

A Study on Impact of GST System to Retailers with Special Reference to Coimbatore District

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Abstract - Good and services Tax (GST) Act has radically reshaped Indian economy. This Act has been considered as a biggest indirect tax amended so far which was long anticipated and certainly guarantee to create independent platform for all goods and services offered in India. The objective of this study is to analyse the significant effect of GST system in Retailers business with reference to Coimbatore District. Presumably, GST system have created uneasiness among various sectors in Indian economy. The case of retail sector is predominant effect as it generate wide employment opportunities in rural and urban sector and also enables large volume of transactions. As per global scenario, India is considered to be highest in terms of per capita retail space and the fifth largest preferred retail destination. The rapid growth of retail sector has made a way for GST era to move forward and it is an important discussion across several division. However, India's vibrant retail sector is based on Compound Annual Growth Rate(CAGR). The real challenges faced by the retailers in the present GST system will be sourced through this study and suggested for better integration of State economies and boost overall growth.

Keywords: GST System, Retailers.

I. INTRODUCTION

GST stands for Goods and Service Tax. Vishwanath Pratap Singh who was the 7th Prime Minister of India first initiated GST act in 1986. After that in 2007, the prevailing government suggested to deploy GST Act and the proposal has been presented in Lok Sabha in 2011 and again the same proposal was presented in Lok Sabha in Dec 2014. GST Act was passed in 2015. After the approval of Rajya Sabha GST act was launched from 1st July 2017 and it was referred as 101 Amendment of Constitution. GST has become a revolutionary change in indirect taxes after crossing 25 years of economic amelioration.

Goods & Services Tax is a comprehensive, multi- stage, destination-based tax that will be levied on every value addition. Goods and Service Tax (GST) implemented in India to bring in the 'one nation one tax' system, but its effect on various industries will be slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service.

1.1 TYPES OF GST

GST has four different kind of taxes namely CGST,SGST, IGST and UGST

- **CGST**

CGST stands for CENTRAL GOODS AND SERVICE TAX, the tax is levied based on intrastate supply of goods and services. The share of GST tax is redirected to the

revenue department of central government. CGST replaces all the current Central taxes like Central Excise Duty, Service Tax, Custom Duty, SAD, etc. the share of this tax compensates all loss of current service tax and excise duty of the central government. In case of local sales, Under GST 50% quantum tax is transferred to SGST.

- **SGST**

SGST stands for STATE GOODS AND SERVICE TAX , this tax is similar to CGST ,as part of tax which is diverted to the state government has been credited to revenue department of state government. In SGST ,tax are exacted by within one state where transaction of goods and services take place. SGST compensate the loss of other existing tax like sales tax and value added tax(VAT) which was replaced all these taxes and has been a sole claimer of the revenue to the state government. In case of local sales , 50% of quantum tax which was under GST has been redirected to SGST tax.

- **IGST**

IGST stands for INTEGRATED GOODS AND SERVICES TAX . This tax is applicable when transactions take place on interstate or when two states involved in purchases of goods and services. This tax is collected by central government. One part of tax is transferred to central government and rest is transferred to the state government.

- **UTGST /UGST**

UTGST stands for Union Territory Goods and Services Tax. UTGST provide the same benefits as SGST. The main purpose of UTGST bill is to levied tax on every purchase of goods and services which take place within intrastate. This tax is only applicable to union territories of India namely

Andaman and Nicobar Islands, Chandigarh, Daman, Diu, Dadra, Lakshadweep and Nagar Haveli.

1.2 IMPACT OF GST SYSTEM TO RETAILERS

Retail sector is one of the key pillars for Indian economy and it accounts for around 10% of Gross Domestic Price (GDP). GST will usher in wide changes in various industries and sectors and Retail industry is not an exception. While GST implementation is now just few days away, let's see what will be the impact of GST on Indian Retail Industry and which changes will this industry need to imbibe to become GST ready.

• Less Taxes

As per current tax scenario, retailers are indulged to about 30% indirect taxes such as CST, VAT, service tax on warehousing, octroi, excise duty and many more. Retailer tax burden shall be lessened by GST system as it will assign everything into a single tax. So, simplified tax structure will come into existence by eradicating cascading of taxes.

