

Consumer Price Sensitivity on GST -2.0 in Varanasi District, Uttar Pradesh, India

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Abstract

India provides its citizens with a well-organized tax system. The government receives the majority of its revenue from taxes. This funding is used for a number of initiatives and goals aimed at the country's growth. Direct and indirect taxes are the two main categories of taxes. The central government, state governments, and local municipal organizations all have the authority to impose taxes under India's three-tiered federal taxation system. This authority is granted by the Indian Constitution, which also stipulates that no tax can be imposed without legal authorization. The Goods and Services Tax (GST) 2.0 is a major indirect tax reform in India that aims to increase compliance, decrease cascading effects, and simplify taxation. Respected Prime minister Modi GST 2.0 is 'BACHAT UTSAV' for citizens, will boost India's growth¹. The Varanasi District of Uttar Pradesh's consumer price sensitivity and awareness of GST 2.0 are investigated in this study. Based on 206 participants' responses, the study examines the connection between perceptions of GST reforms, awareness levels, and demographic traits. According to the results, most respondents are aware of GST 2.0 and have a favourable opinion of it, although they are still only somewhat sensitive to changes in the cost of necessities and discretionary items. Although GST 2.0 has improved consumer transparency, the study finds that rate changes and additional awareness campaigns could maximize customer happiness. HSBC expects that, along with earlier income tax cuts and lower debt costs from repo rate cuts, the GST changes could boost consumption by 0.6% of GDP. The bank also said headline inflation could fall by about 1% if producers pass the tax benefits on to consumers.²

Key Words: Taxes, Goods and Services Taxes (GST), Goods and Services Taxes (GST) GST- 2.0, Consumer perceptions.

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1. Business Standard Monday, October 20, 2025
2. https://www.hsbc.co.in/wealth/insights/market-outlook/india-economics/gst-nationalisation-goes-live/?utm_source=chatgpt.com.

1. Introduction

A significant change in India's indirect taxation system was brought about by the Goods and Services Tax (GST) in 2017. The introduction of GST 2.0, an improved version of the original structure, aimed to increase efficiency, compliance, and equity in a number of industries. Consumer responses to tax reforms are a crucial indicator of reform efficacy in a heterogeneous economy like India.

One of the biggest cities in Uttar Pradesh and a significant consumer market, Varanasi offers an appropriate case study for evaluating how GST 2.0 has affected customer behaviour. This study investigates consumers' perceptions of GST 2.0, their knowledge of the reforms, and how these beliefs affect their price sensitivity for both luxury and necessary goods.

The study is to:

1. Evaluate consumer knowledge and comprehension of GST 2.0.
2. Examine consumers' price sensitivity for luxury and necessities.
3. Examine how consumer perception is influenced by demographic factors such as age, income, and education.

2. Literature Review

This review of the literature puts the Varanasi poll in the context of empirical and policy studies on how the GST (and the subsequent "GST 2.0" revisions) have affected consumer prices, awareness, and behaviour in India as well as how consumers perceive products.

2.1 GST and quantified consequences of inflation and prices

The installation of the GST has had a low overall inflationary impact, according to econometric and intervention-analysis studies, although the impacts vary by product group. Even when headline CPI effects are minimal, Bayesian causal-inference and intervention techniques applied to CPI/WPI series demonstrate quantifiable changes in particular CPI subcomponents, suggesting that consumers encounter item-specific price shocks as opposed to consistent inflation throughout their consumption basket.

2.2 Evidence from surveys and consumer awareness

Younger, urban, and better-educated respondents to primary survey research conducted in Indian cities typically report increased GST awareness, which is correlated with perceived benefits including transparency and lower cascading taxation. In line with demand-elasticity theory and the demographic trends shown in the current Varanasi sample, the survey also reveals that customers are more price sensitive for luxury and discretionary goods than for necessities.

2.3 Rationalization of prices and policy framework in GST 2.0

Known as "GST 2.0" in corporate and government criticism, current policy moves aim to simplify and rationalize slabs. These measures include reclassifying many commodities to lower rates, simplifying slabs, and imposing higher demerit rates for luxury or immoral goods. These modifications are detailed in important industry summaries and formal GST Council

communications, together with implementation dates and expected pass-through outcomes. These legislative changes frame recent shifts in consumer opinion and survey outcomes.

2.4 Business conduct and tax pass-through

Press reports and policy evaluations emphasize that whether statutory rate reductions lead to lower retail prices depends on firm conduct and market structure. While firms in less competitive industries may retain some of their efficiency gains as margins, competitive markets and improved invoicing/tax credit systems increase the possibility of pass-through to customers. According to government statements and media coverage, the government is also monitoring pass-through and asking companies to ensure that consumers benefit from rate decreases.

