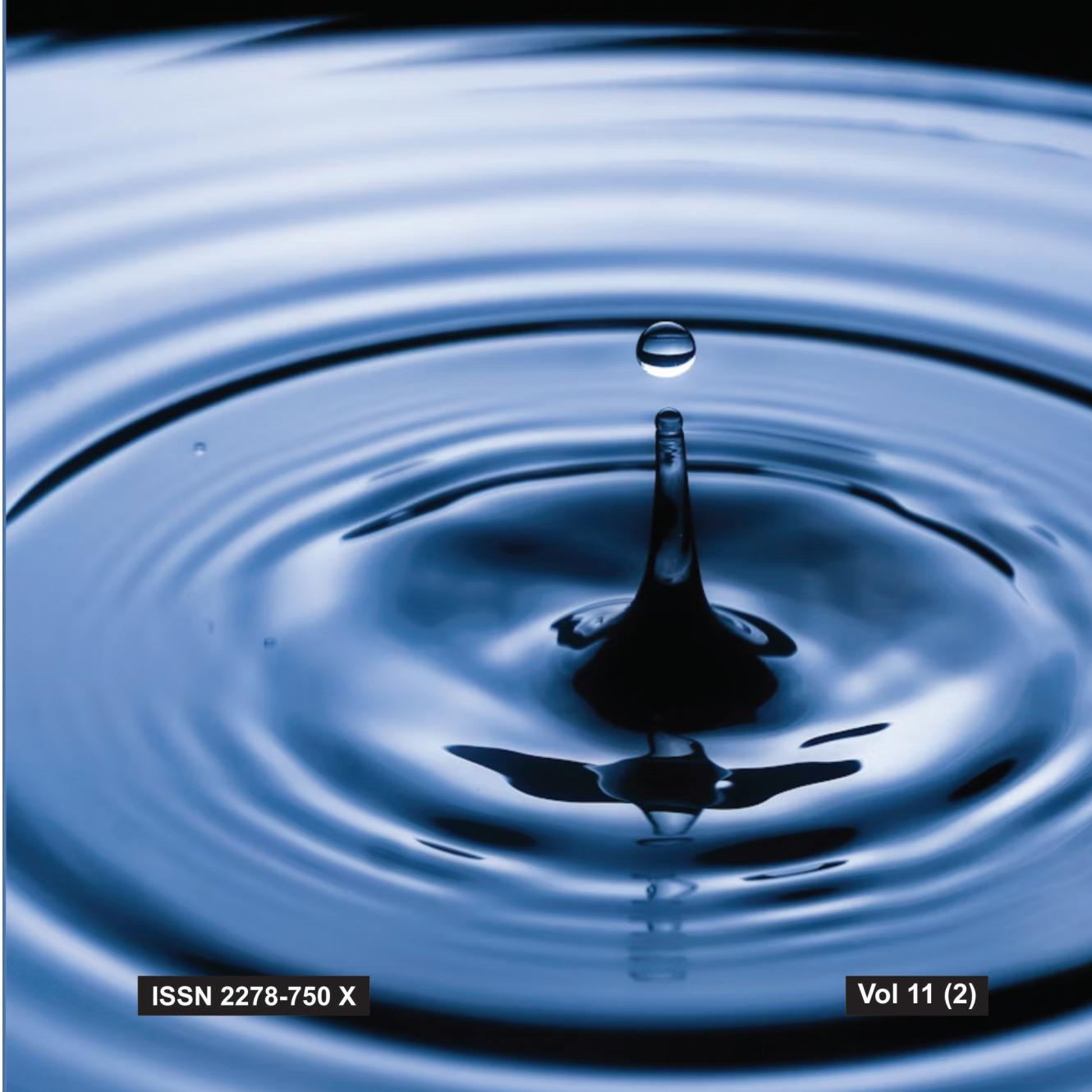




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IMPLEMENTING GOODS AND SERVICES TAX: PERCEPTION OF RETAILERS

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ABSTRACT

Implementing Goods and Services Tax (GST) is one of the revolutionary changes in the indirect tax system in India since independence. This paper analyses how retailers perceived GST after its implementation in July 2017. An assessment of the immediate effect of GST on retailers is also made in this paper. The study is descriptive. Primary data for the study were collected using questionnaires from the retailers of a district. The data were collected in 2018. The findings revealed the important role played by tax consultants in helping retailers for learning and smoothly adoption of GST in their concerns. This study is significant as it records how taxpayers could transition from one tax to another.