• Free flow of goods across the nation

After GST implementation, state borders will be unconnected from taxation and documentation point of view. This will result into free flow of goods across the nation without any kind of barriers. GST will make way for distribution of efficient channel and reduce the complication for retailers.

• Streamlined supply chain

GST has paid way for negative impact on warehouse networks for retail businesses. Due to the abolition of CST under GST law, warehouses are no longer required for retail businesses in every state. Logistics will become efficient too as state border check posts will go irrelevant. Retail business lead power will improve due to long queues are found to be reduced as well as free-flowing of goods and waiting time.

• Gifts, free samples also taxable

GST will come under supply of goods instead of sales or manufacturing. Under GST, any supply without consideration will result in tax. Retail sector comes up with many offers like buy one get one free or some freebies on larger goods, every now and then. Tax will be imposed on such gifts as well when GST comes into play. This clause will affect promotional activities of retail sector as under current taxation structure, such goods are tax-free.

• Changes in decision making

From supply chain to distribution to promotions, every strategy of retail industry will be affected by GST. Retailers will have to re-think these strategies and re-model their network. Retailers may need to revamp the pricing policy of their suppliers in view of enhanced credits that may be available to suppliers in GST regime. Making necessary changes will make it easy for them to comply with GST.

• Growth of Retail Market

GST will unify the markets as there won't be state boundaries to hinder their business. GST will streamline

their intra-state as well as inter-state transactions. Retailers can expand their business beyond one state with ease due to one-time registration of their business. This will also contribute towards the growth of the retail market and help boost the economy of the country.

• Overall impact of GST on retail sector

Conclusively, the impact of GST on retail sector is going to be positive from both taxation and operations point of view. Retail businesses will flourish more, thus contributing to overall growth of Indian economy. GST will depose total indirect taxes, upsurge supply chain efficiency and facilitate seamless input tax credit. The end price for consumers will also reduce because of GST. Except some clauses, GST will benefit retail sector in a big way.

Under GST, which is a destination based tax, tax is collected by the state where the goods or services will be consumed. Therefore, it becomes highly imperative to select the appropriate place of supply for making a tax payment. On careful evaluation of the GST model, it should be noted that POS for retail will be the location of the goods at the time of supply to the customer i.e. the location of the outlet/store. It can be deduced that for retail B2C transaction, CGST+SGST will be charged. Even for home deliveries made by a retailer within his local limits, the rule remains the same. Therefore, under the GST regime, the place of supply for retailers will be the final location where the goods are delivered to the customers.

1.3 STATEMENT OF THE PROBLEM

GST implementation resulted in simplified system of indirect tax in the country. Thereby, enables perpetual business transactions across our country and also around the world. As per the international reforms the arrival of GST has forced retail sector to renew their strategies, supply chains, costing and systems which is apart from meeting the quality standards. Due to the lower cost structures raised from tax benefits (if turnover is less than 1.5 crore) disorganised retailers have grown faster compared to organised rivals. India's standard shifts to the Goods and Services Tax (GST) management brought majority of retailers into the indirect tax net for the first time and thereby increased compliance costs for retailers. Complying with GST is bit complex for retailers at present. However, in the long run it will benefit for concise and medium scale businesses and for the consumers as well. By considering the above statement, the present study conducted a research to identify the impact of GST system to retailers. The overall effect of GST on retail sector are reviewed and adverse effects observed were addressed in this study.

1.4 OBJECTIVES OF THE STUDY

- To study the impact of GST System to Retailers with special reference to Coimbatore District
- To know the level of agreement and awareness about GST system to retailers.

- To identify the problems faced by the retailers due to GST implementation.
- To give feasible solutions based on the findings analyzed.

1.5 NEED OF THE STUDY

- To study about Goods and Service Tax and its impact on the economy.
- To examine benefits and opportunities of Goods and Service tax.
- To understand the concept behind GST
- To learn the highlights of GST.
- To measure the pros and challenges of GST
- To present further information of research work on GST.

1.6 SCOPE OF THE STUDY

1. The study will be helpful in describing how GST is leviable on all supply of goods and provision of services as well combination thereof.
2. The real challenges are faced by the retailers in the present GST system will be sourced through this study and suggested for better integration of State economies and boost overall growth.
3. The study is more applicable to know that the GST system is more likely to boost up India’s economic progress by deploying Uniform tax rate which erupt all tax barriers between states.

