

A STUDY ON IMPACT AND INFLUENCE OF GST ON RETAILERS IN KERALA WITH SPECIAL REFERENCE TO KOTTAYAM DISTRICT

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ABSTRACT

Tax is a levy charged by a Government on a product, income or activity. If tax is levied directly on personal or corporate income, then it is a direct tax. If tax is levied on the price of a good or service, then it is called indirect tax. Introduction of Goods and Services Tax (GST) across the country has been considered to be a major step – an important step forward – in the history of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single Goods and Services Tax, the aim was to mitigate cascading or double taxation and pave the way for a common national market. The Retail business enterprises are the major sectors of the developing country. Retailing involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn profit. The implementation of GST will have significance impact on retail sector. Thus it is inevitable to study the impact of GST on Retail business enterprises.

Keywords: Indirect tax, GST, Retail business.

GOODS AND SERVICES TAX (GST)

During nineties, revenue from indirect taxes was the major source of tax revenue. The major argument put forward for heavy reliance on indirect taxes was that the majority of India's population was poor and thus widening base of direct taxes had inherent limitations. But the Indian system of indirect taxation is characterised by cascading, distorting tax on production of goods and services which leads to hampering productivity and slowing down the economic progress. There are endless taxes in present system of few levied by Centre and the rest by State. Since, the India's economy is growing faster due to factors like market reforms, large inflow of foreign direct investment, raising foreign exchange reserves, blooming information technology, real estate and flourishing capital market, it is paramount to get rid from the present taxation rates and procedures. To remove this multiplicity of taxes and reducing the burden of tax payer, the Goods and Service Tax (GST) has been introduced. Goods and Services Tax (GST) is an indirect tax which was introduced in India on July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. GST is considered for the whole nation that would make India one unified common market. It is a tax which is imposed on the sale, manufacturing and the usage of the goods and services. It is a single tax that is imposed on the supply of the goods and services, right from the manufacturer to the customer. The credits of the input taxes that are paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on the value addition on each stage. The final consumers will bear only the tax charged by the last dealer in the supply chain with the set of benefits that are at all the previous stages. Goods & Services Tax is a destination based tax which means that the tax is paid at the place of supply.

STATEMENT OF THE PROBLEM

The introduction of a new regime into the tax structure of the Indian subcontinent has a huge impact on the retailers that are a major part of the society of this developing country. This research work attempts to study the impact and influence of such a change on the retailers. The study attempts to analyse the effectiveness of Goods and Services Tax among retailers.

OBJECTIVES OF THE STUDY

- 1) To understand the transition process and related issues.
- 2) To find out Pre-GST or Post-GST is preferable for various aspects.
- 3) To analyse the opinion of retailers on the impact and difficulties of GST.

SIGNIFICANCE OF THE STUDY

The present study attempts to understand the impact of Goods and Services Tax on retailers. Goods and Services Tax has been considered as the biggest indirect tax reform in India after independence. Retailers play a significant role in the overall growth of an economy. The implementation of GST has affected the retail sector. The study tries to evaluate the impact of this new tax reform among retailers in Kottayam Town. The outcome of this study will help in understanding the problem faced by retail institutions on account of GST implementation. As such, the study is significant for business houses, academia and policy makers.

METHODOLOGY OF THE STUDY

The retail business enterprises who are tax payers are the population of our study. The sampling technique adopted for the study was convenience sampling. 75 respondents from different types of business enterprises are the samples of this study. Primary survey was used in the process of data collection. An online survey method was conducted and the link was shared through whatsapp and facebook. Data analysis was done through SPSS. The collected data was analysed using simple statistical tools like measure of central tendency, measure of dispersion, bar diagram, pie charts etc.

REVIEW OF LITERATURE

Dr. Manmohan Singh, Former Prime Minister, Former RBI Governor (2017): The hasty implementation of the Goods and Services Tax slowed down the economic growth soon after demonetisation. Both demonetisation and the GST have had some impact on the GDP growth. The GDP growth rate came down from 7.2 per cent in 2015-16 to 5.7 per cent. The small industries and traders were badly hit by the implementation of GST.

Dr. Thomas Isaac :Finance Minister of Kerala(2017): Opined that the BJP government was abandoning consensus in favour of a Centralised approach towards evolving a framework for GST implementation. The introduction of Goods and Service Tax resulted in price rise and the economic crisis will become severe in the coming days.

