

Analyzing the Impact of GST Reforms 2025 on Consumer Expenditure from Socio-economic Perspectives: A Case Study of Sangli City

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1. Introduction

India's indirect tax structure has undergone a remarkable shift after the introduction of the Goods and Services Tax (GST) in 2017. The 56th meeting of the GST Council, chaired by Union Finance Minister Smt. Nirmala Sitharaman has approved Next-Gen GST reforms (GST 2.0), with focus on improving the lives of the common man and ensuring ease of doing business for all, including small traders and businessmen. Under this GST Reforms 2025 the government has simplified tax rates by reducing the tax slabs to 5% and 18% only with effect from September 22, 2025. Any changes in the tax rates directly affect the prices of daily-use goods and services, which in turn affects consumption expenditure and the standard of living of a common man. Hence, it is necessary to enquire whether GST 2.0 has a positive impact on consumption spending.

This study examines the impact of GST 2.0 on consumer expenditure patterns in Sangli city, with a focus on socio-economic differences across income groups. Descriptive statistical techniques is used for analysis of GST 2.0 impacts. Whether expenditure on food, FMGC, durables and services has increased or not will be assessed by employing this technique. The findings of this empirical study are beneficial to policymakers, academicians and civil society about the effects of GST reforms on consumption spending and disposable income.

2. Objectives

Objectives of the study are as follows-

- 1) To analyse the effect of GST rates cut on different income groups.
- 2) To identify whether expenditure on durables increased more than proportionally or not.
- 3) To analyze the effect of reduction in GST rates on household disposable income and purchasing power.
- 4) To assess impact of GST 2.0 on prices of commodities and services.

3. Methodology

A structured questionnaire is used to capture data related to impact of GST 2.0 on consumer expenditure. A total of 200 households selected across different income groups from Sangli city for the study. Purposive sampling method is used in selecting individuals.

Households are categorized into three groups –

1. Small Income Household: Less than Rs.50,000 per month (<50,000)
2. Medium Income Household: Rs.50,001 – ₹100,000 per month
3. Large Income Household: More than Rs.100,000 per month (>100,000)

To assess the impact of GST rates on different commodities, the commodities were categorized into four groups: Essential Goods, Daily-use Goods (FMCG), Durable Goods, and Services. Respondents were asked whether their expenditure changed on these groups, rather than on individual items within the groups. Categories of commodities are - 1) Essential Goods: food and groceries, vegetables and fruits, milk and dairy products, essential services (electricity, water, gas), medicines and health-related essential items, 2) Daily-use Goods (FMCG): personal care -

soap, shampoo, toothpaste, face wash, cream/lotion, household items - detergent powder, dishwashing soap, floor cleaner, packaged food - biscuits, snacks/chips, bread, etc. 3) Durable Goods: electronics – tv, laptop, mobile, speakers, household appliances - refrigerator, washing machine, microwave, mixer, furniture - sofa, bed, dining table, chairs, cupboard, etc. and 4) Services: transport - bus, auto, petrol, hospitality - meals at hotels/restaurants, entertainment - movie tickets, telecom/utilities - mobile recharge, internet bill.

4. GST 2.0 Reforms 2025

GST 2.0, which is also known as GST Reforms 2025, is considered to be an upgraded version of India's Goods and Services Tax system. The GST 2.0 system has been introduced with the aim of making India's tax system simpler and more transparent. GST 2.0 has rationalized India's tax system, which earlier had multiple tax slabs of 5%, 12%, 18%, and 28%. The new GST 2.0 system has categorized India's tax system into four major tax slabs:

0% – applied to essential commodities and daily use items

5% – applied to essential and daily use items

18% – applied to general commodities and services

40% – applied to luxury and sin goods

GST 2.0 is considered to be beneficial as it will help in reducing the cost of living in India and will encourage people to spend more on services and durable goods. The new system will also prove to be beneficial for businesses and will help in increasing the disposable income of Indian citizens. The GST 2.0 system is also considered to be beneficial as it will help in controlling inflation and promoting economic growth.

