
A STUDY ON THE IMPACT OF GOODS AND SERVICES TAX (GST) ON ONLINE SHOPPING BEHAVIOUR IN INDIA

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ABSTRACT

The introduction of GST brought a major reform in India's indirect tax system and had a strong impact on how the e-commerce sector operates. With online shopping becoming an integral part of consumer lifestyles, GST has emerged as an important factor affecting pricing, purchasing decisions, and spending behaviour. This study attempts to examine how GST impacts online shopping behaviour by focusing on consumer awareness, perception of tax-inclusive prices, and changes in spending patterns after the implementation of GST.

This study is mainly based on primary data gathered through a structured questionnaire from online shoppers, along with secondary information taken from research papers, government reports, and industry sources. The research seeks to analyse whether awareness of GST influences online purchase decisions and whether GST rates affect consumer spending patterns. The results of the study are expected to provide useful insights for consumers, online platforms, and policymakers by explaining the changes in consumer behaviour in India's digital market after GST was implemented.

Keywords: Goods and Services Tax, Online Shopping, Consumer Behaviour, E-commerce, GST Awareness

INTRODUCTION

India's tax structure experienced a significant change when GST was introduced on 1st July 2017. GST replaced multiple indirect taxes such as VAT, excise duty, and service tax with a single unified tax structure. The primary objectives of GST were to eliminate the cascading effect of taxes, ensure transparency, and create a uniform tax framework across the country. From a consumer's perspective, GST aimed to simplify pricing and reduce regional price differences.

At the same time, India experienced rapid growth in e-commerce due to increased internet access, growing smartphone usage, and the use of digital technologies have played an important role in the expansion of online shopping. Online shopping platforms such as Amazon, Flipkart, Myntra, and Nykaa have changed the way consumers search for products, compare prices, and make purchasing decisions. Convenience, wider product choices, and home delivery have made online shopping increasingly popular among Indian consumers.

The implementation of GST had a direct impact on the e-commerce sector. While it simplified inter-state movement of goods and improved logistics efficiency, it also introduced different GST slabs across product categories. These tax variations influenced final product prices and, in turn, affected consumer buying behaviour. Products such as electronics and luxury items attracted higher GST rates, while essential goods were taxed at lower rates. As a result, consumers became more conscious of tax-inclusive pricing and adjusted their purchase decisions accordingly.

This research focuses on understanding how GST awareness and perception influence online shopping behaviour. It aims to analyse whether GST has affected purchase frequency, spending patterns, and product preferences among online consumers in India.

REVIEW OF LITERATURE

Gowtham (2018) in his Shodhganga thesis analysed the Impact of GST on Purchase Decisions of FMCG Consumers. Although FMCG is largely offline, the findings extend to online buyers who frequently purchase fast-moving goods. The study found that GST altered price structures of packaged food and daily-use products, which in turn influenced online basket size. Consumers became more conscious of tax-inclusive pricing visible on e-commerce platforms. The thesis highlighted that while GST was intended to reduce tax multiplicity, the transition initially confused buyers and reduced frequency of purchases. Over time, as awareness improved, buyers resumed shopping with more focus on essential goods. The research also observed that online platforms began educating buyers about GST through billing transparency, creating greater trust in digital markets. The study emphasized that consumer education on GST is key to restoring confidence and suggested that awareness programs could enhance online purchasing frequency in the long run.

Banerjee (2019) conducted a study on the Impact of Goods and Services Tax (GST) on Consumer Behaviour in Online Shopping.

The research highlights that GST simplified indirect taxes but led to price changes across categories, influencing online purchase decisions. It was found that higher GST slabs discouraged discretionary purchases, while essentials with lower rates remained stable. The study also indicated that GST brought transparency in billing, enhancing trust in e-commerce. However, consumer awareness regarding GST remained limited, particularly in semi-urban areas. The paper also stressed that digital shoppers compare tax-inclusive prices more critically after GST, which changes their selection of platforms and brands. It concluded that while GST promotes compliance and accountability, its effect on online buying patterns is mixed—encouraging price sensitivity and changing category preferences. Overall, the findings suggest that awareness is crucial in shaping behavioural responses to GST, and without proper knowledge, the policy benefits may remain underutilized by the consumer segment