RESEARCH GAP

Even though various studies have been conducted at different parts of the world about GST. No particular study has been done in this particular area i.e related to the impact and influence of GST on retailers. This fact makes this study an exploratory one.

DATA ANALYSIS

Table 1
Nature of Business

Nature	Frequency	Percentage
Textile	38	51
Medical shop	15	20
Ladies collection	9	12
Grocery	9	12
Others	4	5
Total	75	100

Source: Primary data

From table 1, it is evident that 51 per cent of the business falls under textile industry, 20 per cent constitute medical shops, Ladies collection and groceries both constitute 12 per cent each and others (hardware and shoe shops) constitutes 5 per cent are from other forms of retail shops.

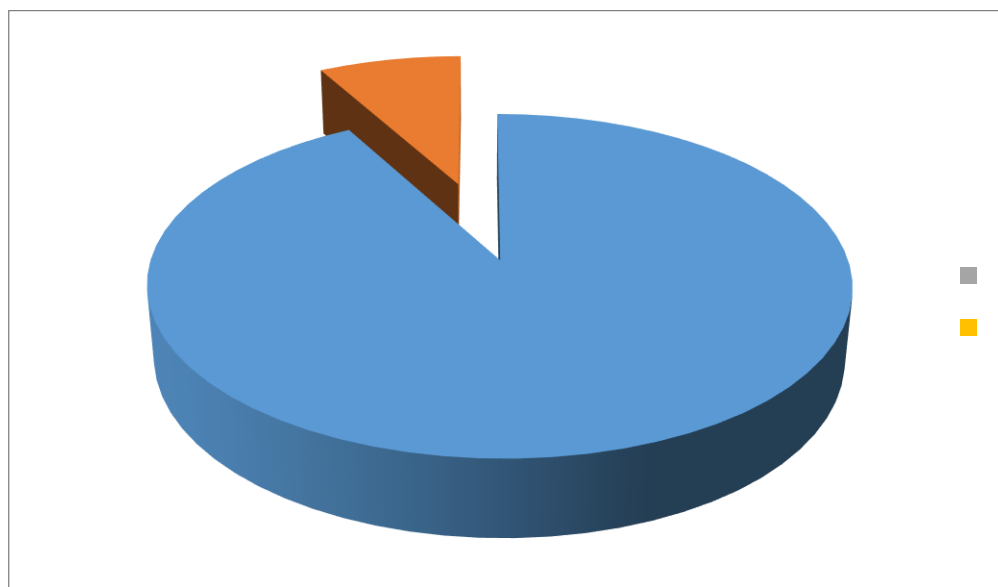
Table 2
Type of Business

Types	Frequency	Percentage
Sole Proprietor	69	92
Partnership	6	8
Total	75	100

Source: Primary data

It is evident from the study that 92 per cent of the businesses are solely owned by the individuals and 8 per cent forms partners hip.

Figure 1
Type of Business



Source: Table 2

Table 3
Transition from VAT to GST

Opinion	Frequency	Percentage
Difficult	38	51
Neutral	27	36
Smooth	10	13
Total	75	100

Source: Primary data

The above table shows the opinion on transition from VAT to GST. It is clear that 51 per cent of retailers faced difficulties during the transition to GST, 36 per cent of retailers had neutral opinion on the transition to GST and 13 per cent of retailers were not faced by any sort of difficulties.

Table 4
Issues faced at the time of transition to GST

Issues faced	Mean	Rank
No clarity on provisions	1.8533	2
Computer infrastructure	4.1067	5
Software issues	5.6667	6
Trained personnel	4.0533	4
Complex formalities and documentation	1.4667	1
Resistance from customers	3.8533	3

Source: Primary data

The above table shows the major difficulties felt by retailers in relation with transition from VAT to GST. Complex formalities and documentation is the the major problem followed by no clarity on provisions, resistance from customers, trained personnel and computer infrastructure. The least rank is obtained by Software issues. It is inferred that complex formalities and documentation had a greater impact on transition to GST.

Table 5

Role of GST Council in reducing the issues

Opinion	Frequency	Percentage
Not much	54	72
Neutral	8	11
Somewhat	11	14
Very much	2	3
Total	75	100

Source: Primary data

The table shows that majority of the retailers are of the opinion that the action taken by the GST Council had not much effect on reducing the issues. Very few had a positive effect from the actions taken by the Council.