GST 2.0 represents the most significant reform of India's indirect tax architecture since the introduction of GST in 2017. Announced and operationalized through a package of rate rationalisation, structural simplification and compliance modernization, GST 2.0 aims to simplify slabs, reduce rates on many essentials, strengthen anti-evasion measures, and speed up refunds while preserving revenue. (Kumari N, 2025) The Goods and Services Tax (GST) reforms introduced in September 2025 represent a landmark step in reshaping India's taxation system to better serve the to the nation. By simplifying tax structures, reducing rates across key industries, and addressing long-standing anomalies these reforms are designed to create an enabling environment for entrepreneurship, job creation, and affordable living. Sectors with high youth participation such as education, automobiles, technology, handicrafts, footwear, healthcare, food processing, and textiles have been prioritized to lower costs, boost competitiveness, and encourage innovation. (Naik & Gopi, 2025)

The new GST framework is a strategic, structural reform aimed at bolstering domestic resilience and setting the stage for sustained, inclusive economic growth. (Ode, 2025) Framed within the Viksit Bharat 2047 national vision, the study finds that the reform, which includes a new rate rationalization, is explicitly designed to empower the economy and provide significant benefits to the Micro, Small, and Medium Enterprises (MSMEs) sector. (Kilaru & Raju, 2025) GST 2.0 has made the process of accounting easier to the small and medium enterprises with more predictable filing schedules and simplified documentation requirements. More intensive integration of technology especially in both e-invoicing and real-time data validation has raised the level of transparency and minimized cases of credit misfit, which are favourable to compliant firms.

Nevertheless, some obstacles still exist, such as industry-related ambiguity, reliance on digital infrastructure, and transition issues that businesses face in rural areas. (Lalthanliana, 2025)

5. Data analysis and Results

This section of the report presents the study's findings regarding the impact of GST 2.0 on household expenditure for various income groups and commodity categories. The monthly spending habits of the respondents were analyzed for four categories of commodities and services.

5.1. Profile of the Respondents

The Table 1 shows the distribution of respondents according to their income groups. Out of total 200 respondents, 100 respondents (50%) are from small income households. Medium income households are 60 respondents (30%), and 40 respondents (20%) are from large income households. This shows that a majority of the respondents are from small income households

Table 1: Income Groups wise Distribution of Respondents			
Sr. No.	Income Group	No.of Respondents	Percent
1	Small Income Household	100	50.00
2	Medium Household	60	30.00
3	Large Income Household	40	20.00
	<i>Total</i>	200	100.00
Source: Field Work			

From the Table 2, it is clear that the distribution of respondents is based on their level of education. Out of the total of 200 respondents, 83 (41.5%) of the respondents were graduates, making it the highest number of respondents. This is followed by postgraduate students at 52 (26%), then higher secondary at 41 (20.5%), and finally secondary at 24 (12%). This implies that most of the respondents were well educated and had attained at least a graduate level of education.

Table 2: Educational Level wise Distribution of Respondents			
Sr. No.	Educational Level	No.of Respondents	Percent
1	Secondary	24	12.00
2	Higher Secondary	41	20.50
3	Graduate	83	41.50
4	Post Graduate	52	26.00
	<i>Total</i>	200	100.00
Source: Field Work			

The Table 3 presents the age-wise distribution of respondents. Out of the total 200 respondents, the majority belong to the 36–45 age group with 75 respondents (37.5%). This is followed by the 46–60 age group with 67 respondents (33.5%). The 26–35 age group consists of 33 respondents (16.5%), while 22 respondents (11%) fall in the 18–25 age group. Only 3 respondents (1.5%) are above 60 years of age. This indicates that most respondents belong to the middle-age category.

Sr. No.	Age Group	No. of Respondents	Percent
1	18-25	22	11.00
2	26-35	33	16.50
3	36-45	75	37.50
4	46-60	67	33.50
5	Above 60	3	1.50
	Total	200	100.00

Source: Field Work

5.2. Impact of GST 2.0 Rate cut on Essential Goods

The GST 2.0 rate cut on essential goods is expected to reduce consumer prices, increase affordability, and stimulate demand in the economy. Responses of the respondents on whether the GST 2.0 rate cut affected (increased, decreased, or remained stable) their monthly household expenditure on essential goods are given in the following table.

