Examining Consumer Perception and Household Spending Behaviour after GST Implementation: Evidence on Financial Inclusion from Silchar, Assam

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Abstract

An income tax structure in India which was divided into different segments has been unified with the addition of Goods and Services tax (GST) on 1st July 2017. As per Nayyar and Singh (2018) GST has simplified the indirect tax structure and has brought tax efficiency. GST has been brought into picture with an intent to construct a single tax structure. It is thus assumed that GST has simplified the tax compliance and also has an impact on consumer perception and spending behaviour. According to Mishra and Mohanty (2019) acceptance of GST depends largely on consumer awareness. Perception of consumers on GST is influenced by factors such as tax awareness, perceived price changes, transparency, and ease of compliance. But it has been found in the study by Kumar and Sharma (2021) that there have been notable changes in household consumption patterns after GST has been implemented in India. But it has also been identified in the study by Patel and Shah (2022) that consumer satisfaction is determined by the effect of GST on the prices of the commodity. This research attempts to examine consumer perception, household spending behaviour and financial inclusion in connection with Goods and Services Tax, after 9 years of its implementation. Assam being the first state to adopt GST yet in researches this is the most less represented region. Therefore, this research has been undertaken in Silchar, Cachar district of Assam. This result of this research has been achieved through the analysis of both primary and secondary data. A structured likert scale questionnaire has been prepared to collect data from the residents of Silchar region while many research articles as well as government reports on GST and financial inclusion in India as well as North-East region has been used. Comparison of the composite score of GST perception and Financial inclusion in order to understand the relationship between them Karl Pearson's Correlation has been used. Descriptive statistics like mean and standard deviation has also been used to assess consumer awareness and perception of GST among Silchar households and to examine changes in household spending on essential and discretionary goods after GST. These statistics further assisted the researcher to evaluate the current status of financial inclusion among sampled households which would further help the researcher to provide policy-

relevant suggestions based on the findings. Thus, the paper is an evidence for practical implications of suggested policies for GST tax administrators, Banks as well as local businesses in Barak Valley.

Keywords: GST, Financial Inclusion, Consumer Perception, Household Expenditure, Silchar, Assam.

1. Introduction

GST has absorbed a lot of confusing central and state levies into a single tax structure,since its inception from 1st july 2017. It aimed to eliminate the tax on tax which eventually raised the price of the goods and services. Thus, being beneficial both to the businesses as well as the customers. Besides its simplicity in understanding GST has also created a need for digitization in the form of e-invoicing, mandatory GSTINs and online filing. This has in turn increased transparency and made indirect tax payments more formal and traceable. With the advent of GST, Small traders strated shifting from traditional mode of recording and accounting to digital accounting systems and banking services. Also, Consumers became more adjusted with the casshless transactions using various modes like UPI, Mobile banking and Internet banking. Thus, GST has not just brought reform in indirect tax regime but it has also contributed towards promotion of financial inclusion. Thus, making Indian digital economy stronger.

Consumer perception in very important for the success of any reforms. And for this GST reform consumer perception is significaant because it has direct impact of the prices of the goods and services which would directly affect their household expenditure, purchase decisions and hence the overall satisfaction. Impact on the consumer purchase behaviour of the changes in the GST rate and compliance procedures is different across different regions and income groups. Spending on essential and discretionary goods will also witness some shift. Thus, After 8 years again GST rate slab changes, giving rise to GST 2.0, infused the need of the hour to understand the consumer perception towards these new changes in the GST law as well as to understand the shifts in household spending. This research attempts to explore the less explored angle of GST which is to identify any relationship between GST formalisation and financial inclusion. Also the location chosen for the research is also unique as most of the studies in India are concentrated in either metropoliten cities or otheer parts of India, SIlchar, Assam being the less trodden area under study. Thus, this study is more significant as financial inclusion level in these region has also been less compared to National average and with the semi-urban setting and border trade context this region becomes an interesting base for research.

2. Review of Literature

2.1 GST Awareness and Perception

As per the research conducted in the National Capital Region by Maheshwari and Mani (2019) it has been found that awareness of GST among educated people and urban residents are high but variation in income has raised the concern of variation in perception in terms of Fairness in GST. The primary study conducted in Assam and Tripura by the researcher has also found comparatively high degree of awareness of GST laws in the state. But these awareness is highly impacted by the factors like gender and education rather than by age, income or urban/rural location. In studies conducted in southern parts of India, it has been found that GST has brought transparency in the indirect tax structure but the awareness of GST does not imply the awareness of compliance stages like registration, input credit or refund.

