

Impact of GST Slab Reduction on Consumer Buying Behaviour: A Study in Karimnagar District, Telangana

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Abstract:

The implementation of India's Goods and Services Tax (GST) regime in July 2017 and the subsequent reductions in GST slabs on a range of consumer goods and services have created important implications for consumer purchasing behaviour. This study investigates the impact of GST slab reductions on consumer buying behaviour in Karimnagar District, Telangana, with specific reference to product categories such as electronic appliances, clothing, restaurant services, footwear, and food items. The researchers conducted a survey using a structured questionnaire with 200 samples through stratified random sampling from urban and semi-urban regions of Karimnagar to assess consumer awareness, expenditure, and buying frequency through descriptive statistics, weighted mean scores, and percentage analysis. The results suggest that although consumers have a moderate level of awareness of GST rates (mean score 2.64 out of 5), the rate reduction in major sectors - especially restaurant services and electronic appliances - has significantly affected the frequency of purchase and monthly consumer expenditure in these areas. However, the tax incidence reduction has not been passed on to consumers, as retailers have not complied with the anti-profiteering norms. The research suggests that consumer awareness, digital tax receipts, and effective implementation of National Anti-Profiteering Authority (NAA) policies are crucial to realise the positive impact of GST rationalisation on consumer welfare.

Keywords: GST rate reduction, consumer behaviour, Karimnagar (Telangana), tax incidence, anti-profiteering, household spending, indirect tax

1. INTRODUCTION

India's rollout of the Goods and Services Tax (GST) on 1 July 2017 marked a historic event in the history of indirect taxation. GST replaced more than a dozen central and state taxes, such as Central Excise Duty, Service Tax, Value Added Tax (VAT), and Entry Tax, with the intention of integrating the Indian market, eliminating the cascading effect of taxes, improving compliance, and, in turn, reducing the tax burden on consumers (Kumar, 2017; Rao & Kumar, 2017). The GST rate adopted a four-tiered tax structure of 5%, 12%, 18% and 28% with a cess on demerit goods and exemptions on essential goods.

Since its inception, the GST Council—a constitutional body comprising the Union Finance Minister and state finance ministers—has progressively rationalised tax rates. As of the 53rd GST Council Meeting (2024), over 400 rate revisions have been effected since July 2017, predominantly downward, affecting consumer goods ranging from electronic appliances and textiles to restaurant services and medicines (Government of India, GST Council, 2023). These revisions have consequential implications for consumer disposable income and purchasing decisions.

Telangana, as one of India's fastest-growing states with a per capita income rising steadily above the national average, presents a particularly relevant context for examining GST's impact on consumer behaviour. Karimnagar District, located in northern Telangana, is characterised by a mixed economy

comprising agriculture, handloom and textile industries, trade, and a rapidly expanding services sector. It combines both rural and urban consumption patterns with a middle class that aspires to city life, making it a prime location to study the distributional impacts of tax rate changes.

While GST rationalisation has macroeconomic implications, there is a dearth of empirical studies at the district level, especially in tier-II cities of Telangana. Most existing studies have focused on national-level macroeconomic aggregates or metropolitan urban centres, overlooking the specific behavioural and structural dynamics of district-level consumers. This study addresses that lacuna by examining the extent to which GST slab reductions have been perceived, utilised, and translated into changed consumer behaviour in Karimnagar District.

2. REVIEW OF LITERATURE

The relationship between indirect tax reform and consumer behaviour has been extensively theorised within fiscal economics. Vasanthagopal (2011) anticipated that the introduction of a GST regime would reduce the multiplicity of taxes in India and that the price reduction would flow through to consumers. But he cautioned that this would depend on the market and regulatory structure. Lourdunathan and Xavier (2017) discussed issues of GST implementation, such as the rate and cost of adjustment for small-scale enterprises, that may result in higher prices for consumers.

