

# IMPACT OF GST ON RETAILE SECTOR -A STUDY OF GUNDLUPET TOWN

**Dr. Mahesha M B**

*Faculty of Commerce, Dr.B.R. Ambedkar Post Graduate Centre, University of Mysore,  
Chamarajanagar*

## **Abstract**

*Every country in the world has its own system of tax regime including India. The Indian government making substantial changes to tax laws since independence. In 2017 it has introduced GST merging all indirect taxes to one bracket. The present study concentrated on analyzing the impact of GST on retail sector has found that it has affected negatively on retail business due to the limited knowledge as well increased prices of goods. The study concludes that the government and other concerned agencies need to create awareness about the GST and has to bring all the goods under one tax rate.*

**Key Words:** *GST, Impact, Retailer Sector, Government, Tax.*

## **Introduction**

Tax is a method of collection of revenue from people, corporate and other different entities by the government. It is the major sources of revenue for the government and the development of any economy largely depends on the tax structure which was adopted. Taxation in India entrenched from the period of Manuscript and Artashastra which was based on the theory of maximum social welfare. India has one of the well-developed tax structures in the world. The power to levy taxes and duties is distributed among three tiers of government which are Central government, State government and local bodies in accordance with the provisions of the Indian Constitution. Central government levies taxes on income, custom duties, central excise and State government levies taxes on value added tax (VAT), stamp duty, state excise, income from agricultural, land revenue and profession. On the other hand, local bodies are empowered to levy tax on properties, octroi for utilities like water supply and drainage etc. Since independence India has followed two types of tax which is direct and indirect tax. Direct taxes are income tax, capital gain tax, securities transaction tax, perquisite tax, corporate tax and wealth tax etc. Indirect taxes are sales tax, service tax, VAT, customs duty, Octroi and Excise duty etc.

India has made substantial reforms in indirect taxes over the past two decades. On 1<sup>st</sup> July 2017, the nation adopted another major reform in this area through the implementation of Goods and Services Tax [GST]. The Goods and Services Tax in India is adopted as a system of indirect taxation merging most of the existing indirect taxes into single system of taxation. The introduction of Goods and Service Tax certainly has its impact on all the sectors of the economy. GST was introduced as 'one nation one tax' system, but its effect on various industries was slightly different. The first level of differentiation was arises based on whether the industry deals with manufacturing, distributing and retailing or is providing a service.

Traders including retailers would be one of the important contributors for development of economy. Even though the retail sector has succeeded in evolving as an organized revenue generating sector, it still continues to be fought with some inherent challenges raised due to current indirect tax regime. One of the major concerns since the implementation of GST is its impact on the retailers. This is because GST compliance requires the retailers to make sure that they have a good accounting system to ensure that GST paid and collected is properly documented.

## **Evolution of GST in India**

The idea of Goods and Service Tax (GST) for India was first mooted twenty years back. In the year 2000, the Prime Minister Atal Bihari Vajpayee planned to introduce the GST and set up a committee to design a GST model for the country. Thereafter, in 2004 taskforce on Fiscal Responsibility and Budget Management recommended to introduce GST through replacing all indirect taxes except the customs duty. Later, the movement towards GST was accelerated by the Union Finance Minister P. Chidambaram in his Budget speech for 2006-07 and requested the Empowered Committee of State Finance Ministers (EC) to come up with a roadmap and structure for GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on the GST in November 2009 but the implementation was postponed. Finally, the Government of India has introduced GST with effect from 1st July 2017 in the working period of Union Minister Mr. Arun Jatley and Prime Minister Mr. Narendra Modi.

## **Types of GST in India**

- ❖ CGST (Central Goods and Services Tax): GST to be levied by the central government.
- ❖ SGST (State Goods and Services Tax): The GST is to be levied by the states is State GST (SGST)
- ❖ IGST (Integrated Goods and Services Tax): Integrated GST will be levied by the central and the states concurrently.

## **Concept of Retailer**

Retailers are referred to as middlemen or intermediaries who occupy a middle position in the distribution channel. They receive goods from producers and wholesalers and pass it on to customers. The retailers are able to accomplish this through the store located at a convenient place and also by ensuring that the customer is focal point for the selection and display of stock. Retailers are the emerging class of intermediaries who help manufacturers to reach the masses of customers within a less period of time. They play an important role in society. From the customer point of view, the retailer serves him by providing the goods that he needs in the required assortment, at the required place and time. From an economic standpoint, the role of a retailer is to provide real added value or utility to the customer. Retailer performs specific activities such as anticipating customer wants, developing assortments of products, acquiring market information, financing and delivering the products

etc.,. The word Retailing is defined as “The set of business activities that adds value to the products and services sold to consumers for their personal or family use”. Retailing can be referred to all activities involved in marketing and distribution of goods and services.