II. RESEARCH METHODOLOGY

2.1 RESEARCH METHOD

Descriptive research method is used for the study on impact of GST system to retailers with special reference to Coimbatore district.

2.2 SOURCE OF DATA

This research is containing both primary and secondary data.

2.2.1 PRIMARY DATA

Primary data is collected directly from respondents using data collection methods like survey interviews, questionnaires, measurements, direct observation or tabulation. Primary data for this study will be generated through questionnaire & interview with retailers.

2.2.2 SECONDARY DATA

Secondary data is the data that already exists which has been collected by some other person or organization for their use, and is generally made available to other researchers free or at a concessional rate.

Source of secondary data to make the study more effective was possible with the help of published data such as company data and web sites.

2.3 DATA COLLECTION TOOL

Ordinal scale is used to arrange objects according to some particular order. Likert scale consists of a series of statements where the respondent provides answers in the form of degree of agreement or disagreement. Well structured questionnaire using ordinal and Likert scale is used to retrieve data from primary sources backed by interview.

2.4 SAMPLING TECHNIQUES

Convenience Sampling is a type of non-probability sampling method in which selection of units from the population is based on their easy availability and accessibility to the researcher.

This study is adopted by Convenience sampling.

2.5 SAMPLE UNIT

Sampling unit is a basic unit that contains a single element or a group of elements of the population to be sampled. The sample unit for this study is comprised of retailers inside Coimbatore district

2.6 SAMPLE SIZE

The sample size for my study is 125.

III. DATA ANALYSIS AND INTERPRETATION

Table 3.1: Distribution of Samples based on Variables

S.NO	Category	Subgroups	Number	%	Total
1.	Types of Retailers	Departmental Stores	18	14.4	125
		Discount Stores	53	42.4	
		Supermarket	0	0	
		Warehouse Stores	14	11.2	
		Mom and Pop Store	1	0.8	
		Speciality Stores	3	2.4	
		Malls	22	17.6	
		E Tailers	8	6.4	

		Dollar Stores	6	4.8	
2.	Number of years in business	Below 1 year	36	28.8	125
		1 year to 2 years	24	19.2	
		2 years to 5 Years	23	18.4	
		Above 5 years	42	33.6	
3.	Locality of business	Rural	69	55.2	125
		Urban	56	44.8	
4.	Reason for the sudden implementation of GST system by the Government	Yes	16	12.8	125
		No	78	62.4	
		Partial	31	24.8	
5.	Beneficial to the Government	GST System	68	54.4	125
		CST and VAT System	57	45.6	
6.	Opinion about your business flow after GST implementation in beginning stages during July 2017	Very Good	23	18.4	125
		Good	45	36	
		Neutral	1	0.8	
		Poor	20	16	
		Very Poor	36	28.8	
7.	Opinion about your business flow after Revised GST implementation in tax percentages	Very Good	48	38.4	125
		Good	51	40.8	
		Neutral	18	14.4	
		Poor	7	5.6	
		Very Poor	1	0.8	
8.	Level of satisfaction with the present GST system	Highly Satisfied	41	32.8	125
		Satisfied	56	44.8	
		Neutral	8	6.4	
		Dissatisfied	19	15.2	
		Highly Dissatisfied	1	0.8	

Table 3.2: Weighted Average Score towards Impact of GST System to Retailers

S.No	Category	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)	Weighted Average Score
1.	Present GST system is more beneficial to the Government in current and future aspects	40	55	21	8	1	3.88
2.	Present GST system is more beneficial to the retailers in current and future aspects	40	41	19	24	1	2.80
3.	Free flow of goods across the nation without any kind of barriers after GST implementation	49	40	22	13	1	2.02
4.	GST will reduce the complexity for retailers and make the distribution channel efficient	40	29	25	23	8	1.96
5.	The end price for consumers will also reduce because of GST	40	46	28	10	1	2.31
6.	Except some clauses, GST is benefit to retail sector in a big way	7	42	40	30	6	2.83
7.	GST will lessen the retailers' tax burden as it will streamline everything into single tax	22	37	27	25	14	2.34
8.	Government should rationalize and simplify the tax structure	44	16	35	15	15	1.71