2.2 GST and Household Spending

Assam has recorded as having one of the highest food expenditure share in India with 53.2% in rural and 47.4% in urban households, as per Government consumption expenditure data (HCES 2023-24 vs 2011-12). This indicates that in Assam expenditure on essential goods is dominant in the household budget and this justifies the sensitivity of people towards GST related price movements. As per the National Institute of Public Finance report and policy based analysis highlighted in the same report it has further been highlighted that 50% of the people Paying GST, 30% belongs to the middle income group, throwing a light on mild progressivity in GST household tax incidence. As per 2026 Economic and political weekly study it has been found that the marginal propensity to consume has been found to vary significantly state wise, with state like Assam having greater consumption multiplier effect as an act to rate rationalization

2.3 Financial Inclusion in Assam and the Barak Valley

Composite indices helps measure Financial inclusion. In the research article by Sarma (2008,2012) it has been found that indices like banking penetration, availability and usage are widely used to check financial inclusion. Later in the study by Ghosh (2024) financial inclusion was linked with state output growth. In (Cogent Economics & Finance, 2024) it has been found that there is a positive relationship between financial inclusion indictors and standard of living as per the study conducted in rural households it has further been found in Roy (2025) research journal that Self help group's (SHG) has significantly improved financial inclusion of the women. Complementary study on SHG- Bank Linkage in Assam it has been found that financial inclusion is weak in this region with very less credit accessibility.

2.4 Linking GST, Digitisation, and Financial Inclusion

It has been Identified that there are minimal study trying to identify the existence of relationship between GST and financial inclusion. GST mandated digitization has left no choice for the small businesses as well as customers to accelerate the use of digital payment infrastructure like UPI. However this were the changes which were only observed but not statistically tested at the household level. Thus, this study attempts to throw a light into this area.

3. Research Gap

From the review of few literature the following Gaps has been identified which would help this research to contribute in the untapped areas and would help in adding value and new perception to the problem under study.

- Despite distinct consumption level and inclusion patterns barak valley region of Assam remains excluded from the research studies. Although studies related to GST perception and spending pattern has been undertaken for other regions of India but this region is used for research.
- Majority of the study was undertaken post GST implementation within 2-5 years after its introduction but negligible or almost no studies has been undertaken after GST rate rationalization in 2025
- There are studies separately related to GST perception and Assam specific financial inclusion but very few or almost no research papers have studied both the variables together to understand and find out any association between them
- Available studies have undertaken non-parametric demographic comparisons instead of composite index correlation adopted in this research.

4. Objectives

Following are the objectives with which the researcher has undertaken this research. The researcher attempts to:

- To analyze consumer awareness and perception of GST among Silchar households.
- To analyze the change in the consumption pattern and spending of essential and discretionary goods after GST implementation.
- To examine the financial inclusion status of the people in Silchar region of Assam
- To identify the existence of relationship between GST perception and financial inlcusion of people.

5. Significance of the Study

The research would help the tax administrators to educate the tax payers about the GST laws as this research would provide the evidence of the requirement of educating the people of Silchar region of Assam with GST understanding. It also helps banks and financial inclusion administrators to have an idea on GST digitsation and how it might impact inclusive behaviour of the people and thus strategies accordingly. It further helps the businesses of silchar to understand their customers and their perception towards GST related pricing. This research also adds to the less available research papers in relation to GST reforms and financial inclusion in this region of the country.

6. Research Methodology

Design and sampling: this research is descriptive and analytical in nature using mixed method approach as both primary and secondary data has been used for the research. The researcher used convenience sampling technique to collect 86 primary data for the research across silchar region. The data has been collected using structured questionnaire.

Data collection: Primary data has been collected using structured five-point Likert-scale questionnaire having separate sections for different factors analysed such as demographics, GST perception, spending behaviour, financial inclusion. Secondary data has been collected from peer-reviewed journals and government reports.

Variables: A GST Perception Composite Score (mean of awareness, price-transparency, compliance-ease, spending-change, and satisfaction items) and a Financial Inclusion Composite Score (mean of bank-usage, digital-payment, savings, credit-access, and financial-literacy items).

Tools: The researcher has used Frequency distribution; mean and standard deviation; Pearson correlation between the two composite scores; bar and scatter charts for visual interpretation for better analysis and interpretation of the data thus collected.

7. Limitations:

Although the study is very significant yet this research undergoes few limitations. These are:

- this research is confined to Silchar region of Assam only hence the area in which the research is conducted is very limited and narrow.
- The research highlights only the association but the cause behind it is not identified.
- Also the sample size studied is only 86.

