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Address for correspondence:
Maqsood Hanif Memon
Assistant Professor and Head,
Department of BMS, BAF and BBI, Sonopant Dandekar Arts,
V.S. Apte Commerce and M.H. Mehta Science College, Palghar
Email:
officememon@gmail.com

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Impact of GST Reforms 2025 On Consumer Behavior and Spending Patterns in Palghar District

Maqsood Hanif Memon

Assistant Professor and Head, Department of BMS, BAF and BBI, Sonopant Dandekar Arts, V.S. Apte Commerce and M.H. Mehta Science College, Palghar

Abstract

An investigation through this research work aims to understand how the salaried people's spending habits as well as their perceptions in Palghar district have been influenced by the GST Reforms 2025, also referred to as GST 2.0. By the alteration in the new GST structure, tax slabs were made straightforward, and the rates were lowered for a good number of essential products and services, whereas the higher rates were left for the luxury and sin items. It is of primary importance for this study to find out if such changes have affected monthly spending, views on essential and luxury goods, and awareness of GST benefits or not. Research works in this area rely mostly on the primary data which are collected by a structured questionnaire from 282 respondents. A descriptive research design was applied, together with convenience sampling. The descriptive statistics paired with sample t test or Wilcoxon test to study changes in spending, and chi square tests to examine links between spending, perceptions, demographics and GST related awareness were used for the analysis. Findings of the study reveal the strong feelings of the people that higher GST on luxury goods influences their purchase decisions, and the overall test confirms the significant impact of GST reforms on spending patterns. Simultaneously, however, spending behavior is nearly the same at different ages, incomes, and educational levels, implying that the reforms have a somewhat equal effect on various groups. It is a major point that those who believe that GST 2.0 has made essential goods easier or more affordable indicate different consumption patterns as compared to those who hold the opposite view. Moreover, there exists a substantial link between the knowledge of GST reliefs on life and health insurance and the readiness to increase insurance coverage. It underlines the role of financial awareness in the decision-making process of the consumers. Basically, the research work points out that the GST Reforms 2025 have been a great help in the essential spending and also, they have been an impetus for the better insurance decisions, though communication and financial literacy still need to be improved in order that more people might fully benefit from the tax changes.

Keywords: GST Reforms 2025, Consumer behavior, Spending patterns, Financial awareness

Introduction

The recent changes in Goods and Services Tax, which is also called GST 2.0, which took effect on September 22, 2025, which led to major changes and making the system simple. Earlier there were multiple rates such as 5%, 12%, 18% and 28% but now it has been primarily consolidated into two main rates which is 5% (Merit Rate) for essential and daily use items, 18% (Standard Rate) for most other goods and services, 0% (Nil Rate) for core essentials and specific life-saving items and 40% (Special Rate) for luxury and "sin" goods like tobacco and high-end cars. The main aim was to reduce the prices of the non-luxury goods and to simplify the compliance of the businesses with the taxation regulations.

In India, the lower taxes on everyday products helped people spend more money on daily needs. This has also helped small businesses grow and made goods cheaper to buy. In Maharashtra, many products like sugar, clothes and medicines have become more affordable which has benefited many families and small industries.

Palghar district is a place with a mixture of rural and city life which includes farmers and small businesses. Many people spend most of their money on basic needs. With these GST reforms, the cost of daily goods and services has gone down, which has helped people save money and buy more things. This is important for the growth of the local economy in Palghar. This research paper study how these GST changes affect the way people in Palghar spend money. This study helps us understand the effect of tax changes on daily life and supports better economic plans for the region.

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Literature Review

Deota, S., & Sahu, S. K. (2025) focused on the impact of the Goods and Services Tax on household expenditure. A structured questionnaire was prepared for primary data collection through a survey-based approach from the households across different income groups and geographical regions of Madhya Pradesh. The sample size was 1000 households by using Convenience Sampling Technique. The findings were that there was a substantial positive influence on the household budgets which resulted from the recent rationalization of GST rates on essential goods, consumer durables and items of personal care. The study concludes that GST had been able to streamline the tax structure and provided a boost to household consumption.

Sahoo, S., & Sharmila, M. (2025) researched individual's perception of GST in Bangalore South and how it affects day-to-day expenditure. The objective was that how GST alters personal finances and monthly expenditure, how these perceptions compare with people in other countries and what the actual spending effect is on local consumers. The primary data was collected from 104 individuals by using Convenience Sampling Technique and study adopted cross-sectional research design. The study finds that the awareness of GST is good, but the impact is also not uniform for everyone as it depends on various contexts and understandings.

