

A Study on impact of GST on Grocery Retailers

Prakash Devasi¹, Soham Kanoj²

¹ BBA FS, School of Management, Ajeenkya DY Patil University, Pune 412105

² BBA FS, School of Management, Ajeenkya DY Patil University, Pune 412105

Abstract - GST was made and the day when it was successfully launched in the country, it created many hot headlines which could bother Business Environment. As we know that Government Rules and Regulations play very crucial role in Business, the implementation of GST resulted in many happy and sad faces on several of businessmen running their business activities. As far as GST is concerned, I wanted to study the impact of GST on the sellers of products which are used daily by each one of us i.e. Grocery (Food). Many were happy as well as unhappy because of GST, there could be many reason such as lots of paper work, difficulty in illegal/legal activities, increase/decrease in profit margin etc. one of the main reason behind me choosing this as my topic is that I wished to study about GST as it is considered as one of the important tax scheme which is implemented in Indian history.

Prime Minister of India, Narendra Modi. The launch was made a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was marked to lead to for the middle and lower class Indians. It was the few midnight sessions that have been held by the parliament - the others being the declaration of India's independence on 15 August 1947, and the silver and golden jubilees of that occasion.

Key Words:

1. GST- Good & Services Tax
2. CGST- Central Good & Services Tax
3. SGST- State Good & Services Tax
4. IGST- Inter-state Good & Services Tax
5. GSTN- Good & Services Tax Number

1. INTRODUCTION

Goods and Service Tax (GST) is an indirect tax which was imposed in India on 1st of July, 2017. It was applicable throughout India which replaced many different types of taxes which were imposed and levied by State and Central Government; some of them are LBT, VAT, and SERVICE CHARGES Etc. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, after the passage of constitution 122nd Amendment Bill. It is governed by a GST Council, and its Chairman is the Finance Minister of India. India adopted a dual GST model, meaning that taxation will be administered by both the union and the state government which is identified as CGST (Central GST) and SGST (State GST).

1.1 LAUNCH OF GST: -

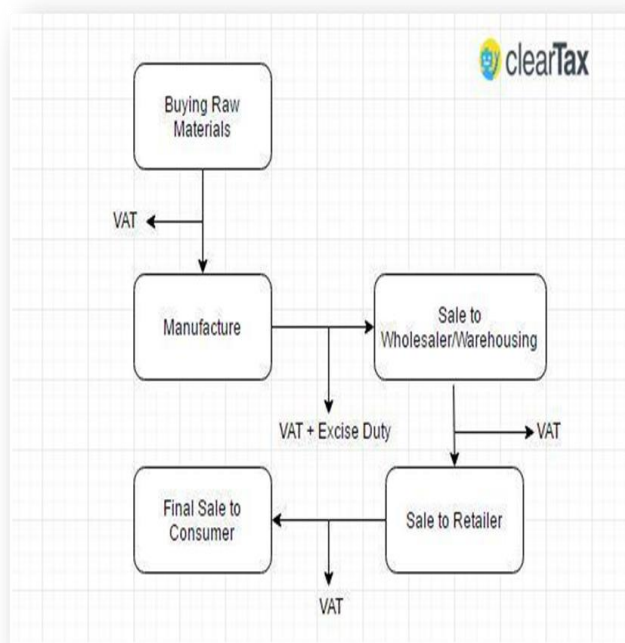
The Goods and Services Tax was launched at midnight on 1 July 2017 by the President of India, Pranab Mukherjee, and

1.2 GST: -

GST Law in India is a comprehensive, many-stage, destination-based tax that is levied on every value addition.

In simple words, GST is an indirect tax on the supply of goods and services. GST Law has change many indirect tax laws that previously existed in India.

So, before GST, the pattern of tax paying was as follows:



Under the GST law, the tax is levied at every point of sale.

The definition of Goods and Service Tax is “GST is a comprehensive, destination-based tax that will be levied on every value addition.”

1.3 COMPONENTS OF GST: -

There are 3 taxes are under GST: CGST, SGST & IGST.