Source :Primary Data

Inference :

It is observed from the above table that the weighted average scores towards Impact of GST System to Retailers on various constraints varies from ‘Present GST system is more beneficial to the Government in current and future aspects’ stood at first, ‘Except some clauses, GST is benefit to retail sector in a big way’ stood at second, ‘Present GST system is more beneficial to the retailers in current and future aspects’ stood at third, ‘GST will lessen the retailers’ tax burden as it will streamline everything into single tax’ stood at fourth, ‘The end price for consumers will also reduce because of GST’ stood at fifth, ‘Free flow of goods across the nation without any kind of barriers after GST implementation’ stood at sixth, ‘GST will reduce the complexity for retailers and make the distribution channel efficient’ stood at seventh and finally ‘Government should rationalize and simplify the tax structure’ stood at last.

Table 3.3: Weighted Average Score to identify the level of extreme towards various impact to retailers due to GST implementation

S.No	Category	Very High (5)	High (4)	Neutral (3)	Low (2)	Very Low (1)	Weighted Average Score
1.	Business affected due to tax on gifts and promotional items in the current GST	33	27	49	15	1	3.77
2.	Problems faced during audit report submission to Authority	50	32	9	19	15	2.30
3.	Level of average Sales per month	18	73	25	9	0	3.08
4.	GST reduces material cost and comparing with the sales tax	41	29	12	23	20	1.74

Source: Primary Data

Inference :

It is observed from the above table that the weighted average scores to identify the level of extreme towards various impact to retailers due to GST implementation on various constraints varies from ‘Business affected due to tax on gifts and promotional items in the current GST’ stood at first, ‘Level of average Sales per month’ stood at second, ‘Problems faced during audit report submission to Authority’ stood at third and finally ‘GST reduces material cost and comparing with the sales tax’ stood at last.

Table 3.4: Chi-Square Value between number of years in business and the level of satisfaction with the present GST system

Number of years in business	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total
Below 1 year	3	33	0	0	0	36
1 year to 2 years	0	16	8	0	0	24
2 years to 5 Years	8	7	0	8	0	23
Above 5 years	30	0	0	11	1	42
Total	41	56	8	19	1	125

Calculated Value	Table Value	Degrees of Freedom	Null Hypothesis	Result
127.56	21.026	12	Rejected	Significant

INFERENCE:

From the table 3.6, it is inferred that there is a significant difference between number of years in business and the level of satisfaction with the present GST system.

Table 3.5: Chi-Square Value between locality of business and the level of satisfaction with the present GST system

Locality of business	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total
Rural	39	19	0	11	0	69
Urban	2	37	8	8	1	56
Total	41	56	8	19	1	125

Calculated Value	Table Value	Degrees of Freedom	Null Hypothesis	Result
47.815	9.488	4	Rejected	Significant

INFERENCE:

From the table 3.7, it is inferred that there is a significant difference between locality of business and the level of satisfaction with the present GST system

IV. RESULTS

4.1 FINDINGS

From the data analysis, it has been noted that

- Majority 42.4% of the respondents are from 'Discount Stores' followed by 17.6% of the respondents are from Malls and 14.4% of the respondents are from 'Departmental Stores'.
- Majority 33.6% of the respondents are 'Above 5 years' in the business.
- Majority 55.2% of the respondents are from 'Rural' only.
- Majority 62.4% of the respondents stated 'No' that they do not know the reason for the sudden implementation of GST system by the Government.
- Majority 54.4% of the respondents stated 'GST System' is beneficial to the Government.
- Majority 36% of the respondents stated 'Good' about the business flow after GST implementation in beginning stages during July 2017.
- Majority 40.8% of the respondents stated 'Good' about the business flow after Revised GST implementation in tax percentages.
- Majority 44.8% of the respondents stated 'Satisfied' with the present GST system.
- The weighted average scores towards Impact of GST System to Retailers on various constraints varies from 'Present GST system is more beneficial to the Government in current and future aspects' stood at first and 'Government should rationalize and simplify the tax structure' stood at last.
- The weighted average scores to identify the level of extreme towards various impact to retailers due to GST implementation on various constraints varies from 'Business affected due to tax on gifts and promotional items in the current GST' stood at first and 'GST reduces material cost and comparing with the sales tax' stood at last.
- There exists a significant difference between number of years in the business and the factors towards impact to retailers due to GST implementation except the level of satisfaction with the present GST system.
- There exists a significant difference between locality of business and the factors such as 'Business flow after Revised GST implementation in tax percentages', 'Beneficial to the Government', 'The free flow of goods across the nation without any kind of barriers after GST implementation', 'Level of agreement that GST will reduce the complexity for retailers and make the distribution channel efficient', 'The end price for consumers will also reduce because of GST', 'Faced

