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**A STUDY ON THE EFFECT OF GST ON CUSTOMER PREFERENCE  
FOR BRANDED VS UNBRANDED FMCG PRODUCTS WITH  
REFERENCE TO BANGALORE URBAN**Dr. Bhuvaneshwari B.C <sup>1</sup>, Monika A.R <sup>\*2</sup><sup>1</sup>Assistant Professor, Department of commerce (PG), Maharani Lakshmi Ammanni College for women, Autonomous, Post Graduate Center, Malleshwaram, Bangalore<sup>2</sup>M.com Student Department of commerce, Maharani Lakshmi Ammanni College for women, Autonomous, Post Graduate center, Malleshwaram, Bangalore

\* Corresponding author email address: monilekhamoni@gmail.com

DOI: <https://doi.org/10.59415/mjacs.301> | ARK: <https://n2t.net/ark:/26340/MJACS.v4i5.301>**Abstract**

The paper attempts to study the effect of GST A study on the effect of GST on customer preference for branded vs unbranded FMCG products with reference to Bangalore urban. The data was collected through a survey using a structured questionnaire from 116 respondents selected through a simple random sampling. The research shows that GST has positive and negative impacts. It has increased transparency and simplified the tax system, it has led to an increase in the prices of certain branded products, resulting in a shift of price sensitive customers towards unbranded products. The findings indicate that the customers are now influenced by a combination of price, quality, trust and GST in making purchase decisions.

**Keywords:** GST, Customer preference, branded products, unbranded products, FMCG, pricing.**1. Introduction**

The Goods and Services Tax (GST) came into effect in India was on July 1, 2017. It was introduced as a single indirect tax aimed at replacing numerous central and state taxes such as excise, VAT, and service tax. GST is a multi-stage, destination-based tax applied to the supply of goods and services, with rates structured into 0%, 5%, 12%, 18%, and 28% slabs. Although GST covers the majority of goods, it does not include petroleum products, alcohol, and electricity. Its primary objectives are to enhance clarity, lower the overall tax payable, and foster a cohesive national market. However, the manner in which it was implemented has drawn both commendation and criticism.

**Types of GST**

- Central Goods and Services Tax (CGST)
- State Goods and Services Tax (SGST)
- Union Territory Goods and Services Tax (UTGST)
- Integrated Goods and Services Tax (IGST)

**Customer Behavior and Spending Patterns after GST**

Customers behavior and spending patterns underwent significant change after the implementation of the GST. People became more conscious of taxes and their payments as the amounts were transparently displayed on the bills. In an attempt to save money, many people started to compare prices and shift to unbranded products and those with lesser taxes. Low or zero tax essential products continued to be in demand, and products with high taxes of 18 to 28% were shunned in the shopping lists. People also decided to restrict the purchasing of items such as electronics, vehicles, and even dining in restaurants. As a consequence of the GST, people became more knowledgeable about shopping and grew more cautious in spending their money.

**The impact of GST on customer buying behavior**

GST has reduced customer buying habits to become price-sensitive and value-conscious. customers took to low-tax or unbranded items, but preferred branded products for quality and trust. As taxes determine purchasing power, individuals now spend more wisely in order to achieve optimum benefit for minimal cost. For companies, it is essential to understand these changes in behavior to forecast trends and devise improved marketing strategies.

**GST on Daily Use Products**

Household items are a necessity for each and every household, including groceries, toiletries, kitchen utensils, and small appliances. GST had simplified taxation by consolidating numerous indirect taxes, but its impact on household expenditure has been varied. Staple foods are largely exempt or taxed at a low rate, benefiting families. For instance, refined cooking oil reduced in cost after GST. But appliances and kitchenware were more expensive under 18% slab, and things like clothes and shoes also had increased rates, burdening middle-class families. All in all, GST introduced transparency and uniformity, but the effect varies based on every family's expenses.

**Fast Moving Goods**

Fast-moving consumer goods (FMCG), also known as consumer-packaged goods (CPG), are products that are sold quickly and at relatively low cost. These goods are characterized by high turnover, meaning they are frequently purchased and replaced by consumers. Examples include food items like snacks and beverages, household products like detergents and toiletries, and personal care items like soap and cosmetics.

