

# A Study on the Difference Between burden of expenses on wholesalers and retailers after implementation of Goods and Service Tax (GST) of Shori Cloth Market of Rohtak District In Haryana

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## **Abstract:**

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented Goods and Service Tax (GST) so far. However, the idea of Goods and Service Tax (GST) in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed Goods and Service Tax (GST) regime may hamper the growth and development of the country. This research has been done in the shori cloth market of Rohtak district in Haryana. Sample size is taken as 400 including 200 Retailers and 200 Wholesalers. Shori Cloth Market is taken as the universe of the study. As it is one of the largest wholesale and retail Market of garments in Asia. So the market area is quite large for the study and to achieve the required objectives. GST is the latest system of tax in India launched on 1 July 2017. It has a large scope of studying the effect of GST in the Indian economy. It needs to find out the real picture of Goods and Service Tax implication on Shori Cloth Market by researcher.

**Keywords:** Goods & Services Tax, Sales, Wholesalers, Retailers, Customer.

## **INTRODUCTION:**

GST is single taxation system which dissolves all other taxes and it helps to reform India tax structure more easy to understand. According to the availability of Goods and Services, GST charged from the end dealer of the product. GST is a critical transformation of Asian tax structure from last 30 years. Value added Tax at centre and state level is a benchmark in the history of tax reform globe in India. Value added Tax (VAT) is known to be the essential improvement in the existing national level excise

duty. Introduction of sales tax system at state level is also proved to be major step forward by the government of India. One of the additional improvements in indirect tax reforms in India is formation and implementation of Goods and Service Tax (GST). Prior information was conceptualizes that there will be a separate national level services tax rather than dual Goods and Service Tax (GST). Soon after the valid discussion of empowered committee held in 2009, intends that there will be a “dual Goods and Service Tax GST” in India. The power of tax resides in the hands of both center and state government of India. Goods and Service Tax (GST) was initialized by nearly 150 countries in the form similar to India. The countries like Singapore and New Zealand, there are a single rate taxation system. Indonesia poses five positive rate of tax with nearly 30 types of tax exemption. If we talk about the tax structure of China, it only applies Goods and Service Tax (GST) on specific goods and services. GST impacts the Indian economy in a significant manner. It removes the cascading effect of different types of taxes. All Indirect taxes are creditable to one another. The overall impact of taxes on business is reduced. Besides, the artificial tax obstacles to trade that currently exist should be fully removed. So it is clear that with GST regime offers, it results in reduction or rationalization of prices. Secondly, the important offshoot of this regime is streamlining of the administration and collection of indirect levies. GST attempts to tax the value added at each stage of the supply chain. The Government revenue is not improved but brings to book many defaulters and hence results in creation of better tax regime. The tax bound natives of India have to pay a fixed amount of money to the income tax department in the form of tax. The rate of tax, amount and percentage of tax, degree of tax, tax base are varying according to country, nation and region. The major revenue of the government is collected in the form of taxes. These taxes create social overheads for general public. In economic terms, if there is more tax collection, government should have enough budget to spend on social overheads. The amount and rate of tax is being fixed by the department of taxes of tax authority of India according to the prevailing economic conditions in India. The tax bound individuals are being fixed by national or territorial laws prevailing in the economy. There is an obligation for the tax bearers to pay the tax according to legal regulations. The amount of tax to be paid is measured according the one's financial gain.

## REVIEW OF LITERATURE:

**Gupta, R. (2018)** in “An Impact of GST on Textile Industry in India” stated that Shori Cloth Market issues like lack of fast supply chain, new technologies and marketing habits have been affecting the market in a negative way. The researcher reflected that the textile industry always had a lasting effect on Indian GDP as India experienced a high production of materials within the country. The amount of business has reached USD 37 billion to USD 49 billion through 2006-2007.

In that case, the zero-rating export became more integral following the removal of the support scheme. Hence zero rating can easily achieve taxation through the GST system.

**Poonam, (2017) “GST in India & Its Impact on Indian Economy”** in her research work cleared that in the arrangement of indirect taxation GST plays an extremely vital role. The cascading and double taxation results can be decreased by combining central and state taxes. Consumer’s tax burden concerned cut to 25% to 30% after GST is gave and next afterward Indian manufactured produce should come to be extra and extra inexpensive in the internal and global markets. This kind of taxation arrangement should undeviatingly enthuse commercial growth. GST alongside its transparent features clarified easier to administer.

