

## **EFFECTS OF GOODS AND SERVICES (GST) IMPLEMENTATION IN ORGANIZED RETAIL INDUSTRY: A STUDY WITH REFERENCE TO JAIPUR CITY**

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### **Abstract**

*The impact of goods and services tax on retail sector will facilitate seamless input tax credit and boost supply chain efficiency. The movement of goods across state borders would be convenient. Though, the wholesalers would be affected and would suffer few losses. Better credit limits and discounts should be offered for some time on the products which fall in higher tax brackets. The Study discusses the monetary benefits that should be provided by company for some time. The study was conducted in three main areas in jaipur city of Rajasthan, namely Sitapura industry areas, Mansarover and Tonk road. The sample size for the present study is 280. A total of 110 respondents were from Sitapura industry areas; whereas 90 were from Mansarover, and 80 respondents were from Tonk road. The respondents of shops dealing in D-mart, Big bazaar, Reliance fresh and kirana King were targeted for the study retail. The study was conducted in a period of four months i.e. from August 2020 to November 2020. The whole paper is organized in four sections. First sections will cover the introduction of impact of GST on Retail sector. Second section will highlight the data and methodology for the proposed investigation. The third will describe the empirical results in conjunction with previous studies. Fourth section will discuss and conclude the results.*

### **Key words:**

**GST, Retail Sector, taxation, Credit time, monetary benefits and more discounts.**

### **Introduction:**

India is one of the emerging economies of the world. The Goods and Services Tax (GST), the unified indirect tax structure, launched on 1st July 2017 in India brings on a major economic lever (Kumar, 2017). The GST has more of a negative impact on almost every sector in the country. It also has positive effect on few sectors where the tax has reduced.

Retail trade contributes an estimated more than \$600 billion to the world economy. Retail is one of the biggest contributors in a country's economy. At a compound annual growth rate of 16.7%. (Singh,2018). The Indian retail industry is expected to reach 1.3 trillion USD by 2020.

However, almost 92% of the retail sector in India is operating in non banking transaction. (Hamil and Priyadarshini, 2014).

Although the passage of GST has been gladly accepted Indian retailers as well as by global retailers considering expansion into India, yet some unseen and untested components surface in the retailers community as well as in the consumers' thoughts. The GST has been widely appreciated as it makes accounts and business convenient. (Anonymous,2017). GST makes business expansion into different regions easier and cheaper.

As the industry gradually is moving towards GST, important business changes have to be made to take advantage of the new taxation system. The Taxation and Operations in the retail sector would definitely have a positive impact.

### **Review of literature**

The Value Added Tax (VAT) was introduced in 1986, initially implemented only at federal level and known originally as MODVAT (modified value added tax). The initial plan was to allow manufacturers to still get there tax reimbursed inform of reimbursement of excise duties. On 1 April 2005 the Government announced the introduction of a State VAT in 21 of the 29 Indian States. (Vasanthagopal, 2011). VAT resulted in a major simplification of the rate structure and broadening of the tax base, yet both the CENVAT and the State VAT have certain incompleteness, Due to which the centre decided to scrap the VAT system.

Kelkar committee suggested a developed and organized taxation system.(Vasanthagopal, 2011) and this formed the basis of introduction of Goods and Service Tax (GST) in India. A single tax system with uniformity all over the country under which the consumer is the tax payer. (Aruna Kumari and Naga Jyothi, 2017). GST bill was tabled in India in 2017 and was implemented in India since July 1st, 2017. Thus excise, sales tax, VAT, octroi and entry fees, have been replaced with GST. The chief objective of this game changing and up to now the biggest tax reform, hailed as GST, is to counter the cascading effect of taxes in goods and services sector (Sharma and Kumar, 2017).

The existing regime of indirect taxes the burden of indirect taxes on 65%-70% of items is around 30% and sometimes it goes beyond that also. This figure of 30% includes excise 12.50% on 80% of the items, VAT 14.50% on 55% of items, entry tax, octroi etc.( Singh, 2018)

The proposed slabs as per the Government are at 5%, 12%, 18% & 28 % for different type of items and services. Vanishing state boundaries may also reduce the complexity for retailers and increase the distribution reach as well as efficiency. Reducing total indirect taxes, increase supply chain efficiency and facilitate seamless input tax credit are some of the advantages for the retail sector due to GST.

