



ANALYZING GST'S ROLE IN FMCG BUYING PATTERNS: A REGIONAL STUDY OF MALNAD, KARNATAKA

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ABSTRACT

This study examines the impact of GST on FMCG pricing and consumer buying decisions in the Malnad region of Karnataka using a structured survey of 350 respondents and multivariate statistics including exploratory factor analysis, chi-square tests, and regression diagnostics. The results indicate that 83.6% of consumers report that GST affects their purchase choices, with price sensitivity and compliance complexity as dominant drivers and a clear tilt toward essentials taxed at 0–5% GST compared to premium items taxed at 12–28%. The study recommends rationalizing slabs for mid-range goods, strengthening awareness, and easing compliance to improve affordability and availability through Malnad's rural-semi-urban retail network. The findings also reveal that consumer awareness about GST rates remains limited, contributing to misconceptions and purchase hesitations. Additionally, retailers face challenges in adapting pricing strategies due to frequent changes in GST slabs and compliance requirements. Addressing these issues through targeted education and streamlined processes could enhance market efficiency and consumer confidence in the Malnad region. [1][2]

KEYWORDS :

INTRODUCTION

The introduction of the Goods and Services Tax (GST) in India marked a significant shift in the country's taxation system, consolidating multiple indirect taxes into a unified structure. This transformation has far-reaching implications for pricing strategies, supply chain management, and consumer behavior across various fast-moving consumer goods (FMCG) categories. The impact of GST is particularly noteworthy in regions with unique economic and demographic characteristics, such as the Karnataka Malnad region. Malnad, characterized by its mixed rural-urban consumption patterns, presents a distinct case study for examining the effects of GST implementation. The region's economic foundation, diverse product mix, and unique retailer profile suggest that consumer responses to GST-induced price changes differ significantly from those observed in metropolitan areas. This disparity underscores the need for localized research to understand the nuanced impacts of GST on affordability, brand loyalty, and distribution channels in the Malnad context. The FMCG sector, which is closely tied to daily consumer needs, serves as a critical indicator of how tax policy changes affect household purchasing decisions. In Malnad, where traditional retail formats coexist with modern trade, GST's influence on product pricing and availability may have led to shifts in consumer preferences and shopping behaviors. These changes can manifest in various ways, such as alterations in brand choices, package sizes, or even the frequency of purchases. Furthermore, the GST slab structure, which categorizes products into different tax rates, has the potential to reshape the competitive landscape among FMCG brands in Malnad. Products under lower tax slabs may gain a pricing advantage, potentially influencing consumer choices and market share. Conversely, items in higher tax brackets may face challenges in maintaining their market position, especially in price-sensitive segments. This study provides a comprehensive analysis of how Malnad-specific consumer preferences interact with the effects of GST slabs. By examining these interactions, this study seeks to generate valuable insights into policy decisions and corporate strategies. For policymakers, understanding the regional impact of GST can help fine-tune tax structures to align better with local economic conditions. For FMCG companies, this knowledge can guide product positioning, pricing strategies, and distribution approaches tailored to the unique characteristics of the malnad market. The findings of this study have the potential to contribute significantly to broader discourse on the effectiveness of GST implementation in

diverse regional contexts across India. By focusing on Malnad, this research highlights the importance of considering local economic and social factors when evaluating the outcomes of national tax policies. This approach not only enhances our understanding of GST's impact, but also provides a framework for assessing similar policy interventions in other regions with comparable characteristics.