**Examples of FMCG:**

Food and Beverages: Snacks, drinks, packaged meals, confectionery. Household Products: Detergents, cleaning supplies, paper products. Personal Care: Soap, shampoo, toothpaste, cosmetics, toiletries.

Other: Pharmaceuticals (over-the-counter), stationery, batteries, tobacco products.

**Effects of GST on Fast Moving Goods**

The implementation of the Goods and Services Tax (GST) has brought about several significant effects on the Fast-Moving Consumer Goods (FMCG) sector in India. It has generally led to a simplified tax structure, reduced logistics costs, and improved supply chain efficiency, ultimately impacting both businesses and consumers.

The impact of GST on FMCG products varies depending on the product category and the applicable GST rate. While some products may have become more expensive, others have seen a reduction in prices due to the elimination of cascading taxes and improved supply chain efficiency.

The implementation of Goods and Services Tax (GST) in India has significantly impacted the Fast-Moving Consumer Goods (FMCG) sector, which includes personal care, household products, beverages, packaged foods, and medicines. While some changes have been positive, others have presented challenges for businesses and consumers.

**Specific Product Categories**

Personal Care: Items like toothpaste fall under 18% GST, which is lower than earlier taxes for some products.

Medicines: Life-saving drugs are taxed at 5% to keep them affordable, while other medicines are at 12%.

Beverages: Aerated drinks and flavored water face the highest tax at 28% plus cess, making them more expensive.

Packaged Foods: Processed foods are taxed at 12% or 18%, while essentials like fresh fruits and vegetables are exempt.

**2   Reviews of Literature**

Manjula. R (2024) A study on consumer perception towards GST with reference to Bangalore city:

The researcher analyses that consumers play a vital role in the GST system. They are indirectly paying taxes on goods and service they purchase. The consumer's perceptions towards acceptance of this goods and services tax system are positive. The consumers are concerned about high and confusing tax rates. The consumers are looking for more awareness about how GST works.

Gowtham Ramkumar, Dr.S. Chitra (2020) Goods and service tax and consumer buying behavior- A study:

The Study analyses that the GST is added to the selling price of products, it directly influences how much consumers pay. It is reduced the spending ability of the consumers. The consumers are choosing the product which is lower price for the purpose of lower tax rate. This leads to change in consumer behavior, such as shifting brands, reducing quantity, or delaying purchases. Consumers makes the buying decisions, In FMCG sector uses a market-based pricing strategy where the prices have been set based on the competitors charge can see the customer's satisfaction.

CMA Satish Dhokare (2020) GST and its Impacts on FMCG Sectors in India:

The researcher study that GST has replaced various multiple indirect taxes which lowers the costs of goods and services. for FMCG sector, GST brought challenges and benefits, it reduces the distribution costs and helps the big companies to improve their supply chains. And where as others feel higher tax rates and must price increases. Customers may benefit through better prices and improved product availability.

Rahul Kanaujiya and Himanshu Shekar Singh (2024) GST effect on Consumer behavior and Spending patterns: an empirical study:

The researcher analysis that the implementation of GST has brought major changes in consumer spending behavior across different income groups. The GST have affected the consumers purchasing decisions, in urban and rural areas showed different spending patterns in post-GST. The GST influenced taxpayer behavior. The study recommends that government build public trust and promote the idea that paying taxes.

### **3 Research Gap**

There is a notable gap in the literature regarding how pricing after the implementation of GST influences customer preferences between branded and unbranded FMCG products. While many discussions exist around GST awareness and overall consumer spending, the specific role of affordability, price sensitivity, and value perception in shaping customer choices has not been explored in depth.

### **4 Statements of Problem**

The purpose of this research is to understand how changes in pricing due to GST affect customer preferences and spending between branded and unbranded FMCG products. The introduction of GST in India changed the way taxes are applied to many products, including fast-moving consumer goods (FMCG) like household items, beverages, medicines, packaged food, and personal care products. This change has affected the prices of these products, especially branded goods. Because of price changes, customers may change their buying habits, often shifting from branded to unbranded products. Many customers are aware of GST and its impact on prices, which influences their decisions.