Anonymous author on a webpage “holisol” mentions that five factors are responsible for changing the dynamics of retail sector in India:

- Reduced taxes
- Seamless Input tax credit c. Increased
- Supply chain efficiency
- Tax on gifts and promotional items
- Better Opportunities & Growth of Retail Market

However, picture is not very rosy also. If the effects of GST implementation in other countries in retail sector are examined, it is noticed that the compliance, tax structure for different segments, people perception, data handling and consolidation of taxes are the major issues affecting the retail business. Malaysia introduced GST in April 2015 to reduce its budget deficit. Ching et al., 2017 investigated how the introduction of GST impacted SME owners in the Malaysian retail sector. Canada, which introduced GST much earlier, in 1991. Dana, 1993 investigated the impact of GST on small business sector including retail. The author opined that in Canada the introduction of GST caused extraordinary concern in the small business sector which was faced with compliance costs exceeding \$1 billion..

In 2013, Steel et al. In New-Zealand the GST resulted in offshore online purchases decline by 45 -60%, whilst purchases at domestic online retailers would rise by 27%. off set by a 27% increase in demand at domestic internet retailers. They concluded that the government’s current tax policy may be deterring offshore firms from establishing physical stores within New Zealand.

Nikhila and Meghana, 2016 studied the sectoral impact of GST in India just after its implementation, including retail sector. A huge change and advantage in interstate and regional business.

Singh, 2018 reviewed the possible impact of GST implementation on retail sector in India. He attempted to compare the impact of GST on goods prices. The comparison of commodity prices pre and post GST implementation clearly showed reduce in prices for 60% to 70% products if the tax percentage is fixed. However, this work appears to have been conducted before GST implementation in India.

After 2017 July and the greatly mused implementation of GST in India, no significant work has been found in the peer reviewed literature to describe the impact of GST on this unorganized and massive sector. Nevertheless, it is prudent to study the plausible effects of the GST implementation covering various aspects like- ease of filing tax, resources required for apt compliance, business operations, sustained growth of business, goods prices, profits, inventory, ledger maintenance and above all people's perception about this changed scenario of taxation.

### **Objective of the Study**

The main objectives of the study are:

1. To analyze the GST has impacted the margins of wholesalers / retailers in a negative way.
2. To study the Companies should give more Credit time
3. To understand people's perceptions about more discounts should be given for some time on the products which fall in higher tax brackets.
4. To Study the Monetary benefits should be provided by company for some time.

### **Research Methodology**

**Research Design:** The current study is exploratory as well as descriptive research design has been applied. In each major area five questions were asked and five respondent categories (strongly disagree, disagree, neutral, agree and strongly agree) were provided on the Likert scale.

**Types of Data and Sampling Size:** For collecting primary data, four questions with likert scale was prepared. They were filled from the three main areas in jaipur city of Rajasthan, namely Sitapura industry areas, Mansarover and Tonk road. A total of 350 respondents were studied from the retail shops. Sample of 350 retail shops of three areas of jaipur were selected for the study but out of these only 280 filled the schedule completely. Therefore, sample size for the study is 280. A total of 110 respondents were from Sitapura industry areas, whereas 90 respondents were from Mansarover, and 80 respondents were from Tonk road area. Moreover, the secondary data has also been collected from reliable sources like websites particularly from the department of goods and services industry, and latest published articles etc from various journals and magazines.

**Statistical Tools Applied:** A one-way ANOVA was applied and Tukey –HSD test was performed on pair-wise data to compare the variables of all responses.

**Limitations:** The study was conducted in a limited period of four months i.e. from August 2020 to November 2020. As per the survey there would be issues with sampling and selection during the survey. Hence, the timing was a major issues as people were reluctant since the questionnaire was time consuming .Also, there were cultural issues and other personal agendas of respondents. To add to this, the survey lacked the data from previous statistics.

**Justification:** The shops like D-mart, Big bazaar, Reliance fresh and kirana King were targeted for the retail study.

**Types of Data and Sampling Size :** For collecting primary data, four questions with likert scale was prepared and filled from the three main areas in jaipur city of Rajasthan, namely Sitapura industry areas, Mansarover and Tonk road. A total of 350 respondents were targeted to be studied from the retail shops. Sample of 350 retail shops of three areas of jaipur was selected for the study but out of these only 280 filled the schedule fully; therefore sample size for the present study is 280. A total of 110 respondents were from Sitapura industry areas; whereas 90 respondents were from Mansarover, and 80 respondents were from Tonk road.