Kiran, M. N. R. L. D., & Kumar, M. (2025) explored how India's Union Budget 2025-26 influences farmers through taxation policies, subsidies, MSP and infrastructure expenditure. Based on a survey of 111 farmers by using non-probability convenience sampling approach from the owners of agribusiness enterprises and experts. The study employs descriptive statistics, t-tests, Chi-square and ANOVA. The findings highlight that opinions are divided over the budgetary allocations for agriculture. Most of the respondents had either negative or neutral views about the implications of GST for agriculture. Statistical tests indicate significant differences in the opinion of the subjects on GST and spending. The study concludes that budgetary supports farm growth and sustainability with greater allocation and reforms.

Mittal, A., Kushwaha, D., Gupta, A., Mishra, S., & Wadhwa, J. (2025) analyzed the Union Budget 2025-26 of India which includes the fiscal policies, sectoral effects, infrastructure, digital growth, taxation issues and strategies that the state aims to be inclusive. They follow such trends as GDP growth (6.3 to 7.2 percent), fiscal deficit (5.3 percent of GDP) and infrastructure spending (13.2 trillion) using mixed methods and secondary data (report, 2015-2025). Results indicate improved industry (IT/digital at 9.5%, 4M jobs), improved tax compliance (90.5% GST filings) and digital investments (₹220B). The budget measures growth and caution but should be done in a better manner. The research suggests streamlining taxes, MSME credit, rural internet connection and green finance towards sustainability.

Garg, S., Mittal, S., & Garg, A. (2025) discusses the impact of GST revenue on the economic growth of

India on the monthly data (Aug 2017- March 2024) via ARDL model. These variables are FDI, fiscal deficit, government spending, inflation and the openness of trade. The Findings are that GST revenue has a positive effect, both short and long term, on growth, as well as FDI and spending. Fiscal deficit is detrimental to growth and there is no impact on inflation and trade openness. The study Suggests that to enhance GST, broaden tax base and be financially disciplined to be stable.

Objectives Of Research

- To analyze the impact of GST Reforms 2025 on monthly spending patterns of salaried individuals in Palghar district.
- To assess changes in consumer behavior regarding essential and luxury goods post GST 2.0 implementation.
- To evaluate consumer awareness, satisfaction and perception about GST rate rationalization and exemptions in Palghar.
- To identify demographic patterns like age, gender, income and education correlate with changes in spending behavior due to GST reforms.

Research Methodology

Research Design: The research makes use of a descriptive research design to examine how GST Reforms 2025 have impacted on Consumer Behavior and Spending Patterns.

Data Collection Method: Primary data was collected by circulating the structured questionnaire from the salaried individuals who are working in Palghar District.

Sampling Technique: The study adopted Convenience Sampling Approach where every salaried individual residing in Palghar District.

Sample Size: The total sample size based on the survey dataset collected was 282 respondents.

Data Analysis: The data collected is analyzed through descriptive statistical techniques such as percentage analysis and Statistical Test which includes Paired Sample T – Test and Chi – Square Test were adopted to identify the relationship between the variables.

Scope and Limitations: The study is confined to Palghar District only. More generalized conclusions can be offered by future studies with larger and more randomized samples.

Hypotheses:

- **H₀:** There is no significant impact of GST Reforms 2025 on the monthly spending patterns of salaried individuals in Palghar district.
- **H₁:** GST Reforms 2025 significantly impact the monthly spending patterns of salaried individuals in Palghar district.
- **H₀:** There is no significant change in consumer behavior towards essential and luxury goods post GST reforms.
- **H₁:** There is a significant change in consumer behavior towards essential and luxury goods post GST reforms.

- **H₀:** There is no association between demographic variables (age, income, education, GST Essentials Easier) and changes in spending behavior due to GST reforms.
- **H₁:** There is an association between demographic variables and changes in spending behavior due to GST reforms.

Findings And Interpretation

1. Descriptive Analysis

Table 1: Demographic Profile (N=282)

Demographic Profile (N=282)	Category/Scale	Frequency	Percentage (%)
Age	26-35	10	3.5 %
	18-25	270	95.7 %
	36-45	1	0.4 %
	46-55	1	0.4 %
Gender	Female	187	66.3 %
	Male	95	33.7 %
Income Group	20k-50k	99	35.1 %
	50k-1Lakhs	38	13.5 %
	<20k	137	48.6 %
	>1Lakh	8	2.8 %
Educational Qualification	Postgraduate	27	9.6 %
	Graduate	132	46.8 %
	SSC	123	43.6 %
Occupation	Salaried employee	26	9.2 %
	Student	253	89.7 %
	Self-employed	2	0.7 %
	Homemaker	1	0.4 %
Household Size	1-2 members	8	2.8 %
	5 or more members	111	39.4 %
	3-4 members	163	57.8 %

