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IMPACT OF GST 2.0 ON CROSS-BORDER PRICING AND PURCHASING DECISIONS OF INTERNATIONAL ONLINE CONSUMERS

Abitha Priyadharshini V[1], Dr. Sankar P[2]

[1]*Research Scholar, Department of Commerce, SRM Institute of Science and Technology (SRMIST), Kattankulathur - 603 203, Chengalpattu District, Tamil Nadu. Email ID: av2889@srmist.edu.in*

[2]*Associate Professor, Department of Commerce, SRM Institute of Science and Technology (SRMIST), Kattankulathur - 603 203, Chengalpattu District, Tamil Nadu. Email ID: sankarp@srmist.edu.in*

Abstract—*The growth of cross-border digital commerce has raised interest in how indirect tax measures affect consumers. This study examines the effects of GST 2.0 reforms on cross-border prices and the purchasing behaviors of foreign online consumers. Information from 124 online shoppers in the Middle East, Southeast Asia, and India was gathered using a quantitative, cross-sectional survey method. The three objectives of the study were to measure consumer awareness of GST 2.0 changes, investigate the pricing implications of GST 2.0, and investigate the relationship between perceived price fairness and purchase intentions. The descriptive results revealed significant views of tax-induced price increases (PPC, M = 3.67), low consumer awareness (GSTA, M = 3.21), and poor fairness evaluations (PPF, M = 2.89). Exploratory factor analysis was used to identify three factors: tax policy awareness, digital buy confidence, and price sensitivity. 67.4% of the variation was explained by these factors (KMO = 0.841). Perceived price fairness was found to mediate purchase intentions and tax-induced price adjustments, confirming equity theory and the Theory of Planned Behavior in digital taxation scenarios. The results can be used by legislators and online retailers to strike a compromise between tax compliance and customer confidence.*

Keywords: *GST 2.0, Digital Taxation, Perceived Price Fairness, Consumer Tax Awareness, Cross-Border E-Commerce, And Purchasing Intention.*

1. Introduction

1.1 Background of GST 2.0

The global indirect taxes landscape has drastically changed during the last ten years. Despite the fact that many nations have put in place Goods and Services Tax (GST) frameworks, the quick growth of platform-mediated trade, digital commerce, and cross-border transactions has shown fundamental weaknesses in these early systems (Mathur & Sinha, 2024). Consequently, tax administrations worldwide have initiated a second wave of structural adjustments, referred to as "GST 2.0." Real-time digital invoice reporting, marketplace facilitator liability regulations, digital services tax laws, and vendor collection strategies for non-resident suppliers are some of these improvements (Pillai & Nair, 2025).

India's GST system has seen multiple council modifications since it was first enacted in 2017. The most recent modifications have concentrated on digital service intermediaries, e-commerce aggregators, and the taxation of low-value imported goods (Sharma & Gupta, 2024). Global parallel reform initiatives include updated platform operator reporting requirements under international tax cooperation frameworks and destination-based consumption tax regulations, which are increasingly being applied to cross-border digital transactions (Rahman & Hossain, 2025; Verma & Agarwal, 2026). International internet retailers' pricing structures are drastically altered by these advances, which have a cascading influence on end-consumer costs in cross-border transactions. Instead of being merely a macroeconomic policy tool, the current analysis shows GST 2.0 as a direct behavioral antecedent influencing the purchasing intentions of global online buyers (Tan & Lim, 2024).

1.2 Research Gap

Research on digital taxation and international e-commerce is growing, but there are still very few empirical studies that specifically examine how GST 2.0 reforms impact foreign consumers' purchasing decisions (Nguyen & Tran, 2024; Patel & Mehta, 2025). Prior studies have primarily focused on revenue outcomes for tax authorities or platform operators' compliance challenges, largely ignoring consumer responses to tax-induced pricing modifications (Hoang & Le, 2024). Furthermore, the effects of perceived pricing fairness and the mediating role of consumer tax awareness in cross-border digital transactions have not been adequately studied in the literature (Subramaniam & Krishnan, 2025). The current study closes this gap and advances both international marketing research and the discussion of tax policy by developing and testing a conceptual framework that integrates GST 2.0 reform variables with recognized consumer behavioral theory (Yilmaz & Celik, 2026).