Rani & Singh (2016) focused on the impact of GST on online shopping behaviour by examining consumer perceptions and spending patterns after GST implementation. Their study found that GST's introduction simplified the taxation process by replacing multiple indirect taxes with a single tax, which reduced product prices online. Consumers responded positively, with many reporting increased satisfaction due to transparent pricing and fewer hidden charges. The authors highlighted that GST led to enhanced operational efficiency for online retailers, which translated into cost savings passed on to customers. The study also found that GST encouraged consumers to shop more frequently online, as the tax reform increased their disposable income by lowering overall expenses. Rani and Singh noted that the uniform GST rates minimized regional price variations, fostering a more seamless and trustworthy shopping environment. Their research supported the hypothesis that GST has a significant impact on consumer online shopping behaviour, specifically in terms of purchase frequency and spending habits

Archit Gupta (2020) studied operational and compliance challenges in online marketplaces following GST implementation. The research emphasized the effect of TCS on small sellers, who struggled with administrative burdens and sometimes passed costs to consumers. Larger platforms absorbed compliance costs to remain competitive, affecting buyer preference. Transparent tax inclusive pricing increased consumer trust and encouraged repeat purchases. Awareness of GST varied, with digitally active consumers adjusting their spending and shopping frequency more effectively. The study noted shifts in discretionary spending and platform selection due to price sensitivity. Platforms providing clear GST information experienced higher engagement. The research concluded that GST reshaped both operational and consumer behaviour in e-commerce. Communication, transparency, and awareness were critical for positive consumer response. Buyers responded to GST by comparing prices and choosing trusted platforms. The study linked compliance, transparency, and informed decision-making to online shopping outcomes. Overall, GST influenced platform choice, frequency, and overall spending patterns.

Sonia Bhatt (2019) This study focuses on the demographic factors influencing online shopping behaviour in India, providing valuable context to understand consumer reactions to GST within the digital marketplace. The research categorizes shoppers based on age, income, education, gender, and geographic location, demonstrating that younger, higher-income, and more educated consumers tend to shop online more frequently. The paper finds that awareness of GST and tax implications is higher among these demographics, affecting their online purchasing decisions positively. Moreover, it shows that consumers in metro and urban areas are more likely to adapt quickly to changes in tax structures and integrate them into their buying patterns. The study also highlights a growing trust in online payment methods and e-commerce platforms, which has been partly influenced by GST's simplification of taxation, removing state-level tax complexities. The research sheds light on how demographic diversity affects GST's impact, reinforcing that a one size-fits-all approach to consumer education may not work.

OBJECTIVES OF THE STUDY

- To examine the awareness and understanding of GST among online shoppers.
- To analyse how GST rates influence the buying decisions of online customers.
- To examine the changes in shopping frequency and spending habits after the implementation of GST.

SCOPE OF THE STUDY

The study is limited to analysing the impact of GST on online shopping behaviour in India, focusing specifically on consumers who actively engage with e-commerce platforms. It examines their awareness, purchase frequency, and spending patterns in the post-GST environment. Offline retail and international taxation systems are excluded to maintain a clear and focused scope. Consumer demographics such as age, income, and shopping preferences are considered only where relevant to the analysis.

The research is based primarily on primary data collected through structured surveys, supplemented by secondary data from credible sources. All findings are contextualized within the Indian e-commerce sector to ensure relevance and applicability. This focused approach helps in understanding the behavioural shifts and perceptions unique to online shoppers in India.

RESEARCH METHODOLOGY

To study the impact of GST on online shopping behaviour, the research uses a quantitative method along with descriptive analysis. The research is based on structured data collected from 50+ online consumers who actively use e-commerce platforms for purchasing goods and services. The methodology is designed to capture consumer awareness of GST, their perception of tax-inclusive pricing, and the resulting changes in purchase decisions and spending patterns. By analysing survey responses, the study aims to present an objective understanding of how GST influences consumer behaviour in the online retail environment and to reflect the practical experiences of online shoppers in the post-GST period.

