

Effects of GST Implementation on the Retail Industry and its Business Impact

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Abstract

The implementation of Goods and Services Tax (GST) has had a profound impact on the retail industry, fundamentally altering the way businesses operate and interact with the taxation system. GST, introduced in numerous countries, aims to simplify the convoluted web of indirect taxes by creating a unified tax structure. GST has led to significant transformations. It has streamlined taxation processes, eliminating the cascading effect of multiple taxes and reducing compliance burdens. This simplification has resulted in enhanced transparency and efficiency within the supply chain, enabling businesses to claim input tax credits for taxes paid on their inputs and, in turn, offer more competitive prices to consumers. The transition to GST posed initial challenges, with businesses, especially smaller ones, grappling with adjustments in accounting systems and compliance procedures. Despite these hurdles, the long-term impact of GST on the retail industry is poised to be positive, as it fosters a more equitable and efficient tax ecosystem, ultimately benefitting both businesses and consumers alike.

Introduction

The Goods and Services Tax (GST) is an indirect tax in India that went into effect on July 1, 2017. It replaced a variety of taxes levied in a cascading fashion by the federal and state governments. Following the introduction of the Constitution 122nd Amendment Act Bill, it was introduced The Constitution (One Hundred and First Amendment) Act of 2017. The GST is overseen by the GST Council, which is chaired by India's Finance Minister. GST applies to goods and services at 0%, 5%, 12%, 18%, and 28%. Rough precious and precious stones, as well as gold, are subject to a special rate of 0.25% and 3%, respectively. A surcharge of 22% or other rates is added on top of the 28%. A few items, such as carbonated beverages, luxury automobiles, and tobacco, are subject to GST. GST replaced a number of indirect taxes with a single tax, and it is expected to have a significant impact on the country's \$2 trillion economy.

GST is viewed as an indirect tax for the entire country, with the goal of transforming India into a single, unified market. It is a tax imposed on the sale, manufacture, and use of goods and services. It is a single tax imposed from the manufacturer to the customer on the supply of goods and services. The credits from the input taxes paid at each stage will be available at the next stage of adding value. As a result, GST is a tax on only the value added at each stage. The final consumers will only have to pay the tax levied by the last dealer in the supply chain, but they will reap the benefits of all previous steps.

The GST replaced a variety of different taxes levied by the federal and state governments. The GST is intended to transform the \$2.4 trillion economy of the nation by consolidating numerous indirect taxes into a single tax, but its implementation has drawn criticism. One of the benefits of the GST was a 20% decrease in interstate travel time as a result of the elimination of interstate checkpoints.

India imposed tariffs on commodities and their supply. However, the taxing structure was inefficient since some states had overlapping taxes at different stages of the supply chain, while others have a single tax. On July 1, 2017, the Indian government introduced GST, which eliminated all taxes on the provision of goods and services. Goods and Services Tax is referred to as GST. Under the GST, a fee is collected at the point of consumption at each stage of the manufacturing process. Since it applies from the point of origin to the point of consumption, it is a comprehensive tax. All taxes gathered along the supply chain can be reimbursed, with the exception of the final stop, the client. Prior to the implementation of the GST, taxes on goods and services may reach a maximum of 26.5%. When the GST is put in place, the majority of items will be subject to an 18% tax.

The GST (goods and services tax) indirect tax system is currently in operation in 160 nations worldwide. A value-added tax known as the Products and Service Tax is generally applied to goods and services offered or provided for domestic or family use. The GST is largely levied against consumers of goods and services, but businesspeople who provide goods and services, such as wholesalers and retailers, are also accountable for paying the government these taxes. As a result, GST pays the government and provides funds during the economic development cycle. The GST is an indirect government transaction tax that is figured out using the price of products and services that can be sold. A buyer who purchases the good or service must account for the business cost in addition to the GST because the GST is applied to the item's or service's value at the business level. The business or seller must provide the government the GST component

that it has collected from customers and paid to them. This kind of tax is known as a value-added tax, or simply VAT, in some nations. The GST was initially implemented in France in 1954, and since then, it has been adopted and implemented in various ways by an estimated 160 countries. Among the nations that have implemented GST are Canada, Vietnam, Italy, Nigeria, Brazil, Australia, Singapore, the United Kingdom, Monaco, Spain, and South Korea.