Literature Review

Studies have shown that GST lowered cascading taxes and reconfigured logistics, but rate dispersion and classification issues continued to shape pricing heterogeneously across FMCG sub-sectors. City- and state-focused studies (e.g., Bengaluru and Karnataka retail) report measurable changes in pricing and purchase patterns, along with the need to manage transition costs and compliance across retailers and distributors. Sector syntheses highlight typical benefits, such as lower logistics costs and warehouse rationalization, while cautioning that higher slabs in selected categories (e.g., detergents and cosmetics) can elevate consumer prices and compress margins. Evidence from firm- and market-level analyses notes supply chain redesign, anti-profiteering oversight, and SKU-level repricing as persistent managerial priorities under GST. Consumer-focused studies document sensitivity to price and slab awareness, with shifts toward essentials and value brands, where perceived price-quality trade-offs improved under GST regimes. Cross-sectional research in Karnataka indicates that GST awareness mediates brand choices and store preferences, interacting with household income and location effects. Macro-to-micro syntheses find that the rationalization of rates can stimulate volumes in essential categories while maintaining premium segmentation via higher slabs, producing mixed net effects on household baskets. Practitioners and policy commentaries align on a uniform tax architecture, improving interstate availability and brand presence, especially in semi-urban and rural belts, while smaller retailers face ongoing compliance frictions. The literature suggests that GST's impact is product-, channel-, and region-contingent, underscoring the value of malnad-focused evidence on awareness, affordability, and retailer readiness. This study contributes Malnad-specific survey and factor-analytic insights consistent with national patterns but attentive to local economic and retail structures. [1][4][5][2][6][7][3][8][9][10]

Research Gap

Despite extensive GST studies, there is limited empirical work

focusing on Malnad's semi-urban and rural consumers, where product baskets, retailer scale, and tax awareness differ materially from metro contexts. Evidence gaps include how slab dispersion translates to category-level shifts in Malnad, and how compliance costs and stock availability shape local purchase frequency and brand switching.[1][2][8]

Statement of the Problem

It remains unclear how GST-induced price and slab differences alter FMCG purchase volumes, brand choices, and affordability in Malnad and how retailer compliance burdens affect product availability and perceived value across essentials versus premium SKUs. This study addresses these gaps to guide policy refinement and firm strategy for the Malnad market.[1]

Objectives of the Study

- Assess the impact of GST on FMCG pricing and purchase decisions in Malnad.[1] Examine the roles of price sensitivity, compliance complexity, and awareness in shaping buying behavior.[1]
- Compare essential (0–5%) and premium (12–28%) categories with respect to perceived affordability and frequency of purchase.[1]
- Propose policy and managerial recommendations for Malnad's consumers, retailers, and FMCG firms.[1]

Hypotheses

- H1: GST significantly affects FMCG buying decisions in Malnad.[1]
- H2: Higher GST awareness is associated with increased selection of lower-slab products.[1]
- H3: Greater slab dispersion increases price sensitivity and brand switching in Malnad.[1]
- H4: Retailer compliance challenges are associated with perceived constraints in availability and higher effective shelf prices.[1]

Research Methodology

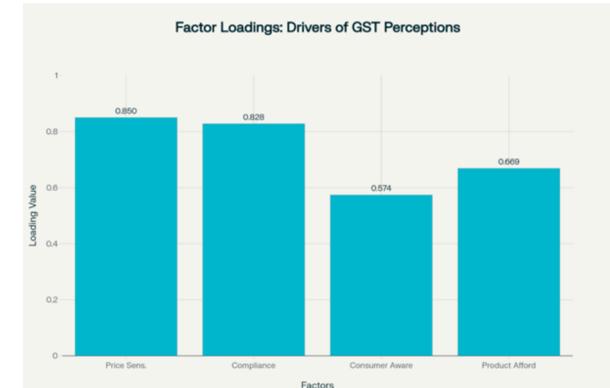
A descriptive, cross-sectional design was used with stratified random sampling across rural and urban clusters to capture heterogeneity in income, occupation, and store formats. Primary data were gathered via structured questionnaires ($n = 350$) with Likert scales, and suitability for factor analysis was evaluated using the KMO and Bartlett's tests before conducting principal component analysis (varimax rotation). Inferential analysis included chi-square tests for association and regression diagnostics to relate price perceptions and slab awareness to purchase frequency and brand switching.[1]

Data Collection

Data were collected through face-to-face interviews and online forms during the study window, with modules covering demographics, slab awareness, price perceptions, and product category choices, across essentials and premium items. Secondary references on GST and FMCG sector patterns were used to contextualize local findings, especially around slab rationalization, logistics, and anti-profiteering considerations.[1][5][2]

Data Analysis

Exploratory factor analysis identified four drivers—Price Sensitivity, Compliance Complexity, Consumer Awareness, and Product Affordability (0–5%)—with acceptable sampling adequacy and significant sphericity, supporting component interpretation. Group differences and associations were tested using chi-square, and basic regressions explored the links between perceived rate levels and changes in quantity purchased or brand-switching propensity. The factor loading structure is visualized below, complementing the tabulated metrics to aid interpretation of drivers in the Malnad context.[1]



Image

Factor loadings from the exploratory factor analysis indicate the primary drivers of GST perceptions among Malnad consumers.