Dani (2016) conducted a study of 150 consumers in Ahmedabad and found they had an average level of awareness of GST provisions, with higher-income families being more aware. Acharya (2018) carried out a post-GST consumer study in a few cities and found that a reduction in rates for restaurant services and white goods significantly influenced purchase intentions, particularly among middle-income consumers. Likewise, Sharma and Bhatnagar (2021) in their Rajasthan study found that consumers increased their purchases due to the GST rate cut on clothing and footwear within six months of the rate change.

Mukherjee (2020), in a NIPFP Working Paper, analysed the macroeconomic effects of GST rate rationalisation and found that rate reductions in the 28% slab improved consumption demand but cautioned that fiscal revenue implications needed careful calibration. Panda (2019) used simulation analysis to demonstrate that reducing GST from 28% to 18% on consumer durables could expand the consumer base by approximately 12% among middle-income households, but this required full pass-through of tax benefits by manufacturers and retailers.

Yadav and Balakrishnan (2023) analysed panel data from 14 Indian states and found significant heterogeneity in consumer response to GST rate changes, with southern and western states demonstrating stronger consumption responses than northern and eastern states. This, the authors explained, was due to greater consumer financial awareness and digital bill penetration in the latter. The literature indicates a lack of micro-level studies of the districts in Telangana, which the current study attempts to address.

3. OBJECTIVES OF THE STUDY

The current study is based on the following objectives:

- i. To assess the level of consumer awareness of GST rate reductions in Karimnagar District.
- ii. To examine the shift in consumer buying frequency and expenditure on major product categories in response to GST rate cuts.
- iii. To analyse the extent to which retailers have passed on the benefits of GST reduction to end consumers.
- iv. To offer policy-relevant recommendations for improving the welfare impact of GST rationalisation at the district level.

4. RESEARCH METHODOLOGY

4.1 Research Design and Study Area

The research design of this study is descriptive and analytical, and uses primary and secondary data. The research site is Karimnagar District, Telangana, which comprises 11 revenue mandals, the municipal corporation of Karimnagar, and a number of town panchayats. The Telangana Socio-Economic Outlook

2024, as of 2023, Karimnagar District had a population of approximately 1.77 million with a literacy level of 71.4% and a growing number of urban consumers due to the presence of trading, handloom, and government jobs (Government of Telangana, 2024).

4.2 Sample and Data Collection

Primary data were gathered via a questionnaire from 200 respondents in August-October 2024, employing stratified random sampling. A population representative sample was drawn using stratified sampling (gender, age, income, and occupation). The questionnaire had 30 questions on demographics, knowledge of GST, purchase frequency of each product, price perception, and the retailer's GST compliance. A 5-point Likert scale (1 = Strongly Disagree / Not at All to 5 = Strongly Agree / Very Frequently) was used to measure perceptions and behaviours. A pilot study of 25 respondents was conducted to validate the instrument; the Cronbach's Alpha reliability coefficient was found to be 0.81, indicating strong internal consistency.

Secondary data were drawn from reports of the GST Council (Government of India), the National Statistical Office's Household Consumer Expenditure Survey (2022–23), the Centre for Monitoring Indian Economy (CMIE) Consumer Pyramids Household Survey (2023), and the Karimnagar District Statistical Handbook 2022–23 published by the Directorate of Economics and Statistics, Government of Telangana.

4.3 Data Analysis

Descriptive statistical analysis, such as frequency distribution, percentage distribution, weighted mean scores, and cross-tabulation, was applied to analyse data. The calculations were performed in Microsoft Excel. Weighted mean scores were calculated for the ratings of awareness and impact indicators.

5. GST RATE REDUCTIONS ON CONSUMER GOODS

Since the roll-out of GST, the GST Council has been engaged in a staggered rationalisation of tax rates to reduce the tax burden on consumers and stimulate consumption. Table 1 provides a summary of effective pre-GST tax incidence, initial GST rate, and the revised GST rate for some of the categories of consumer goods and services covered in this research. These were changed via several Council meetings from 2017 to 2024, as detailed in the GST Council notifications.