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**Statistical Tools Applied:** A one-way ANOVA was applied and Tukey –HSD test was performed to pair –wise data to compare the variables of responses.

**Limitations** The study period is of six months i.e. from December 2019 to 2020.As per the survey there would be issues with sampling and selection during the survey. The timing was major issues as people were not interested much as the questionnaire was time consuming There were cultural issues and other personal agendas of respondents. Also the survey lacked the data from previous statistics.

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### Analysis and Results

Following four questions were asked from respondents and their responses were analyzed. The data collected were statistically analyzed by ANOVA and was tested via Tukey- HSD pair-wise comparison.

**Figure 1(a) Data Collections and Analysis of Respondents' opinion about first Question on GST has impacted the margins of wholesalers / retailers in a negative way (A) State-wise Responses on likert Scale ,their Means, and Standard Deviation;(B) Analysis of Variance through Tukey HSD Test**

(A)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Sitapura industry areas	11.18	18.18	13.63	20.25	36.76
Mansarover	14.44	18.88	22.22	20	24.46
Tonk road	37.5	16.25	23.75	10	12.5
Mean	21.26	17.77	19.87	16.67	24.43
St.Dev	14.35	1.36	5.46	5.85	12.13

**(B) ANOVA: Design 1 Between Subject Factor**  
 A  $F(4,10) = 0.336$   $p < 0.847498$   $SS = 112.65$   $MSe = 83.76$   
 PAIRWISE COMPARISONS [Q=TukeyHSD: \*= $p < 0.05$  \*\*= $p < 0.01$ ]  
 [a1]vs[a2]  $t(4) = 0.39$   $p < 0.7144$   $Q = 0.6189$   
 [a1]vs[a3]  $t(4) = 0.13$   $p < 0.9011$   $Q = 0.2221$

[a1]vs[a3] t(4)=0.13 p< 0.9011 Q=0.2221
[a1]vs[a4] t(4)=0.48 p< 0.6566 Q=0.8119
[a1]vs[a5] t(4)=0.33 p< 0.7610 Q=0.6687
[a2]vs[a3] t(4)=0.65 p< 0.5535 Q=0.3968
[a2]vs[a4] t(4)=0.29 p< 0.7832 Q=0.1930
[a2]vs[a5] t(4)=0.97 p< 0.3890 Q=1.2875
[a3]vs[a4] t(4)=0.68 p< 0.5366 Q=0.5898
[a3]vs[a5] t(4)=0.61 p< 0.5731 Q=0.8907
[a4]vs[a5] t(4)=1.01 p< 0.3712 Q=1.4806

**Effects of GST has impacted the margins of wholesalers / retailers in a negative way:** The data collected from respondents clearly reveals that GST has impacted the margins of wholesalers / retailers in a negative way. The analysis of the same is represented in figures 1(a).

The figures 1(a) represents different interpretations collected from respondents across the three places in Jaipur. Most of the respondents (41±17.71%) believe that GST has impacted the margins of wholesalers / retailers in a negative way. To add to this, 21.26±14.45% of respondents strongly agree with this. Finally, 17.77±1.39 % persons agree with it. However, a moderate fraction of 19.87±5.56 % respondents don't have any opinion.

**Figure 2(B) Data Collections and Analysis of Respondents' opinion about Second Question on Companies should give more Credit time (A) State-wise Responses on likert Scale ,their Means, and Standard Deviation;(B) Analysis of Variance through Tukey HSD Test**

(A)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Sitapura industry areas	18.18	9.09	27.27	18.19	27.27
Mansarover	20.00	16.67	13.33	27.77	22.22
Tonk road	16.25	12.50	15.00	27.50	28.75
Mean	18.14	12.75	18.53	24.49	26.08
St.Dev	1.88	3.80	7.61	5.45	3.42

**(B)**  
 ANOVA: Design 1 Between Subject Factor  
 A F(4,10) = 3.68 p<0.043038 SS=345.63 MSe=23.47  
 PAIRWISE COMPARISONS [Q=TukeyHSD: \*=p<0.05 \*\*=p<0.01]  
 [a1]vs[a2] t(4)=2.20 p< 0.0922 Q=1.9271  
 [a1]vs[a3] t(4)=0.09 p< 0.9355 Q=0.1394  
 [a1]vs[a4] t(4)=1.90 p< 0.1295 Q=2.2679  
 [a1]vs[a5] t(4)=3.52 p< 0.0244 Q=2.8375  
 [a2]vs[a3] t(4)=1.18 p< 0.3045 Q=2.0665  
 [a2]vs[a4] t(4)=3.06 p< 0.0377 Q=4.1949  
 [a2]vs[a5] t(4)=4.52 p< 0.0107 Q=4.7646  
 [a3]vs[a4] t(4)=1.10 p< 0.3327 Q=2.1285  
 [a3]vs[a5] t(4)=1.57 p< 0.1924 Q=2.6981

