Impact of Implementation of GST Among Retailers with Special Reference to Valanchery Municipality, Kerala

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KEYWORDS

Goods and Services Tax (GST), Retailers, Compliance, Valanchery Municipality, Tax Reform, Awareness, Perception, Theoretical Framework.

ABSTRACT

This research paper explores the impact of the Goods and Services Tax (GST) on retailers in Valanchery Municipality, focusing on their awareness, perception, and the practical challenges encountered since its implementation on July 1, 2017. GST represents a significant shift in India's indirect tax regime, aimed at unifying the tax system and simplifying compliance. The study uses a quantitative approach, collecting data from 100 retailers through a structured questionnaire and analyzing it with statistical methods. Findings reveal that while GST has led to increased compliance and some positive economic outcomes, retailers face ongoing challenges related to tax procedures and documentation. The study offers insights for policymakers and recommendations for improving GST compliance among retailers.

Introduction

The Goods and Services Tax (GST), introduced in India on July 1, 2017, represents one of the most significant reforms in the country's indirect tax system. By consolidating multiple indirect taxes into a single, unified tax structure, GST aims to streamline the taxation process, reduce the cascading effect of taxes, and foster economic growth. This reform is designed to ensure a 'one nation, one tax' system, which simplifies tax compliance for businesses and enhances revenue collection for the government.

Retailers, as pivotal contributors to the economy, are particularly impacted by GST. They serve as the final link in the supply chain, directly interacting with consumers and managing complex tax compliance requirements. The introduction of GST has led to both opportunities and challenges for retailers. On one hand, GST has the potential to create a more transparent and efficient tax system. On the other hand, it imposes new compliance burdens and operational adjustments, which can be particularly challenging for small and medium-sized enterprises. This study aims to investigate how GST has affected retailers in Valanchery Municipality, focusing on their level of awareness, the practical difficulties they face, and their overall perception of the tax reform.

Review of Literature

The implementation of GST in India has been extensively studied, with research highlighting its multifaceted impacts on various sectors. Baswaraj (2023) and Narasappa (2020) explored GST awareness among small business owners in Karnataka, noting that while basic awareness exists, the complexity of GST often necessitates professional assistance for compliance. They emphasized the need for government-led educational initiatives to improve understanding and compliance rates. Diksha and Jaggrawal (2022) found that inadequate knowledge of GST is linked to lower compliance rates, highlighting a gap that needs addressing through more effective educational programs.

The impact of GST on small-scale businesses and Micro, Small, and Medium Enterprises (MSMEs) has also been a significant focus. Bhuvaneswari and M (2022) observed that post-GST tax rates have affected small business turnover, calling for increased awareness and higher threshold limits to alleviate the tax burden. Mital and Raman (2021) and Geeta, Mathiraj, and Bharathi (2019) discussed the mixed effects of GST on MSMEs, noting that while some businesses benefited from increased transparency and efficiency, others struggled with the complexities of the new tax regime.

Retailers' perceptions of GST vary widely. Maiya (2020) found minimal impact on most retailers in Udupi City, while Joseph (2018) and Garg and Anand (2022) reported dissatisfaction among retailers due to a lack of understanding of GST rules and inadequate support from tax authorities. These studies suggest a need for targeted support and clearer communication to improve retailer experiences with GST.

Regional studies provide additional insights into GST's effects. Sukumaran and Mani (2021) examined the impact on retail shops in Kerala's South Coastal Region, finding a generally positive effect but noting gaps in retailer awareness. Manoj and Muraleedharan (2021) and Babu and M.G. (2021) focused on the textile industry, revealing both benefits in terms of compliance and reduced costs, and challenges related to preparedness and understanding of the tax system. These findings underscore the importance of region-specific strategies in addressing GST-related issues.

Consumer awareness and perception of GST have also been explored, with studies by Das (2020) and Sanil et al. (2018) indicating that while consumers are aware of GST rates, their understanding of its broader implications remains limited. This lack of knowledge affects their ability to realize the benefits of GST, suggesting a need for enhanced public education and awareness campaigns.

The review highlights that while GST has had a generally positive long-term impact, challenges such as low awareness and inadequate understanding persist. Future research should address these issues through targeted educational initiatives and region-specific studies to provide more nuanced insights into GST's effects on different business sectors and consumer behaviour.