Sr. No	Response	No. of Respondents				Percentage			
		Small Income Household	Medium Income Household	Large Income Household	Total	Small Income Household	Medium Income Household	Large Income Household	Total
1	Increased	28	20	1	49	28	33.33	2.5	24.5
2	Constant	69	37	39	145	69	61.66	97.5	72.5
3	Decreased	3	3	0	6	3	5	0	3
	Total	100	60	40	200	100	100	100	100

Source: Field Work

The Table 4 illustrates the impact of the GST 2.0 rate cut on monthly household expenditure for essential goods across different income groups. Among small income households, 28% reported an increase in expenditure, while the majority (69%) reported no change. For medium income households, one-third (33.33%) observed increased expenditure, with 61.66% reporting constant spending. Large income households largely reported constant expenditure (97.5%), with very few indicating increased or decreased spending. Overall, 72.5% of respondents maintained their expenditure levels, while 24.5% experienced an increase, indicating varied impacts of the GST rate cut depending on household income.

5.3. Impact of GST 2.0 Rate cut on Daily-use Goods (FMCG)

The GST 2.0 rate cut on daily-use FMCG goods has led to lower prices, making essential products more accessible and boosting consumer purchasing power. Responses of the respondents on whether the GST 2.0 rate cut affected (increased, decreased, or remained stable) their monthly household expenditure on daily-use goods are given in the following table.

Table 5: Impact of GST 2.0 Rate cut on Monthly Household Expenditure on Daily-use Goods (FMCG)

Sr. No	Response	No. of Respondents				Percentage			
		Small Income Household	Medium Income Household	Large Income Household	Total	Small Income Household	Medium Income Household	Large Income Household	Total
1	Increased	19	20	1	40	19	33.33	2.5	20
2	Constant	64	34	36	134	64	56.66	90	67
3	Decreased	17	6	3	26	17	10	7.5	13
	Total	100	60	40	200	100	100	100	100

Source: Field Work

The Table 5 shows how the GST 2.0 rate cut affected household expenditure on daily-use FMCG goods. Among small income households, 64% reported no change in expenditure, 19% experienced an increase, and 17% reported a decrease. For medium income households, 56.66% reported constant spending, while 33.33% saw an increase and 10% a decrease. Large income households mostly reported constant expenditure (90%), with minimal increases (2.5%) or decreases (7.5%). Overall, the majority of households (67%) maintained their FMCG spending, reflecting that the GST rate cut had a limited impact on overall household expenditure for daily-use goods.

5.4. Impact of GST 2.0 Rate cut on Durable Goods

The GST 2.0 rate cut on durable goods is expected to lower purchase costs, encouraging higher consumer spending and stimulating demand for long-term household items. Responses of the respondents on whether the GST 2.0 rate cut affected (increased, decreased, or remained stable) their monthly household expenditure on durable goods are given in the following table.

Table 6: Impact of GST 2.0 Rate cut on Monthly Household Expenditure on Durable Goods

Sr. No	Response	No. of Respondents				Percentage			
		Small Income Household	Medium Income Household	Large Income Household	Total	Small Income Household	Medium Income Household	Large Income Household	Total
1	Increased	31	44	34	109	31	73.33	85	54.5
2	Constant	50	12	6	68	50	20	15	34
3	Decreased	19	4	0	23	19	6.66	0	11.5
	Total	100	60	40	200	100	100	100	100

Source: Field Work

From Table 6, it is evident that the impact of the rate cut of GST 2.0 on household expenditure for durable goods is as follows: a majority of medium (73.33%) and large income households (85%) experienced increased household expenditure, and 50% of small income households maintained constant household expenditure. Only 11.5% of households experienced reduced household expenditure. This shows that the rate cut of GST 2.0 encouraged households to spend more.

5.5. Impact of GST 2.0 Rate cut on Services

The GST 2.0 rate cut on services is likely to reduce service costs, making them more affordable and encouraging greater consumer utilization. Responses of the respondents on whether the GST 2.0 rate cut affected (increased, decreased, or remained stable) their monthly household expenditure on services are given in the following table.