When asked about the effects of Companies giving more Credit time (represented in Figure (b)), different location observations show that significant portions of the respondents approximately half  $50.57 \pm 8.87$  strongly disagree those Companies should give more Credit time. Data also reveals that  $18.14 \pm 1.88\%$  of the respondents strongly agree with it. A reasonable fraction of  $18.53 \pm 7.61\%$  respondents stayed neutral over this.

<b>Figure 3(C) Data Collections and Analysis of Respondents' opinion about Third Question on More discounts should be given for some time on the products which fall in higher tax brackets. (A) State-wise Responses on likert Scale ,their Means, and Standard Deviation;(B) Analysis of Variance through Tukey HSD Test</b>					
<b>(A)</b>	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Sitapura industry areas	31.81	22.73	13.63	18.18	13.65
Mansarover	27.78	28.89	13.33	15.56	14.44
Tonk road	27.5	28.75	12.5	15	16.25
Mean	29.03	26.79	13.15	16.25	14.78
St.Dev	2.41	3.52	0.59	1.70	1.33
<b>(B)</b>					
ANOVA: Design 1 Between Subject Factor					
A $F(4,10) = 34.9$ $p < 0.000008$ $SS=647.57$ $MSe=4.64$					
PAIRWISE COMPARISONS [Q=TukeyHSD: *= $p < 0.05$ **= $p < 0.01$ ]					
[a1]vs[a2] $t(4)=0.91$ $p < 0.4144$ $Q=1.8017$					
[a1]vs[a3] $t(4)=11.08$ $p < 0.0004$ $Q=12.7704^{**}$					
[a1]vs[a4] $t(4)=7.51$ $p < 0.0017$ $Q=10.2823^{**}$					
[a1]vs[a5] $t(4)=8.96$ $p < 0.0009$ $Q=11.4620^{**}$					
[a2]vs[a3] $t(4)=6.63$ $p < 0.0027$ $Q=10.9687^{**}$					
[a2]vs[a4] $t(4)=4.68$ $p < 0.0095$ $Q=8.4806^{**}$					
[a2]vs[a5] $t(4)=5.53$ $p < 0.0052$ $Q=9.6603^{**}$					
[a3]vs[a4] $t(4)=2.98$ $p < 0.0406$ $Q=2.4881$					
[a3]vs[a5] $t(4)=1.94$ $p < 0.1250$ $Q=1.3084$					
[a4]vs[a5] $t(4)=1.18$ $p < 0.3045$ $Q=1.1797$					

The mean and standard deviation of respondent's observation pertaining to the effect of more discounts should be given for some time on the products which fall in higher tax brackets. Different observations collected from respondent across Jaipur city such as Sitapura industry areas, Mansarover and Tock road are analyzed in the Figure 3 (c).

Around more the fifty  $55.82 \pm 5.93\%$  of the respondents were of the opinion that more discounts should be given for some time on the products which fall in higher tax brackets .Data also reveals that whereas  $13.15 \pm 0.59$  respondents appeared not to have any opinion. Some of the  $16.25 \pm 1.70$  individuals, however, did disagree to this.



**Figure 4(D) Data Collections and Analysis of Respondents' opinion about fourth Question on Monetary benefits should be provided by company for some time. (A) State-wise Responses on likert Scale ,their Means, and Standard Deviation;(B) Analysis of Variance through Tukey HSD Test**

(A)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Sitapura industry areas	34.54	27.27	9.09	17.27	11.81
Mansarover	31.11	26.67	13.33	17.78	11.11
Tonk road	33.75	27.5	13.75	15	10
Mean	33.13	27.15	12.06	16.68	10.97
St.Dev	1.8	0.43	2.58	1.48	0.91