- **CGST:** Collected by the Central Government on an intra-state sale (Eg: Within Maharashtra)
- **SGST:** Collected by the State Government on an intra-state sale (Eg: Within Maharashtra)
- **IGST:** Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

In most cases, the tax structure under the new law will be as follows:

Transaction	New Regime	Old Regime	
Sale in the State only	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale in another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

1.4 MULTI-STAGE GST: -

There are multiple change-of-hands on item goes through along its supply chain: from manufacture to final sale to the consumer.

Let us consider the following case:

- Purchase of raw materials
- Production or manufacture
- Warehousing of finished goods
- Sale to wholesaler
- Sale of the product to the retailer
- Sale to the end consumer

Goods and Services Tax will be levied on each of these stages, which make it a multi-stage tax.

1.5 VALUE ADDITION: -



3. RESEARCH METHODOLOGY

 one-stop solution for all tax compliance

The manufacturer who makes biscuits buys flour, sugar and other material. The value of the inputs increases when the sugar and flour are mixed and baked into biscuits.

The manufacturer then sells the biscuits to the warehousing agent who packs large quantities of biscuits and labels it. That is another addition of value after which the warehouse sell goods or services it to the retailer. The retailer packages the biscuits in smaller quantities and invests in the marketing of the biscuits thus increasing its value's will be levied on these value additions i.e. the monetary worth are added at each stage to achieve the final sale to the end custom

Data Source	Primary: Online Questionnaire
Type of Research	Quantitative Research
Area of Research	Pune
Research Approach	Survey Method
Research Instrument	Questionnaire
Sample Size	50
Sample Method	Convenience Sampling

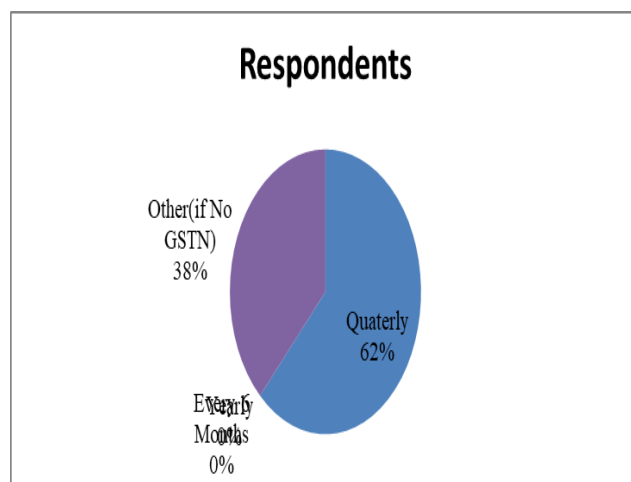
2. Objectives

- To know about the increase/decrease in profit margins.
- To know about any supply change of product due to GST.
- To know about change in transaction type of grocery retailers.
- To know about increase/decrease in legal filings of the shop.
- To know about positive/negative feedback of Grocery Retailers regarding GST.

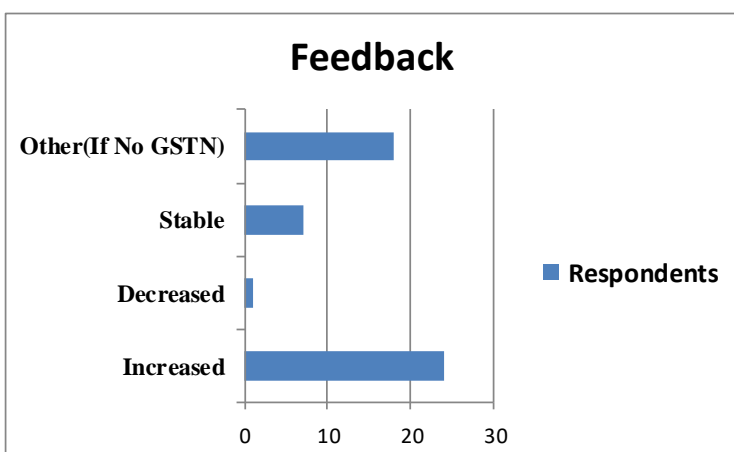
4. DATA ANALYSIS AND FINDINGS (PART-I)

The effects of GST on Legal filings.

