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A STUDY ON CONSUMER BUYING BEHAVIOR OF NAGPUR CITY AFTER GST RATE REDUCTION IN 2025

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ABSTRACT

The Goods and service Tax implemented by the central government on 1st of July 2027. It was a big reform in Indirect taxes where many other indirect taxes were abolished. It comes with the slogan one nation one tax. The recent rate changes from 22nd September 2025, India's GST structure shifted from four-tier system that is from 5%, 12%, 18%, & 28% to two-tier system consists of 5% & 18% respectively. This change moves the burden from many goods, goods which are under 5% comes under exemption, some 12% goods shifted to 5% slab rate, some 28% goods shifted to 18%. While a 40% slab introduces for sum luxuries goods. This result in decrease in prices in Automobile sectors, Consumer durables, Cement, service sectors like insurance company, Fitness club etc. This boosts the sale of the product and record created by the market after these announcements. Many essential items were exempted from GST.

The Present study intents to check the impact of rate reduction of GST and the consumers behavior in Nagpur city. This study's aim is to understand consumers awareness, price reduction, buying decision and satisfaction level of the consumer. The finding of the study reveals that the consumers are aware of the rate reduction in GST and they enjoyed the purchasing of products. The conclusion of this study is rate reduction of GST created an overall positive impact on consumer behavior and satisfaction in Nagpur city.

KEYWORDS: GST, consumers, Consumers behavior, rate reduction, Consumer satisfaction, Price Reduction and Nagpur city.

INTRODUCTION

Consumer buying behavior plays an important role that how the consumer take decision to buy any goods or services. It helps to understand how the decision making is done by consumer in changes in economic policies, Pricing, Taxation, income and other market conditions. Even in India people stocks

the onion if they get it in discounted rate this is how the behavior of people changes. On 1st of July 2017, the Goods & Service tax (GST) is implemented by the central government. Why GST is implemented what's wrong with VAT (value added Tax). In short VAT is governed by the states and every state have their own rules and regulations which very much affect to the companies due to complexity, cost and many other reasons like Tax Evasion and advantages of loop holes. Therefore, GST comes into existence with the slogan "ONE NATION ONE TAX" it comes into existence with lots of advantages like it replaced multiple indirect taxes with unified tax system, Transparency, No cascading effect, simplification of taxation and many more. Although there are lots of challenges it's a big reform, it was not that easy. The government made corrections time to time by doing amendments. The government has periodically revised and reduce the rate so that the common people be benefitted with the modification of reform. The GST has directly Influenced the cost of a product as earlier indirect Tax was averagely charged at 32 to 48% and after GST it comes down to 28% to 40%. Since the implementation of GST, time to time government has revised the rate of GST of products according to that the sale of product increases or decreases.

Recently from 22nd September 2025, India's GST structure shifted from four-tier system that is from 5%, 12%, 18%, & 28% to two-tier system consists of 5% & 18% respectively. This change moves the burden from many goods, goods which are under 5% comes under exemption, some 12% goods shifted to 5% slab rate, some 28% goods shifted to 18%. While a 40% slab introduces for sum luxuries goods. This result in decrease in prices in Automobile sectors, Consumer durables, Cement, service sectors like insurance company, Fitness club etc. that to at the time of Diwali which is one of the biggest festivals in India. This boosts the sale of the product and record created by the market after these announcements. Essential items were exempted from GST.

The city Nagpur is rapidly growing tier-II city have provided a suitable environment to study the impact of rate reduction of GST on consumer behavior. The city has a diverse population having different level of income of Individuals. The consumers of Nagpur very much influenced by such factors like price, brand, Quality, availability and Taxability. Therefore, Studying consumer behavior or reactions after rate reduction can give valuable insights into the tax reforms effectiveness at local level.

REVIEW OF LITERATURE:

Following prominent studies have considered for this research paper:

In 2024, Nilotpal Chattergi conducted a study on assessing the impact of GST on Consumer Behavior in India. In his study he focused on impact on customers of GST from social and legal prospective. His study found that transparency has increased and confusion about tax has reduced after introduction of GST. He concluded his study with note that there is no full awareness about GST among the

customers and they do not fully understand the changes in GST.

In 2023, Dr. Sanjay Pardeshi conducted a study on GST and its Impact on Consumption Pattern. He used the data from 2015 to 2023 to analysis consumer's consumption pattern in India. He found that with introduction of GST the essential goods are become affordable which led to increase the demand of essential goods from customers of India. But similarly, he found that the demand of luxury products has decreased due to impose of GST at higher rate.

