CHAPTER 2

Beyond Taxation: GST, Consumption Patterns and Cultural Symbolism in India

Kalpakshi Kadam and Mobina Abutalibi***

ABSTRACT

The Goods and Services Tax (GST) is a major indirect tax reform in India aimed at simplifying taxation and building a unified market. While it is usually assessed through revenue and compliance outcomes, its impact on consumption behaviour and inequality is equally important. This paper treats GST as both a fiscal tool and a factor shaping consumer choices and social meaning of goods. The study uses secondary data on income distribution and GST burden across income groups in India. A quantitative method is applied by converting grouped data into numerical form. Pearson correlation is used to examine the link between income share and GST contribution. A burden-to-income ratio is also calculated to compare tax pressure across groups. Results show that higher-income groups pay more GST in absolute terms, but lower-income households face a heavier relative burden due to higher consumption share of income. The analysis further shows that GST rate differences create price gaps between essential and premium goods, influencing consumption patterns and market segmentation. These differences also reflect social meanings attached to goods, including status and aspiration. GST is a socio-economic force shaping equity, consumption behaviour and market structure.

Keywords: Goods and Services Tax [GST]; Tax burden; Consumption patterns and cultural symbolism.

1.0 Introduction

The introduction of the Goods and Services Tax (GST) represented a significant restructuring of India's indirect tax system by replacing multiple taxes with a unified framework. While GST is frequently assessed in terms of administrative efficiency, compliance, and revenue generation, its broader influence on consumption behaviour and market dynamics deserves equal attention.

**Corresponding author; School of Economics and Commerce, Dr. Vishwanath Karad MIT World Peace University, Pune, Maharashtra, India (E-mail: kalpakshi.kadam@mitwpu.edu.in)*

***School of Economics and Commerce, Dr. Vishwanath Karad MIT World Peace University, Pune, Maharashtra, India (E-mail: mobina.abutalibi@mitwpu.edu.in)*

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By placing goods and services under different tax slabs, GST affects final prices, purchasing decisions, and the way products are positioned within the market. The effects of GST are also uneven across income groups. Although higher-income households may contribute more to absolute tax terms, lower-income households often experience a greater burden relative to their income because a larger share of their earnings is spent on consumption. This raises important questions of equity within a consumption-based tax structure. Beyond economic outcomes, GST can also be understood through the cultural meaning of consumption. Tax-based distinctions between essential and premium goods may influence how products are socially perceived, where certain forms of consumption become linked with status, aspiration, or lifestyle identity. In this sense, taxation interacts not only with markets but also with social behaviour. Against this background, the present study examines GST at the intersection of taxation, consumption patterns, and cultural symbolism in India. It aims to analyse the distribution of tax burden across income groups while also exploring how GST shapes consumer choices and the symbolic value attached to goods.

2.0 Literature Review

Pardeshi (2024): This paper examines the effect of GST on consumer behaviour in India by focusing on changes in pricing and purchasing decisions after the reform. The study notes that GST replaced multiple indirect taxes with a more unified structure, which improved price clarity for consumers and reduced confusion in the market. As prices became more transparent, buyers responded more carefully to cost differences across products. The research further observes that lower tax rates on essential commodities helped maintain affordability and supported demand for necessary goods. In contrast, products considered luxury or discretionary items experienced slower demand growth because of relatively higher tax rates. The study concludes that GST influenced spending priorities by encouraging consumers to focus more on needs than non-essential purchases.

Mukherjee (2025): The paper analyses how GST affects different income groups and whether the burden of indirect taxation is distributed fairly. According to the study, the design of GST attempts to reduce inequality by placing lower tax rates or exemptions on basic goods and services commonly consumed by lower-income households. At the same time, the paper explains that higher tax rates on luxury consumption increase the contribution of wealthier consumers in absolute terms.

However, the study also points out that lower-income households spend a larger share of their earnings on consumption, which means they may still feel the impact of indirect taxes more strongly. The paper therefore suggests that GST contains progressive elements, but its real effect depends on spending patterns across social groups.