Sr. No	Response	No. of Respondents				Percentage			
		Small Income Household	Medium Income Household	Large Income Household	Total	Small Income Household	Medium Income Household	Large Income Household	Total
1	Increased	28	42	31	101	28	70	77.50	50.50
2	Constant	60	18	9	87	60	30	22.50	43.50
3	Decreased	12	0	0	12	12	0	0	6
	Total	100	60	40	200	100	100	100	100

Source: Field Work

The Table 7 shows the impact of the GST 2.0 rate cut on household expenditure for services. A majority of medium (70%) and large income households (77.5%) reported increased spending on services, while 60% of small income households maintained constant expenditure. Only 6% of respondents overall reported decreased spending. This indicates that the GST rate cut has significantly encouraged higher spending on services, particularly among higher-income households.

5.6. Impact of GST 2.0 Rate cut on Prices of Commodities

The GST 2.0 rate cut has a significant impact on the prices of commodities purchased by respondents. Table 8 shows the responses reported by the respondents on whether they agree with the statement: 'Due to the lower rates in GST 2.0, the prices of many items that I purchase have decreased.'

Sr. No	Response	No. of Respondents	Percentage
1	Fully Disagree	13	6.50
2	Disagree	28	14.00
3	Neutral	55	27.50
4	Agree	86	43.00
5	Fully Agree	18	9.00
	Total	200	100

Source: Field Work

The Table 8 shows the respondents' opinion regarding whether lower rates of GST 2.0 have resulted in a decrease in prices of items they purchase. The majority of the respondents (52%) agreed or fully agreed that prices have decreased. About 27.5% of the respondents were neutral,

while 20.5% of them disagreed or fully disagreed with the statement. This shows that most of the respondents have a positive opinion regarding the effects of lower rates of GST 2.0.

5.7. Impact of GST 2.0 Rate cut on Disposable Income

The GST 2.0 rate cut has a significant impact on disposable income because consumers have more income left in their hands after the reduction in tax. Table 9 shows the responses reported by the respondents on whether they agree with the statement: ‘Due to the lower rates in GST 2.0, I have more income available for spending.’

Table 9: Responses of the Respondents on “Due to the lower rates in GST 2.0, I have more income available for spending”			
Sr. No	<i>Response</i>	No. of Respondents	Percentage
1	Fully Disagree	10	5.00
2	Disagree	37	18.50
3	Neutral	56	28.00
4	Agree	76	38.00
5	Fully Agree	21	10.50
	Total	200	100
Source: Field Work			

The Table 9 presents respondents’ views on whether the GST 2.0 rate cuts have left them with more income for spending. A majority of respondents (48.5%) either agreed (38%) or fully agreed (10.5%) that they have more disposable income. Around 28% remained neutral, while 23.5% disagreed or fully disagreed. This indicates that the GST 2.0 rate reduction is perceived to have a positive effect on household spending capacity for nearly half of the respondents.

5.8. Impact of GST 2.0 Rate cut on Purchasing Power

The GST 2.0 rate cut has a significant impact on purchasing power, as consumers have more disposable income remaining after the reduction in tax rates. Table 10 shows the responses reported by the respondents on whether they agree with the statement: ‘Due to the lower rates in GST 2.0, my family’s purchasing power has increased.’

Table 10: Responses of the Respondents on “Due to the lower rates in GST 2.0, my family’s purchasing power has increased.”			
Sr. No	<i>Response</i>	No. of Respondents	Percentage
1	Fully Disagree	10	5.00
2	Disagree	36	18.00
3	Neutral	53	26.50
4	Agree	79	39.50
5	Fully Agree	22	11.00
	Total	200	100
Source: Field Work			

The Table 10 shows respondents’ opinions on whether the GST 2.0 rate cuts have increased their family’s purchasing power. A majority of respondents (50.5%) either agreed (39.5%) or fully agreed (11%) that their purchasing power has increased. Around 26.5% were

neutral, while 23% disagreed or fully disagreed. This suggests that the GST 2.0 rate reduction has positively influenced household purchasing capacity for half of the respondents.

5.9. Hypotheses Testing

On the basis of the study's objectives, five hypotheses were formulated and tested.

