



# Impact Of GST On Consumer Pricing In India - A Study

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## Abstract

The Goods and Services Tax (GST), introduced in India on *1 July 2017*, represents one of the most significant reforms in the country's indirect tax architecture. Designed to replace a complex web of state and central taxes, GST aimed to create a unified tax system, reduce the cascading effect of taxes, improve transparency, and promote ease of doing business. This research article examines how the implementation of GST has influenced consumer pricing, inflation dynamics, consumer awareness, and spending behavior across various sectors in India. The analysis synthesizes findings from recent academic studies, working papers, and sectoral research.

**Keywords:** Goods and Service Tax (GST), Consumer Pricing, Indirect Tax Reform, Price Level Changes, Tax Incidence

## 1. Introduction

GST subsumes multiple indirect taxes like excise duty, VAT, service tax, and others into a single tax structure, levied at every stage of value addition but with a mechanism for Input Tax Credit (ITC) to avoid tax-on-tax. One of the primary economic outcomes theorized for GST was **altered consumer prices**—both upwards and downwards—depending on tax rate changes and market responses.

## 2. Literature Review

Researchers and policymakers have examined GST's impact on macroeconomic indicators and sectoral pricing. Key themes include:

- GST's role in reducing tax cascading
- Its influence on inflation and consumer price indices
- Sectoral variations (e.g., FMCG, automobiles, real estate)

Many studies suggest that GST may initially trigger inflation due to administrative changes and compliance costs, but benefit consumers in the long term via efficiency gains. However, results between sectors vary significantly.

### 3. Empirical Evidence from Research

#### 3.1 Reduced Cascading and Price Transparency

A study by *Kanakshi Nema* highlights that GST's consolidated tax framework helped reduce the cascading effect of taxes, improved clarity on tax components on bills, and enhanced transparency for consumers. These factors contribute to more informed purchasing decisions and potentially lower prices in the long term. [dmejournals.com](http://dmejournals.com)

#### 3.2 Mixed Price Effects across Goods and Services

Surveys and empirical papers examining consumer perception indicate that:

- *Services* (e.g., dining, maintenance, professional services) initially experienced modest price increases because of higher effective GST rates than earlier service taxes.
- *Goods* exhibited a more varied pattern: essential items and FMCG products tended to see price stabilization or reduction over time due to simplified taxation and logistics efficiencies, whereas luxury and high-end items often remained pricier owing to higher GST slabs. [ijrjournal.com](http://ijrjournal.com)

#### 3.3 Retail Sector Pricing and Profit Margins

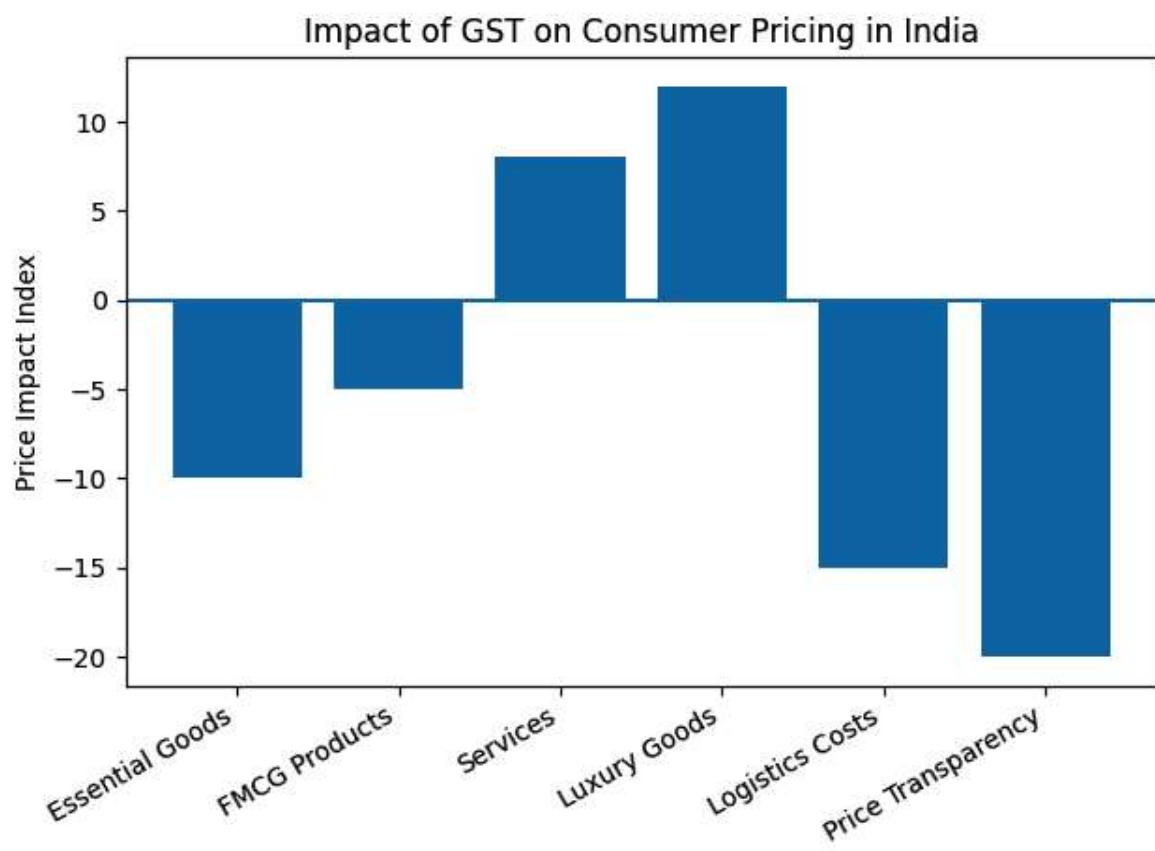
Research on retail businesses shows that GST influenced pricing strategies and margins differently across sectors. Retail firms faced a transition cost but also benefited from easier compliance and reduced logistics burden. However, their ability to pass on GST benefits to end consumers varied by product category and competitive pressures. [JISEM](http://JISEM)