Keywords: Goods and Services Tax (GST), Indirect tax, Perception of Retailers, Retailers, Retail sector in India

INTRODUCTION

Taxes are compulsory contributions that a government agency, whether local, regional, or federal, imposes on people or businesses (Gorton, 2022). In the Indian context, taxes are divided into two categories – direct taxes and indirect taxes. India's tax system has often placed a significant emphasis on indirect taxes. Up until tax changes were implemented in the 1990s, indirect tax revenue was the main source of tax revenue. The main justification offered for a large reliance on indirect taxes was that the majority of people in India were underprivileged, so expanding the direct tax base had intrinsic drawbacks (Rupa, 2020). The Goods and Services Tax (GST), which went into effect on July 1, 2017, is regarded as India's most

significant tax reform to date since gaining independence in 1947 (*Goods and Services Tax Network*, 2022)

GST was developed with the main goal of replacing all indirect taxes in India, including the Central Excise Tax, VAT/Sales Tax, Service Tax, and others, and establishing a single taxing system (Dani, 2016). India has adopted the Goods and Services Tax (GST), a value-added tax. The only indirect tax that has a direct impact on every sector and area of our economy is the GST (Kumar, 2017).

With several competitors joining the market, India's retail industry has emerged as one of the most dynamic and quick-paced sectors (Akhter & Equbal, 2012). Since its early stages of existence, retail in India has undergone numerous changes in both its mode of operation and how consumers in various categories perceive it. India is undergoing significant changes in the retail industry, similar to other developing nations. As the majority of retailers now prioritize profitable expansion, the market is maturing (B. A. Kumar & Rao, 2018). Unorganized retailers still constitute a major part of the retail sector in India (*India - The Top Retail Destination*, 2022). The majority of retailers are knowledgeable about the fundamental elements of GST (Joseph, 2018). This paper aims to analyze how retailers perceived GST while it was implemented.

REVIEW OF LITERATURE

GST in India

Indirect taxation in India was characterized by a cascading, distorted tax on the production of goods and services, which hinders productivity

and slows economic growth. There were countless taxes in the older system, most of which are imposed by the federal government and the remainder by state governments. To eliminate this multiplicity of taxes and lessen the burden on taxpayers, a straightforward tax, such as the Goods and Services Tax was implemented in 2017 (Rupa, 2020). F & P (2017) had the opinion that the timing of GST implementation is not right as the economy is still recovering from the impact of demonetization (November 8, 2016). GST was expected to create a business-friendly environment, as price levels and hence inflation rates would come down over time as a uniform tax rate is applied (C. R. Kumar, 2017). GST is mostly a technological endeavor. The GST Portal is the only place to do tasks including registration, return filing, refund requests, and notification response; these speed up the procedures (Vora & Sanghvi, 2020).

Singh et al. (2019) analyzed the sentiment of people regarding implementing GST and it was found that the Indian population had a neutral attitude toward it. In addition, a time series analysis was carried out. Positive attitudes and neutral attitudes have increased, according to the data.

The retail sector in India.

The fourth largest retail market in the world is India. The Indian retail market is anticipated to grow from 690 billion dollars in 2021 to almost \$2 trillion by 2032 (*India - The Top Retail Destination*, 2022). The sizable middle class and nearly unexplored retail market in India are the main enticing factors for international retail behemoths seeking to move into additional countries, which will help the Indian retail business grow more quickly (Handa & Grover, 2012). Established retailers are gaining market leadership by offering cutting-edge technologies, various shop styles, and payment methods to the expanding retail sector (Kumar, 2017). Even after digital penetration, the traditional brick-and-mortar market share is 93%

(Dayalani, 2022). In India, organized retailing of consumer goods is a thriving and developing industry (Vijumon, 2018)

GST and Retailers

Retailers are aware of changes happening around their ecosystem (F & P, 2017). Initially, retailers may oppose GST (Rupa, 2020). Joseph (2018) found that retailers lack a more in-depth understanding of several features of this new taxing scheme. The majority of retailers are not happy with the support and education that were given by the tax authorities. The survey showed that merchants are having a lot of difficulties as a result of GST implementation-related doubts, complications, and transitional concerns. However, replacing VAT with GST is a good idea, as per the opinion of retailers (Karthikeyan et al., 2020).

