Research Paper

EPRA International Journal of Economic and Business Review-Peer Reviewed Journal
Volume - 13, Issue - 5, May 2025 | e-ISSN: 2347 - 9671| p- ISSN: 2349 – 0187

SJIF Impact Factor (2025): 8.862 || ISI Value: 1.433 || Journal DOI URL: https://doi.org/10.36713/epra2012

THE IMPACT OF THE GOODS AND SERVICES TAX (GST) ON CONSUMER PERCEPTION AND SMALL BUSINESSES

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ABSTRACT **DOI No: 10.36713/epra21593** **Article DOI: https://doi.org/10.36713/epra21593**

The introduction of the Goods and Services Tax (GST) in India represented a pivotal moment in the nation's economic reforms. It consolidated various indirect taxes into a singular tax framework, improving transparency and easing compliance processes. This research examines the effects of GST on consumer attitudes and the functioning of Micro, Small, and Medium Enterprises (MSMEs). By utilizing a structured survey distributed among different age demographics, the research assesses alterations in buying habits, price sensitivity, invoice clarity, and overall awareness of GST. While certain consumer segments have gained from enhanced transparency and more equitable pricing, others report dissatisfaction due to higher costs and the perceived complications involved. The research also provides policy suggestions to alleviate these issues and strengthen the GST system.

KEYWORDS: ***GST, MSMEs, Consumer Behaviour, Tax Reform, Invoice Transparency, Price Sensitivity, Awareness***

1.INTRODUCTION

The introduction of GST on July 1, 2017, aimed to overhaul India's indirect tax system by integrating various state and central levies into a single, unified structure. It replaced taxes such as VAT, excise duty, and service tax, thereby reducing the cascading effect of multiple tax layers. GST aimed to streamline business operations, especially for MSMEs, and to offer consumers a more transparent and equitable pricing mechanism. Prior to GST, MSMEs faced challenges in complying with a diverse range of indirect taxes that varied by state. This created inefficiencies in interstate trade and restricted smaller businesses from expanding across state borders. With GST, a uniform tax regime was introduced that facilitated a seamless national market. However, transitioning to this new tax structure was not without hurdles. Small businesses, in particular, struggled to adapt to digital compliance requirements, while consumers faced confusion over varying GST rates on essential and luxury goods. This study investigates the implications of GST from both consumer and MSME perspectives, paying special attention to awareness, purchasing trends, and perceived fairness post-implementation. It aims to fill the gap in understanding how different demographic segments perceive and adapt to the changes introduced by GST.

2. LITERATURE REVIEW

"Impact of Goods and Service Tax on MSME Sector" by Hilal Sai (2024)

This study provides a descriptive analysis of the impact of the Goods and Services Tax (GST) on Micro, Small, and Medium Enterprises (MSMEs) in India, focusing on both its intended benefits and the challenges faced by small businesses. The research highlights that GST was introduced to create a simplified, transparent, and uniform tax system, replacing multiple indirect taxes and reducing tax inefficiencies. However, its implementation has presented significant difficulties for MSMEs.

One of the major challenges identified in the study is the increase in compliance costs. Small businesses, many of which lack advanced financial resources and technological infrastructure, struggle with the frequent filing of returns, digital invoicing requirements, and maintaining proper records. Additionally, the study finds that limited tax awareness among MSME owners has further complicated compliance, making it difficult for them to navigate GST regulations effectively. These factors have resulted in operational disruptions and financial strain for many small enterprises.

Despite these challenges, the study acknowledges that GST has the potential to benefit MSMEs in the long run by reducing tax cascading, improving credit access, and integrating small businesses into the formal economy. The author emphasizes the

need for government support, including tax education programs, simplified filing procedures, and measures to ease the compliance burden on small enterprises. The study concludes that while GST is a step toward tax reform, addressing MSMEs' difficulties in adapting to the system is crucial for ensuring their sustainable growth.

3. OBJECTIVES OF THE STUDY

The study is structured around five primary objectives, developed to explore the nuanced interplay between consumer demographics and the Goods and Services Tax (GST):

1. **To assess consumer awareness of GST and its features across age groups**
   This objective aims to evaluate how well different age demographics understand GST, including its structure, benefits, and challenges. It also seeks to uncover digital literacy and information access gaps that may influence awareness levels.
2. **To understand consumer perception regarding price changes post-GST implementation**
   GST has been perceived by many as a factor in rising costs. This study examines the extent to which consumers believe GST has contributed to price inflation and identifies which age groups are most affected.
3. **To examine the level of transparency in billing and invoicing practices introduced by GST**
   With GST mandating more detailed invoices, this objective explores whether consumers feel better informed or more confused by current billing practices.
4. **To study changes in purchasing habits, especially the preference for GST-compliant businesses**
   As formalization of business increases, this study investigates whether consumers are shifting preferences toward businesses that offer GST-compliant invoices and transparent pricing.
5. **To recommend strategic policy actions that foster a GST environment supportive of consumers and MSMEs**
   Based on analysis, the study proposes practical reforms and support strategies to enhance the effectiveness of GST for consumers and micro, small, and medium enterprises (MSMEs).