Retailing is defined as a conclusive set of activities or steps used to sell a product or service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with supplies of all manufacturers. A common assumption is that retailing involves only the sale of products in stores. However, it also includes the sale of services like those offered at a restaurant, or by car rental agencies. The selling need not necessarily take place through store.

### **Statement of the Problem**

Tax is an obligatory liability for every citizen of the country. India faced several challenges before implementing of GST such as double taxations, tax evasion and confusion in tax rates etc. Hence, GST was introduced in India with effect from 1<sup>st</sup> July 2017 as the biggest tax reform and called as ‘One Nation One Tax’. In the initial period it was very stressful for the traders and government, but over a period of time it stabilized to large extent through many issues still remain unresolved. Retailers are the major contributors to the economy and they were the large community who experienced the merit and demerits of GST. On the other hand Gundlupet town of Chamarajanagar district in Karnataka which is basically a small town where the retailers are basically unorganized. Therefore, there is a need to understand the how the GST has affected the retailers and need to analyze their perception towards Goods and Services Tax.

### **Objectives of the Study**

- To analyze the awareness level of GST among Retailers of study area.
- To analyze the impact of GST on Retailers.
- To assess the perception of retailers towards GST.

### **Scope of the Study**

The study focuses on assessing the level of awareness and perception of the retailers towards GST in Gundlupet town. The study also covers the concept of GST as well as the Challenges of GST faced by retailers. For the purpose of the study the retail shops such as medical shops, textiles, jeweler shops, provision stores, hardware and painting shops, super markets and mobile shops have been selected.

### **Research Methodology**

The study is based on both primary and secondary data. In this present study the primary data has been collected from 60 respondents in Gundlupet town with the help of structured questionnaires and Personal interview. The Secondary data was obtained from various journals, articles, books and websites.

## Major Finding of the Study

- The study found that majority i.e. 78% of the respondents expressed that they got information about GST through newspaper, TV, online portals and followed by GST authorities, chartered accountants and family or friends.
- Majority i.e. 69% of the respondents have agreed that GST would reduce the complexity and contribute for making efficient channel of distribution.
- The study found that majority i.e. 66% of the respondents expressed that the registration of GST was needed for all business.
- Majority i.e. 77% of the respondents have expressed that they are experiencing confusion in tax rates and return filing due to multi brand products.
- Majority i.e. 66% of the respondents have agreed that GST has enabled smoother input tax system compared old tax system.
- Majority i.e. 62% of the respondents have expressed that implementation of GST was helpful for their business growth.
- Majority i.e. 52% of the respondents have expressed that GST has resulted in the increase of prices of the goods.
- The study found that majority i.e. 61% of the respondents have expressed that they pay more for filing returns to tax consultants due to lack of technical knowledge.
- The study found that most of the respondents i.e. 42% have expressed that their average sales per month was increased after implementation of GST.
- The study identified that majority i.e. 62% of the respondents have expressed that they have faced technical issues filing return or online GSTN operation due to lack of awareness about GST.
- Majority i.e. 94% of the respondents have experienced problems such as server issues, delay in getting ITC, invoice uploading and tracking.
- Most of the respondents experiencing difficulty to adopt GST from old tax system due to lack of knowledge.
- Majority i.e. 52% of the respondents are expecting to simplify the GST regulation, to reducing tax rates and further improvements in digital payments.
- The study found that Majority i.e. 83% of the respondents have expressed that their business flows was good after implementation of GST and it has positively impacted on their retail business.

## Suggestions

- **Provide training to retailers towards GST filing:** The study reveals that there was a need to modernize the retail segment by adopting digital ways and methods. The government has to take necessary actions to provide training to retailers about GST filing, e- registration, invoice uploading and tracking through online training, and workshops etc.
- **Create awareness among retailers:** The concerned agencies need to create awareness about GST among retailers to increase awareness for better understanding of the general principles of GST through conducting public education programs which helpful them to handle GSTIN as well as preparing them for smooth adoption in their business.