1. There is significant difference of impact of GST 2.0 rates cut across different income groups on Essential goods, Daily-use goods (FMCG), Durable goods, Services
2. Impact of GST 2.0 rate cut is more on increased household expenditure on durable goods than other commodities i.e. essential goods, daily-use goods (FMCG) and services etc.
3. GST 2.0 rate cuts do significantly increase disposable income for consumers.
4. GST 2.0 rate cuts do significantly increase the purchasing power of consumers.
5. GST 2.0 rate cuts do significantly decrease the prices of commodities

Results and discussion on these hypotheses are as follows-

Hypothesis No. 1 : There is significant difference of impact of GST 2.0 rates cut across different income groups on Essential goods, Daily-use goods (FMCG), Durable goods, Services

Respondents were asked to report their views on whether their monthly family expenditure on essential goods, daily-use goods (FMCG), durable goods, and services had increased, decreased, or remained constant after the introduction of the GST 2.0 rate cut. Table 11 shows the results obtained from the Pearson Chi-Square test to examine the impact of the GST 2.0 rate cut across different income groups on essential goods, daily-use goods (FMCG), durable goods, and services.

Table 11: Summary of Hypotheses Testing Impact of GST 2.0 rates cut across Different Income Groups (Pearson Chi-Square Test)			
Type of goods	Null Hypothesis (H0)	Results	Decision
Essential Goods	There is no significant difference in the impact of GST 2.0 on essential goods across income groups	Chi-Square value (χ^2) = 16.90 Degrees of Freedom (df) = 4 p-value (Sig.) = 0.002 Sample Size (N) = 200	Reject the Null Hypothesis (p = 0.002 < 0.05)
Daily-use Goods (FMCG)	There is no significant difference in the impact of GST 2.0 on daily-use goods (FMCG) across income groups	Chi-square value = 18.33 Degrees of freedom (df) = 4 p-value = 0.001 Sample Size (N) = 200	Reject the Null Hypothesis (p-value (0.001) < 0.05)
Durable Goods	There is no significant difference in the impact of GST 2.0 on durable goods across income groups	Chi-square value = 46.81 Degrees of freedom (df) = 4 p-value = 0.001 Sample Size (N) = 200	Reject the Null Hypothesis (p-value (0.001) < 0.05)
Services	There is no significant difference in the impact of GST 2.0 on services across income groups	Chi-square value = 45.14 Degrees of freedom (df) = 4 p-value = 0.001 Sample Size (N) = 200	Reject the Null Hypothesis (p-value (0.001) < 0.05)
Source: Field Work			

Essential Goods: A Pearson Chi-Square test was conducted to examine the relationship between income groups and the impact of GST 2.0 on essential goods expenditure. The test showed a significant association, $\chi^2(4, N = 200) = 16.90, p = 0.002$. This indicates that the impact of GST 2.0 on essential goods varies significantly among different income groups.

Daily-use Goods (FMCG): A Pearson Chi-Square test was conducted to examine the relationship between income groups and the impact of GST 2.0 on daily-use goods (FMCG). The results indicated a significant association, $\chi^2(4, N = 200) = 18.33, p = 0.001$. This implies that the effect of GST 2.0 on daily-use goods differs across income groups.

Durable Goods: A Pearson Chi-Square test was conducted to examine the relationship between income groups and the impact of GST 2.0 on durable goods. The test revealed a significant association, $\chi^2(4, N = 200) = 46.81, p = 0.001$. This indicates that the effect of GST 2.0 on durable goods expenditure differs significantly among income groups.

Services: A Pearson Chi-Square test was conducted to examine the relationship between income groups and the impact of GST 2.0 on services expenditure. The results indicated a significant association, $\chi^2(4, N = 200) = 45.14, p = 0.001$. This suggests that the effect of GST 2.0 on services varies significantly among different income groups.

A Pearson Chi-Square test revealed a significant association between income groups and the impact of GST 2.0 on expenditure for essential goods, daily-use goods (FMCG), durable goods, and services, indicating that the effects vary significantly across different income groups.

Hypothesis No. 2: Impact of GST 2.0 rate cut is more on increased household expenditure on durable goods than other commodities i.e. essential goods, daily-use goods (FMCG) and services etc.

This hypothesis is formulated to identify whether expenditure on durable goods increased more than proportionally as compared to other categories of commodities and services. Respondents' responses on whether their monthly family expenditure on essential goods, daily-use goods (FMCG), durable goods, and services had increased, decreased, or remained constant after the introduction of the GST 2.0 rate cut were used to test this hypothesis. Table 12 shows responses of the respondents regarding this.