In 2023, S. Vamsikrishna done a study on The Impact of GST on Consumer Behavior. This study was based on 1,000 responses collected from the consumers across India. He found that there is significant change in consumer behavior after introduction of GST. He concluded his study with consumer became more price thinker, their brand loyalty has decreased and consumers are more inclined towards online shopping after implementation of GST in India.

In 2025, Dr. Kranti Suhas Borawake and Shubhangi Ashok Ranawade had done a study on GST and its Impact on Consumer Behavior. In this study they highlighted that after introduction of GST price transparency has increased. GST helped to reduce the price of essential goods and increased the price of luxury goods because high rate of GST on luxury products. They concluded their study with note that purchasing decision of consumers is based on price of product and awareness of GST.

In 2025, Shital Kene has conducted the study on topic Assessing Impact of GST on Consumer Choice and Expenditure Behavior. Her study base on primary data collected through questioners. He found that consumers are generally aware about GST but it does not affect too much on consumer buying decision. GST makes only moderate change in buying decision but GST influences overall expenditure pattern of consumers.

In 2024, Vinod Sharma and Rajeev Kumar Sharma conducted a study on Consumer Awareness and Perception of GST in Haryana. In their study they found that consumers are very much aware about GST. The satisfaction of consumers regarding GST is varying among the different group of customers. Most of customers are of the opinion that tax is burden for them and it increases the price of product.

RESEARCH GAP:

After considering above researches and studies it is found that most of the researches have done on impact of GST on consumer buying behavior in India. Majority of the above-mentioned studies have focused on implementation of GST and its impact on price, purchasing power, buying behavior of consumer. Most of the studies have conducted at national level and have focused on impact of demand of essential products, luxury product and comfort products etc. after considering these studies

following important gaps have been identified.

- a. There is limited research have done on Tire II cities like Nagpur.
- b. There is scope of study to know impact of GST rate reduction on buying behavior of consumers.
- c. Most of studies done on secondary data but this study has conducted on primary data where opinion, expectations experience of consumers has considered.
- d. This study has considered the various factors which influence the buying decision of consumers.
- e. Previous studies do not consider the consumers satisfaction but this study considered the overall level of satisfaction of consumers over GST rate reduction.

IMPORTANCE OF STUDY:

The present study is important due to following reasons:

1. This study is helpful to understand behavior of consumers.
2. This study is important from the point of view of Government as well because this study may provide actual conclusion whether consumer is getting the benefits of GST rate reduction or not.
3. This study is important from the point of view of shopkeepers and businessmen as well because this study can identify the response of consumers over reduction of price of products.
4. This study is important to know whether the consumer is getting actual benefits of price reduction or not.
5. This study is important to know whether the demand of product has increased or not.
6. This study is important to know whether consumer are overall satisfied on GST rate reduction or not.

RESEARCH METHODOLOGY:

The nature of this research paper is descriptive as well as analytical. This study is based on the primary data to collect from the customer of Nagpur city about the awareness of and their buying behaviour after GST rate reduction.

a. Sources of Data

The primary data is collected from 148 consumers of Nagpur city through structured questioners via Google form and secondary data has been collected from the GST website, articles, research papers, government reports etc.

b. Tools Used:

The hypothesis has been tested and conclusion of the study has been drawn by using frequency

analysis, percentage, Z-Test and Chi-Square Test.

OBJECTIVES OF STUDY:

The present study is based on the following objectives:

1. To understand the level of awareness among the consumers of Nagpur city about GST rate reduction.
2. To know the effect of GST rate reeducation on purchasing power of the consumers.
3. To analysis the GST rate reduction leads to reduction in price of the production.
4. To know the impact of GST rate reduction on demand of consumer.
5. To find the various factors which are affecting on buying decision of consumers even reduction of GST rates.
6. To analysis the consumer's satisfaction level over GST rate reduction and its direct benefits to them.

HYPOTHESIS OF STUDY:

Following are the hypothesis of present study:

1. Consumer of Nagpur city are well aware about the GST rate reduction.
2. Consumer purchasing power has affected due to GST rate reduction.
3. Price of various products are reduced due to reduction of GST rate reduction.
4. Demand of various products has increases due to reduction in GST rate.
5. Consumer buying decision is affected due to reduction in GST rate.
6. Consumers are satisfied on overall benefits of GST rate reduction.