Parameters				
	Increased	Decreased	Stable	Other(If No GSTN)
Respondents	24	1	7	18



62% retailers file their GST quarterly while others do not file tax as they do not have their GSTN. 46% respondents find GST hectic.



It is seen that only 60% of the retailers are holding GST number; some of the retailers have applied for the same while some are doing their business illegally. Many of the respondents feel that legal filings have increased because of GST. In GST the business owner has two option based on his turnover I.e. he has an option on filling their taxes either they can file quarterly or every month. This is quite high as compared to pre-GST period.

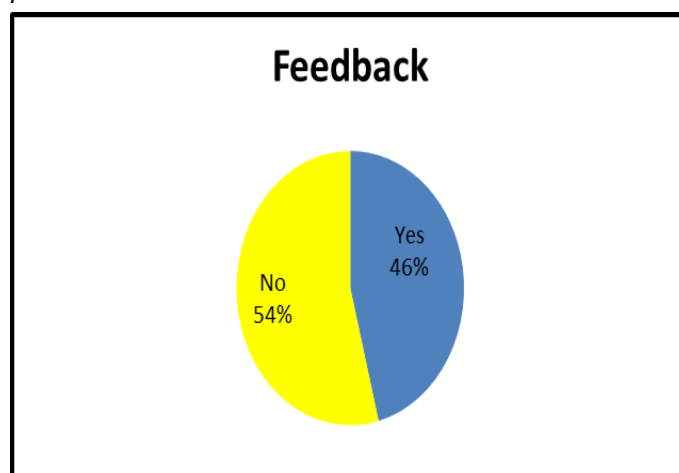
How many times do you file your GST?

Parameters				
	Quarterly	Every 6 Months	Yearly	Other(if No GSTN)
Respondents	31	0	0	19

Do you find GST hectic?

Parameters		
Respondents	Yes	No
	23	27

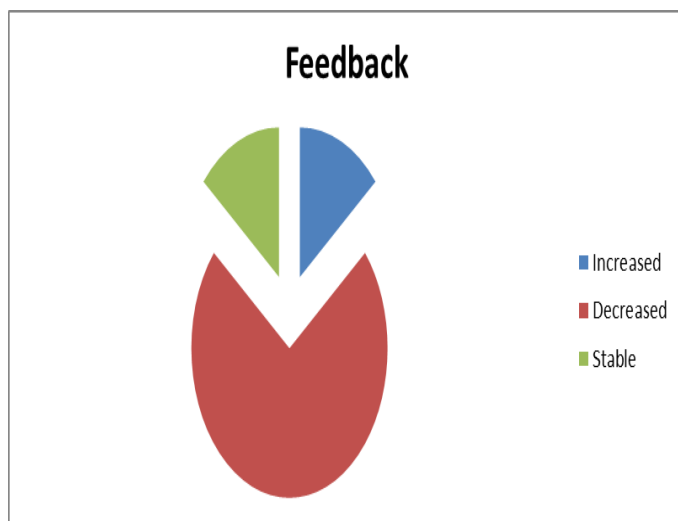
46% retailers says that GST is hectic for them. GST is new taxation concepts so its hard to understand and hard to fill it. Remaining 54% retailers don't have GST so they don't know its hectic or not



The effect of GST on your profit margins

Profit Margin

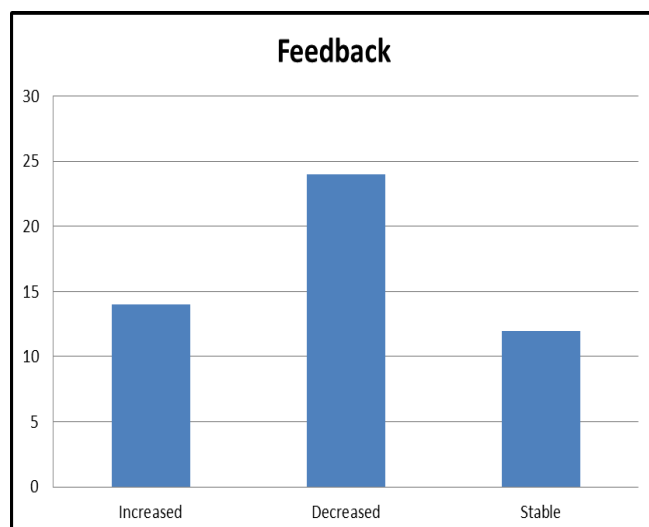
Feedback	Increased	Decreased	Stable
	7	36	7



It is revealed that GST has not proved to be good for Grocery retailers; they are suffering loss as compared to pre GST. 64% of respondents say that GST is bad for them and the rest respondents have contradictory views; but these respondents with good rating on GST are the owners with no GSTN, though according to 95% of the respondents GST is beneficial to India for its development.