### **5 Objectives**

1. To understand customer awareness of GST and its effects on their purchasing decisions.
2. To Identify the Pricing factor that influencing customer preference between branded and unbranded goods after the implementation of GST.
3. To examine the changes in customer spending patterns on branded and unbranded products after the Implementation of GST.

### **6 Hypotheses**

Hypothesis 01

H0 = There is no relationship between customers awareness of GST and its effect on their purchasing decisions.

H1= There is a relationship between customers awareness of GST and its effect on their purchasing decisions.

Hypothesis 02

H0=There is no relationship between pricing and customers preference for branded and unbranded goods after the implementation of GST.

H1=There is a relationship between pricing and customers preference for branded and unbranded goods after the implementation of GST.

### **7 Research Methodology**

#### **a. SCOPE OF THE STUDY**

The scope of the study is to analyses how the introduction of GST has influenced customer preference between branded and unbranded FMCG products in Bangalore Urban, with a primary focus on pricing. It aims to understand whether price changes after GST have led customers to shift from branded to unbranded goods. The study covers five major FMCG categories: household products, beverages, medicines, packaged food, and personal care items. It also examines how price sensitivity, affordability, and perceived fairness affect purchasing decisions. The research considers the role of customer awareness of GST in shaping these preferences. It does not focus on the technical aspects of GST, but rather on how price changes impact customer behavior. By focusing on pricing, the study helps

identify patterns in spending and brand switching. The findings are expected to guide businesses in setting effective pricing strategies. The study is limited to the urban market of Bangalore, where customers are more exposed to both branded and unbranded product choices.

**b. SOURCES OF DATA**

The primary data was gathered using structured questionnaires distributed through Google Forms to Customers in Bangalore urban. The secondary data was gathered from journals, articles and websites.

**c. DATA COLLECTION TOOLS**

Data collection tools refer to the instruments and methods used to gather data. One commonly used tool is a well-structured questionnaire, designed to obtain consistent, accurate and unbiased responses from customers. The questionnaire contained close-ended questions framed using a Likert scale. These tools are designed to minimize biases and ensure clarity in questions, leading to more reliable results. Other tools can include surveys, interviews, observations and digital platforms depending on the research objectives.

**d. SAMPLE DESIGN**

The sampling design refers to the plan for selecting respondents from the population. In this research the “simple random sampling” technique was used, ensuring that every respondent had an equal chance of being selected. The total sample size for this study was 116 respondents.

**e. PLAN OF ANALYSIS**

The collected data was analyzed using tables, percentages and charts to present customers responses clearly. Statistical tools like Regression were applied to test the hypothesis. The results were interpreted to understand the impact of GST on customer awareness and purchasing decisions.

**f. LIMITATION OF THE STUDY**

1. The study was conducted in the limited area of Bangalore urban.
2. The consumers preferences may change over a specific time when they get adopted to GST.
3. The study focuses only on FMCG product categories like Medicine, Beverages, Household products, packaged food and Personal care product. Which customers prefer more after the implementation of GST and not on other sectors.

### **Hypothesis Interpretation**

Hypothesis =01

H0= There is no relationship between customers awareness of GST and its effect on their purchasing decisions.

H1= There is a relationship between customers awareness of GST and its effect on their purchasing decisions.

<b>Linear Regression</b>		
Model Fit Measures		
<b>Model</b>	<b>R</b>	<b>R<sup>2</sup></b>
1	0.171	0.0294

Note: Models estimated using sample size of No =116

Model Coefficients – Does GST Influence the decision when you're choosing a product or services

Predictor	Estimate	SE	t	p
Intercept	1.591	0.1548	10.05	<.001
Do you think GST has simplified the taxation system on Goods and Services	0.149	0.0802	1.86	0.066

Interpretation:

The Regression value is  $r = 0.171$  and the  $p =$  value is  $0.066$ . The level of significance is  $0.05$ . since the  $p =$  value is greater than  $0.05$ , there is no relationship between customers awareness of GST and their purchasing decisions. The null hypothesis is accepted.