Garg, Narwal and Kumar (2023) study the broader economic impact of GST in India by examining market performance, sectoral adjustment, and efficiency outcomes. The authors note that the initial phase of GST implementation created short-term disruption, as many businesses required time to adapt to new rules, filing systems, and tax procedures. Over time, however, the study finds that the unified tax framework helped create a more integrated domestic market. The replacement of multiple taxes with a single system reduced complexity and improved the movement of goods across states. The paper concludes that although transitional challenges were visible, the long-term benefits of GST are linked with greater transparency, efficiency, and smoother business operations.

Shambharkar and Tekade (2025): The researchers focus on the role of GST in simplifying India's indirect tax environment and influencing business decision-making. Their study highlights that a common tax system reduced administrative complications and made compliance more systematic for firms operating in different sectors. The researchers also explain that GST affected pricing, production planning, and cost management by reducing the cascading effect of earlier taxes. In addition, they note that differences in GST rates across product categories influence consumer demand by changing final prices. The study concludes that GST has shaped both business strategy and consumer response within the market.

Deota and Sahu (2025): The researchers investigate the relationship between GST and household expenditure through survey-based analysis. Their findings indicate that changes in tax rates influence spending behaviour mainly through their effect on product prices. Lower taxation on essential goods helped households continue meeting basic needs without severe disruption. However, the study also finds that the burden of GST is experienced differently across income categories. Households with lower incomes, which spend a larger proportion of earnings on regular consumption, remain more sensitive to indirect taxation. The paper concludes that while GST has improved tax structure and transparency, its impact on household welfare varies according to income and consumption behaviour.

3.0 Research Methodology

The present study examines how the burden of Goods and Services Tax (GST) is distributed across different income groups in India. Since the available data was presented in grouped form, it required numerical conversion before statistical analysis could be conducted. Accordingly, the methodology involved three stages: data standardisation, correlation analysis, and comparative burden assessment.

3.1 Data preparation

The original dataset reported GST burden in percentage ranges and classified the population into broad income categories. For analytical purposes, midpoint values were used where ranges were provided, and each income group was assigned its corresponding income share and GST burden share.

Table 1: Converted Dataset for Analysis

Income Group	Income Share [X]	GST Burden [Y]
Bottom 50%	17	31.5
Middle 30%	30	31.5
Top 20%	53	37

Source: Calculation based on secondary data from RBI, MOSPI, and World Bank reports.

3.2 Specification of Variables

Two variables were selected for the analysis:

- Income Share (X): Share of total income received by each group
- GST Burden (Y): Share of total GST contribution made by each group

These variables were used to examine whether tax contribution rises in proportion to income.

3.3 Statistical technique

Pearson's correlation coefficient was applied to identify the direction and strength of the relationship between income share and GST burden. This method was chosen to assess whether higher income groups contribute a larger proportion of GST in aggregate terms.

3.4 Correlation analysis

To measure the relationship between income share and GST burden, Pearson's correlation coefficient was used. This method helps in identifying both the strength and direction of the relationship between the two variables.

Table 2: Calculation Table for Co Relation

Share [X]	GST Burden [Y]	XY	X^2	Y^2
17	31.5	535.5	289	992.25
30	31.5	945	900	992.25
53	37	1961	2809	1369

3.5 Calculation of Required Totals

From the above table, the following totals were obtained:

- Sum of Income Share ($\sum X$) = 100
- Sum of GST Burden ($\sum Y$) = 100

- Sum of XY ($\sum XY$) = 3441.5
- Sum of X^2 ($\sum X^2$) = 3998
- Sum of Y^2 ($\sum Y^2$) = 3353.5
- Number of observations (n) = 3

3.6 Application of correlation formula

The values obtained above were substituted into Pearson's correlation formula:

$$r = \frac{n\sum XY - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

the numerator calculation:

$$3 \times 3441.5 = 10324.5$$

$$10324.5 - 10000 = 324.5$$

the denominator calculation:

$$3 \times 3998 = 11994,$$

$$11994 - 10000 = 1994$$

$$3 \times 3353.5 = 10060.5,$$

so $10060.5 - 10000 = 60.5$

Multiplying both terms: $1994 \times 60.5 = 120{,}637$

Square root: $\sqrt{120{,}637} \approx 347.3$

$$r = \frac{324.5}{347.3} \approx 0.93$$

3.7 Correlation analysis

The value of correlation coefficient is 0.93, which indicates a strong positive relationship between income share and GST burden. This suggests that higher-income groups contribute a larger share of GST in absolute terms. However, this result only reflects total contribution and does not fully capture the fairness of the tax burden.