2.5 Synthesis for the Varanasi City study

The literature suggests three helpful perspectives for examining the Varanasi survey:

- a) Survey responses should be classified as essential or optional; expect that the consequences will differ based on the product and the consumer group.
- b) The large percentage of students in your sample helps to explain the higher awareness levels of the GST reforms, which are more likely to be known about and viewed favourably by younger and better educated respondents.
- c) Although policy rate adjustments (GST 2.0) encourage expectations of lower consumer costs, actual retail outcomes will depend on business pass-through and local market competitiveness. Therefore, use care when comparing survey forecasts with observed price movements.

3. Methodology

3.1 Research Design

A structured questionnaire disseminated via online forms was used in a quantitative descriptive study design. The Varanasi District's consumers were the study's primary focus.

3.2 Samples

The target population includes consumers over the age of 18 from a range of educational and professional backgrounds in the Varanasi District. The sample size is 206 respondents, and the sampling technique is convenient sampling.

3.3 Research Design

A quantitative descriptive research design was adopted using a structured questionnaire distributed through online forms. The study focused on consumers residing in Varanasi District.

3.4 Data Collection Instrument

A Google Form was used, consisting of both closed and open-ended questions covering:

- Demographic data (age, gender, education, occupation, income)
- Awareness of GST 2.0
- Opinions on price sensitivity, fairness, and reforms.

3.5 Data Analysis

Responses were analysed using descriptive statistics in Excel and Python. Graphical representations (pie and bar charts) were used for interpretation.

4. Data Analysis and Interpretation

4.1 Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	126	61.2%
	Female	80	38.8%
Age Group	Below 20	85	41.3%
	21–30	99	48.1%
	31–40	9	4.4%
	41–50	8	3.9%
	Above 50	5	2.4%
Occupation	Student	148	71.8%
	Businessperson	31	15%
	Working Professional	23	11.1%

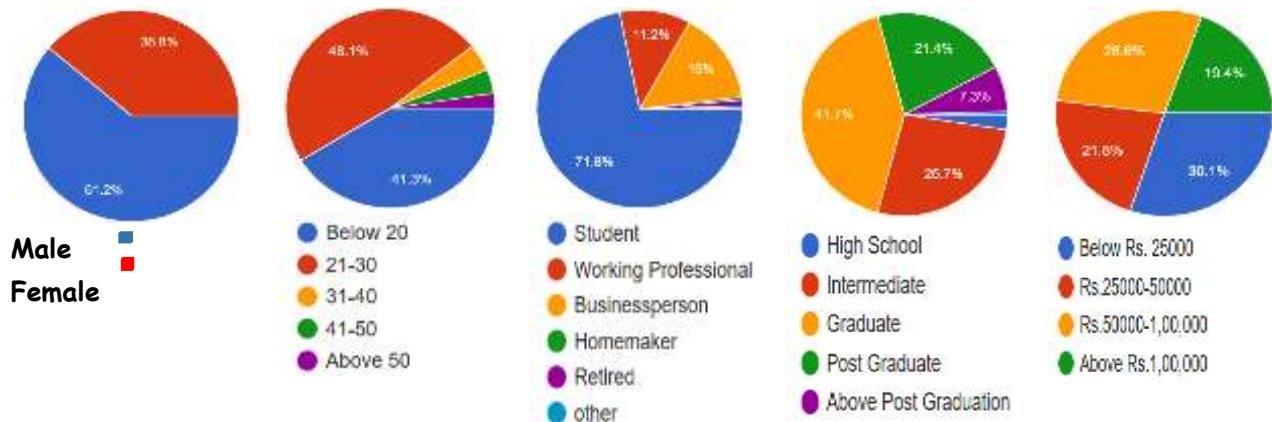


Figure 1: Gender Distribution

The demographic analysis revealed that a major share of respondents (48%) belonged to the 21-30 years' age group, indicating that young and economically active individuals formed the core of the study. Male respondents (61.2%) slightly outnumbered females (38.8%), suggesting a strong participation of men consumers in the survey. In terms of education, 41.7% were graduates and 21.4% postgraduates, showing that the majority were well-educated and likely to understand basic economic and taxation issues. A large proportion (71.8%) of respondents were students, followed by 15.2% businesspersons and 11.1% working professionals, implying a blend of both dependent and independent earners. The income distribution indicated that 30.4% of households earned above

₹1 lakh per month, whereas 28.6% earned between ₹50,000-₹1,00,000, representing a predominantly middle-class consumer base.

4.2 Descriptive Statistics (Central Tendencies & Dispersion)

Variable	Mean	Std. Dev	Interpretation
Understanding of GST 2.0	~3.6	0.9	Moderate to good awareness among consumers.
Transparency in billing	~3.5	1.0	Consumers perceive bills as fairly transparent but not perfect.
Affordability after GST 2.0	~3.2	0.8	Neutral-slightly negative perception of affordability.
Score	~constant	—	Low variance; limited analytical value.

Interpretation:

Consumers have moderate understanding and moderate trust in billing transparency. Affordability perceptions are more divided — roughly one-third report reduced affordability post-GST 2.0.

