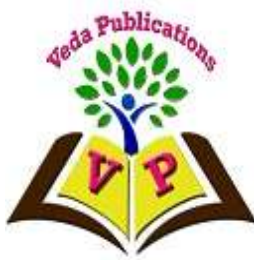


GST- ITS IMPACT ON CONSUMER GOODS RETAILERS- A STUDY IN VISAKHAPATNAM

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ABSTRACT



Visakhapatnam is one of the big cities in Andhra Pradesh state in India. It is a Financial capital to the state. The proposed GST regime is a new attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. Indian Tax system is more constructive and systematic but some faults are found regarding consumer pain. To correct those faults new tax system introduced in the country, i.e. Goods and services tax popularly known as GST. Actually, it is not a new one so many countries are following but India introduced it now. To eradicate multiple tax system single tax is preferred. GST is a single tax on the supply of goods and services, right from the producer to the consumer. The consumer will get more benefits through GST tax system and easy and good governance possible in any economy. It will include many State and Central level indirect taxes. The new GST strategy gives equal footing to the big as well as small enterprises in the economy. The main objective of the paper is to examine the major constraints faced by the retailers in GST introduction period. The methodology is analytical and descriptive in nature. The major finding of the study is as retailers are to follow GST norms; they had faced reprising of inventory with them, the introduction of a new billing system based on the new slab arrangements etc. GST is still in exercise.

Keywords: *Tax System, Indirect Tax, Single Tax, Methodology, Constraints.*

INTRODUCTION

The GST had framed a clean way in July 2017 with much fanfare with the announcement of its coming from the Indian Parliament with a joint session. The GST was essentially meant to tune India with global standards in ease of doing business and single and uniform tax for movement of goods across the economy. In the initial stage, the businesses and consumers don't seem very comfortable with the GST. The negative affected seem to be the middle class and small businesses as the impact have been felt across spending on dining, travelling and confusing procedures for the new and small business people. The GST council has taken note of the complaints and has promised to redress them in a time bound manner.

After a lot of discussions and deliberation, the council finalized the rates for all the goods and major service categories under various tax slabs, and it was greatly expected to fill the gaps in the current system and boost the economy. The main aim of new tax reform (GST) was to uniform the indirect taxes for all over the country.

Visakhapatnam is one of the big cities in New Sunrise State of Andhra Pradesh. It is a financial capital to the State. In marketing segments, retailing is one of the major segments of the marketing structure in the economy. Retailing segments account for about 35 percent of the GDP of the country. In India a lion's share of the retail sales (92%) happens through micro, small, medium retail businesses are more, all come under unorganized retail sector. The organized retail sales account for only 8 percent of the overall retail business in 2015 but it is expected to hike up to 24 percent by 2020.

GST is a comprehensive multistage destination- based tax. The slab system is also varied from one country to another. In India, the tax rates are 0%, 5%, 12%, 18% and 28%. Nearly 80 goods come under 0% tax, and other goods and services are varied in different tax rates. Some goods are completely exempted from GST. Still, the tax imposition exercises are going on in the finance department of the Government. Due to differences in tax rate, it may affect all sectors of our economy differently and certainly may have a positive and negative impact. The main objective of GST strategy is to implement uniform taxation in the country.

OBJECTIVES

1. To study the major constraints faced by the retailers in the initial stage of GST in Visakhapatnam
2. To observe the impact of new taxation rates in the price levels of consumer goods in Visakhapatnam

METHODOLOGY

The study is analytical and descriptive in nature. Primary data collected from retailers through a structured questionnaire. Mean and ANOVA Statistical techniques are used in this paper.

REVIEW OF LITERATURE

1. Ruggeri G.C. and Bluck. K (1990) have studied that the Canada Federal Government implemented the GST as a replacement of the Manufacture's Sales Tax (MST) in 1989. The study has focused the comparison between the MST and VAT. They found that VAT is more regressive than of MST and at the same time GST is also found to be more regressive than MST. This weakness of GST can be reduced if Tax rate will be in a progressive form which indicates lower income credit financed by a high-income class pay surtax or higher GST rate.
2. Raman S (2010), Migration to GST: Preparedness and level of Knowledge, Understanding, Application and Skills of Human Resources in the Government and the Industry. In this paper, the author has conducted a primary research to know the opinions or the suggestions of top officials, middle-level tax officials, tax department staff, trade and industry, professionals and the general public. And the author also discusses GST in different countries, recent developments in GST.
3. Amol Agarwal(2011) has studied the impact of GST on the Indian economy. In his study, he mentioned that Dr. Vijay Kelkar, chairman of the 13th Finance Commission cited the work of renowned Tax economist Prof. Charles McLure, who identified six characteristics of a well-designed GST in a federal system as given like this;
 - Uniform rate of Taxation within a given jurisdiction, ideally at a single rate
 - Sales would be Taxed under the destination principle
 - Low cost of compliance and administration
 - Each level of Government to set its own Tax rate subjects to agreed floors
 - A substantively common Tax base for Central and State Governments
 - Substantial Co-operation in Tax administration between all levels of Government.
4. Vijay Kelkar added the first two are important for economic reasons, the third for the administrative while the fourth is for a political reason along with the last two operates a system of multilevel finance that we have in our country. These principles should be adopted while designing GST in our country as well.
5. Vasanthagopal(2011) in the article GST in India. A Big leap in the Indirect Taxation System discussed the impact of GST on various sectors of the economy. The article further stated that GST is a big leap and a new impetus to India's economic change.
6. Garg (2014) in the article named Basic Concepts and Features of GST in India analyzed the impact and GST on Indian Tax scenario and concluded that it will strengthen the free market economy.
7. Kumar (2014) studied in the article GST in India: A way Forward background, salient features and concluded with the positive impact of GST on present complex tax structure and development of common man and national market.