Table A. Key Factors and Loadings (EFA)

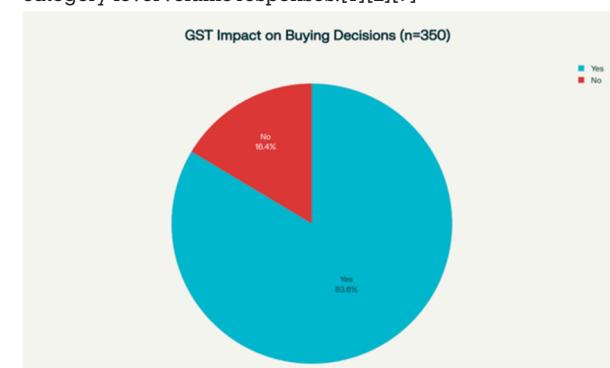
Factor	Loading
Price Sensitivity	0.85
Compliance Complexity	0.828
Consumer Awareness	0.574
Product Affordability (0–5%)	0.669

Table B. Sample and Test Diagnostics

Metric	Value
Sample size	350
KMO range	0.488–0.517
Bartlett's test	$p < 0.05$
Share reporting GST affects buying	83.6%

Findings and Discussion

A substantial 83.6% of the respondents reported that GST influences their FMCG buying decisions, underscoring widespread price salience and slab awareness in Malnad. This aligns with sector evidence noting that rate rationalization improved affordability for essentials while higher slabs sustained premium segmentation, shaping category-level volume responses.[1][2][7]



Image

The share of consumers reporting GST affects FMCG buying decisions in Malnad ($n=350$).

Price Sensitivity and Compliance Complexity emerged as the top two factors (loadings 0.850 and 0.828, respectively), indicating that shelf prices and retailer-side compliance frictions jointly shape perceived value and availability in the region. Consistent with Karnataka-focused surveys, GST awareness is associated with selection of lower-slab essentials and value brands where consumers perceive better price-quality trade-offs.[1][8]

Respondents perceived essentials (0–5%) as more affordable and purchased them more frequently, while premium categories (12–28%) faced restraint, echoing the national

commentary on heterogeneous pricing outcomes under GST slabs. Retailers' compliance and stock management issues can amplify effective prices or suppress assortment locally, matching industry assessments on the operational adjustments required post-GST.[2][1]

Suggestions

- Rationalize mid-range slabs to narrow gaps between essentials and premium SKUs, reducing consumer confusion and smoothing price signals in Malnad.[1][2]
- Expand GST awareness through local languages and retailer-led communication in weekly markets and kirana outlets to improve informed choices.[8][1]
- Provide light-touch compliance support and targeted credits for small dealers to stabilize availability and reduce pass-through costs.[5][1]
- Encourage clear anti-profiteering and repricing transparency so slab changes translate visibly into consumer benefits in Malnad stores.[2][1]

13. Limitations and Future Research

A cross-sectional survey design limits causal inference and may reflect policy transition effects; sample size, though adequate, cannot capture all micro-markets within Malnad. Future work should track longitudinal slab changes, integrate scanner data from retailers, and compare Malnad with coastal and plateau belts of Karnataka to map region-specific GST dynamics over time.[1]

Area Scope: Malnad, Karnataka

The scope centers on Malnad districts are characterized by hilly terrain, agrarian livelihoods, and semi-urban trade nodes, with emphasis on essentials, personal care, and processed foods in kirana-led and small-format retail ecosystems. The sampling frame covers rural panchayats and urban wards to capture heterogeneity in income, access, and store types under the regional GST experience.[1]

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