India joined the GST family on July 1st, 2017 by unifying its corporation tax, value-added tax, and other indirect taxes under one roof. The majority of the countries who adopted the GST have a single, unified tax system, which implies that just one tax rate is used across the board. A country with an integrated GST stage combines central taxes like excise duty, sales tax, and administration tax with state taxes like the entertainment tax, section tax, move tax, sin tax, and extravagance tax. It is possible to calculate the GST on a specific good or service at a single rate and location, which makes it simpler for customers, companies, and government organizations to keep track of.

The Company Secretaries provide value-added services to the stock market and industry, and they act as expanded administrative arms. Secretaries of corporations are experts in legal matters. They are a treasure trove of knowledge and talents that have been polished through excellent sensible training. Company Secretaries were regarded as authorised delegates under several indirect tax regulations prior to the implementation of the Goods and Services Tax (GST). Because GST is a greater amount of law than calculation, Company Secretaries, who are experts in legal translation and have adequate bookkeeping and taxation information, are the best candidates to comprehend, execute, and carry out GST tasks, because GST is a greater amount of law than calculation, and the calculation part will be taken into account by the innovation. It has already been established, in light of the confidence of governments and corporations, That Company Secretaries' translations and grasp of laws has considerably increased, giving them a significant advantage. Under the Companies Act of 2013, company secretaries are considered one of the business's Key Managerial Personnel (KMP).

Advantage and disadvantage of GST

Advantage of GST

The value-added tax system was replaced with the goods and services tax, or GST (VAT). In India, this tax is levied on the production of goods and services as well as their use and sale. All previous indirect taxes on goods and services imposed by the federal government and the

state governments were replaced or unified. The Goods and Services Tax is expected to provide longer-term benefits (GST). This new organization benefitted numerous economic sectors. The Goods and Services Tax (GST) has the following advantages:-

The Goods and Services Tax, sometimes known as GST, is the tax that replaced all of the previous indirect taxes. Because of this, the tax system became less complicated and easier to use for all businesses and services.

Under the Goods and Services Tax (GST), businesses that offer services and have a yearly revenue of less than twenty million rupees are exempt from having to pay the tax. This exemption applies only to businesses who provide services. However, the minimum threshold required to qualify for exemption from the Goods and Services Tax (GST) is Rs. 10 lakh in the case of the North East States. It's possible that this small-scale corporation may avoid paying taxes altogether in the end.

1. Companies that fall under the Goods and Services Tax (GST) scheme and have a turnover of up to seventy-five lakh rupees are eligible to take advantage of the composition plan. As a result of this, these businesses are required to pay just one percent Goods and Services Tax (GST) on their turnover.
2. The Goods and Services Tax (GST) not only makes it more difficult to make a sale without a receipt, but it also brings the overall rate of corruption down.
3. The sales tax on items like automobiles, cellphones, and other consumer electronics has been reduced, and the new rate is between 2 and 7.5 percent.
4. This approach has assisted in reducing the amount of tax evasion that occurred.
5. The Goods and Services Tax has resulted in a reduction in the cost of logistical operations (GST). The tariffs at the border have been removed, and inconsistencies pertaining to check posts have been identified and resolved, which has led to a reduction in the overall cost of logistics.
6. The introduction of the Goods and Services Tax (GST) imposed additional obligations and regulations on businesses that were previously disorganised, such as the textile industry.

➤ **Reduced Taxes**

The Goods and Services Tax (GST) will make paying taxes easier for merchants who currently have to contend with a plethora of different kinds of levies, including CAT, CST, Octroi, service tax, and many more. The Goods and Services Tax (GST) would consolidate all of the existing taxes into a single charge, making it simpler for retailers to comprehend and comply with their many tax obligations, as well as to make a single payment.