**Shuanglin Lin, (2004) “China’s Capital Tax Reforms in an Open Economy”** analyzed the results of China’s upcoming capital tax reform of switching from a dual tax arrangement to a fused system. The research work additionally research worked, a rise in the tax rate on external capital increases the internal attention rate and cuts the capital-labor ratio, the output-labor ratio, and internal capital; it could additionally cut external capital and the transactions surplus.

**M.N. Murthy, (1995) “Value Added Tax in a Federation: Commodity Tax Reforms in India”** debated the assorted kinds of VAT and their request in a combined state or a state alongside The Government at countless levels. The author additionally debates a case for government using a comprehensive VAT at state and central levels in India. The research finds that, such a tax arrangement supplemented by specific subsidies excises to deal alongside the setback of fairness, nature and communal needs is flawless for India.

**Jason G. Cummins. et. all. (1992) “Have Tax Reforms Affected Investment?”** stated that suggest to enhance on continuing ways utilized to guesstimate investment models by reducing tax improvements as „natural experiments“. The researchers found, tax strategy research work an frugally vital result across the user price of capital on firms supplies investment pursuing main tax improvements ratified in 1962, 1971, 1981 and 1986. This result was most marked for firms not in tax defeat locations and, therefore, extra probable to face investment incentives and statutory tax.

According to the study conducted by **Syed Mohd Ali Taqvi, (2013) “Challenges and Opportunities of Goods and Service Tax (GST) in India”** learned efforts and opportunities of GST in India. He clarified this tax is only indirect tax that undeviatingly affects all industries and servings of the nation. It aims at crafting a solitary, fused marketplace that benefit both corporations and economy and corporations. He additionally clarified the counseled GST ideal has been requested parallel by the central and state governments as CGST and SGST respectively.

## **OBJECTIVE:**

- (1) To evaluate the burden of expenses incurred on wholesalers and retailers.

**HYPOTHESIS:**

(1) There is no significant difference between burden of expenses on wholesalers and retailers after implementation of Goods and Service Tax (GST).

**RESEARCH METHODOLOGY:**

Research is a logical and systematic search for new and useful information on a particular topic and the process is used to collect data and information for the purpose of making business decisions. The methodology may include interviews, surveys, research publications and other research techniques, and could include both historical and present information. Descriptive research design is used in the present study, as it seeks to discover ideas and insight to bring out new relationship. Research design is flexible enough to provide opportunity for considering different aspects of problem under study. The present study is based on both primary and secondary data collected from Shori cloth market.

**RESEARCH AREA**

The area of research is Shori Cloth Market that is situated in Rohtak, a city in Haryana, India. Rohtak is a highly populated area in Haryana, with a population of approximately 374,292. The literacy rate in the city is 84.08%. All textures and different types of cloths are showcased in the Shori Cloth Market where the business of clothing is considered to be highly profitable.

**VARIABLES:**

Perception or concept that is capable of measurement hence capable of taking on different values is called a variable. In other words, a concept that can be measured is called a variable. A variable is a property that takes on different values. Putting it randomly, a variable is something that varies. A variable is a symbol to which numerals or values are attached a variable may be defined as „rational units of analysis that can assume any one of a number of designated sets of values. A variable that can be measured in four types of measurement scale a) Ordinal b) Nominal c) Interval d) Ratio. However, there are some who believe that scientific methods are incapable of measuring feelings, preferences, values and sentiments. In the author’s opinion most of these things can be measured, though there are situations where such feelings or judgements cannot be directly measured but can be measured indirectly through appropriate indicators. These feelings and judgements are based upon observable behaviors” in real life, though the extent to which the behaviors reflect their judgments may vary from person to person.

The Independent Variable of the thesis is “Impact”.

## RESEARCH DESIGN:

A research design describes the collation or use of methods that best measure the study of variables as per the research problem. Descriptive, explanatory, and exploratory designs are the most common ones adopted in academic studies. Design would be based on the objectives of the study and the hypothesis of the study. Data in relation to provisions for taxing of cloths market would be collected from the existing law. The data collected through the interviews and questionnaires subjected to further statistical methods of analysis. The research would be descriptive, exploratory research, explanatory research, empirical as well as analytical. Design would be based on the objectives of the study and the hypothesis of the study. Data in relation to provisions for taxing of cloths market would be collected from the existing law.