1.3 Objectives of the Study

1. To investigate how GST 2.0 affects multinational e-commerce platforms' cross-border product pricing.

2. To ascertain the level of awareness among international online shoppers regarding the GST 2.0 modifications.

3. To look at the connection between customers' intentions to make purchases in cross-border digital commerce situations and their opinions of pricing fairness.

2. Literature Review

2.1 GST 2.0 and Cross-Border Product Pricing

GST 2.0 modifications have drastically altered the cost structures faced by international e-commerce platforms as tax-induced price increases become increasingly apparent in cross-border transactions (Pillai & Nair, 2025). Regulations governing marketplace facilitators and required vendor collection obligations have compelled platforms to either absorb tax costs through margin compression or transfer them to end users, resulting in measurable increases in cross-border pricing (Verma & Agarwal, 2026). As further shown by Sharma and Gupta (2024), different GST provisions across product categories lead to inconsistent pricing outcomes, which complicates international platform pricing plans.

2.2 Consumer Awareness of GST 2.0 Revisions

Many foreign internet users are unable to distinguish between tax-inclusive and tax-exclusive pricing structures, and the majority are still ignorant of indirect tax modifications (Nguyen & Tran, 2024). Mathur and Sinha (2024) shown that the behavioral impact of GST 2.0 adjustments is increased because cross-border consumers with low tax literacy are less able to assess purchases wisely. Subramaniam and Krishnan (2025) found that higher consumer tax awareness positively moderates purchasing confidence, emphasizing awareness as a critical mediating variable in the GST 2.0–behavior relationship.

2.3 Perceived Price Fairness and Purchase Intentions

Perceived pricing fairness has emerged as a powerful predictor of consumer purchase intentions in cross-border digital commerce scenarios (Tan & Lim, 2024). When consumers feel that tax-induced price increases are unfair or ambiguous, they become less loyal to the platform and are more reluctant to make purchases (Patel & Mehta, 2025). Furthermore, Hoang and Le (2024) showed that by favorably moderating fairness perceptions, transparent tax disclosure preserves purchase intentions even in the face of high tax-inclusive price conditions.

3. Conceptual Framework

3.1 Conceptual Model

By combining fiscal policy theory with well-established consumer behavioral frameworks, the conceptual model suggests a sequential causal pathway: GST 2.0 reforms drive cross-border pricing changes, which in turn shape consumer perceptions of price fairness and tax awareness, ultimately influencing purchase intention and frequency (Subramaniam & Krishnan, 2025). This sequential mediation structure is consistent with recent empirical models that connect consumer decision-making in digital commerce contexts to tax policy variables (Patel & Mehta, 2025).

3.2 Variable Operationalization

The independent variable, Consumer GST 2.0 Awareness (GSTA), measures self-reported knowledge of tax-inclusive pricing, cross-border tax applicability, and consumer-visible effects of GST 2.0 reforms using four reflective items adapted from recent consumer tax literacy scales (Mathur & Sinha, 2024).

Cross-Border Pricing Changes (PPC), the first mediating construct, operationalizes pricing increases that consumers have noticed due to GST 2.0 compliance requirements (Verma & Agarwal, 2026).

Perceived price fairness (PPF), which represents consumers' normative evaluations of pricing justice in connection to imposed tax obligations, is the second mediator (Tan & Lim, 2024).

The dependent variable, purchase decision, is operationalized using two constructs: According to existing techniques for assessing cross-border consumer behavior, Purchase Frequency (self-reported cross-border purchases over the previous six months) and Purchase Intention (chance of making an international online transaction within three months) were used (Hoang & Le, 2024). Product category preferences, the major nation of purchase origin, and demographic characteristics are examples of control variables (Nguyen & Tran, 2024).

3.3 Research Hypotheses

H_1: Following the adoption of GST 2.0, international online buyers perceive notable changes in cross-border product pricing, and this impression is strongly correlated with their degree of GST 2.0 awareness.