3.8 Burden-to-income ratio analysis

The ratio clearly shows how heavily each group is taxed relative to its income:

Table 3: Relative Tax Burden

Income Group	Income Share	GST Burden	Burden-Income Ratio
Bottom 50%	17	31.5	1.85
Middle 30%	30	31.5	1.05
Top 20%	53	37	0.70

Source: Computation based on secondary data (RBI, MOSPI, World Bank) and derived values from the converted dataset.

- The bottom 50% has a ratio of 1.85, meaning they pay significantly more tax compared to their income share
- The middle group is close to proportional
- The top 20% has a ratio of 0.70, indicating a relatively lower burden

This reveals that lower-income groups are more heavily affected by GST.

Interpretation: The results need to be viewed beyond their surface implication. The strong positive correlation indicates that higher-income groups contribute a larger share of GST in absolute terms. However, this does not fully capture how the burden is experienced across different sections of society. When the burden is assessed relative to income, a clearer imbalance emerges. The bottom 50% bears a disproportionately higher tax burden, as reflected in its elevated burden-to-income ratio, while the top 20% contributes less in proportion to its income. This suggests that GST, in practice, places greater financial pressure on lower-income groups despite appearing proportionate in aggregate terms.

This pattern is closely linked to the consumption-based nature of GST. Lower-income households allocate a larger share of their income to consumption, making them more exposed to indirect taxation. In contrast, higher-income groups are able to divert a portion of their income towards savings and investments, thereby reducing their relative tax burden. At the same time, the structure of GST influences how goods are priced and positioned in the market. The classification of goods into different tax slabs creates implicit distinctions between essential and premium categories, which shape consumer perception and market strategies. These distinctions are not purely economic; they carry broader social implications.

In this context, GST also functions as a cultural and symbolic force. The differential taxation of goods contributes to the way products are associated with necessity, aspiration, or status. As a result, consumption choices begin to reflect not only purchasing power but also social positioning. However, the unequal burden identified in the analysis suggests that access to such symbolic consumption is uneven, with lower-income groups facing greater constraints. Overall, the findings indicate that GST operates beyond a neutral fiscal mechanism. While it appears aligned with income in terms of total contribution, its relative impact reveals an unequal distribution of burden. Simultaneously, its influence on pricing and perception integrates it into the broader dynamics of consumption, where economic factors intersect with cultural meaning and social identity.

4.0 Results

The results reveal a clear distinction between how GST appears in overall figures and how it is actually experienced by different income groups. The correlation analysis shows that higher-income groups contribute a larger share of total GST, indicating that tax contribution rises with income at an aggregate level. However, this pattern shifts when the burden is viewed relative to income. The lower-income group bears a noticeably higher burden in proportion to its earnings, while the higher-income group contributes less when compared to its income capacity.

This highlights that the impact of GST is not evenly distributed. This difference is closely reflected in consumption behaviour. Lower-income households, being more dependent on consumption, are more directly exposed to indirect taxes. In contrast, higher-income groups have greater flexibility in how they allocate their income, which reduces their relative tax exposure. As a result, the influence of GST extends beyond revenue collection. It shapes how different groups engage with the market and access goods. The structure of tax rates indirectly creates distinctions in consumption, where economic capacity influences not only what is consumed but also the extent to which individuals can participate in broader patterns of consumption.

5.0 Discussion

This study's findings emerge directly from the methodological design adopted for analysis. By transforming GST burden ranges into single representative figures, the data was made suitable for quantitative examination through correlation analysis. The outcome shows a clear positive relationship between income share and total tax contribution, indicating that higher-income groups account for a greater share of GST in absolute terms.

However, this result primarily reflects distribution in aggregate form and does not fully explain how the tax burden is experienced relative to income levels. To address this, a burden-to-income ratio was introduced, which reorients the analysis toward proportional incidence. When viewed through this measure, a clear disparity becomes visible, where lower-income groups face a heavier relative burden compared to higher-income groups, despite the earlier correlation suggesting overall alignment with income.