8. Parkhi did an exploratory research in an article GST in India; the changing face of the economy and stated that implementation of GST is a changing face of India and the government is well equipped for that which is a symptom of the fast paced economy.
9. Kumar (May 2014) studied “Goods and Service Tax in India-A way forward” and found that GST will be levied on all the goods and services except those exempted, dual model of GST will be there, which will include Central GST (CGST) collected by Center and State GST (SGST) collected by State. Central tax such as Central excise tax, additional excise duty, service tax, surcharges, countervailing duty, special additional duty of customs and state tax such as VAT/Sales tax, entertainment tax, luxury tax, taxes on lottery, betting and gambling, state cesses and entry tax not in lieu of Octroi to be subsumed. GST will not be charged on exports, it will only be charged on imports and Input Tax Credit will be available on the GST paid on import on goods and services. Some advantages of GST are higher revenue efficiency, easy compliance, and reduction of prices, improved competitiveness and better control on leakage.

ANALYSIS OF THE DATA

Table-1 Type of Retailers and trends in sales after GST

Type of retailers	Number	Decreased	No Change	Decreased at high rate	Total
Large	40	36	0	4	40
Medium	40	28	0	12	40
Small	40	02	04	34	40
Total	120	66	04	50	120
Percentage		55%	3.33%	41.67%	100%

Source : Primary data

Table-1 depicts the relation between the retailers and the trends of sales volume in post GST period. A large variation of retailers reported that their sales have declined in the post GST period, where small retailers suffer a huge loss in sales compared to the large retailers. The introduction of GST is negatively affected to all retailers' especially small retailers, their sales show a decreasing trend nearly 50 percent in the post GST period compared to the pre-GST period.

Table-2 Trend in Turnover of retailers in Post GST –Area wise

Trend	Urban	Semi-Urban	Rural	Total
Decrease	24 (20%)	18 (15%)	18 (15%)	60 (50%)
No Change	04 (3.33%)	06 (5%)	02 (1.67%)	12 (10%)
Decrease at high level	12 (10%)	16 (13.33%)	20 (16.67)	48 (40%)
	40	40	40	120 (100%)

Source; primary data

Table -2 shows that the turnover of the retailers of rural area is decreased considerably than their counterparts in semi-urban urban areas due to the GST introduction in the economy.

Table-3 Retailer opinion on Hike in price increase

Type of Good	Frequency	Valid %	Actual hike in %	Frequency	Valid %
All goods	85	70.83	10-20%	94	78
Consumer goods	35	29.17	8-12%	117	97.5
Total	120	100.0			

Source; primary data

Table-3 Majority of retailers reported that the GST policy has increased the price levels of all goods, table-3 shows that their opinion based on the comparison of retail price pre and post GST period. 78 percentage retailers believe that there is an increase of 10-20 percentage hikes in price, and 97.5 percent of respondents belie that there is an increase of 8-12% hike in prices of consumer goods.

Table-4 Comparison of Major Constraints faced by Retailers in Post GST period-Mean, ANOVA

Major constraints faced by retailers In GST implementation	Cumulated Mean	Mean-Large Retailers	Mean-Medium retailers	Mean-Small retailers	F-value	Sig Level (5%)
Lack of support from Govt. authorities	4.43	3.57	4.91	5.04	81.989	.000
Software and Billing Problem	4.57	4.51	4.47	4.79	2.545	.094
Customer feeling of anger	4.41	3.72	4.81	4.62	37.471	.000
Over pricing by manufacture	3.47	3.84	2.92	3.79	7.148	.002
Lack of awareness about GST	3.01	3.74	3.27	2.21	11.972	.001
Stock reprising	4.59	4.01	4.79	5.14	17.644	.000
Lack of ability to change tax system	3.42	2.41	3.91	4.37	109.122	.000

Source; Primary data

Table-4 shows that major constraints faced by the retailers in GST implementation. Due to the introduction of new tax reform was not a sudden process, the long process for tax measurement, billing and remittances had not completed before the introductory period of the GST introduction. They also depict the overall mean value of the retailers.

MAJOR FINDINGS

- The small retailers have affected more through GST comparatively other groups of retailers.
- There is a significant relation between sales and the areas and types of retailers.
- Retailer sample respondents are clarified that the price of consumer goods has gone up 5-10 percent in the post GST period so the price level increased.

- d) 97.5 percent retailers believe that there is an increase of 8-12 percent hike in the price of consumer goods and 78 percent reported the 10-20 percent hike in the price of all goods.

CONCLUSION

Though the Government objective in the implementation of GST is to maintain “ONE TAX ONE MARKET ONE NATION” the prices of consumer goods including essentials have increased at the beginning of GST introduction stage. All retailers have to follow the norms of GST, they had faced many problems. It was observed and reported in this study that major cause of hike in price was due to profit motto of manufacturers. The government has to take considerable thought about the small retailers.

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