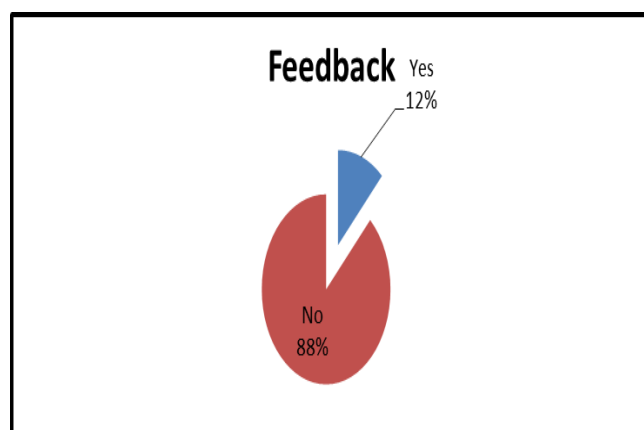
The effect of GST on the MRP of the products (Consider all the products in general).

MRP of Product			
Feedback	Increased	Decreased	Stable
	14	24	12



GST changed the mode of payment to the wholesalers?

Parameters		
Respondents	Yes	No
	6	44

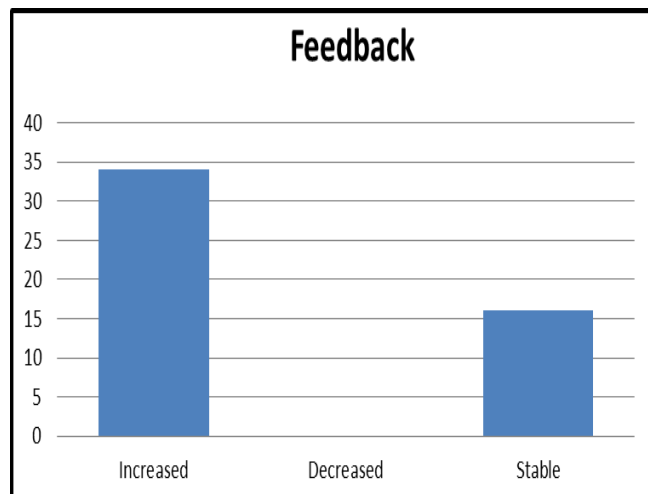


88% retailer says there no any effect because of GST. Before GST and After GST payment mode is same there is no any changes. But remaining 12% says payment mode changes because of GST now they are pay online.

The impact of GST on audit expenses given to the CA?

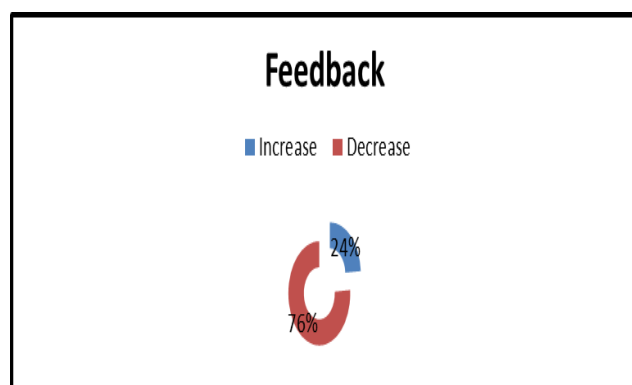
Audit Expenses			
Feedback	Increased	Decreased	Stable
	34	0	16

GST in new taxation concepts so its is hard to understand so it is hard to fill also. So 68% retailer think that or they are saying audit expenses are increase. They have to pay high to CA.