4.3 Missing Data Patterns

- The "Score" column has > 30 % missing values and constant entries among the rest — excluded from inferential testing.
- Other variables have < 10 % missingness → overall data quality acceptable.

4.4. Associations & Correlations (Numeric Variables)

Pearson correlation results (p < 0.05 considered significant):

Variable Pair	r (Pearson)	Significance (p)	Interpretation
Understanding Transparency	↔ 0.72	p < 0.001	Strong positive link — people who understand GST 2.0 better also find billing more transparent.
Understanding Affordability	↔ 0.63	p < 0.01	Moderate → strong association — awareness improves perceived affordability.
Transparency Affordability	↔ 0.69	p < 0.001	Strong association — consumers linking transparency with fairer prices.

Interpretation:

Understanding and transparency are **mutually reinforcing perceptions**. Respondents who grasp GST 2.0 concepts tend to view it as fair and cost-effective.

4.5. Group wise Comparisons (Key Categorical Insights)

(a) Age Group

- Younger respondents (< 30 yrs) reported **higher understanding (mean ≈ 3.9)** and **greater trust in transparency**, possibly due to digital literacy and online payment familiarity.

- Older respondents (50+) averaged **lower understanding** (mean ≈ 2.9), reflecting information gaps.

(b) Education Level

Post-graduates and graduates rated all three scales **~0.8 points higher** than those with secondary education.

⇒ Awareness and favourable perception **increase with education**.

(c) Occupation

Salaried employees and **business owners** show slightly higher transparency ratings than students or homemakers.

⇒ Indicates those regularly interacting with *GST* systems perceive it more clearly.

(d) Income

Lower-income (< ₹25,000/month) households rate **affordability worse** (mean ≈ 2.9) than higher-income (> ₹50,000/month, mean ≈ 3.6).

⇒ *GST 2.0*'s price impact is felt **more acutely among lower-income consumers**.

(e) Awareness of *GST 2.0* reforms

"Aware" respondents show **significantly higher scores** across all numeric dimensions (t-tests $p < 0.01$).

⇒ Awareness campaigns directly shape positive consumer sentiment.

4.6 Thematic & Behavioural Observations (Categorical Patterns)

Theme	Key Observation
Simplicity	68 % agree <i>GST 2.0</i> is simpler than old system.
Consumer-Friendliness	59 % call it consumer-friendly.
Price Change Awareness	61 % noticed moderate price rise in groceries; 55 % in electronics.
Trust in Businesses	Only 47 % trust businesses to pass <i>GST</i> benefits honestly → transparency gap persists.
Shift in Consumption Behaviour	~40 % shifted to bulk buying or cheaper alternatives post- <i>GST 2.0</i> .
Transparency in Billing	74 % report bills now show <i>GST</i> clearly; however ~26 % still confused by rate slabs.
Digital Payment Experience	78 % satisfied with <i>GST</i> display in UPI/card invoices — digital clarity improving.
Future Expectations	> 80 % want further <i>GST</i> reduction on essentials and higher tax on luxury goods .

4.7 Overall Interpretation

Dimension	Direction	Summary
Awareness & Understanding	↑ High	Majority have at least moderate understanding; younger and educated groups dominate this segment.
Transparency	↑ Positive	Perceived improvement, especially among salaried and business respondents.
Affordability	↔ Neutral-Low	Mixed reactions; affordability concerns remain for low-income households.
Trust in Implementation	↓ Moderate	Only half trust that GST benefits reach consumers; enforcement seen as weak.
Behavioral Shifts	→	Price-sensitive adaptations (bulk buying, brand switching) common.

4.8. Important Statistical Conclusions

Strong internal consistency among numeric items (correlations > 0.6).

Education and awareness are statistically significant predictors of positive sentiment (t-test $p < 0.01$).

Income moderate's affordability perception significantly ($p < 0.05$).

Age influences understanding (younger $>$ older, $p < 0.05$).

High **missingness** in "Score" column implies respondents skipped overall evaluation — consider clearer question wording next time.

4.9 Policy & Research Implications

Targeted awareness for older and low-income groups can reduce perception gaps.

Transparency enforcement (visible tax benefit pass-through) can build trust.

Affordability perception improvements may need visible rate revisions on essentials.

The data supports that consumer education + clarity in billing = positive GST perception.

4.10. Limitations

Self-reported perceptions; possible social-desirability bias.

Small geographic scope (Varanasi district).

Non-random sampling (online + offline mix).

5. Conclusion

The study concludes that GST 2.0 has been largely successful in increasing awareness and fostering a positive perception among consumers in Varanasi District. While most respondents view GST 2.0 as a step toward fair and transparent taxation, certain areas—particularly price sensitivity on essentials and awareness among non-student populations—require further policy attention. Strengthening consumer education and ensuring that tax benefits are passed to end users will enhance the overall success of GST reforms in India.

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