## DATA COLLECTION:

The selection of a data collection method is dependent on the methodological approach selected i.e. quantitative in the present case. Below are the two types of data:

### a) Primary Data:

Primary data is being collected by using interview schedule and structured questionnaire. The questionnaire was distributed to the randomly selected sample in Shori Cloth Market Rohtak. It refers to the data collected from first-hand sources such as surveys or interviews or observations. It also refers to the data that is though taken from secondary sources but is analysed fresh, for example, financial data collected from organizational reports.

### b) Secondary Data:-

Secondary data is collected through existing and proposed legislations on Goods and Service Tax floated in public domain, published/unpublished reports of GST(Goods and Service Tax) impact in India and globally, various websites on GST(Goods and Service Tax).

### Target Population:-

Target Population mean the sampled shops from where data has been collected by the researcher. The target population from whom the data was collected were the wholesalers and retailers carrying on their business in Shori Cloth Market, Rohtak. The population comprises of people of different age groups, different gender, caste and creed.

### Sample Size:-

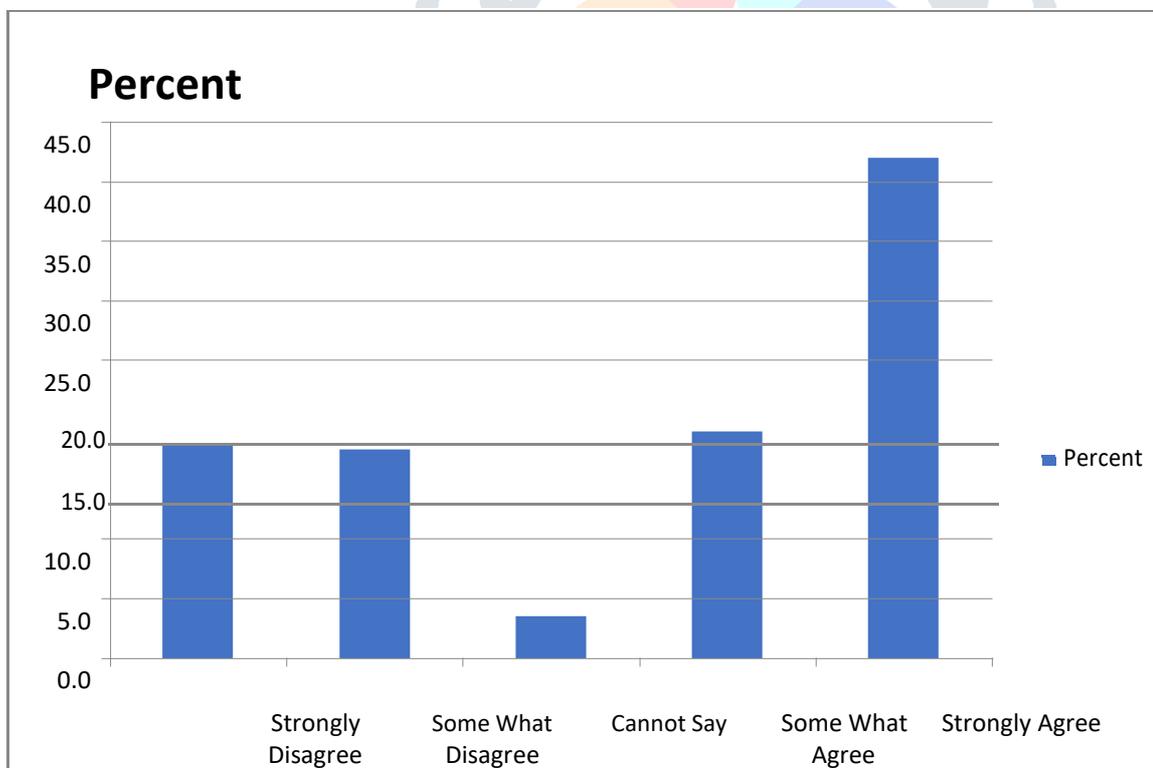
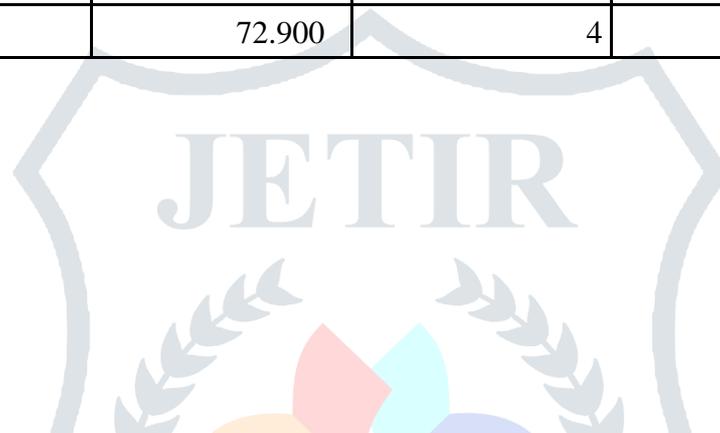
As a quantitative study demands the collection of data from high number of people to ensure reliability, the study selects a sample of 400 (200 wholesalers and 200 retailers).