Table 6

Regime preferred by Retailers

Particulars	Pre GST		Post GST	
	Frequency	Percentage	Frequency	Percentage
Filing of returns	66	88	9	12
Cost of compliance	37	49	38	51
Transparency in operations	5	7	70	93
Tax credit available	8	11	67	89
Demand for goods and services	68	91	7	9

Source: Primary data

The table reveals that there existed a high demand for goods and services at the time of Pre GST as compared to Post GST whereas the transparency in operations is high in the Post GST as compared to Pre GST. It is clear that the cost incurred in compliance is more in Post GST. The retailers were in favour of Pre GST in filing of returns and Post GST in case of tax credit.

Table 7

Impact of GST on Retailers

Particulars	Mean	Standard deviation
GST results in ease of operations	1.8800	.78774
GST reduces tax burden for stakeholders	2.0667	.62240
GST will ultimately improve business operations	2.8400	.36907
GST reduces tax evasion	3.8800	.89985
GST reduces government cost	4.4800	.70443
GST results in speedy movement of goods and services	3.0400	.25680

Source: Primary data

The table deals with the influence of various factors of GST among retailers. They have a strong sense of agreement towards GST reduces the government costs. The respondents also showed agreement towards the factors like GST reduces tax evasion and GST results in speedy movement of goods and services. However, the level of agreement towards the ease of operations, reduces tax burden and improve business operations is comparatively low.

Table 8**Unresolved issues in GST**

Unresolved Issues	Mean	Standard deviation
Rationalisation and reduction of rates	3.9200	.27312
Avoiding excess formalities	3.9600	.30491
Abolish reverse charge mechanism	3.4667	.52847
Technological issues	3.1467	.35616

Source: Primary data

The above table reveals that the retailers have a strong sense of agreement towards avoiding excess formalities, rationalization and reduction of rates. It is also evident that retailers have agreement towards the factors like abolishing reverse charge mechanism and technological issues.

Table 9**Opinion on GST implementation**

Satisfaction	Frequency	Percentage
Highly dissatisfied	10	13
Dissatisfied	38	51
Neutral	20	27
Satisfied	5	7
Highly satisfied	2	2
Total	75	100

Source: Primary data

The table 9 shows that 51 per cent of the retailers were dissatisfied with the implementation of GST, 27 per cent had neutral level of satisfaction while 13 per cent of respondents were highly dissatisfied. However, 7 per cent of respondents are satisfied and 2 per cent were highly satisfied by the implementation of GST.

Table 10

Support on revamping of GST rates and procedures

Particulars	Frequency	Percentage
Strongly Disagree	1	1
Disagree	4	5
Neutral	6	8
Agree	57	76
Strongly Agree	7	10
Total	75	100

Source: Primary data

The above table reveals that 76 per cent of the retailers agreed with a thorough revamping of GST rates and procedures, 10 per cent strongly agreed with the revamping of rates and procedures, 8 per cent had neutral opinion regarding the revamping, 5 per cent disagreed and 1 per cent strongly showed a favouritism towards the present rates and procedures of GST.