Research Design

The study follows a combination of exploratory and descriptive research design. The exploratory design was used at the initial stage to gain a basic understanding of GST and its possible influence on online shopping behaviour was examined by reviewing existing studies, government publications, and industry reports. The descriptive design was then applied to examine actual consumer behaviour by analysing GST awareness, its effect on purchase decisions, and changes in online shopping frequency and spending patterns after GST implementation.

Data Collection

The study uses both primary and secondary data, where a structured questionnaire was given to online shoppers to understand their awareness of GST. Secondary data was gathered from academic sources, government reports, and reliable industry publications.

Sampling Design

The target population of the study includes individuals who actively shop through online platforms. A sample size of 52 respondents was selected for the study. Convenience sampling was adopted because of limited time and resources, but respondents from different age groups, income categories, and occupations were included to maintain diversity in the sample.

Research Instrument

The primary research instrument used for the study was a structured questionnaire. The questionnaire was designed in a simple and clear manner and divided into four sections: demographic details, awareness of GST, impact of GST on purchase decisions, and post-GST online shopping behaviour. This structure helped in collecting relevant and comprehensive data aligned with the objectives of the study.

Interpretation of results

The results were interpreted by connecting the data analysis with the objectives and hypotheses of the research. The results are examined to understand how consumer awareness of GST and perception of tax-inclusive pricing influence online shopping behaviour. For better understanding, the findings were compared with previous studies, industry reports, and government publications related to GST and e-commerce. This comparative approach helps in identifying patterns, behavioural changes, and emerging trends in online shopping after the implementation of GST. This comparison helps in discussing how GST has influenced buying decisions, spending habits, and consumer preferences, and shows how tax reforms affect consumer behaviour in India's online retail market.

HYPOTHESIS OF THE STUDY

The hypotheses of the study are as follows:

Hypothesis 1

H₀- There is no meaningful relationship between awareness of GST and online shopping behaviour.

H₁- There is a meaningful relationship between awareness of GST and online shopping behaviour.

Hypothesis 2

H₀- GST does not have a significant effect on consumers' online spending patterns.

H₁- GST has a significant effect on consumers' online spending patterns.

DATA INTERPRETATION AND ANALYSIS

The data analysis is based on the responses gathered from online shoppers through a structured questionnaire. The analysis was conducted according to the objectives and hypotheses of the study to understand GST awareness, its impact on online buying decisions, and changes in shopping behaviour after its implementation. Percentage analysis was used to examine the responses and identify patterns, trends, and changes in consumer behaviour.

The questionnaire was divided into four major sections.

Section 1 covered demographic details of the respondents.

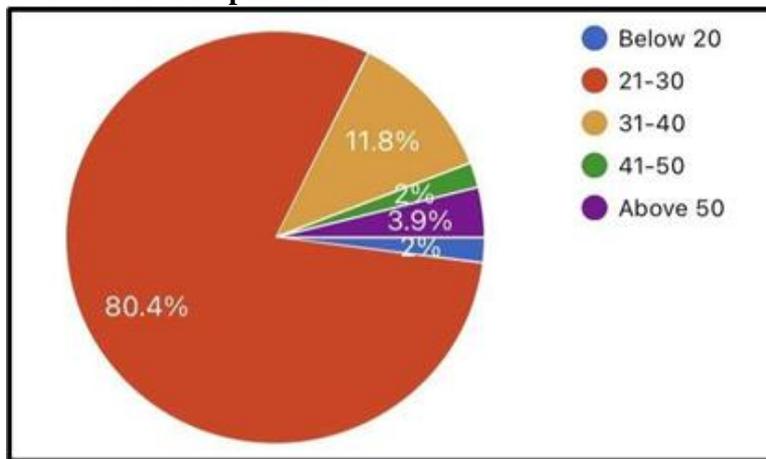
Section 2 focused on awareness and understanding of GST on online purchases.

Section 3 examined the impact of GST on purchase decisions and spending behaviour.

Section 4 analysed changes in online shopping frequency and overall perception of GST. The analysis of the responses is presented below.

