Increased trust in GST	No GST 2.0
10.	Jain	2019	Awareness	Survey	Awareness improves perception	No purchase link
11.	Garg	2020	Perception	Survey	Positive perception due to transparency	Behaviour gap
12.	Sharma	2020	GST challenges	Conceptual	Confusion affects perception	No empirical data
13.	Roy	2020	Rural markets	Survey	Low awareness	Limited FMCG
14.	Reddy	2020	Consumption	Survey	Increased demand	No GST 2.0
15.	Kaur & Kaur	2020	Price perception	Survey	Fairness affects buying	No segmentation
16.	Singh & Verma	2021	Urban vs rural	Comparative	Urban awareness higher	Rural gap
17.	Gupta	2021	Trust	Empirical	Transparency builds trust	No purchase link
18.	Banerjee	2022	Brand switching	Survey	Price-driven behaviour	GST 2.0 gap
19.	Das	2022	FMCG demand	Secondary	Demand increases	Behaviour missing
20.	Narayan	2022	Digital economy	Secondary	Digital payments increase	FMCG gap
21.	Deloitte	2022	FMCG sector	Report	Reduced logistics cost	Behaviour gap

22.	Verma & Gupta	2022	Purchase behaviour	Survey	Brand switching occurs	Short-term
23.	PwC	2023	GST 2.0	Report	Improved affordability	No empirical data
24.	Popli	2023	FMCG sector	Mixed	Supply chain efficiency	Consumer gap
25.	Mehta	2023	Consumption	Empirical	Value-based buying	GST 2.0 gap
26.	Kapoor	2024	GST reforms	Empirical	Improved affordability	No longitudinal
27.	Agarwal et al.	2025	GST 2.0	Empirical	Increased income	Limited FMCG

7. GST 2.0 and FMCG Purchase Behaviour

GST 2.0 has significantly influenced FMCG purchase behaviour by altering price structures and improving affordability. Lower tax rates on essential goods increase disposable income leading to higher consumption levels (Agarwal et al., 2025; PwC, 2023). At the same time, increased transparency in pricing enhances consumer trust and encourages rational decision-making (Gupta, 2021; Xia et al., 2004).

However, behavioural responses vary across consumer segments due to differences in awareness, income and access to information (Singh & Verma, 2021; Roy, 2020). Additionally, firm-level pricing strategies, such as reducing product quantity instead of price can distort consumer perception and reduce the perceived benefits of tax reforms (Mehta, 2023; Nielsen, 2020). Therefore, the impact of GST 2.0 on FMCG purchase decisions is shaped by both economic and behavioural factors.

8. Conceptual Framework

The conceptual framework proposed in this study establishes a relationship between GST 2.0 reforms, consumer perception and FMCG purchase decisions. GST 2.0 acts as an independent variable influencing consumer perception through changes in price, transparency and affordability. Consumer perception, in turn, acts as a mediating variable that shapes purchase decisions, including product choice, purchase frequency and brand preference. The framework also recognizes the role of moderating variables such as consumer awareness, income level and geographic location (urban vs rural), which influence how consumers interpret and respond to GST reforms. By integrating economic and behavioural perspectives, the framework provides a comprehensive understanding of how policy changes translate into consumer behaviour outcomes.

9. Discussion

The findings of the study indicate that GST 2.0 has generally improved consumer perception by enhancing transparency and affordability leading to increased FMCG consumption. However, the impact of GST 2.0 is not uniform across all consumer segments as differences in awareness, income and access to information result in varied perceptions and behavioural responses. The literature also reveals that most existing studies focus on economic and policy aspects of GST, with limited attention to behavioural and psychological factors. This highlights the need for interdisciplinary research that integrates insights from economics, marketing and behavioural science. Additionally, the lack of empirical studies specifically focusing on GST 2.0 suggests that further research is needed to validate the theoretical relationships identified in this study.

10. Research Insights

The study provides several important insights into the relationship between GST 2.0 and consumer behaviour. It highlights that GST 2.0 enhances transparency and trust which are critical for influencing consumer decisions. It also demonstrates that FMCG consumption is highly sensitive to price changes, making taxation policies a key determinant of market demand. Furthermore, the study emphasizes the importance of consumer awareness in shaping perception and behaviour, suggesting that policy effectiveness depends not only on economic changes but also on communication and education. Finally, the study identifies a significant gap in behavioural research on GST 2.0, indicating the need for future empirical studies.

11. Conclusion

In conclusion, GST 2.0 represents a significant advancement in India's taxation system with important implications for consumer perception and FMCG purchase decisions. While the reform has improved transparency, affordability and consumption challenges remain in ensuring consistent benefit transmission and enhancing consumer awareness. The study concludes that consumer perception is a critical factor determining the success of GST reforms, as it mediates the relationship between policy changes and actual consumer behaviour. Therefore, policymakers and businesses must focus on improving transparency, communication, and pricing strategies to maximize the benefits of GST 2.0.

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