Table 11

Effect of GST on Business

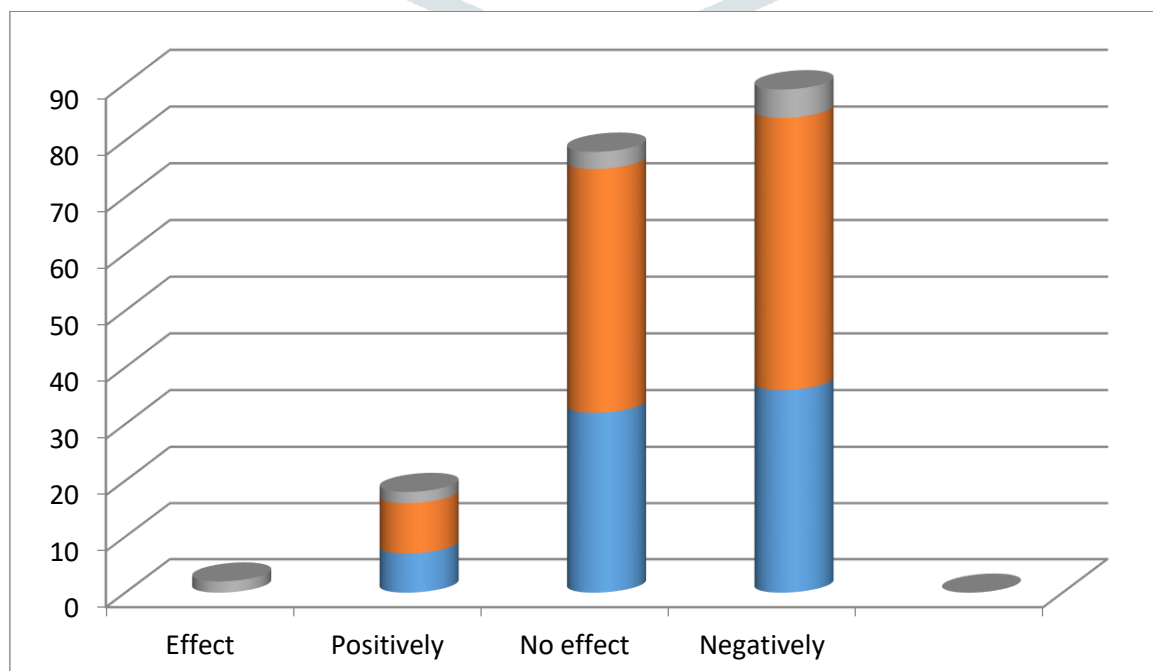
Effect	Frequency	Percentage
Positively	7	9
No effect	32	43
Negatively	36	48
Total	75	100

Source: Primary data

From the above table, it can be identified that the majority of the retailers have an adverse effect in their business by the implementation of GST, some retailers were not affected by the implementation of GST and a very few of them were positively effected by the implementation of GST.

Figure 2

Effect of GST on Business



Source: Table 11

FINDINGS OF THE STUDY

On the basis of analysis of the data collected and processed using various statistical tools, the following findings have been arrived at;

- Major portion of the retailers among the respondents were from textile industry and followed by medical shops.
- Most of the retailers were sole proprietors and only a minor portion constitutes partnership.
- An admissible share of retailers faced difficulties during the transition from VAT to GST.
- It is inferred that complex formalities and documentation had greater impact at the time of transition from VAT to GST.
- More than half of the retailers were opined that the action of GST Council had not much effected in reducing the issues faced by them.
- There existed a great demand for goods and services and ease of filing returns at the time of Pre GST whereas the transparency in operations, tax credit availability and compliance cost is high in the Post GST.
- They had a strong sense of agreement towards GST reduced the government costs.
- The above table revealed that the retailers had a strong sense of agreement towards avoiding excess formalities, rationalization and reduction of rates.
- More than half of the retailers were dissatisfied with the implementation of GST.
- A major portion of the retailers agreed with a thorough revamping of GST rates and procedures.
- The study exhibited that the better part of the retailers had an adverse effect on their business by the implementation of GST.

CONCLUSION

The study concludes that most of the retailers are worrying about the fact that complex formalities and documentation coupled with vague or low clarity provisions has been adversely affected the retailers in their daily routine. Pre-GST is preferred to Post-GST in certain aspects constituting demand for products, services and compliance costs whereas Post-GST is dominated in transparency and tax credit availability. The study discovered that the implementation of GST created a bleak impact even though various wholesalers and retailers had benefitted from the same. Despite the idea is tenable and exemplary, still GST has made certain problems to the business to operate. The major portion of the respondents have an opinion that GST can be revamped to an ideal system by eliminating technicality issues, diminishing tax rates, more clarity on provisions and avoiding needless complications. It can be concluded that GST is a scientific system of taxation but in India it needs lot of amendments, convenience and rationalizations.

SUGGESTIONS

1. The majority of the dealers have an opinion that GST can be improved through a good system by reducing the tax rates.
2. Avoiding excess formalities and other related issues will leads to a favourable platform for GST.
3. The GST process must be ease to operate so that business can efficiently contribute to the interest of the people and for economic growth.
4. GST can be improved by a strong revamping of the procedures prevailing in GST.
5. The existing system can be modified into an effective system by taking adequate measures to reduce the issues faced by the retailers.

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