Research Objectives

- To analyze the perception of retailers on Goods and Services Tax
- To assess the immediate effect of Goods and Services Tax on retailers' business

METHODOLOGY

Research design

The study follows a descriptive research design.

The population of the study

Retailers who have been registered under The Central Goods and Services Tax Act, 2017 and who were previously registered under The Value Added Tax Act, 2005 constitute the population of the study

Data source and Data Collection

The study was mainly based on primary data. The primary data has been collected by administering questionnaires. The questionnaire mainly includes questions relating to various aspects that may have been faced during the

transition towards GST. It was also translated into the regional language for a better understanding of the respondents. Personal interview with retailers has been adopted to obtain first-hand information. The data was collected in May 2018.

Sampling method and sample size

Thrissur district in Kerala was selected as the sample unit for the study. From the sample unit,

50 samples have been taken for the study. Samples were selected using purposive and judgmental sampling.

Tools of analysis

Statistical techniques like percentage, mean, standard deviation, weighted average mean, and one sample t-test are used for analyzing the data. One sample t-test is analyzed using an online calculator provided by a website.

Data Analysis

		No. of responses	Percentage
Type of Business	Sole proprietor	33	66
	Partnership	17	34
Duration of Existence of the Shops	Less than 2 years	5	10
	2 – 5 years	9	18
	5 – 10 years	12	24
	More than 10 years	24	48
Annual Turnover of Shop	Less than 20 lakhs	19	38
	20 – 50 lakhs	20	40
	More than 50 lakhs	11	22

(Source: Primary data)

Table 1 shows the profile of retailers who participated in this study. Most of the respondents are sole owners of the business (66%). Most of

them have been doing business for more than 10 years (48%). The majority of the respondents' annual turnover is less than ¹ 50 lakh per annum.

Table – 2: Opinion on GST

Question	Yes (%)	No (%)
Is it difficult to understand GST?	64	36
Do you file GST returns and forms by yourself?	0	100
Do you seek the help of consultants to file returns and forms?	100	0
Do you find the transition to GST smooth?	44	56
Have you appointed consultants to transition from VAT to GST?	100	0
Whether there are any positives in GST?	62	38
Do you want to go back to VAT?	26	74

(Source: Primary data)

The above Table 2 shows that most of the respondents (64%) do find it difficult to understand GST. Consultants have been appointed to transition from VAT to GST. Retailers' do not file GST returns and forms by themselves. They seek the help of

tax consultants to file the returns and forms. Nearly half of the respondents found it difficult to transition towards GST. Most of the respondents (62%) have found that there are positives in GST and the majority (74%) do not want to go back to VAT.

Table –3: Rating of GST

Rating (x)	Frequency (f)	Percentage	Fx
1	4	8	4
2	3	6	6
3	5	10	15
4	10	20	40
5	15	30	75
6	3	6	18
7	6	12	42
8	3	6	24
9	0	0	0
10	1	2	10
Total	50	100	234
Mean score		4.68	

(Source: Primary data)

It is evident from Table 3 that, the mean score for the GST in the experience of a short period of about ten months is 4.68. This indicates that they don't

rate it as extremely poor or excellent. The rating of GST is average as per the opinion of respondents.

Table 4 – Difficulties in GST

Sl. No.	Particulars	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean score	Rank
1	Still chances for tax evasion	0	9	14	17	10	50	2.44	IV
		0	36	42	34	10	122		
2	Difficult for SMEs	18	19	9	4	0	50	4.02	I
		90	76	27	8	0	201		
3	Difficult to give a discount	11	20	12	6	1	50	3.68	II
		55	80	36	12	1	184		
4	Difficult to get free samples	14	14	14	5	3	50	3.62	III
		70	56	42	10	3	181		

(Source: Primary data)

Table 4 reveals that the orientation of the sample respondents regarding the statements is positive as their means are higher than the significant value which is 3 except in the case of statement 1. The highest-rated drawback of GST is that it is not friendly to Small and Medium Enterprises (4.02) like the previous indirect taxes. Also, it is difficult to give discounts (3.68) and to get free samples (3.62) from suppliers due to the provisions in GST regarding these. But there is no more chance of tax evasion as most disagree with the statement (2.44).

The scaling technique is used to measure variables related to the effect of GST on a three-point scale with a weightage of three, two, one for favorable, no change, and unfavorable. An increase in margin and discount and a decrease in cost and price are taken as favorable. Therefore, a decrease in margin and discount and an increase in cost and price is taken as unfavorable.