**(B)**  
ANOVA: Design 1 Between Subject Factor  
A  $F(4,10) = 109$   $p < 0.000001$   $SS = 1137.41$   $MSe = 2.62$   
PAIRWISE COMPARISONS [Q=TukeyHSD: \*= $p < 0.05$  \*\*= $p < 0.01$ ]  
[a1]vs[a2]  $t(4) = 5.62$   $p < 0.0049$   $Q = 6.4114$   
[a1]vs[a3]  $t(4) = 11.62$   $p < 0.0003$   $Q = 22.5721^{**}$   
[a1]vs[a4]  $t(4) = 12.24$   $p < 0.0003$   $Q = 17.6172^{**}$   
[a1]vs[a5]  $t(4) = 19.05$   $p < 0.0001$   $Q = 23.7323^{**}$   
[a2]vs[a3]  $t(4) = 10.00$   $p < 0.0006$   $Q = 16.1607^{**}$   
[a2]vs[a4]  $t(4) = 11.76$   $p < 0.0003$   $Q = 11.2057^{**}$   
[a2]vs[a5]  $t(4) = 27.78$   $p < 0.0001$   $Q = 17.3209^{**}$   
[a3]vs[a4]  $t(4) = 2.70$   $p < 0.0543$   $Q = 4.9549$   
[a3]vs[a5]  $t(4) = 0.69$   $p < 0.5303$   $Q = 1.1602$   
[a4]vs[a5]  $t(4) = 5.69$   $p < 0.0047$   $Q = 6.1151$

Monetary benefits should be provided by company for some time, mean and standard deviation of different observations collected over respondents across the three locations in Jaipur. Represented in Figure 4(d). Most of the respondent's  $60.28 \pm 2.23\%$  agreed that monetary benefits should be provided by company for some time. Data also reveals that whereas  $16.68 \pm 1.48\%$  of the respondents disagrees with this,  $10.97 \pm 0.91\%$  persons strongly disagreed. However, a moderate fraction of  $12.09 \pm 2.58$  respondents emerged with no opinion at all.

To conclude, the analysis of the three location of Jaipur city reveals that the GST has impacted the margins of wholesalers/retailers in a negative way; Companies should give more Credit time, discounts should be given for some time on the products which fall in higher tax brackets and Monetary benefits should be provided by company for some time. Finally, retailers in Jaipur have mixed opinion about impact of GST in the retail sector.

## Discussion and Conclusion

**Table1. Summary of level of agreement to Different Effect of Impact of GST on Retail sector**

S. No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>Mean ± S.D.</b>						
1.	GST has impacted the margins of wholesalers/retailers in a negative way	21.26 ± 14.35	17.77 ± 1.36	19.87 ± 5.46	16.67 ± 5.85	24.43 ± 12.13
2.	Companies should give more Credit time	18.14 ± 1.88	12.75 ± 3.80	18.53 ± 7.61	24.49 ± 5.45	26.08 ± 3.42
3.	More discounts should be given for some time on the products which fall in higher tax brackets	29.03 ± 2.41	26.79 ± 3.52	13.15 ± 0.59	16.25 ± 1.70	14.78 ± 1.33
4.	Monetary benefits should be provided by company for some time	33.13 ± 1.8	27.15 ± 0.43	12.06 ± 2.58	16.68 ± 1.48	10.97 ± 0.91

However, most of them favored the impact of GST on Retail sector. To add to this, they agreed that more discounts should be given for some time on the products which fall in higher tax brackets. Some of the respondents disagreed GST has impacted the margins of wholesalers/retailers in a negative way. Also, half of the respondents agree that Monetary benefits should be provided by company for some time. Some respondents believe companies should give more credit time in case of retail sector.

### Limitation of the study and scope for the further Research

The following are the major limitations of the study:

1. Our study is an area-specific study.
2. All the finding respondents reported in this paper are solely based on the respondent's opinions on a Likert scale and its analysis also.
3. The study only cover retail sector in three areas in Jaipur. It could not be extended to other areas.
4. The study is confined only to the time period of six months.
5. It only focuses on impact of the margins, credit time, monetary benefits and more discounts in the retail sector.

The study may be extended to whole of the country. Also it can be extended to other sector as well. A relation may be sought in financial reform like GST, retail sector, and respondent's perceptions, experiences and last observation.

One more thing worth highlighting is that the nation will only grow with the industrialization and employment generation. The taxation policy impacts both the factors. However if we need to build a stronger future for our nation, having progressive industrial policy that encourages employment growth is the key factor to focus on.

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