➤ **Seamless Input Tax Credit**

The Goods and Services Tax (GST) will make the tax burden more manageable for the retail sector because it will set off tax beginning at the producer's point and finishing at the customer's point. The Goods and Services Tax (GST) will have an impact on how taxes flow and help to combine them into a single category.

➤ **Increased efficiency in supply chain**

Because a single registration will allow a retailer to conduct business in all fifty states, they will no longer be required to keep warehouses in each of those states; as a result, the retailer will see significant cost savings as a result of this change. As a result of the Products and Services Tax (GST), it will be simpler than ever before to move goods from one state to another. This will lead to a significant expansion of the transportation sector. As a result of the freer movement of people and things across state lines, the amount of time needed to transport items will be cut down. The retail industry would be able to become more efficient as a result of the Goods and Services Tax (GST).

➤ **Tax on promotional items and gifts**

Any supply made without consideration will be subject to taxation under the new model of the GST; as a result, everything will need to be accounted for. In the past, as part of the retailers' marketing strategy, they would include free presents and other promotional things with the products they sold. Under the current taxation system, these kind of giveaways are subject to taxes. Because of this, retailers will need to rethink their approaches to marketing in light of the Goods and Services Tax (GST), which will render this provision null and void. In addition, retailers will be required to pay tax on promotional products and gifts.

➤ **Growth of Retail Market**

The Goods and Services Tax (GST) will result in the unification of markets as a result of its streamlining of state and national taxes and its elimination of any uncertainty regarding taxation in various markets. The merchants only need to register their company once in order to be able to conduct business in any state; after that, they are free to extend their activities outside their current geographic location. In addition to contributing to the expansion of the retail market, this will assist contribute to the overall expansion of the country's economy.

➤ **Better strategies**

As a result of the Goods and Services Tax (GST), merchants will be required to reevaluate their supply chain strategies and redesign their network in order to take advantage of the numerous new opportunities that will arise as a direct result of the GST. They will have the autonomy to devise more effective business plans and put them into action, which will contribute to the retail industry's continued expansion.

➤ **Reduce complications**

As a result of the new GST rules, taxation and other policies will be streamlined, making it easier for retailers to run their businesses. Additionally, retailers will no longer need to waste time paying a variety of taxes and waiting to fulfil all other policy requirements that are imposed by the existing taxation system. This will allow retailers to focus more on growing their businesses.

RESEARCH METHODOLOGY

In prevalent propaganda, survey terminology determines the main phenomenon of the study. The research is primarily focused on two parameters for learning something out of any study. The first and most important variable is the fixed concept, which touches zero level of probabilities to obtain any disparity, and the other variable is feature, which means it is not constant and can fluctuate and become identical varies based on the situation prevalent in the study. So the research is based solely on the variable features, which have the potential to vary depending on the condition. It means that things that are ongoing will not be included in investigation, implying that there is no scope for advanced analysis and that everyone is aware of them.

Study technique enables researcher to conduct the research and satisfy the research plan and aid to acquire the clear image of the data collected by the researcher.

RESEARCH DESIGN

A research design can be thought of as the outline or roadmap of any study that will convey how to proceed and in which direction we need to go. The strategy also elaborates on the path to take in order to complete the study. Whatever designs a researcher follows, the researcher should maintain the ultimate goals in mind for that he or she is conducting the study in mind.

The research design was based on collecting information from respondents. The study used both primary and secondary data. The plan was built around goals and hypotheses. The research was conducted using descriptive, analytical and empirical methods.

The term "descriptive research" can refer to either quantitative or qualitative research. In a descriptive research design, any type of quantitative data, such as test scores, paths in a shopping mall or grocery store, gender design of technical usage, and so on, can be included. Glass and Hopkins correctly stated in 1984 that descriptive research contains data that stretches information about the event and also systematizes labels, tabularizes, and represents the data collection. Graphs and charts are considered pictorial aids and are typically used to improve the empathetic of the booklover in terms of data delivery. Evocative figures are extremely useful for converting large amounts of data into a manageable format.