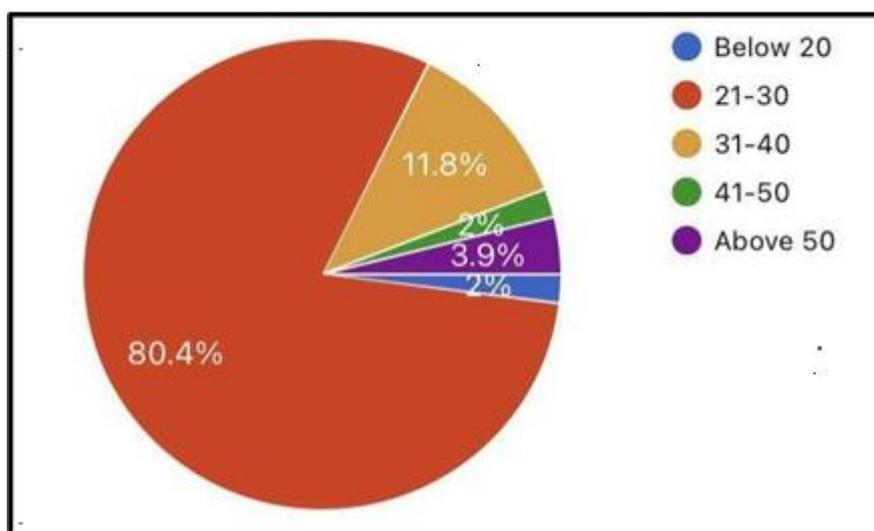
The analysis of the responses is presented below

CHART 1: Age-wise distribution of respondent



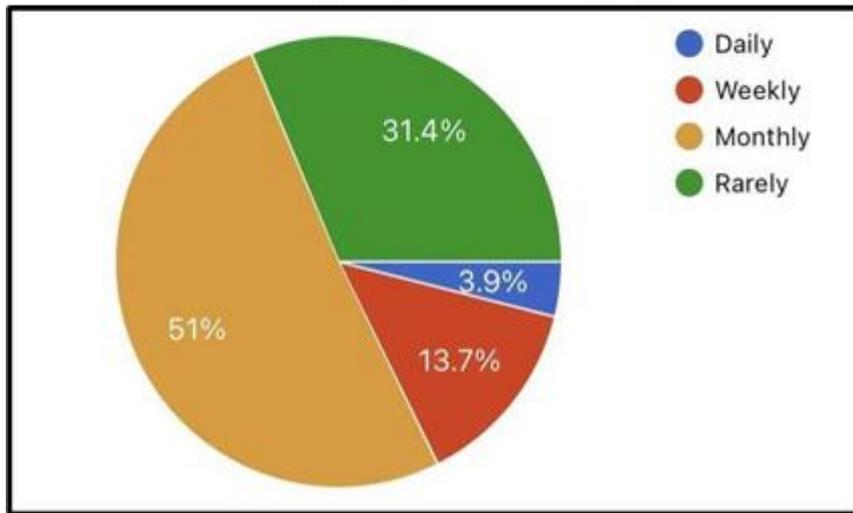
The chart shows that the majority of respondents belong to the younger age group, indicating that online shopping is more common among young and digitally active consumers. A smaller proportion of respondents fall into the higher age categories. This distribution shows that younger consumers are more active on e-commerce platforms and are more frequently exposed to GST-inclusive pricing while shopping online. Their higher usage makes them more aware of tax components and pricing transparency.

CHART 2: Gender-wise distribution of respondent



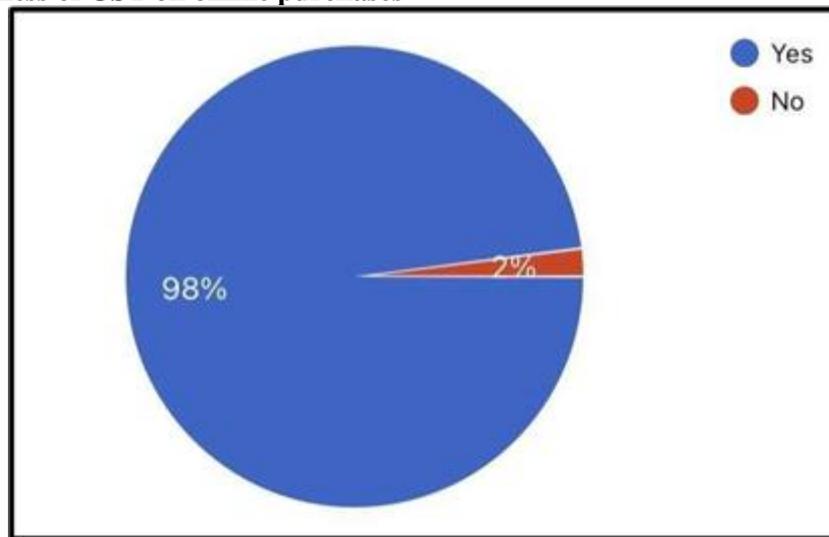
The chart shows that both male and female respondents are active in online shopping, with a slightly higher percentage belonging to one gender. The balanced response indicates that GST awareness and its effect on online shopping behaviour apply to all consumers and are not restricted to any one gender.