8. Analysis and Interpretation

8.1 Demographic Profile

Variable	Category	%
Gender	Female / Male	56.2 / 43.8
Age Group	18–25 / 26–35 / 36–45	56.2 / 37.5 / 6.2
Educational Qualification	Graduate / Post-Graduate / Upto HS	75.0 / 18.8 / 6.2
Occupation	Salaried/Service / Student / Business-Self-employed	56.2 / 37.5 / 6.2

Variable	Category	%
Monthly Household Income (₹)	15,001–30,000 / 30,001–50,000 / Below 15,000 / Above 50,000	37.5 / 31.2 / 18.8 / 12.5

Table 1: Demographic Profile of Respondents (Primary Survey)

8.2 GST Perception – Descriptive Statistics

GST Perception Dimension	Mean	SD
Awareness of GST	4.38	0.72
Understanding GST Application	3.81	0.83
Price Transparency	3.56	0.63
Billing/Invoicing Ease	3.69	0.48
Ease of Compliance	3.38	0.72
Noticeable Price Change	3.94	0.68
Change in Spending Pattern	3.50	0.82
Overall Satisfaction	2.81	0.66
Cascading Burden Reduction	3.38	0.72
Positive Reform Perception	3.56	0.63
GST Perception Composite Score	3.60	0.34

Table 2: Mean and SD of GST Perception Dimensions (Primary Survey Data)

8.3 Financial Inclusion – Descriptive Statistics

Financial Inclusion Dimension	Mean	SD
Bank A/c Ownership/Usage	3.94	0.77
Digital Payment Usage	4.38	0.62
Savings Behaviour	3.38	1.02
Access to Credit	3.44	0.89
Financial Literacy	4.06	0.57
GST-driven Digital Uptake	3.56	0.63
Overall FI Improvement	3.62	0.72

Financial Inclusion Dimension	Mean	SD
Financial Inclusion Composite Score	3.77	0.47

Table 3: Mean and SD of Financial Inclusion Dimensions (Primary Survey Data)

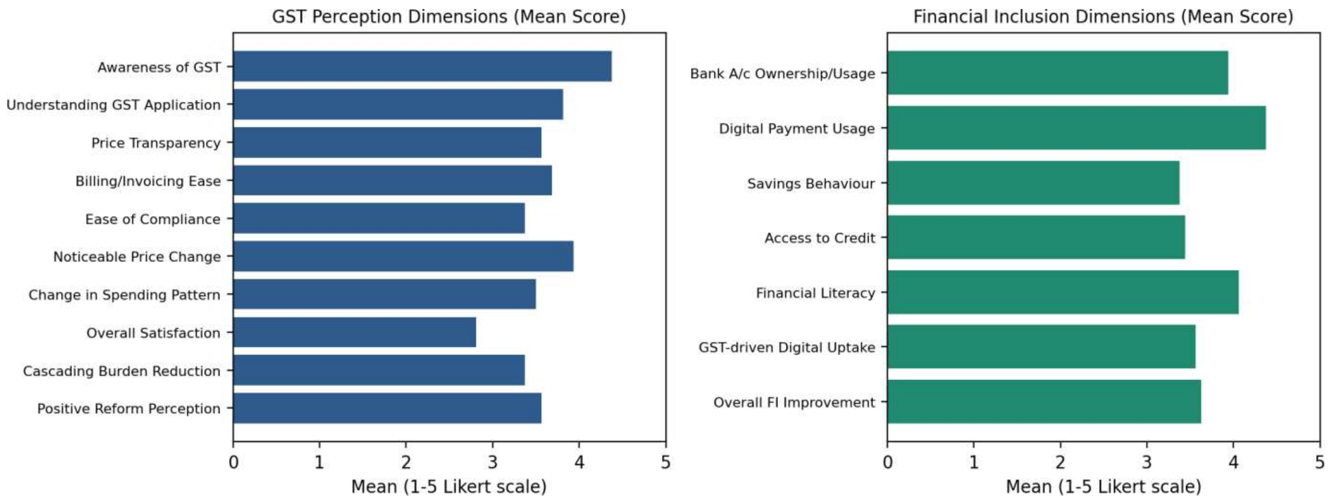

Figure 1: Mean Scores – GST Perception and Financial Inclusion Dimensions (Primary Survey Data)

The data thus collected display that respondents in Silchar are familiar and are aware of the GST tax structure and concept (4.38/5). However, it has been seen majorities budget remain unaffected with the advant or changes in GST (2.81/5). Thus it can be said that even though awareness is high people do not believe that GST has benefitted in any way in their household spending. Also, the moderate number of respondents are seen to believe that the GST has eased the tax compliance and has removed cascading effect (3.38/5). Thus, it can be said that respondents even though are aware of the process are sill having prejudiced idea about practical fairness of the system. The data related to financial inclusion displaced strong response towards the usage of digital payment indicating UPI penetration and GST related digitisation (4.38/5). However the savings behaviour of the people was seen to be weak as per the analysis of the data received (3.38/5).