Table 2: GST Awareness & Perception (Likert Scale 1-5)

Awareness & Perceptions (N=282)	Category/Scale	Frequency	Percentage (%)
GST Slab Aware	5 Strongly Agree	66	23.4 %
	4 Agree	131	46.5 %
	1 Neutral	11	3.9 %
	3 Disagree	59	20.9 %
	2 Strongly Disagree	15	5.3 %
GST Essentials Reduced	5 Strongly Agree	77	27.3 %
	4 Agree	116	41.1 %
	1 Neutral	12	4.3 %
	3 Disagree	61	21.6 %
	2 Strongly Disagree	16	5.7 %
GST Medicine Relief	5 Strongly Agree	83	29.4 %
	4 Agree	103	36.5 %
	1 Neutral	20	7.1 %
	3 Disagree	66	23.4 %
	2 Strongly Disagree	10	3.5 %
GST Luxury 40 Aware	5 Strongly Agree	80	28.4 %
	4 Agree	112	39.7 %
	1 Neutral	62	22.0 %
	3 Disagree	20	7.1 %
	2 Strongly Disagree	8	2.8 %
GST Luxury Impacts Purchase	5 Strongly Agree	63	22.3 %
	4 Agree	121	42.9 %
	1 Neutral	64	22.7 %
	3 Disagree	24	8.5 %
	2 Strongly Disagree	10	3.5 %

Table 3: Spending & Satisfaction

Spending & Satisfaction (N=282)	Category/Scale	Frequency	Percentage (%)
Spending Change	No Change	1	0.4 %
	Decreased Slightly	53	18.8 %

	Increased Slightly	81	28.7 %
	No Change	115	40.8 %
	Increased significantly	25	8.9 %
	Decreased significantly	7	2.5 %
GST Essentials Easier	No	88	31.2 %
	Yes	194	68.8 %
Satisfaction Level	1 Very Poor	27	9.6 %
	2	43	15.2 %
	3	147	52.1 %
	4	46	16.3 %
	5 Excellent	19	6.7 %

Table 4: Insurance Behavior

Insurance Behavior (N=282)	Category/Scale	Frequency	Percentage (%)
Insurance Awareness	Yes	194	68.8 %
	No	88	31.2 %
Increase Coverage Likelihood	1	35	12.4 %
	2	60	21.3 %
	3	123	43.6 %
	4	38	13.5 %
	5	26	9.2 %

5. Hypotheses Testing - Paired Samples T-Test

H₀: There is no significant impact of GST Reforms 2025 on the monthly spending patterns of salaried individuals in Palghar district.

H₁: GST Reforms 2025 significantly impact the monthly spending patterns of salaried individuals in Palghar district.

Paired Samples T-Test					
			Statistic	df	p
Higher GST on luxury goods affects purchase	Monthly spending changes post-GST	Student's t	47.2	281	< .001
		Wilcoxon W	38503 ^a		< .001
Note. H _a $\mu_{\text{Measure 1} - \text{Measure 2}} \neq 0$					
^a 5 pair(s) of values were tied					

Key Findings:

- Median "Higher GST on luxury goods affects purchase": 4.00 (Agree/Strongly Agree)
- Median "Monthly spending change post-GST": 0.00 (No change, slightly positive mean shift)
- 5 tied pairs (no difference reported)
- Highly significant result ($p < 0.001$) confirms GST Reforms 2025 significantly impact spending patterns

Interpretation:

- Consumers agree higher luxury GST affects purchases (median=4)
- Spending shows minimal net change (median=0) but significant paired difference
- Practical implication: Price-sensitive shift toward essentials, luxury spending restraint

6. Hypothesis Testing - Chi-Square Test

H₀: There is no association between awareness of GST exemptions on life/health insurance and likelihood to increase insurance coverage among salaried individuals in Palghar.

H₁: There is a significant association between insurance GST exemption awareness and willingness to increase coverage.

Chi-Square Test Results for Hypothesis on Insurance Awareness and Coverage Increase

Statistic	Value
Chi-square (χ^2)	14.9
Degrees of freedom (df)	4
p-value	0.005
Sample size (N)	282
Cramer's V	0.230

Interpretation:

- The p-value (0.005) is less than 0.05, indicating a statistically significant association between awareness of GST exemptions on life and health insurance and the likelihood to increasing insurance coverage.
- The Cramer's V value of 0.230 signifies a moderate association strength.
- This suggests that respondents aware of GST exemptions are more likely to increase their insurance coverage. The null hypothesis that there is no association between insurance GST exemption awareness and willingness to increase insurance coverage is rejected. Awareness of GST exemptions significantly influences consumer behavior towards increasing insurance coverage.