TOOLS USED FOR DATA COLLECTION

The questionnaire constructs are as follows –

Table 1: Construction of Questionnaires

Construct	Item No	Item
Sales	1	Increase in the cost of the product
	2	Decrease in the number of units purchased
	3	Decrease in transaction costs

	4	Increase in job opportunities
	5	Help to increase the number of sales
Import	6	Post Imports will rise
	7	The standard price will remain unchanged
	8	GST has a negative influence
Export	9	Export will rise
	10	In the international market, competition would increase
Profit	11	The inflation rate will rise
	12	The liability of tax will be reduced
	13	Increased working capital investment
	14	In the retail trade, removing barriers will be beneficial
	15	Assist in expanding the market
	16	Profits will rise
	17	Long-term advantages
	18	Boost the overall gross domestic product of the country

RESEARCH TECHNIQUE :The data were collected through the use of a method called random sampling. The core data were gathered through the use of the structured questionnaire, and the secondary data were gathered through the use of the NSE website.

SAMPLE SIZE

A research sample is defined as a sample drawn from a larger group of people, substances, or objects. While collecting samples for the study, the researcher must keep in mind that perhaps the sample must characterize the population so that the results can be generalized to the population as a whole. In a recent study, the researcher used convenient sampling, which can be justified by the original study title.

The formula developed by Cochran was used to determine the appropriate size of the sample when the population was limitless.

$$n_0 = z^2 pq / e^2$$

Where:

e represents the level of precision that is wanted (i.e. margin of error).

p is the (estimated) percentage of the population that possesses the trait in question, and q is equal to one minus p.

According to the normal tables, we get Z values of 1.96 when we use a confidence level of 95 percent.

So we get

$$p = 0.5$$

$$q = 0.5$$

$$e = 0.05$$

$$n_0 = (1.96)^2 * (0.5) * (0.5) / (0.05)^2 = 385$$

Participants from the retail industry made up the study's population. The population of data was comprised of both the unorganized and organized retail sectors, and it was selected using both random and selective sampling methods. The questionnaire study received responses from

a total of 385 different sample sizes of retail trade. For the purpose of the statistical examination, the sample sizes method was collected from each state.

DATA COLLECTION METHODS

The fundamental methods were the primary emphasis of the data collecting. The collecting of both primary and secondary data was covered, with a particular emphasis on qualitative and quantitative data.

Primary Data

Primary data is a source of data that can be compiled by a scholar for the first time in the market or an obligatory field of survey worry for data collection. It is also referred to as the investigation's first handed data. It can be composed of various methods such as observation method, experimental method, and market survey. Although data gathering is a risky, time-consuming, and costly endeavor for any researcher, it is also a very difficult task, but the data compiled from the market is very reliable because it is compiled in accordance with the requirements of the research.

Result and Discussion

HYPOTHESIS TESTING

Analysis of Effect of GST on Sales of Retail Trade

The following investigation is carried out to determine how the implementation of the GST will affect retail sales. The impact of the introduction of the GST on retail trade was investigated using the Wilcoxon Signed Rank Test.

H₁: There is a significant variation in retail sales based on the before and after the implementation of GST

H₀: There is no significant variation in retail sales based on the before and after the implementation of GST

Table 2: Descriptive Statistics of retail sales

	N	Mean	Std. Deviation	Median	Percentiles		Minimum	Maximum
					25	75		
Pre- increase in the cost of the product	385	3.63	0.91	3.00	3.00	4.00	1.00	5.00
Post increase in the cost of the product	385	1.78	1.01	2.00	1.00	2.00	1.00	5.00
Pre decrease in the number of units purchased	385	3.43	0.79	3.00	3.00	4.00	1.00	5.00
Post decrease in the number of units purchased	385	1.66	0.79	2.00	1.00	2.00	1.00	5.00
Pre decrease in transaction costs	385	2.69	0.83	3.00	2.00	3.00	1.00	5.00
Post decrease in transaction costs	385	4.19	0.93	4.00	4.00	5.00	1.00	5.00
Pre increase in job opportunities	385	2.56	0.97	3.00	2.00	3.00	1.00	5.00