8.4 Household Spending Behaviour

Category	% Increase	% Decrease	% No Change
Essential goods	37.5	18.8	43.8
Discretionary/luxury items	25.0	25.0	50.0

Table 4: Reported Change in Household Spending after GST (Primary Survey Data)

Most of the respondents have increased the consumption of essential goods (37.5% vs 18.8%) while the majority has not changed their consumption pattern at all (43.8%). Whereas, spending on discretionary goods has equally witnessed increase and decrease. Since the implementation of GST it has been found that 37.5% respondents monthly household expenditure had no impact while 43.8% respondents consumption has gone up by 20% or more. It has also been identified that GST price change has affected 43.8% of consumption of Food and Groceries while 25% on electronics

8.5 GST Perception – Financial Inclusion Correlation

Statistic	Value
n	86
Mean GST Composite (SD)	3.60 (0.34)
Mean FI Composite (SD)	3.77 (0.47)
Pearson r	0.585
p-value	0.017
Relationship	Positive, moderate, statistically significant (p < 0.05)

Table 5: Pearson Correlation between GST Perception and Financial Inclusion (Primary Survey Data)

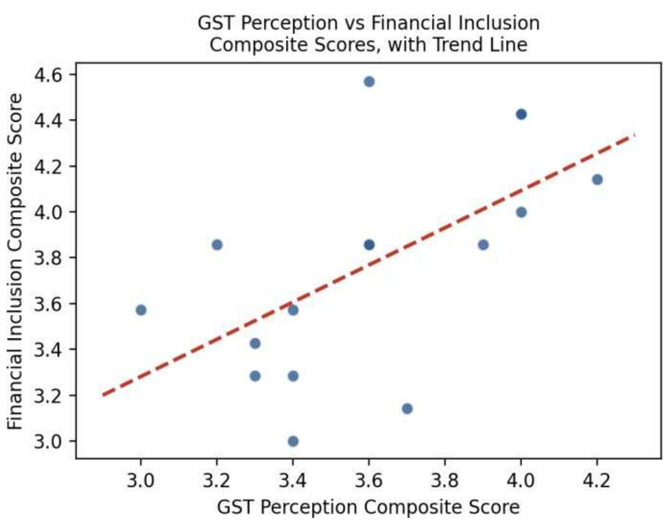

Figure 2: GST Perception vs Financial Inclusion Composite Scores, with Trend Line (Primary Survey Data)

The survey responses received has been utilised to calculate pearson's correlation coefficient which resulted to the values r = 0.585, p = 0.017, n = 86, which indicates a moderate, positive and statistically significant relationship. It has been found that respondents with more favourable GST perception is higher in financial inclusion.

9. Findings

From the analysis and interpretation of the data collected through structured questionnaire the various values of descriptive statistics and correlation coefficient indicates towards the following findings which has been generalized by the researcher as the chracteristics of the population.

- It has been found that there is significant awareness of GST among the people of silchar but understanding of the compliance procedure is less.
- Consumption of essential goods has increased after the implementation of GST while for Discretionary goods consumption is equally distributed between increase and decrease.
- People of Silchar are mostly financially included because of the factor like usage of Digital payment services but their savings behaviour is weak
- It has been found that there exists a significant moderate correlation between GST perception of the people of Silchar and their financial inclusion

10. Suggestions

Based on the findings the researcher have come up with the following suggestion:

- GST Seva kendras should educate people of silchar in how GST works and its benefits to them and also knowledge on the compliance procedures of GST.
- Banks and PM jan Dhan Yojana can use GST linked digital payment system thus cross selling savings and credit products, increasing the financial inclusivity of the people.
- Consumers should start asking for clear break down of price and businesses should also be transparent enough to provide informations like pre-GST price, GST rate and final price after GST.
- GST authorities should either use carrot or stick method with the businesses so that they do not sell product without GST bill and hence make off record sale luring consumers of small amount of cost benefit.

11. Conclusion

GST being an indirect tax and is levied on all goods and services and every consumer consuming the goods and services has to pay it, this has huge role to play in the increase in the price of the product and hence the purchase decisions of the consumer.Also, on the other hand GST forms a major part of Governments revenue so it becomes very significant on its own. Thus, GST has a role to play in taking financial decisions and expenditures by the people. Thus, This research attempts to understand the impact of GST on consumer perception, household spending and financial inclusion with reference to Silchar, Assam. The data collected from the respondent reveals that people of Silchar are aware about GST but lacks clear understanding of the compliance procedures and functionality. The research has also revealed that the consumption of essential goods have increased after GST implementation but the consumption of non-essential goods have neither increased nor decreased. The research further revealed positive and moderate level relationship between GST implementation and financial inclusion although savings behaviour of the people is weak. The study thus helps the GST administrators as well as financial institutions to strategize well to educate people of silchar on the tecnicalities of GST and its benefits and also towrards increasing financial inclusivity of the people through GST. The research further leaves avenue for further study where rural urban comparison can be made and the researcher can take up longitudinal study and instead of testing only the relationship the research can further attempt to study the cause behind the established relationship between GST and financial inclusion.

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