DATA ANALYSIS AND HYPOTHESIS TESTING:

On the basis of data collected analysis has been done and hypothesis has been tested as follow:

Hypothesis 1: Consumer of Nagpur city are well aware about the GST rate reduction.

To prove this hypothesis following questions asked and collected dated tabulated as well as hypothesis has been tested by using appropriate hypothesis testing method.

- a) Are you aware about the GST rate reduction?

Options	No.
YES	131
NO	17
Total	148

This question has been tested by using Z – Test, the values are mentioned as under:

$N = 148$

$P_0 = 0.5$

$SE = 0.0411$

$Z \text{ Calculated} = 9.37$

Critical Value of $Z = 1.645$

$Z \text{ Calculated} (9.37) > \text{Critical Value of } Z (1.645)$

As per this test it is prove that large number of consumers of Nagpur city are aware about GST rate reduction.

b) How do you come to know about GST rate reduction?

Options	No.
News	67
Social Media	27
Shopkeepers	31
Friends	18
Others	5
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$O = 148$

$E = 29.6$

Calculated Value of $X^2 = 72.56$

$Df = 4$

Critical Value of $X^2 = 9.488$

$X^2 \text{ Calculated} (72.56) > \text{Critical Value of } X^2 (9.488)$

As per this test it is prove that large number of consumers of Nagpur city are aware about GST rate reduction through news and various sources of information.

Your level of GST rate reduction?

Options	No.
Highly Aware	84
Moderately Aware	32
Slightly Aware	15
Not Aware	17
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

O = 148

E = 37

Calculated Value of $X^2 = 84.27$

Df = 3

Critical Value of $X^2 = 7.815$

X^2 Calculated (84.27) > Critical Value of X^2 (7.815)

As per this test it is prove that consumers of Nagpur city are significantly aware about GST rate reduction.

Hypothesis 2: Consumer purchasing power has affected due to GST rate reduction.

To prove this hypothesis following questions asked and collected dated tabulated as well as hypothesis has been tested by using appropriate hypothesis testing method.

a) Your purchasing power has changed due to GST rate reduction?

Options	No.
YES	125
NO	23
Total	148

This question has been tested by using Z – Test, the values are mentioned as under:

N = 148

P0 = 0.5

SE = 0.0411

Z Calculated = 8.39

Critical Value of Z = 1.645

Z Calculated (8.39) > Critical Value of Z (1.645)

As per this test it is prove that GST rate reduction has significant effect on purchase behaviour of consumer of Nagpur city.

b) What is the effect on your buying after GST rate reduction?

Options	No.
Increase	93
Decrease	12
No Change	43
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$$O = 148$$

$$E = 49.33$$

$$\text{Calculated Value of } X^2 = 67.74$$

$$Df = 2$$

$$\text{Critical Value of } X^2 = 5.991$$

$$X^2 \text{ Calculated } (67.74) > \text{Critical Value of } X^2 (5.991)$$

As per this test it is prove that consumer's buying has increased due to reduction in GST rate.

c) Are you now able to purchase branded and quality products after GST rate reduction?

Options	No.
Strongly Agree	53
Agree	27
Neutral	31
Disagree	18
Strongly Disagree	29
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$$O = 148$$

$$E = 29.60$$

$$\text{Calculated Value of } X^2 = 23.36$$

$$Df = 4$$

$$\text{Critical Value of } X^2 = 9.488$$

$$X^2 \text{ Calculated } (23.36) > \text{Critical Value of } X^2 (9.488)$$

As per this test it is prove that consumer's purchasing behaviour has significantly affected due to reduction in GST rate.

Hypothesis 3: Price of various products are reduced due to reduction of GST rate reduction.

To prove this hypothesis following questions asked and collected dated tabulated as well as hypothesis has been tested by using appropriate hypothesis testing method.

a) Do you think product price has decreased after GST rate reduction?

Options	No.
YES	109
NO	39
Total	148

This question has been tested by using Z – Test, the values are mentioned as under:

$N = 148$

$P_0 = 0.5$

$SE = 0.0411$

Z Calculated = 5.74

Critical Value of Z = 1.645

Z Calculated (5.74) > Critical Value of Z (1.645)

As per this test it is prove that Price of various products has decreased due to decreased in rate of GST.

b) At what extent price of product is decreased?