Table 5 – Effect of GST

Factors		Effect of GST											
		Favorable			No change			Unfavorable			Total		
		R	%	S	R	%	S	R	%	S	R	%	S
1	Price	7	14	21	20	40	40	23	46	23	50	100	84
2	Margin	1	2	3	11	22	22	38	76	38	50	100	63
3	Cost	3	6	9	10	20	20	37	74	37	50	100	66
4	Discount	3	6	9	17	34	34	30	60	30	50	100	73

(Source: Primary data)

From Table 5 it is clear that 54 percent of retailers claimed that GST hasn't increased the price. Margin, cost, and discount have unfavorably changed as of 76%, 74%, and 60%.

One sample t-test is used to test whether the GST impacted every factor equally or not.

Hypothesis for the test

The impact of GST is equal in various factors.

Sub - hypotheses

1. There is no significant difference between the effect on price and the overall effect of GST
2. There is no significant difference between the effect on margin and the overall effect of GST
3. There is no significant difference between the effect on cost and the overall effect of GST
4. There is no significant difference between the effect on discounts and the overall effect of GST

Table 6 – T score of factors

	Factors	Mean	Standard Deviation	Standard Error	t value	p value
1	Price	1.68	0.705	0.0997	2.507	0.015**
2	Margin	1.26	0.482	0.0682	2.494	0.016**
3	Cost	1.32	0.581	0.0821	1.339	0.186
4	Discount	1.46	0.607	0.0858	0.349	0.728
5	The overall impact of GST	1.43	0.621			

Sub - hypotheses 1 and 2 are rejected at a 95% confidence interval. So, there is a significant difference between the effect on price and margin and the overall effect of GST. From Table 6 it can be concluded that the overall effect of GST is 1.43. This indicates that GST has not made any change to the retailer's existing condition. The effect on price (1.68) is considerably greater than this value. But the effect on margin (1.26) is considerably lower than this value.

From the t-test it is clear that GST least affected the price and most affected the margin when compared to other factors. The effect of GST on cost and discount is almost equal to the overall effect of GST. This indicates that out of the overall impact of GST, the margin is the factor that had a significantly unfavorable change. Price is the factor that had a significantly favorable change.

Research findings and discussion

Even after ten months of implementing GST, retailers still do find it difficult to understand the GST system. Consultants played a major role in transitioning from VAT to GST. Retailers outsource the filing of returns and forms to tax consultants. These results are in alignment with the findings of Sharma & Indapurkar (2020) who reported that retailers lack the skills necessary to operate the GST software for submitting returns online and find the process to be burdensome because there are no programs available to educate them. The tiniest shopkeeper, retailer, or trader prefers to outsource the work of submitting GST Returns to a CA since it is more convenient.

The majority of the respondents don't want to go back to VAT. This indicates that the retailers are

ready to try the new tax system with an open mind. They gave an average rating to the GST. The impact of GST on various factors like price, margin, cost, and discount is not equal. When the overall effect of GST is taken into consideration price is the least affected factor and margin is the most affected factor. So, implementing GST has not increased the price of the product. But it has reduced the retailer's margin a little bit. This contradicts the prediction made by Rupa (2020). She predicted that implementing GST would increase the price of the product.

The significant problem caused by GST is that it is difficult for Small and Medium Enterprises to follow this. Retailers also agree that getting free samples and giving discounts to customers is also not easy under the GST regime. And, most disagree with the statement that there is still a chance for tax evasion in current the tax system.

CONCLUSION

The study has provided insight into how retailers perceived implementing GST. Retailers don't file returns and other forms on their own. This results in the heavy dependency of retailers on their tax consultants. Tax consultants also had a major role in facilitating the transition of retailers from VAT to GST. The impact of GST on factors like price, cost, margin, and the discount was not uniform. SMEs found it most difficult to cope with the new system.

Suggestions

More awareness needs to be given to traders since they find it difficult to understand the GST system and they are not independent to file returns and forms on their own. Small and Medium Enterprises (SMEs)

face a lot of problems due to GST. Therefore, special provisions need to be laid down to reduce the difficulties of SMEs in the manufacturing sector. The working of the tax consultants needs to be monitored as they have a major role in indirect tax mechanisms, especially in the case of small retailers.

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