- **Eliminate the technical issues:** The study found that retailers have experienced problems such as server issues, delay in getting ITC, invoice uploading and tracking and also confusion related to online GST filing. Therefore, the concerned authorities should eliminate the technical issues in filing of GST returns.
- **Simplify the GST regulation:** The study found that 34% of the respondents expressed that GST created confusion due to difficult procedure. Therefore, the concerned authorities should simplify procedure for smoother functioning of taxation system.
- **Single rate tax system:** At present the Government of India has implemented GST through different tax rates and slabs that creating confusion among the retailers. Therefore, the Government should try to bring all the goods under a single rate tax system for the helpful of the retailers as well as consumer.

## Conclusion

The study mainly focused on impact of GST on retail stores in Gundlupet town and it analyzed and evaluated the level of awareness and perception of retailers towards GST. It was found in the study, only in the recent years the whole country having knowledge about GST and its impact on various sectors of the economy. The previous tax structure has been replaced by the GST and number of changes has been taken place in the existing tax structure.

The retailers are experiencing the merits and demerits of GST. The present study which was conducted in Gundlupet town to analyze the impact of GST has found that in the study retailers has less awareness about GST like online e filing of returns, online GST registration. Newspaper and Media are the only sources which account for the awareness spread and providing updated information to the retailers. The factors analysis which was best explained the impact of GST on retail stores namely technical challenges, ease of compliance, cost bearing, and knowledge of GST in accordance with other tax structure etc.

Finally, to conclude if the government and other concerned agencies create awareness about GST, then it helps retailers to file return as well effectively implement GST which in turn increases the tax collection for the government.

## Bibliography

### Articles:

1. Ankita Verma, Priyanka Khandelwal, Sonia Justin Raj (2018). Impact of GST on the regulations of Small business: Journal of Business and Management, Volume 20, Issue 7, July 2018.
2. E. Palani and E. Raghuraman (2020). Retailers perception towards Implementation of GST in Tenkasi District. volume-31 Issue 19 V and S care journal.
3. G.H Barhate (2017). An analytical study of awareness and perception towards GST among traders in rural areas.
4. H.A Dhanuja and A. Venkateshwaran (2020). Impact of GST on pharmacy retail stores in Kanyakumari District: Research centre in Commerce, T D M N S College, T Kallikulam,

Volume-40 Issue 18 – February 2020.

5. Jojo K Joseph (2018). The Goods and Service Tax (GST) Experience of Retailers in Kerala: A case study of Asia pacific journal, Volume-I Issue LXXXVII.
6. P. Jayalakshmi (2018). GST-its impact on consumer goods retailers-A study on Vishakhapatnam: A case study of Account and Financial Management Journal, Volume-4 Issue 2.
7. R. Sridevi (2018). A study on Impact of GST system to Retailers with special reference to Coimbatore District: I J R E A M Volume-04 Issue 02 May 2018.
8. Rhea Sharma (2020). Awareness and Perception regarding GST among Small traders, Retailers and Shopkeepers: Issn No.2347-3150, volume IX Issue VI, June 2020.
9. Suvarna.S Walikar (2017). GST and retail sector in India: A case study of Dyasparva International journal of Commerce and Management, Volume-II 2017.
10. S. Kumar, V. K Tyagi and T. Vashishat (2018). An assessment of Impact of GST on India's online Retail sector: Economic Affairs, Volume-63, No.4, pp.923-933, December 2018.
11. Sudipta Chakraborty (2018). Effects of GST on MSMEs and its impact on growth of India.
12. Shebazbano Khan and Rashmi soni (2018). Impact of GST on Textile hub of Mumbai (Bhiwandi, Dist. Thane): A case of Account and Financial Management journal, Volume-3 Issue 02, February 2018.
13. Swati Singh and Disha negi (2019). GST: Impact and Implications on various sectors of Indian Economy: Journal of Gujarat Research Society, Volume 21 Issue
14. Shetty Deepa Tangam Geeta, S.P Mathiraj and M. Thivya Bharathi (2019). Impact of GST on MAMEs- A case study of international journal of Recent Technology and Engineering, Volume-08 Issue 256, July 2019.
15. Shalini Shukla and Ram Singh (2018). Impact of GST on various sectors.

**Websites:**

- [www.hcooca.com](http://www.hcooca.com)
- [www.gst.gov.in](http://www.gst.gov.in)
- [www.gstindia.com](http://www.gstindia.com)
- [www.gstcouncil.gov.in](http://www.gstcouncil.gov.in)
- [www.cleartax.in](http://www.cleartax.in)
- [www.myaccountingcourse.com](http://www.myaccountingcourse.com)
- [www.gundlupettown.gov.in](http://www.gundlupettown.gov.in)