Options	No.
High Reduction	43
Moderate Reduction	58
Low Reduction	23
No Reduction	24
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$O = 148$

$E = 37$

Calculated Value of $X^2 = 22.76$

$Df = 3$

Critical Value of $X^2 = 7.815$

X^2 Calculated (22.76) > Critical Value of X^2 (7.815)

As per this test it is prove that consumers are aware about there is high and moderate level of price reduction due to GST rate reduction.

c) Do you get the benefits of GST rate reduction from shopkeepers?

Options	No.
Always	57
Sometimes	38
Rarely	43
Never	10
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$$O = 148$$

$$E = 37$$

$$\text{Calculated Value of } X^2 = 31.51$$

$$Df = 3$$

$$\text{Critical Value of } X^2 = 7.815$$

$$X^2 \text{ Calculated } (31.51) > \text{Critical Value of } X^2 (7.815)$$

As per this test it is prove that shopkeepers are providing benefits to consumers of GST rate reduction.

Hypothesis 4: Demand of various products has increases due to reduction in GST rate.

To prove this hypothesis following questions asked and collected dated tabulated as well as hypothesis has been tested by using appropriate hypothesis testing method.

a) Have you demand increased after reduction of GST rate?

Options	No.
YES	87
NO	61
Total	148

This question has been tested by using Z – Test, the values are mentioned as under:

$$N = 148$$

$$P_0 = 0.5$$

$$SE = 0.0411$$

$$Z \text{ Calculated} = 2.14$$

$$\text{Critical Value of } Z = 1.645$$

$$Z \text{ Calculated } (2.14) > \text{Critical Value of } Z (1.645)$$

As per this test it is prove that demand of consumers of Nagpur city has increased due to reduction in rate of GST.

b) Which type of product do you purchase more after GST rate reduction?

Options	No.
Daily Goods	23
electronics	18
Clothing	32
Luxury	14
No Change	61
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$$O = 148$$

$$E = 29.6$$

$$\text{Calculated Value of } X^2 = 47.74$$

$$Df = 4$$

$$\text{Critical Value of } X^2 = 9.488$$

$$X^2 \text{ Calculated } (47.74) > \text{Critical Value of } X^2 (9.488)$$

As per this test it is prove that demand of various types of products has increased due to reduction in GST. It is observed that demand of cloths has more affected due to this.

c) GST rate reduction encourages you to purchase more?

Options	No.
Strongly Agree	27
Agree	50
Neutral	10
Disagree	37
Strongly Disagree	24
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$$O = 148$$

$$E = 29.6$$

$$\text{Calculated Value of } X^2 = 30.17$$

$$Df = 4$$

$$\text{Critical Value of } X^2 = 9.488$$

$$X^2 \text{ Calculated } (30.17) > \text{Critical Value of } X^2 (9.488)$$

As per this test it is prove that decreases in GST rate enable consumers to purchase more.

Hypothesis 5: Consumer buying decision is affected due to reduction in GST rate.

To prove this hypothesis following questions asked and collected dated tabulated as well as hypothesis has been tested by using appropriate hypothesis testing method.

a) Your purchase decision is mainly influence by which factors?

Options	No.
Price	68
Income	24
awareness	33
Availability	18
Brand	5
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$O = 148$

$E = 29.6$

Calculated Value of $X^2 = 76.27$

$Df = 4$

Critical Value of $X^2 = 9.488$

X^2 Calculated (76.27) > Critical Value of X^2 (9.488)

As per this test it is prove that reduction in price is the major influencer for consumers to purchase more.

b) Your purchasing decision is influenced by GST reduction?

Options	No.
Strongly Agree	29
Agree	43
Neutral	26
Disagree	31
Strongly Disagree	19
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$O = 148$

$E = 29.6$

Calculated Value of $X^2 = 10.38$

$Df = 4$

Critical Value of $X^2 = 9.488$

X^2 Calculated (10.38) > Critical Value of X^2 (9.488)

As per this test it is prove that reduction in GST influences the purchasing decision of consumers of Nagpur city.

c) Lower price due to GST reduction leads to increase your purchases?

Options	No.
Strongly Agree	33
Agree	39
Neutral	21
Disagree	24
Strongly Disagree	31
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:
 $O = 148$
 $E = 29.6$
 Calculated Value of $X^2 = 6.99$
 $Df = 4$
 Critical Value of $X^2 = 9.488$
 $X^2 \text{ Calculated } (6.99) > \text{Critical Value of } X^2 (9.488)$
 As per this test it is prove that reduction in GST leads to increase the purchases of consumers.