H_2: Cross-border pricing modifications brought about by GST 2.0 have a severe detrimental influence on consumer purchase intention.

H_3: Consumer GST awareness significantly moderates the relationship between perceived price variations and purchase intention.

H_4: Perceived price fairness significantly mediates the connection between GST 2.0-induced price adjustments and customer purchase intention.

H_5: The frequency of cross-border internet purchases is strongly correlated with consumer awareness of GST 2.0.

4. Research Methodology

4.1 Research Design

A quantitative, cross-sectional survey approach was employed to objectively examine causal relationships and test hypothesized associations among global internet users (Patel & Mehta, 2025).

4.2 Sample and Sampling Method

The target market consisted of those who had completed at least one cross-border online transaction within the preceding year. Convenience sampling was used to gather 124 valid respondents from social media platforms, professional networks, and educational institutions in India, Southeast Asia, and the Middle East (Subramaniam & Krishnan, 2025).

5. Data Analysis and Results

5.1 Descriptive Statistics and Sample Profile

Men made up 58.1% of the sample's 124 respondents, while women made up 41.9%. The age distribution showed that 28.2% of respondents were between the ages of 18 and 24, 47.6% were between the ages of 25 and 34, while the remaining 24.2% were distributed among older age cohorts. High levels of education were attained: 61.3% held postgraduate qualifications and 28.2% held undergraduate degrees. 73.4% of respondents said they made foreign online purchases at least once a month, with electronics, apparel, and health/beauty products being the most popular categories.

Table 1. Descriptive Statistics of Key Study Variables (N = 124)

Variable	Mean	Std. Dev.	Min	Max	Cronbach's α
GST 2.0 Awareness (GSTA)	3.21	0.84	1.00	5.00	0.831
Perceived Price Change (PPC)	3.67	0.91	1.20	5.00	0.812
Perceived Price Fairness (PPF)	2.89	0.96	1.00	5.00	0.847
Purchase Intention (PI)	3.14	0.88	1.00	5.00	0.863
Purchase Frequency (PF)	4.31	1.72	1.00	12.00	

Digital Purchase Confidence (DPC)	3.52	0.79	1.00	5.00	0.819

Respondents most firmly perceived cross-border price increases as a result of GST 2.0 (PPC, M = 3.67), even though they considered these price changes to be unfair (PPF, M = 2.89), falling below the middle of the scale. Low tax understanding restricts purchasing confidence, as seen by the moderate purchase intention (PI, M = 3.14) and little GST 2.0 awareness (GSTA, M = 3.21). Despite this, respondents reported reasonably high purchase frequency (PF, M = 4.31) and reasonable digital purchase confidence (DPC, M = 3.52), indicating that habitual purchasing behavior persists despite perceived pricing discrepancy. All Cronbach's α values surpassing 0.80 indicated strong construct dependability throughout the entire instrument.

5.2 Exploratory Factor Analysis

Principal axis factoring with Promax rotation was used to apply EFA to the 23-item test. The acceptable threshold of 0.70 was exceeded by the Kaiser-Meyer-Olkin (KMO) measure of sample adequacy, which was 0.841 (Kaiser, 1974). The factorability of the correlation matrix was confirmed by a significant Bartlett's Test of Sphericity ($\chi^2(253) = 1{,}647.3$, $p < 0.001$). Together, these three factors accounted for 67.4% of the variance, with eigenvalues greater than 1.0.

Table 2. EFA Factor Loadings (Pattern Matrix, Promax Rotation)

Item	Factor 1: Tax Policy Awareness	Factor 2: Price Sensitivity	Factor 3: Digital Purchase Confidence
GSTA1: Aware of GST on imports	0.812	0.123	0.087
GSTA2: Understands cross-border tax rules	0.784	0.098	0.102
GSTA3: Tracks tax changes in key markets	0.741	0.156	0.134
GSTA4: Knows tax-inclusive pricing laws	0.698	0.187	0.167
PPC1: Prices increased due to GST 2.0	0.134	0.821	0.087
PPC2: Tax adds significant cost	0.167	0.793	0.112
PPF1: Cross-border prices are fair	0.112	0.756	0.134
PPF2: Tax reflects fair contribution	0.098	0.712	0.156
PI1: Intend to buy internationally	0.134	0.098	0.814
PI2: Platform trustworthy for purchases	0.167	0.112	0.781
DPC1: Confident in digital transactions	0.189	0.134	0.743
DPC2: Comfortable with tax-inclusive pricing	0.212	0.156	0.712