CHART 3: Frequency of online shopping



The chart shows that a significant number of respondents shop online either frequently or occasionally, while a smaller group shops rarely. This highlights the strong presence of online shopping in consumers’ daily purchasing habits. The data indicates that GST has not discouraged consumers from using online platforms, as shopping frequency remains consistent due to convenience, discounts, and ease of access

CHART 4: Awareness of GST on online purchases



The chart reveals that a majority of respondents are aware that GST is applicable on online purchases, while a smaller percentage are either unaware or unsure. This high level of awareness suggests that GST implementation has increased tax visibility among consumers, particularly through detailed billing and price breakdowns provided by e-commerce platforms.

Hypothesis Testing

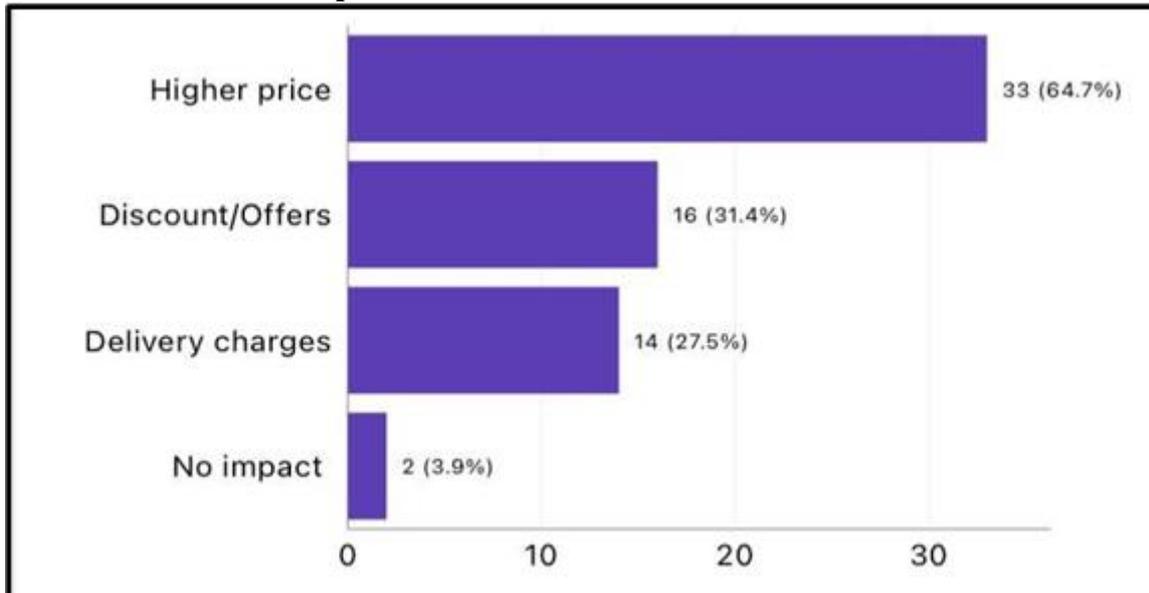
As most respondents are aware of GST and know that it applies to online purchases, the findings suggest a connection between GST awareness and online shopping behaviour.

Therefore, the null hypothesis (H₀) is rejected and the alternative hypothesis (H₁) is accepted.

Findings:

Awareness of GST among online shoppers is quite high and influences their buying decisions.