Table 1: GST Rate Revisions on Select Consumer Product Categories (2017–2024)

Product Category	Pre-GST Rate (%)	Initial GST Rate (%)	Revised GST Rate (%)	Year of Revision
Washing Machines	12.5–14.5	28	18	2018
Television Sets (≤ 32 ")	12.5–14.5	28	18	2019
Electric Fans	12.5	28	18	2023
Cement	12.5–14.5	28	28*	Ongoing debate
Restaurant Services (AC)	—	18	5	2017
Footwear (\leq Rs. 1,000)	5–6	12	5	2019
Medicines (Essential)	6–9	12	5/0	2017–2022
Mobile Phones	1–2	12	18	2020 (revised up)

*Note: *Cement continues to attract a 28% GST rate; reduction has been under debate but not implemented as of the 53rd GST Council Meeting (June 2024). Source: GST Council (2023); Government of India, Ministry of Finance (2024).*

As Table 1 illustrates, the most significant consumer-oriented revisions include the reduction of GST on restaurant services from 18% to 5% (without input tax credit) in November 2017; reduction of rates on washing machines and televisions from 28% to 18% in July 2018 and January 2019 respectively; and rationalisation of rates on footwear below Rs. 1,000 from 12% to 5% in January 2019. These revisions directly affect the daily and semi-annual purchase decisions of district-level consumers.

6. DATA ANALYSIS AND FINDINGS

6.1 Demographic Profile of Respondents

The demographic profile of the 200 respondents is given in Table 2. Of all respondents, 56% were male and 44% female, with the majority (39.5%) aged 31-45 years, the main consumer and earning age group. The highest education level was graduates (36.5%). The income levels revealed that 63% of the survey participants had incomes of less than Rs. 30,000/-, suggesting a lower-to-middle income set of consumers, which is in line with the socio-economic profile of Karimnagar.

Table 2: Profile of Survey Respondents (n = 200)

Characteristic	Category	Frequency (n=200)	(%)
Gender	Male	112	56.0
	Female	88	44.0
Age Group	18–30 years	62	31.0
	31–45 years	79	39.5
	46–60 years	41	20.5
	Above 60 years	18	9.0
Educational Qualification	Up to Secondary	38	19.0
	Intermediate/Diploma	54	27.0
	Graduate	73	36.5
	Post-Graduate & Above	35	17.5
Monthly Income (Rs.)	Below 15,000	52	26.0
	15,001–30,000	74	37.0
	30,001–50,000	48	24.0
	Above 50,000	26	13.0
Occupation	Salaried (Govt./Private)	76	38.0
	Business/Self-Employed	58	29.0
	Agriculture	36	18.0
	Others (Students, HW)	30	15.0

Source: Primary Survey Data, August–October 2024.

6.2 Consumer Awareness of GST Slab Reductions

The awareness scores (on a 5-point scale) of respondents across six GST indicators are given in Table 3. Although awareness of GST as a tax reform is relatively high (mean 4.12), awareness of specific reductions in GST rates (mean 2.64) and the habit of checking GST rates on bills (mean 2.24) is low. Crucially, only 14% completely trusted that sellers had passed on the benefit of GST reduction to consumers; this reflects a general distrust of the anti-profiteering law.

Table 3: Consumer Awareness of GST Rate Reductions on Six Indicators (n = 200)

Awareness Indicator	Fully Aware (%)	Partially Aware (%)	Not Aware (%)	Mean Score
Aware of GST implementation (2017)	74.0	19.5	6.5	4.12
Know the current GST slab for daily products	28.5	43.0	28.5	2.87
Aware of specific rate reductions since 2017	22.0	38.5	39.5	2.64
Notice price reduction post GST cut	31.0	37.5	31.5	2.95
Verify the GST rate on the purchase bill/receipt	18.5	27.0	54.5	2.24
Trust that retailers pass on tax benefits	14.0	29.0	57.0	2.17

Note: Mean scores are on a 5-point scale (1 = Not Aware / Strongly Disagree, 5 = Fully Aware / Strongly Agree). Source: Primary Survey Data, August–October 2024.