Post increase in job opportunities	385	4.28	1.05	5.00	4.00	5.00	1.00	5.00
Pre help to increase the number of sales.	385	2.29	0.94	2.00	2.00	3.00	1.00	5.00
Post help to increase the number of sales.	385	4.41	0.82	4.00	4.00	5.00	1.00	5.00

Source: SPSS

Table 3: Wilcoxon Signed Ranks Test of retail sales

		N	Mean Rank	Sum of Ranks
Post the increase in the cost of the product	Negative Ranks	346 ^a	195.30	67575.50
	Positive Ranks	38 ^b	166.96	6344.50
	Ties	1 ^c		
- Pre the increase in the cost of the product	Total	385		
Pre decrease in the number of units purchased - Post decrease in the number of units purchased	Negative Ranks	365 ^d	191.05	69735.00
	Positive Ranks	20 ^e	228.50	4570.00
	Ties	0 ^f		
	Total	385		
Post decrease in	Negative Ranks	35 ^g	233.53	8173.50

transaction costs - Pre decrease in transaction costs	Positive Ranks	350 ^h	188.95	66131.50
	Ties	0 ⁱ		
	Total	385		
Post increase in job opportunities -Pre increase in job opportunities	Negative Ranks	45 ^j	202.32	9104.50
	Positive Ranks	337 ^k	190.05	64048.50
	Ties	3 ^l		
	Total	385		
Post help to increase the number of sales. - Pre helps to increase the number of sales.	Negative Ranks	22 ^m	185.09	4072.00
	Positive Ranks	363 ⁿ	193.48	70233.00
	Ties	0 ^o		
	Total	385		

- Post increase in the cost of the product < Pre increase in the cost of the product
- Post increase in the cost of the product > Pre increase in the cost of the product
- Post increase in the cost of the product = Pre increase in the cost of the product
- Post decrease in the number of units purchased < Pre decrease in the number of units purchased
- Post decrease in the number of units purchased > Pre decrease in the number of units purchased
- Post decrease in the number of units purchased = Pre decrease in the number of units purchased

- g. Post decrease in transaction costs < Pre decrease in transaction costs
- h. Post decrease in transaction costs > Pre decrease in transaction costs
- i. Post decrease in transaction costs = Pre decrease in transaction costs
- j. Post increase in job opportunities < Pre increase in job opportunities
- k. Post increase in job opportunities > Pre increase in job opportunities
- l. Post increase in job opportunities = Pre increase in job opportunities
- m. Post help to increase the number of sales < Pre help to increase the number of sales
- n. Post help to increase the number of sales > Pre help to increase the number of sales
- o. Post help to increase the number of sales = Pre help to increase the number of sales

Conclusion

The implementation of Goods and Services Tax (GST) has ushered in a transformative era for the retail industry, leaving a lasting imprint on its operations and economic significance. GST's core objectives of simplification, transparency, and efficiency in taxation have reverberated through the retail sector, bringing about both challenges and opportunities. The elimination of the cascading effect of multiple taxes under GST has been a game-changer for retailers, allowing them to reduce the overall tax burden and offer more competitive prices to consumers. This, in turn, has had a positive impact on consumer spending and retail growth. While the transition to GST presented initial hurdles, particularly for small and medium-sized retailers, many have adapted by upgrading their accounting systems and embracing formalized business practices. These adjustments, although demanding, have contributed to the long-term sustainability and growth of the retail sector. GST has fostered a more compliant and transparent business environment, reducing tax evasion and increasing tax collection. It has played a pivotal role in expanding the tax base, ensuring a fairer distribution of the tax burden. Looking ahead, the retail industry's future in the era of GST appears promising, as businesses continue to refine their strategies and compliance measures. The impact of GST on the retail sector underscores the resilience and adaptability of businesses in the face of significant tax reforms, ultimately paving the way for a more robust and efficient retail ecosystem that benefits both retailers and consumers.

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