4. RESEARCH METHODOLOGY

This study employs a **quantitative research methodology** cantered on structured data collection through a survey questionnaire. The target population included consumers from various age groups, and a **sample size of 100 respondents** was selected using convenience sampling. The respondents were segmented into four distinct age groups for comparative analysis:

- 18–25 years
- 26–35 years
- 36–50 years
- 50+ years

The questionnaire included closed-ended questions designed to extract data on GST awareness, price sensitivity, transparency in invoicing, and behavioural shifts in purchasing post-GST.

Data Collection and Analysis

The survey data were analysed using **descriptive statistics**, including frequency distributions and percentages. Visual tools such as **bar charts, pie charts, and tables** were used to present the findings clearly. The analysis also includes **cross-tabulation by age groups** to identify trends and deviations in consumer behaviour and perception.

Limitations

- Limited sample size may restrict the generalizability of results.
- Convenience sampling may lead to selection bias.
- Urban-centric responses could overlook rural perceptions.

Despite these limitations, the research offers valuable insights into age-specific GST impacts on consumer behaviour and MSME dynamics.

5. DATA ANALYSIS AND INTERPRETATION

5.1 GST Awareness

The survey found that the **18–25 age group** had the highest awareness (60%). This can be attributed to increased access to digital information, higher education levels, and social media engagement. On the other hand, only 35% of individuals aged **50+** demonstrated a sound understanding of GST, indicating a generational gap in tax literacy.

5.2 Perceived Price Impact

Across all demographics, around **65% of respondents** felt that GST has led to a general increase in the price of goods and services. The **36–50 age group** perceived this impact most strongly (70%), likely due to their involvement in family budgeting and broader household financial responsibilities.

5.3 Invoice Transparency

Only **48% of total respondents** reported improved clarity in invoices since the implementation of GST. While younger and middle-aged groups found the structured billing system helpful, older respondents (especially those 50+) found it **confusing and overly technical**.

5.4 Purchasing Behaviour

The **18–25 group** reported the most significant behavioural change, with **50% shifting to GST-registered sellers**. Factors driving this preference include better warranties, formal receipts, and confidence in product authenticity. The older age groups were less influenced, likely due to **habits formed during pre-GST informal markets**.

Table 1: Age-wise Distribution of Responses on Key Parameters

Age Group	GST Awareness (%)	Price Increase Felt (%)	Invoice Clarity (%)	Change in Purchase behaviour (%)
18–25	60	45	55	50
26–35	52	60	50	45
36–50	48	70	42	38
50+	35	65	40	35

6. KEY FINDINGS

- Digital Literacy Drives Awareness: Younger individuals are significantly more informed about GST, thanks to digital access and education.
- Middle Age Bracket Sees GST as Inflationary: The 36–50 demographic, managing most household finances, perceives GST as increasing the cost of living.
- Older Adults Struggle with Digital and Tax Literacy: A considerable number of 50+ respondents show low GST awareness and difficulty interpreting invoices.
- Behavioural Shift Toward Formal Retail: There is a noticeable increase in preference for GST-compliant vendors among youth, signalling growing trust in formal marketplaces.
- Challenges for MSMEs: While GST brings inter-state operational ease and input credit benefits, MSMEs still face barriers in technology adoption and compliance management.

7. CONCLUSION

GST implementation has redefined India's indirect tax regime. This study reveals that its impact is **not uniform across age groups**. Younger consumers are adapting better due to digital familiarity, while older consumers remain under-informed and less adaptable to formal systems. Consumers in the 36–50 range, who bear the brunt of household expenses, are most vocal about price hikes.

For MSMEs, GST offers long-term benefits such as ITC claims and supply chain standardization. However, they remain hindered by high compliance costs and inadequate technological infrastructure. The **age-driven disparities** in perception and behaviour reflect the need for **inclusive and targeted reforms**.

8. Recommendations

1. **Simplify GST Structure:**
   Rationalize GST slabs and reduce classification ambiguity to ensure ease of understanding for consumers and businesses alike.
2. **Educational Outreach for Older Demographics**
3. Develop user-friendly resources and conduct workshops to enhance tax literacy among the 50+ population.
4. **Invoice Standardization**
   Enforce uniform invoice formats and initiate awareness campaigns on interpreting invoice details.
5. **Digital Tools for MSMEs**
   Subsidize cloud-based GST filing tools and offer mobile applications to make compliance affordable and accessible.
6. **Support for Essential Goods Suppliers**
   Provide tax breaks or relaxed compliance timelines for MSMEs that supply basic or essential goods.
7. **Mobile-Friendly GST Services**
8. Launch multilingual mobile apps for GST updates, invoice verification, and rate lookups tailored to both consumers and MSMEs.

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