problem to submit report to Authority', 'Level of agreement that GST will lessen the retailers' tax burden as it will streamline everything into single tax', 'Level of agreement that the Government should rationalize and simplify the tax structure', 'Level of satisfaction with the present GST system'.

- There exists no significant difference between locality of business and the factors such as 'The reason for the sudden implementation of GST system by the Government', 'Business flow after GST implementation in beginning stages during July 2017', 'The present GST system is more beneficial to the Government in current and future aspects', 'The present GST system is more beneficial to the retailers in current and future aspects', 'Level of agreement that except some clauses, GST is benefit to retail sector in a big way', 'Business affected due to tax on gifts and promotional items in the current GST', 'Level of average Sales per month', 'GST reduces material cost and comparing with the sales tax'.
- There is a significant difference between number of years in business and the level of satisfaction with the present GST system.
- There is a significant difference between locality of business and the level of satisfaction with the present GST system

4.2 SUGGESTIONS

- Retailers and wholesalers are aware about the GST system but they lack prominence about rules.
- For Successful implementation of GST system, it is necessary for the wholesalers and retailers need to upgrade their IT framework.
- Due to decision of government to deploy Tax bracket which has left some wholesalers and retailers feels discontent.
- Initially GST has left a negative impact and also Demonetization affected wholesaler and retailers quite badly.
- Some wholesalers and retailers before and after demonetization have upgraded IT framework so they have been able to handle GST requirements. GST results in deterioration of margins for retailers and wholesalers.
- Post GST implementation, sales may go down either temporarily or for a long time which might send businesses to closure
- Sales and margins of wholesalers and retailers has no significant effect on sales even if there is reduction in free gifts to be seen.
- GST will bring monetary benefits for the FMCD sector in long run
- Government and FMCG Companies should find a way to help the Retailers and Wholesalers in understanding the rules for GST implementation

- FMCG Companies should provide guidelines to wholesalers and retailers regarding how to easily upgrade IT framework which is done through cloud-based videos.
- FMCG Companies should aid wholesalers and retailers for promotional activities and they should come up with a scheme to motivate retailers to sell products in the higher tax bracket. Huge discounts should be offered to retailers and wholesalers for the products which has higher tax brackets.
- Credit time for payment of products should be increased by the FMCG Companies.
- Free gifts to be replaced by cash discounts.

V. CONCLUSION

From this research work, it has been concluded that implementation of Goods and Services Tax (GST) in India is now necessary and deployed in 2016-17. It has created a significant effect on dealers and retailers. By the implementation of proposed system of taxation dealers and retailers will have high beneficiaries. Though retail sector has evolved into an organised revenue generating sector still, number of obstacles are posed due to the taxation system.

The effect of GST which has on retail sector has positive significance as it will reduce indirect tax, facilitates seamless input tax credit and increase supply chain efficiency.

From taxation and documentation point of view, state boundaries will be irrelevant after the implementation of GST. Complexity will be reduced for retailers; distribution reach will be increased and efficiency also seem to be improved by vanishing state boundaries.

GST make easy way for the transportation of goods far across borders without any additional taxes and it will put more focus on logistics as it open gates for vendors/suppliers to merge. By following this process state boundary paperwork will no longer be a hurdle to retailers and wider base dealers as it will reduce the transportation cost which leads to manufacturing cost reduction. This simplifies the availability of input tax credit and taxes as it will help the retailers retrieve high margins.

Many Indirect Taxes like Sales Tax, VAT etc., will be finished because there will be one tax system i.e. GST, that will reduce compliance present burden. GST will face many challenges after its implementation and will result to give many benefits. In overall through this study we conclude that GST play a dynamic role in the growth and economic progress of our country.

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