CHART 5: Influence of GST on purchase decisions



The chart shows that GST affects the buying decisions of many respondents, particularly when purchasing expensive or non-essential items. A few respondents remained neutral, and a smaller number believed that GST does not affect their purchase decisions. This suggests that GST-inclusive pricing has increased consumer attention toward final product prices

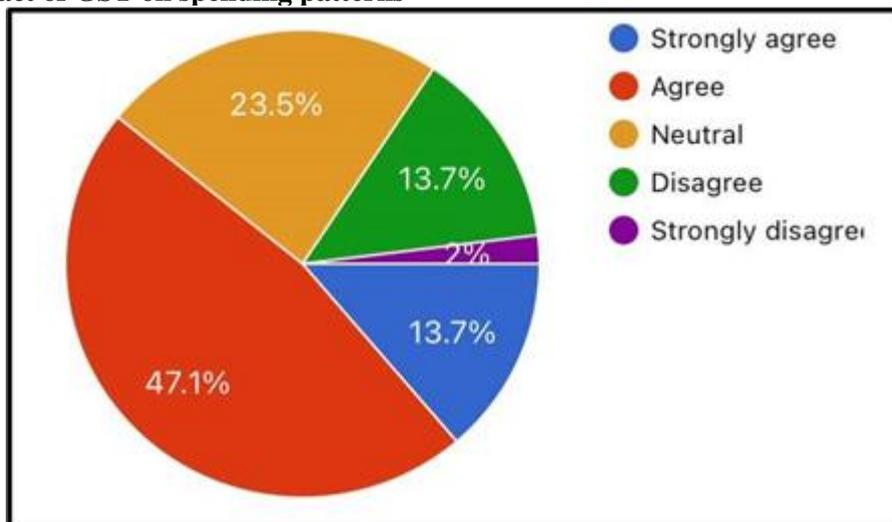
Hypothesis Testing

As GST impacts the purchase decisions of a considerable number of respondents, the null hypothesis (H₀) stating that GST has no influence on purchase decisions is rejected, and the alternative hypothesis (H₁) is accepted.

Findings:

GST affects consumer decision-making, particularly for discretionary and high-priced items.

CHART 6: Impact of GST on spending patterns



The chart reveals that some respondents have decreased their spending after GST was introduced, whereas others continue to spend at the same level as before. A small percentage of respondents mentioned that there was no significant change in their spending habits. This indicates that GST has encouraged more careful spending among some consumers, especially for products that fall under higher tax rates.

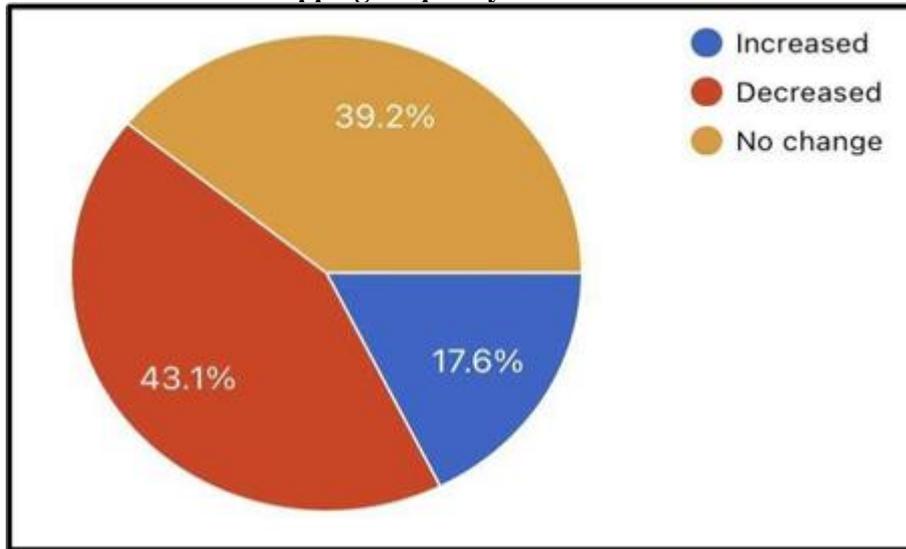
Hypothesis Testing

Since a change in spending behaviour is observed, it can be concluded that GST affects online spending patterns; therefore, the null hypothesis (H₀) is rejected and the alternative hypothesis (H₁) is accepted.