7. Hypothesis Testing - Chi-Square Test

H₀: There is no association between demographic variables (age, income, education, GST Essentials Easier) and changes in spending behavior due to GST reforms.

H₁: There is an association between demographic variables and changes in spending behavior due to GST reforms.

Chi-Square Test Results for Spending Change Associations (N = 282)

Variable Pair	χ^2	df	p-value	Cramer's V	Statistical Significance	Effect Size
Spending Change vs Higher GST Luxury	4.54	8	0.806	0.0897	Not Significant	Negligible
Spending Change vs Age Group	8.03	6	0.236	0.119	Not Significant	Very Weak
Spending Change vs Income Group	6.29	6	0.391	0.106	Not Significant	Very Weak
Spending Change vs Education Level	1.66	4	0.799	0.0542	Not Significant	Negligible
Spending Change vs GST Essentials Easier	14.3	2	<0.001	0.225	Significant	Moderate

Note: All tests conducted at $\alpha = 0.05$ significance level. Cramer's V interpretation: <0.1 = Negligible, 0.1-0.3 = Weak-Moderate.

Interpretation and Findings

Statistical Findings:

- Four out of five Chi-square tests show no significant associations ($p > 0.05$) between spending changes post-GST reforms and demographic variables (age, income, education) or luxury GST perception.
- Only one significant finding: Perception that "GST made essentials easier" is significantly associated with spending changes ($\chi^2(2) = 14.3$, $p < 0.001$, Cramer's V = 0.225), indicating a moderate effect.

Key Implications:

- **Uniform Impact:** GST reforms affected spending patterns similarly across age, income and education groups in Palghar district.
- **Luxury Perception Neutral:** Higher GST on luxury goods perception does not drive spending behavior changes.
- **Essentials Matter Most:** Consumers who believe GST eased essential purchases show distinct spending patterns, suggesting policy success in affordability.

In simple words, most salaried people in Palghar changed their spending after GST reforms in the same way, regardless of their age, income, or education. Thinking that higher taxes on luxury items would change shopping habits didn't happen. However, people who felt GST made daily essentials cheaper did change their spending patterns differently this shows the GST changes on basic goods really matter to consumers.

Suggestions

- To facilitate the understanding of tax payment by consumers, businesses, especially supermarkets,

pharmacies, and utility service providers, should prominently show GST-inclusive prices on bills and boards.

- Insurance companies and banks should create user-friendly communication material that very clearly illustrates how GST exemptions or lower rates cut down the cost of life and health insurance and thus, more people would be willing to take or increase their coverage.
- Policymakers may take into account the review of GST on a few essential items that are still perceived as expensive by consumers based on the findings from district-level studies like this one.
- Future studies can include the rural areas of Palghar, other districts, and a longer duration for the comparison of patterns to provide more solid and reliable guidance for GST-related policy decisions.

Conclusion

The findings of this study reveal that a greater number of the respondents in Palghar are well aware of the new GST slab structure, as well as the changes made concerning essential and non-essential goods. Many of them agree that GST on basic items, medicines, and some services has been reduced, while taxes on luxury and sin goods are higher. This means people broadly understand how GST 2.0 is designed to support common households and to discourage unnecessary luxury spending.

In fact, the Wilcoxon test results confirm that GST reforms 2025 have a significant impact on monthly spending patterns. People strongly feel that higher GST on luxury goods affects their purchase decisions, although the overall median spending change is close to "no change". To put it in simple

words, salaried people in Palghar are becoming more price-conscious and shifting their budgets towards essential needs while being more careful with luxury expenses.

Chi - Square analysis shows that age, income, education and perception of higher GST on luxury goods do not create big differences in spending behaviour. Different demographic groups are almost similar in how they reacted to GST reforms. However, there is a clear link between the belief that GST has made essentials easier to buy and the way people have changed their spending. Those who feel that the essentials have now become easier or more affordable are more likely to adjust their monthly expenditure, thus supporting the main aim of GST reforms for basic goods.

Another important finding relates to insurance. There is a significant association between awareness of GST exemptions on life and health insurance with an intention to increase insurance coverage. People aware of these exceptions are more willing to enhance their protection. It thus follows that tax benefits, when understood appropriately, encourage better financial planning and more efficient risk coverage for salaried people.

The study concludes that GST Reforms 2025 have influenced consumer behaviour in Palghar mainly through better affordability of essentials and through awareness of specific benefits like insurance exemptions. The impact is not significantly different across age or income groups, which suggests a fairly uniform effect in the district. Simultaneously, these results reveal a need for continuous financial education so that more people are able to understand changes in GST clearly and hence take more appropriate spending and investment decisions for their families.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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