The impact of GST on credit sale to the consumers

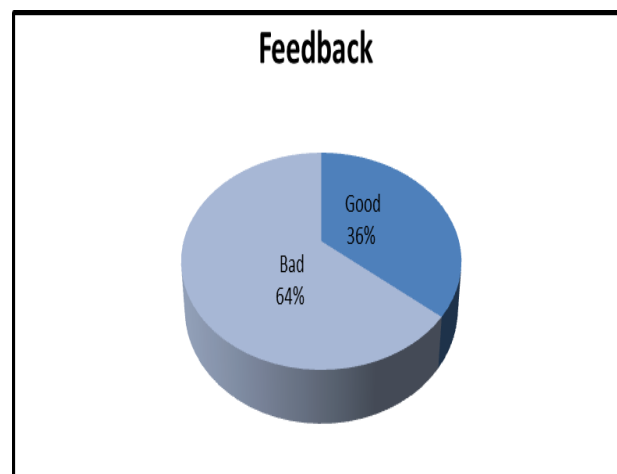
Parameters		
Feedback	Increase	Decrease
	12	38



All the respondents who have GSTN have decreased their credit sale because of less current capital. As they have to file tax every quarter they have to look smooth running of cash flow. This in turn is sometimes a negative thing which affects their business.

Rate GST considering all the factors of your business.

Rating		
Respondents	Good	Bad
	18	32



- It is revealed that GST has not proved to be good for Grocery retailers; they are suffering loss as compared to pre GST. 64% of respondents say that GST is bad for them and the rest respondents have contradictory views; but these respondents with good rating on GST are the owners with no GSTN, though according to 95% of the respondents GST is beneficial to India for its development.

4.2 FINDINGS AND INTERPRETATION: -

- Survey was conducted in the areas of Wanowrie, Pune.
- It is observed that 42% of the retailers are having tremendous experience in grocery retailing as they have more than 6 years of business experience; and it is also seen that the area of interest of people in doing grocery retailing is decreasing as there are very few no. of new shops, Big bazar and many other similar supermarkets where technology and modernization are high and constantly decreasing profit because of decrease in the margin can be the reason behind this downfall.
- It is seen that only 60% of the retailers are holding GST number; some of the retailers have applied for the same while some are doing their business illegally.
- Many of the respondents feel that legal fillings have increased because of GST. In GST the business owner has two option based on his turnover I.e. he has an option on filling their taxes either they can file quarterly or every month. This is quite high as compared to pre-GST period.

- 62% retailers file their GST quarterly while others do not file tax as they do not have their GSTN. 46% respondents find GST hectic.
- Main finding of the research was to know whether the grocery retailers are in loss or profit because of the GST. In survey I came to know that even if the profit margin in the product is not negatively affected but increase in other expenses because of GST is indirectly making a Loss to them. All the respondents with GSTN number are facing loss due to increase in expense to Chartered Accountants. Earlier CA expense was near 2000RS but after the GST regime they are forced to pay approx. 5000RS every quarter; which is adding to their extra expense and as result they are facing an indirect loss.
- 28% retailers feel that the prices of the product have gone up, while 48% retailers are in favor of decrease in the MRP of product because of GST while rest of the respondents feel that the prices are stable.
- All the respondents who have GSTN have decreased their credit sale because of less current capital. As they have to file tax every quarter they have to look smooth running of cash flow. This in turn is sometimes a negative thing which affects their business.
- It is revealed that GST has not proved to be good for Grocery retailers; they are suffering loss as compared to pre GST. 64% of respondents say that GST is bad for them and the rest respondents have contradictory views; but these respondents with good rating on GST are the owners with no GSTN, though according to 95% of the respondents GST is beneficial to India for its development.

5.CONCLUSION : -

- 1) GST is the best taxation reform in India's history
- 2) It will help in rise of GDP of the country in coming years.
- 3) Retailers who deal in grocery whose annual turnover is less than 20lakhs are not experiencing any negative effects of GST.
- 4) Legal fillings of paper work have increased but software can be used as an alternatives.
- 5) Government should take all the possible steps because of which Shopkeepers apply for GSTN.
- 6) GST has led to rise in the expenses of the Auditing.
- 7) GST has made the basic necessities cheaper and luxurious products costlier.

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