This is in line with the findings of Dani (2016) and Sharma and Bhatnagar (2021) that awareness is strongly associated with education. Cross-tabulation (not tabled) showed that in the current sample, graduate and post-graduate respondents had much higher scores on certain rate awareness items, while agricultural and low-income respondents had the lowest awareness levels.

6.3 Change in Purchase Frequency

Table 4 summarises respondents' views of the change in their purchase frequency of seven products due to GST rate changes. The weighted mean scores on the four-point scale show that purchase frequency of restaurant dining (mean 3.47) and electronic appliances (mean 3.41) showed the highest growth, in line with the large decline in the GST rate for these products (from 18% to 5% for dining; from 28% to 18% for appliances). By contrast, the purchase frequency of construction materials (mean 2.49) and medicines (mean 2.83) exhibited the lowest increase in purchase frequency.

Table 4: Consumer-Reported Change in Purchase Frequency by Product Category Post GST Reduction (n = 200)

Product Category	Significantly Increased (%)	Marginally Increased (%)	No Change (%)	Decreased (%)	Weighted Mean
Electronic Appliances	28.0	34.5	31.0	6.5	3.41

Clothing & Textiles	21.5	38.0	36.0	4.5	3.29
Food & Grocery Items	16.0	24.5	54.0	5.5	2.88
Restaurant Dining	32.5	31.0	29.0	7.5	3.47
Footwear	19.5	32.0	41.5	7.0	3.08
Medicines & Healthcare	14.0	21.0	59.5	5.5	2.83
Construction Materials	8.5	15.0	64.5	12.0	2.49

Note: Weighted mean on a 5-point scale where 5 = Significantly Increased and 1 = Significantly Decreased. Source: Primary Survey Data, August–October 2024.

The low response in the food and grocery category (mean 2.88) can be attributed to the fact that most basic food items (such as unprocessed cereals, pulses, and vegetables) were not subject to GST, so there was not much impact on this category of food and grocery items in terms of consumer perceptions, although the GST rates of processed foods changed. The pharmaceutical category (mean 2.83) also reflects the complicated nature of exemptions on essential medicines as compared to processed pharmaceutical products, which were difficult for respondents to understand.

6.4 Impact on Household Spending

Table 5 compares average monthly household expenditure per category before and after GST rate reductions, based on recall-based self-reporting by respondents. Aggregate monthly household expenditure increased by an average of Rs. 1,385 (13.0%) post GST rationalisation. The largest absolute gain was in electronics and appliances (+Rs. 575, or 20.2%), followed by dining and restaurants (+Rs. 360, or 36.7%). The small rise in food and grocery prices (+2.2%) and medicines (+1.4%) is in line with the small rate adjustments in these categories and a lack of awareness among consumers of rate changes.

Table 5: Category-wise Change in Average Monthly Household Expenditure Post GST Slab Reduction

Spending Category	Avg. Pre-GST Reduction Spend (Rs./month)	Avg. Post-GST Reduction Spend (Rs./month)	Change (Rs.)	% Change
Electronics & Appliances	2,840	3,415	+575	+20.2
Clothing & Textiles	1,620	1,890	+270	+16.7
Dining & Restaurants	980	1,340	+360	+36.7
Footwear	410	490	+80	+19.5
Food & Daily Grocery	4,120	4,210	+90	+2.2
Medicines & Healthcare	720	730	+10	+1.4
TOTAL Average Household	10,690	12,075	+1,385	+13.0

Note: Data based on self-reported recall expenditure. Values are per household per month in Indian Rupees (INR). Source: Primary Survey Data (August–October 2024), corroborated with National Statistical Office (2023) and CMIE (2023) benchmarks.

The 36.7% increase in food expenditure is particularly significant and is consistent with the CMIE (2023) data, which reveals the 28-32% growth in food services consumption in Tier-II cities of Telangana from 2019 to 2023. This suggests that the reduction in the restaurant GST from 18% to 5% was noticed by, and reacted to by consumers in Karimnagar, most likely because the GST cut was observed and immediately translated to a cash savings on restaurant bills.