Hypothesis =02

$H_0$ = There is no relationship between pricing and customers preference for branded and unbranded goods after the implementation of GST.

$H_1$ = There is a relationship between pricing and customers preference for branded and unbranded goods after the implementation of GST.

Linear Regression		
Model Fit Measures		
Model	R	R <sup>2</sup>
1	0.247	0.0609

Note: Models estimated using sample size of No =116

Model Coefficients -Does the GST influenced customers perception of quality between branded and unbranded personal care products?

Predictor	Estimate	SE	t	p
Intercept	1.654	0.1832	9.0	<.001
Did the implementation of GST lead to noticeable price Increases in branded Beverages	0.246	0.0904	2.72	0.008

Interpretation:

The Regression value is  $R = 0.247$ ,  $R^2 = 0.0609$ ,  $t = 2.72$  and the  $p =$  value is  $0.008$ . The level of significance is  $0.05$ . Since the  $p =$  value is less than  $0.05$ , there is a significant relationship between pricing and customers preference for branded and unbranded goods after implementation of GST. The null hypothesis is rejected and

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alternative hypothesis is accepted.

## 8 Summary of Findings

### Objective-1 Findings

- Majority of the respondents (58%) agreed and feels that feel GST influences their decision when choosing products and services.
- Majority of the respondents (47%) are strongly agreed and believe GST has helped in simplifying the taxation process.
- Majority of the respondents (56%) agreed that GST has made pricing clearer and more transparent
- Majority of the respondents (54%) agreed that most people believe that knowing GST rates affects when they choose to buy products or services.
- Majority of the respondents (46%) strongly disagreed that most respondents feel sellers do not clearly explain or show GST details while making a purchase.

### Objective-2 Findings

- Majority of the respondents (55%) agreed that customers believe GST implementation has led to a raise in the pricing of branded beverages.
- Majority of the respondents (53%) agreed customers feel that GST has increased the prices of household products.
- Majority of the respondents (50%) agreed that customers feels that the rising prices due to GST have made them change or reconsider the brands they usually buy the packaged food category.

### Objective-3 Findings

- Majority of the respondents (70%) of customers prefer to buy household products items as unbranded product.
- Majority of the respondents (58%) agreed that customers believe GST affects how they compare the quality of branded and unbranded personal care products.
- Majority of the respondents (55%) agreed that customers believe GST implementation has led to a raise in the pricing of branded beverages.
- Majority of the respondents (43%) are neutral because the GST related price hike has influenced customer to prefer generic medicines over branded ones.

## 9 Suggestions

Shops should always show the GST amount on bills and price tags, so customers know exactly what they are paying. Customers still choose branded personal care products because they trust the quality. so, unbranded companies should try to improve their quality, and branded companies should keep showing why their quality is better. And Customers feels that GST is included in almost every product, and many people feel that this is not good and GST has made many goods more expensive, which is difficult for common people and families to manage. Some customers feel that GST has affected personal life and shopping habits -people now plan more carefully and avoid unnecessary spending. And the Customers feel that after GST, the prices of many products have become very high, which has forced them to rethink their buying choices.

## 10 Conclusion

This study on the effect of GST on customer preference for branded verses unbranded FMCG products in Bangalore urban has shown some important findings. The research revealed that GST has influenced the way customers think about price, quality and value while choosing between branded and unbranded products. While branded products are still preferred for categories like personal care, electronics and packaged food due to trust and quality assurance, unbranded products continue to attract customers in groceries and daily use items where price place a bigger role. The analysis also showed that many customers are aware of GST but do not fully understand its structure. However,

their purchasing is indirectly affected by the price changes and market adjustments caused by GST.

The GST has both positive and negative effects on customer preferences. On the positive side, GST has removed many different taxes. The GST has made some branded FMCG products more costly, which makes price-sensitive customers choose unbranded products instead. People still made their choices mainly based on price, quality, trust and affordability.

Overall, the research concludes that GST has not fully shifted customer preference towards only branded or only unbranded products. Instead, it has created more balanced and competitive market. Customers are now more careful in their decisions, looking at price, quality and value before buying and GST has become an important factor that influences their choices.

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