When interpreted through the lens of consumption behaviour, this pattern becomes more coherent. GST is applied to expenditure, which means its impact depends largely on how much of an individual's income is consumed rather than saved. Households in lower-income categories typically allocate most of their earnings to consumption, leaving them more exposed to indirect taxation. In contrast, higher-income households tend to distribute their income across savings, investments, and consumption, which reduces their effective tax exposure. As a result, the inequality observed in the ratio analysis is closely tied to structural differences in consumption patterns rather than being a statistical anomaly.

Beyond economic distribution, the structure of GST also plays a role in shaping how goods are understood within the market environment. Differences in tax slabs contribute to informal categorisation of goods, where certain items are perceived as essential while others are associated with higher value or aspirational consumption. This classification influences both pricing perception and consumer interpretation of goods in everyday decision-making. Consequently, GST functions not only as a revenue mechanism but also as an indirect force that interacts with consumption choices and market perceptions.

Overall, the results suggest that while aggregate data may present a balanced picture, the underlying distribution reveals inequality, and this inequality is closely connected to consumption structure and the social meaning attached to goods.

6.0 Policy Recommendations

6.1 Simplification of GST structure

The current multi-rate system can be confusing and sometimes misleading in how products are positioned in the market. Streamlining tax slabs would make the system easier to understand and reduce the artificial distinction between "essential" and "premium" goods created purely by taxation.

6.2 Regular revision of product classification

Consumption patterns are constantly evolving. Goods that were once considered non-essential may now be part of everyday life. Periodic updates in classification would ensure that GST remains relevant and aligned with current societal needs.

6.3 Improving equity in tax burden

Since the impact of GST is not evenly distributed across income groups, there is a need to make the system more balanced. Providing relief on commonly consumed goods or introducing targeted support mechanisms can help reduce the burden on lower-income households.

6.4 Encouraging small and local businesses

Simplified compliance procedures and selective tax benefits for small enterprises can promote inclusivity. This also helps sustain local industries, which often carry cultural and traditional significance.

6.5 Promoting responsible consumption

GST can be used as a tool to guide consumer behaviour by imposing higher taxes on environmentally harmful or purely status-driven goods, while supporting sustainable and socially beneficial products through lower rates.

6.6 Enhancing transparency and awareness

Increasing consumer awareness about how GST is applied can build trust and encourage more informed purchasing decisions, linking taxation more closely with conscious consumption.

6.7 Strengthening digital infrastructure

A more efficient and user-friendly digital system can improve compliance, reduce tax evasion, and ensure a fairer marketplace for businesses of all sizes.

7.0 Limitations of the Study

- *Dependence on secondary data:* The study is based on secondary data collected from published sources. As a result, the analysis depends on the availability, scope, and reliability of existing data.
- *Use of broad income group categories:* The research uses aggregated income group classifications instead of household-level or individual-level data. This limits a more detailed understanding of variations within each income group.
- *Limited number of observations:* The statistical analysis is based on a small number of grouped observations. Therefore, the findings should be interpreted as indicative patterns rather than universally conclusive results.
- *Conversion of data into representative values:* Certain data ranges were converted into single numerical values to make quantitative analysis possible. While necessary, this may involve a slight reduction in precision.
- *Conceptual nature of cultural symbolism analysis:* The discussion on cultural symbolism is interpretative and theoretical in nature. It is not supported by direct survey-based or behavioural evidence, leaving scope for future empirical research.

8.0 Conclusion

The findings of this study show that the impact of Goods and Services Tax (GST) extends beyond its role as a revenue-generating mechanism and administrative tax reform. While the analysis indicates that higher-income groups contribute a larger share of GST in absolute terms, a deeper examination reveals that lower-income households bear a comparatively heavier burden in relation to their income. This suggests that the practical experience of taxation is not uniform across society and that indirect taxes can create unequal pressure on different economic groups. The study further highlights that GST also influences market behaviour by shaping price structures and affecting consumer choices. Tax rate differences between categories of goods contribute to distinctions between essential and premium consumption, which influence how products are valued and positioned in the market. In this way, GST interacts not only with economic decisions but also with the symbolic meaning attached to consumption, where goods may reflect status, aspiration, and social identity.

Overall, the paper concludes that GST should not be evaluated only through the lens of efficiency, compliance, or revenue collection. Its broader effects on equity, consumption behaviour, and market perception are equally significant. A balanced tax system must therefore aim not only for administrative simplicity but also for fairness and inclusive economic participation. Future policy discussions on GST would benefit from considering these wider social and economic dimensions.

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