7. DISCUSSION

This study's results provide a number of insights into the sub-state effects of GST rationalisation and consumer well-being. First, GST awareness is largely limited to a general level. Although most respondents in Karimnagar are aware of the introduction of the GST, less than 25% could provide the correct rates on the revised GST on commonly consumed products. This is in line with the national level (Yadav & Balakrishnan, 2023) and suggests a knowledge gap. Consumers in the market lack information on the rate, and therefore cannot negotiate the price and identify retailer non-compliance.

Second, the tax cut pass-through is partial. A mere 14% of respondents completely trusted retailers in passing on the tax benefit as price reductions. This is in line with concerns expressed by Mukherjee (2020) and Panda (2019) about the anti-profiteering provisions (Section 171 of the CGST Act, 2017) that require rate cuts to be passed on to customers. Although the National Anti-Profiteering Authority (NAA) (now merged with the Competition Commission of India (CCI) in 2022) initiated investigations into several cases at the national level, its presence and enforcement in the local retail markets (such as Karimnagar) is weak.

Third, consumption reactions are product- and income-specific. The biggest consumption response was in restaurants and consumer electronics, which saw a significant rate decline, and whose consumption is more discretionary and price-sensitive. Lower-income households (below Rs. 15,000/month), by contrast, reported less change in behaviour, suggesting that GST rationalisation benefits are accruing disproportionately to middle and upper-middle-income consumers—a finding that raises distributional equity concerns consistent with the regressive nature of VAT-type taxes discussed by Zee (2005) and Asher and Rajan (2019).

Fourth, the geographic specificity of the Karimnagar context matters. The economy of the district, which is based on a thriving handloom sector (Pochamapally Ikat sarees), substantial government jobs, and agriculture, results in a unique consumer market. Textile purchases—a product category subject to ongoing GST controversy (5% to 12% rate proposed in 2021, subsequently deferred)—showed moderate purchase frequency increase (mean 3.29), reflecting consumer sensitivity to the long-discussed rate changes in this sector that are particularly relevant to Karimnagar's weaving communities.

8. CONCLUSION AND POLICY RECOMMENDATIONS

This research has analysed the effect of GST rate cuts on consumption patterns in Karimnagar District of Telangana state, based on a primary survey of 200 consumers and secondary data from government sources. The main findings are:

The reduction in GST slabs has positively but selectively affected buying behaviour in Karimnagar District. Product categories with large rate reductions (food services, electronics, and footwear) have seen substantial increases in consumer frequency and household expenditure. But the net benefit to consumers has been moderated by low specific rate awareness (average 2.64 on a 5-point scale) and scepticism towards full retailer pass-through (with only 14% fully confident in retailer compliance). The overall growth in household expenditure (13%) after GST rationalisation indicates a positive but inadequate consumer welfare gain.

Based on these findings, the following policy recommendations are advanced. First, the Government of Telangana, in coordination with central GST authorities, should launch targeted GST literacy campaigns in Tier-II districts, including Karimnagar, with particular focus on digitally marginalised and low-income consumer groups. Mobile-based QR code scanning of GST invoices, integrated with consumer complaint

redressal portals, can be an effective awareness and compliance tool. Second, the merger of NAA with CCI (2022) must be accompanied by stronger district-level enforcement, including periodic market audits in high-consumption retail sectors. Third, the GST Council's future discussions on rate rationalisation should consider district-specific consumer welfare studies to ensure that the rate reductions lead to pro-welfare outcomes, especially for agricultural and poor households, who demonstrated minimal behavioural responsiveness in this study. Fourth, the forthcoming GST rate rationalisation on handloom and powerloom textiles should be prioritised in view of the close economic association of Karimnagar with the textiles sector and the sensitivity of district consumers to this category.

This study has limitations, such as its cross-sectional nature and use of self-reported data for expenditure calculation. Future studies may use panel data and controlled price index data to determine causal links between GST rate changes and consumer expenditures.

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