#### 3.4 Households and Spending Patterns

A 2025 household expenditure study in Madhya Pradesh reveals that rationalized GST rates have positively affected purchasing power, especially for essential goods and personal care items. Yet, the redistributive nature of GST implies that lower-income groups still bear a relatively higher effective burden, influencing their spending patterns and price sensitivity. [ijisem.com](http://ijisem.com)

#### 3.5 Sector-Specific Price Responses

Focused research on specific product categories, such as clothing in Rajasthan, reported that consumers perceived **higher prices post-GST** in segments where tax rates increased or where retailers adjusted MRP without fully passing on rate benefits. This has shaped consumer preference and price elasticity in discretionary segments. [Granthaalayah Publication](http://Granthaalayah Publication)



**Chart showing the *Impact of GST on Consumer Pricing in India*.**

- **Positive values (above 0)** → Increase in consumer prices
  - *Services* and *Luxury Goods* show a price rise due to higher GST slabs.
- **Negative values (below 0)** → Reduction or consumer benefit
  - *Essential goods* and *FMCG products* reflect price moderation.
  - *Logistics costs* and *price transparency* show strong indirect benefits that help reduce final prices.

#### 4. Discussion

##### 4.1 Price Stability and Inflation

GST's introduction coincided with structural tax shifts and economic adjustments. While research suggests long-term price stabilization effects due to uniform tax rates and reduced inefficiencies, short-term inflationary pressures occurred in pockets, particularly services and luxury goods. A government working paper notes that changes in rate structures directly influence consumer tax liabilities and thus pricing patterns. NIPFP

##### 4.2 Consumer Awareness and Tax Understanding

GST has increased awareness of tax components on bills, leading to better consumer understanding of the tax burden embedded in product pricing. Anti-profiteering rules were also introduced to ensure firms pass benefits to consumers, although implementation challenges have been reported by consumer bodies. The Economic Times

#### 4.3 Policy Implications

Effective enforcement of anti-profiteering provisions and continued rate rationalization are crucial to ensuring that GST benefits translate into consumer price changes. Sector-wise tailoring of tax rates, especially for necessities versus luxury goods, remains a policy lever to manage affordability and demand.

### 5. Conclusion

The impact of GST on consumer pricing in India is **multi-faceted**:

- It has **reduced systemic inefficiencies** and improved tax transparency.
- Price impacts are **heterogeneous** across goods and services.
- Long-term effects point towards increased economic efficiency and potential price moderation.
- Short-term and sectoral price responses reflect market strategies, regulatory adjustments, and consumer perceptions.

Overall, GST has played a pivotal role in reshaping pricing dynamics in the Indian economy, with ongoing refinements to the tax structure further influencing consumer price outcomes

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