Hypothesis 6: Consumer are satisfied on overall benefits of GST rate reduction.

To prove this hypothesis following questions asked and collected dated tabulated as well as hypothesis has been tested by using appropriate hypothesis testing method.

a) Are you satisfied with GST rate reduction?

Options	No.
YES	114
NO	34
Total	148

This question has been tested by using Z – Test, the values are mentioned as under:
 $N = 148$
 $P_0 = 0.5$
 $SE = 0.0411$
 $Z \text{ Calculated} = 6.57$
 Critical Value of $Z = 1.645$
 $Z \text{ Calculated } (6.57) > \text{Critical Value of } Z (1.645)$
 As per this test it is prove that demand of consumers of Nagpur city are satisfied over GST rate reduction.

b) What is your level of satisfaction?

Options	No.
Highly Satisfied	43
Satisfied	39
Neutral	24
Dissatisfied	26
Highly Dissatisfied	16
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$O = 148$

$E = 29.6$

Calculated Value of $X^2 = 16.79$

$Df = 4$

Critical Value of $X^2 = 9.488$

X^2 Calculated (16.79) > Critical Value of X^2 (9.488)

As per this test it is prove that consumers of Nagpur city are highly satisfied over the reduction in rate of GST.

c) Your purchasing power improved by GST rate reduction?

Options	No.
Strongly Agree	59
Agree	41
Neutral	25
Disagree	19
Strongly Disagree	4
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

$O = 148$

$E = 29.6$

Calculated Value of $X^2 = 60.26$

$Df = 4$

Critical Value of $X^2 = 9.488$

X^2 Calculated (60.23) > Critical Value of X^2 (9.488)

As per this test it is prove that consumer's purchasing power has increased due to reduction in GST rate.

d) Do you think consumers are getting benefits after reduction in GST rates?

Options	No.
Strongly Agree	61
Agree	42
Neutral	10
Disagree	29
Strongly Disagree	6
Total	148

This question has been tested by using Chi-Square Test, the values are mentioned as under:

O = 148

E = 29.6

Calculated Value of $X^2 = 70.30$

Df = 4

Critical Value of $X^2 = 9.488$

X^2 Calculated (70.30) > Critical Value of X^2 (9.488)

As per this test it is prove that consumers are getting maximum benefits after reduction in GST rate.

LIMITATION OF STUDY:

This study has face following limitations:

1. This study is based on responses received from the consumers of Nagpur city only.
2. This study is based on small population group.
3. This study considers primary method of data collection only.
4. The responses received from the consumers may be faced problem of personal biasness.
5. The findings of this study may applicable for limited time period only.

CONCLUSION:

On the basis of above findings and hypothesis testing this study concluded that, the majority of consumers of Nagpur city are well aware about the reduction in GST rate. They are aware about the this via various channels of information like social media, mouth publicity from the friends and relatives, shopkeepers etc. but majority of the customers aware about this through news on TV. The GST rate reduction significantly impacted on the purchasing power of the customers. Their purchasing power has increased after reduction in rate of GST but it is not equally beneficial for all the consumers. The reduction in GST rate leads to reduce the price of various products and shopkeepers are also passing the benefits of reduction in GST to customers. The shopkeepers are passing the benefits of these customers but most of the customers are not getting this benefit from the shopkeepers. The shopkeepers are making biasness while passing this benefit to customers. The demand of consumers is increased due to reduction in GST rate. The consumers are more inclined towards purchase of

comfort and luxurious goods after GST rate reeducation. The consumers are keener to purchase branded and quality cloths.

Price of product is most important influencing factor for the consumers. Due to reduction of GST rate the price of products is directly fall and it encourages consumers to buy more. Apart from price of product the income level and awareness level of the consumers also effects on buying decision of consumer. Most of the customers are reported that they are satisfied overall rate of reduction of GST. They are satisfied because shopkeepers are passing the benefits of GST reduction to them. Customers are also satisfied because they can purchase more comfort and luxurious goods after reduction in GST rate.

GST rate reduction makes the overall positive impact on the consumers of Nagpur city. The awareness, purchasing power and overall satisfaction of the consumers are increased due to reduction in GST rate. The majority of the consumer are getting these benefits but still all the consumers are not getting the same benefits and similarly all the shopkeepers are not passing the same to all the customers.

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