Sr. No.	Response	No. of Respondents			
		Essential Goods	Daily-use Goods (FMCG)	Durable Goods	Services
1	Increased	49	40	109	101
2	Constant	145	134	68	87
3	Decreased	6	26	23	12
	Total	200	200	200	200
	% of Increased	24.50	20.00	54.50	50.50

Source: Field Work

It is found from the table that number of respondents responding ‘increase’ in monthly household expenditure on durable goods (54.50%) is higher than other categories of goods i. e. Essential Goods, Daily-use Goods (FMCG) and Services. Therefore, the hypothesis ‘Impact of GST 2.0 rate cut is more on increased household expenditure on durable goods than other commodities i.e. essential goods, daily-use goods (FMCG) and services etc.’ is accepted.

Hypothesis no. 3: GST 2.0 rate cuts do significantly increase disposable income for consumers.

To analyze the effect of reduction in GST rates on household disposable income and purchasing power this hypothesis is formulated. Respondents were asked to report their views on whether the lower rates in GST 2.0 has increased disposal income with them or not. These responses are presented in Table 9 in the previous section. The responses were collected using a five-point Likert scale: 1. Fully Disagree, 2. Disagree, 3. Neutral, 4. Agree, 5. Fully Agree.

Following are null and alternative hypothesis for the study.

H₀ (Null Hypothesis): GST 2.0 rate cuts do not significantly increase disposable income for consumers. ($H_0:\mu=3$)

H₁ (Alternative Hypothesis): GST 2.0 rate cuts increase disposable income for consumers. ($H_1:\mu>3$)

(Here 3 = Neutral, so we test whether the average response is greater than neutral.)

A one-sample t-test was conducted to examine whether respondents believe that GST 2.0 rate cuts increase disposable income for consumers. The mean response ($M = 3.31$, $SD = 1.05$) was significantly higher than the neutral value of 3, $t(199) = 4.12$, $p 0.000 < 0.05$. Therefore, the null hypothesis is rejected, indicating that respondents generally agree that GST 2.0 rate cuts increase consumers' disposable income.

Hypothesis no. 4: GST 2.0 rate cuts do significantly increase the purchasing power of consumers.

This hypothesis is formulated to examine whether the GST 2.0 rate cuts significantly increase the purchasing power of consumers or not. The responses were collected using a five-point Likert scale: 1. Fully Disagree, 2. Disagree, 3. Neutral, 4. Agree, 5. Fully Agree. These responses are presented in Table 10 in the previous section.

Following are null and alternative hypothesis for the study.

Null Hypothesis (H₀): GST 2.0 rate cuts do not significantly increase the purchasing power of consumers. ($H_0:\mu=3$)

Alternative Hypothesis (H₁): GST 2.0 rate cuts increase the purchasing power of consumers. ($H_1:\mu>3$)

(Here 3 = Neutral, so we test whether the average response is greater than neutral.)

A one-sample t-test was conducted to examine whether GST 2.0 rate cuts increase the purchasing power of consumers. The mean response ($M = 3.34$, $SD = 1.05$) was significantly higher than the neutral value of 3, $t(199) = 4.50$, $p 0.00 < 0.05$. Therefore, the null hypothesis is rejected, indicating that respondents agree that GST 2.0 rate cuts increase consumers' purchasing power.

Hypothesis no. 5: GST 2.0 rate cuts do significantly decrease the prices of commodities

This hypothesis is formulated to examine whether the GST 2.0 rate cuts significantly decrease the prices of commodities that respondents buy. The responses were collected using a five-point Likert scale: 1. Fully Disagree, 2. Disagree, 3. Neutral, 4. Agree, 5. Fully Agree. These responses are presented in Table 8 in the previous section.

Following are null and alternative hypothesis for the study

Null Hypothesis (H₀): GST 2.0 rate cuts have not significantly reduced the prices of commodities and services. ($H_0:\mu=3$)

Alternative Hypothesis (H₁): GST 2.0 rate cuts have significantly reduced the prices of commodities and services. ($H_1:\mu>3$)

(Here 3 = Neutral, so we test whether the average response is greater than neutral.)