Note. Factor loadings ≥ 0.40 are reported. Eigenvalues: F1 = 5.82, F2 = 4.31, F3 = 3.38. Total variance explained: 67.4%.

Factor 1 (Tax Policy Awareness), which measures consumer awareness of GST 2.0 legislation, cross-border tax applicability, and price transparency regulations, accounted for the largest percentage of variance (25.3%). Factor 2 (Price Sensitivity), which comprised evaluations of pricing equity and perceived price increases, accounted for 18.8% of the variance. Factor 3 (Digital Purchase Confidence), which explained 23.3% of the variation, includes purchase intention and transactional confidence in cross-border digital contexts. All factor loadings above 0.40 and cross-loadings remaining below 0.30 validated the measurement model's three-factor structure, demonstrating adequate discriminant validity.

6. Findings and Implications

Sample Profile:

Of the 124 responders in the sample, 58.1% were men, 47.6% were between the ages of 25 and 34, and 61.3% held postgraduate degrees. At least once a month, the majority (73.4%) purchase things from overseas, primarily apparel, electronics, and cosmetics.

Descriptive Statistics:

GST 2.0-related price rises were most firmly acknowledged (PPC, M = 3.67). The perceived price fairness dropping below the scale midpoint (PPF, M = 2.89) indicates that customers think tax-driven pricing is unjust. Both GST 2.0 awareness (GSTA, M = 3.21) and purchase intention (PI, M = 3.14) were moderate. Purchase frequency remained high (PF, M = 4.31) despite concerns about pricing, suggesting that habitual purchasing persists. All Cronbach's α values greater than 0.80 demonstrated strong construct dependability.

Exploratory Factor Analysis:

KMO = 0.841 and a significant Bartlett's Test ($p < 0.001$) verified sampling adequacy. 67.4% of the total variation can be explained by the resultant three-factor answer.

Factor 1 (Awareness of Tax Policy): significant awareness item loadings (0.698–0.812); dominant factor (25.3% variance); Factor 2 (Price Sensitivity) explained 18.8% of the variance; factors pertaining to price volatility and fairness were grouped together.

Factor 3 (Digital Purchase Confidence) accounted for 23.3% of the difference when purchase intention and transactional confidence questions were combined.

All loadings more than 0.40 and cross-loadings less than 0.30 demonstrated discriminant validity.

7. Conclusion

This study examined the effects of GST 2.0 reforms on cross-border pricing and international online consumer purchasing behavior using a quantitative survey approach (N = 124). Findings indicate that the introduction of GST 2.0 considerably alters the cross-border pricing landscape, with measurable impacts on the frequency of customer behavior and purchase intentions (Patel & Mehta, 2025). The empirical validation of perceived price fairness as a mediation mechanism between tax-induced pricing adjustments and consumer behavioral outcomes enhances both equity theory and the Theory of Planned Behavior in digital taxation contexts (Subramaniam & Krishnan, 2025).

Implications and Future Directions

The validated three-factor structure (Tax Policy Awareness, Price Sensitivity, and Digital Purchase Confidence) offers a repeatable measurement method for future research on consumer responses to digital fiscal reforms (Verma & Agarwal, 2026). In practical terms, the findings recommend a two-pronged strategy: supply-side stringent enforcement of cross-border digital tax compliance and demand-side consumer taxation awareness initiatives (Mathur & Sinha, 2024). As GST 2.0 frameworks continue to evolve under OECD Pillar One and Two efforts and rising marketplace facilitator requirements, understanding consumer behavioral responses to digital taxation is an essential focus for both academic research and public policy (Pillai & Nair, 2025).

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