Findings:

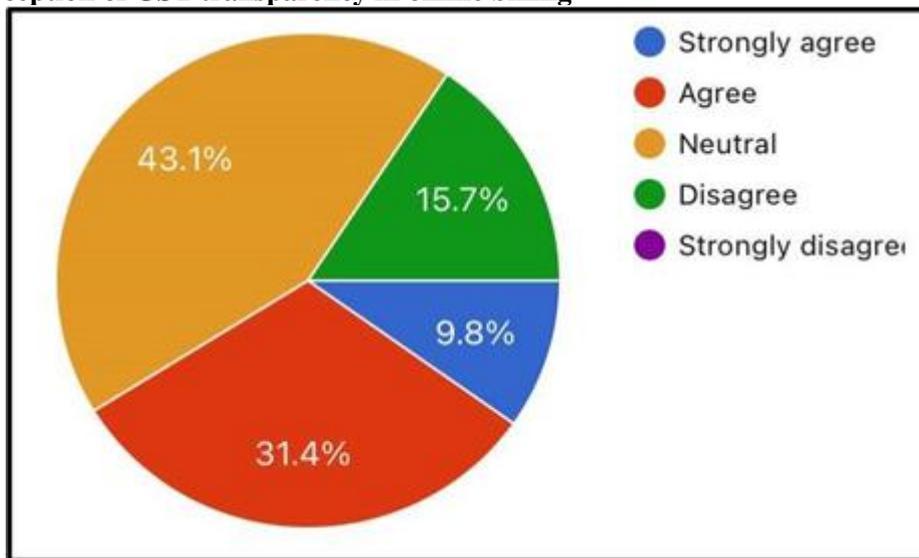
GST has influenced consumer spending patterns, making shoppers more price-sensitive.

CHART 7: Effect of GST on online shopping frequency



The chart indicates that the frequency of online shopping for most respondents has remained the same, while some reported a slight decrease or increase. This shows that even though GST has increased awareness about pricing, it has not greatly reduced online shopping because consumers still value convenience and attractive offers.

CHART 8: Perception of GST transparency in online billing



The chart indicates that most respondents feel GST has improved transparency in online billing since tax details are clearly shown in invoices. This shows that many consumers view GST positively in terms of transparency and trust, although some believe it increases the overall cost.

FINDINGS

- Most respondents are aware that GST is applied to online purchases, which indicates improved tax awareness among digital consumers.
- GST-inclusive pricing has made consumers more price-conscious, with greater focus on the final payable amount while making purchase decisions.
- Higher GST rates influence purchasing decisions for high-value and non-essential products more than for essential goods.

- Spending behaviour shows a cautious approach, particularly in discretionary purchases, while essential spending remains stable.
- The frequency of online shopping has largely remained unchanged after GST, as convenience and easy access still motivate consumers to shop online.
- GST has increased transparency in billing practices, which has helped build greater trust among consumers towards e-commerce platforms.
- Overall, GST has influenced how consumers shop online rather than whether they shop online.

LIMITATIONS OF THE STUDY

- The study uses a relatively small sample size, which may limit the ability to generalise the results to the entire population.
- Convenience sampling was used, which may not fully represent the entire population of online shoppers.
- The study relies on self-reported responses, which may involve personal bias.
- External factors such as discounts, income levels, and seasonal sales were not analysed separately.

CONCLUSION

The study concludes that the implementation of GST has led to clear changes in online shopping behaviour by making consumers more aware of pricing and tax components. Online shoppers now pay closer attention to GST-inclusive prices, and this has affected their buying decisions, especially when purchasing costly or non-essential items. This shows a move toward more careful and informed purchasing behaviour in the online market.

Although GST has affected spending patterns to some extent, it has not significantly reduced the frequency of online shopping. Factors such as convenience, accessibility, competitive pricing, and ease of comparison continue to encourage consumers to prefer online platforms. Additionally, the transparency introduced through GST-compliant billing has enhanced trust and confidence in ecommerce transactions.

Overall, the study points out that GST has changed the way consumers shop online, not the fact that they shop online. By increasing transparency and awareness about pricing, GST has played a significant role in shaping consumer behaviour in India's expanding e-commerce industry.

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