## Discussion on Hypothesis:

Null Hypothesis: There is no significant difference between burden of expenses on wholesalers and retailers after implementation of Goods and Service Tax (GST).

### Difference between burden of expenses on wholesalers and retailers after implementation of Goods and Service Tax (GST).

	Observed N	Expected N	Residual
Strongly Disagree	47	40.0	7.0
Some What Disagree	29	40.0	-11.0
Cannot Say	5	40.0	-35.0
Some What Agree	40	40.0	.0
Strongly Agree	79	40.0	39.0
Total	200		
Chi Square Statistics	Chi Square	df	Asymp Sig.
Value	72.900	4	.000



**Interpretation:** The above descriptive table depicts about the difference between burden of expenses on wholesalers and retailers after implementation of Goods and Service Tax (GST).

From the table researcher find that most of the respondents mark the strongly agree or agree column. In the context the expected and counted figure indicate considerable difference in taxation system. Researcher observe that the calculated value of chi square for taxable system is 72.900 at 4 df@ 5% is greater than the table value 9.488 at 4 df @ 5%. Meaning thereby that the calculate value of chi square is higher than the given value that is 9.488.

It proves that there is a significant difference between burden of expenses on wholesalers and retailers after implementation of Goods and Service Tax (GST). It is observed that old taxation system is good rather than new taxation system. It shows that old taxation system is good.

## CONCLUSION:

From the study, this is concluded that implementation of GST (Goods and Service Tax) in textile business in India leaves a positive impact. GST (Goods and Service Tax) converges different complex indirect taxes into a single platform and improve the textile export of India. GST (Goods and Service Tax) increases the total revenue of Government. At the same time it provide relief to the taxpayer in terms of reduced tax burden, eliminating the multiple tax effects and free flow of input credit on most of the commodities. In general GST (Goods and Service Tax) helping in increasing the economic development of the country.

But if researcher consider the situation of Shori Cloth Market, Rohtak. The scenario is totally different. The wholesalers and retailers are not very much happy with the new taxation plan of GST (Goods and Service Tax). It is considered as a very complicated tax system. As many wholesalers and retailers in the Shori Cloth Market are not highly educated. So, it becomes very difficult for them to fill the GST (Goods and Service Tax) form. They have to fill it by CA (Chartered Accountant) or any other account person that makes it more costlier. Shopkeepers are not satisfied with GST (Goods and Service Tax) as they have to fill CGST (Centre Goods and Service Tax) and SGST (State Goods and Service Tax) altogether that makes the cloths expensive. The main aim of the GST (Goods and Service Tax) is to remove multiple taxes on goods and services which forced the individuals to bear the extra burden with GST (Goods and Service Tax) the tax payer ensure that they are paying only one tax.

With the introduction of GST (Goods and Service Tax) in Shori Cloth Market, customers became less as the prices of cloth become high. The shopkeepers and consumers do not understand the slab of GST (Goods and Service Tax).

Findings from the prior research suggested that GST (Goods and Service Tax) helps in bringing transparency in existing tax system. But if researcher consider the latest effect of GST (Goods and Service Tax) in cloth market. It was indeed negative because the findings of the study show the negative perception and expectance of the sellers and consumers of GST (Goods and Service Tax). Wholesellers and retailers have mentioned about low productivity, low sales and poor profits after GST (Goods and Service Tax) implementation in textile industry. They have faced lots of issues regarding GST (Goods and Service Tax) like increase in tax slab, different tax rates, complex online GST (Goods and Service Tax) filing process, higher tax rate then earlier rates and most importantly GST (Goods and Service Tax) filing in every month. Inspite of that GST (Goods and Service Tax) has caused problems in small level business firms, but it is also viewed as a positive reform in Indian textile industry in the long run.

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