A one-sample t-test was conducted to examine whether GST 2.0 rate cuts have helped reduce the prices of commodities and services. The mean response ($M = 3.34$, $SD = 1.04$) was significantly higher than the neutral value of 3, $t(199) = 4.63$, $p 0.00 < 0.05$. Therefore, the null hypothesis is rejected, indicating that respondents agree that GST 2.0 rate cuts have helped reduce prices of commodities and services.

6. Major Findings

Major Findings of the study are as follows –

1. Most of the people are not aware of GST rates changes and its economic impacts.
2. It is found that most of the households (72%) reported no change in monthly family expenditure on essential goods. Large income group has nearly no impact (97.5%) on their expenditure on essential goods.
3. A majority of households (67%) reported no change in their monthly expenditure on daily-use goods (FMGC). Large income group has lesser impact (90%) as compared to small (64%) and medium income group (56.66%).
4. A majority of households (54.5%) reported an increase in their monthly expenditure on durable goods. Large income group has more increase (85%) as compared to small (31%) and medium income group (73.33%).
5. A majority of households (50.5%) reported an increase in their monthly expenditure on services. Large income group has more increase (77.5%) as compared to small (28%) and medium income group (70%).
6. GST 2.0 rates cut has no significant impact on for essential and daily-use goods expenditure for large income group as compared to small and medium income group.
7. The GST 2.0 rate cut has increased the monthly family expenditure on durable goods and services among large-income group as compared to small and medium income groups.
8. Impact of GST 2.0 rate cut is more on increased household expenditure on durable goods than other commodities i.e. essential goods, daily-use goods (FMCG) and services etc.
9. Overall, it is found that there is increase in monthly family expenditure on durable goods (54.5%) and services (50.5%).
10. Overall, it is found that there is no change in monthly family expenditure on essential goods (72.5%) and daily-use goods (67%).
11. There is significant difference of impact of GST 2.0 rates cut across different income groups on Essential goods, Daily-use goods (FMCG), Durable goods, Services

12. The GST 2.0 rate cut has a significant impact on the prices of commodities purchased by respondents. Nearly 52% respondents reported that prices of commodities and services they purchase has significantly decreased due to GST 2.0 rates cut.

13. GST 2.0 rate cuts do significantly increase disposable income for consumers. Nearly 48% respondents reported that due to GST 2.0 rates cut there is an increase in disposable income with them.

14. GST 2.0 rate cuts do significantly increase the purchasing power of consumers. Nearly 9.58% respondents reported that due to GST 2.0 rates cut there is an increase in purchasing power.

7. Policy Recommendations

Policy recommendations and suggestions are as follows -

1. Enhance public awareness campaigns about GST rate changes and their economic impacts, targeting especially small- and medium-income households.

2. Provide simplified GST communication, including easy-to-understand guides on the impact of GST on essential goods, daily-use goods, durable goods, and services.

3. Introduce targeted support for low-income groups through subsidies or schemes to improve their purchasing capacity.

4. Encourage consumption of durable goods by offering incentives like cashback, interest-free EMIs, or GST reductions on selected items.

5. Monitor price stability in essential and daily-use goods to ensure GST cuts leads lower consumer prices.

6. Implement differentiated GST policies across income groups, providing rate cuts or exemptions for lower-income households.

7. Leverage GST cuts to boost disposable income, enabling households to save and spend efficiently.

8. Promote consumer purchasing power through financial literacy programs and guidance on utilizing increased disposable income.

9. Establish a regular assessment system to evaluate the effects of GST reforms on household expenditure across income groups.

10. Design inclusive GST policies to ensure benefits reach small- and medium-income households while supporting overall economic growth.

8. Conclusion

The study reveals that while GST 2.0 rate cuts have significantly influenced disposable income, commodity prices, and purchasing power, the impact varies considerably across income groups and types of expenditure. Most households reported no change in spending on essential and daily-use goods, particularly among large-income groups, whereas expenditure on durable goods and services increased substantially, especially among higher-income households. The findings highlight that GST reforms have a more pronounced effect on non-essential consumption, while awareness of GST changes and their economic implications remains limited among the general population. The GST 2.0 rate cuts have enhanced disposable income and household purchasing power, but strategic interventions are needed to maximize their impact and promote inclusive economic growth in Sangli City.

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