Need for the Study

Despite the wealth of research on GST's general impact, there is a noticeable lack of detailed studies focusing on its effects within specific local contexts, such as Valanchery Municipality. This study aims to fill this gap by providing localized insights into how GST affects retailers' operations, compliance, and business performance. Understanding these localized effects is crucial for developing targeted policies and support mechanisms that address the specific needs and challenges faced by retailers in this region.

Research Gap

While existing research provides a broad overview of GST's impact, there is limited investigation into how GST specifically affects retailers in Valanchery Municipality. This research gap highlights the need for localized studies to understand the unique challenges and opportunities presented by GST in different geographic areas. By focusing on Valanchery, this study aims to provide valuable insights that can inform both policymakers and local businesses.

Objectives of the Study

1. To assess the level of knowledge among retailers in Valanchery Municipality regarding GST.
2. To evaluate the impact of GST implementation on retail businesses in Valanchery.
3. To understand the opinions and challenges faced by retailers concerning GST.

Research Methodology

The research employs a descriptive design to provide an in-depth analysis of GST's impact on retailers. A quantitative approach was adopted, involving a structured questionnaire distributed to 100 retailers in Valanchery Municipality. Data collected were analyzed using statistical tools such as ANOVA and Chi-Square tests to determine patterns and relationships. This methodology allows for a comprehensive understanding of retailers' knowledge, opinions, and experiences with GST.

Theoretical Framework

The study is grounded in the **Theory of Environmental**. This theory posits that organizations adapt to environmental changes to enhance their survival and performance. In the context of

GST, the theory helps explain how retailers adjust their operations and compliance practices in response to the new tax regime. GST, as an external environmental change, requires retailers to modify their accounting systems, tax filing procedures, and overall business practices. This adaptation process is crucial for understanding how GST impacts retailers' performance and compliance. The theory of environmental change highlights the dynamic nature of business adaptation and the continuous need for organizations to align with regulatory changes to maintain operational efficiency and compliance.

Findings:

1. **Association between the education level and the level of GST awareness:**

H_0: - There is no association between the education level and the level of GST awareness among respondents.

H_1**: -** There is an association between the education level and the level of GST awareness, suggesting that awareness levels vary significantly across different education levels**.**

Table no: 1

Particulars	Highly aware	Aware	Neutral	Unaware	Highly unaware	Total
Below SSLC	0	12	35	33	5	85
SSLC	1	37	44	17	1	100
Plus Two	13	53	28	16	0	110
Graduate	21	77	41	6	0	145
Post Graduate	16	33	10	1	0	60
Total	51	212	158	73	6	500

Source: Primary Data

R code for testing chi square

```
# Creating the data matrix
gst_data <- matrix(c(
  0, 12, 35, 33, 5,    # Below SSLC
  1, 37, 44, 17, 1,    # SSLC
  13, 53, 28, 16, 0,   # Plus Two
  21, 77, 41, 6, 0,    # Graduate
  16, 33, 10, 1, 0     # Post Graduate
), nrow = 5, byrow = TRUE)
# Naming rows and columns
rownames(gst_data) <- c("Below SSLC", "SSLC", "Plus Two", "Graduate", "Post Graduate")
colnames(gst_data) <- c("Highly aware", "Aware", "Neutral", "Unaware", "Highly unaware")

# Display the data table
print("GST Awareness Data by Education Level")
print(gst_data)
# Perform Chi-Square Test for Independence
chisq_test_result <- chisq.test(gst_data, simulate.p.value = TRUE, B = 10000)
print("Chi-Square Test Result:")
print(chisq_test_result)
```

Result

Pearson's Chi-squared test with simulated p-value (based on 10000 replicates)

Chi-squared = 144.6, p-value = 9.999e-05

These results suggest a statistically significant association between the level of education and GST awareness among retailers in Valanchery Municipality. Specifically, the data indicates that as educational attainment increases, so does awareness of GST, with higher counts in the “Highly aware” and “Aware” categories among more educated groups. Conversely, those with lower educational qualifications demonstrated higher levels of unawareness regarding GST, highlighting the need for targeted educational initiatives.

These findings underscore the importance of addressing the knowledge gaps in GST among less educated retailers and suggest that policymakers should consider tailored training programs to enhance understanding and compliance with GST regulations.

Also, Cramér's V is a measure of association used to assess the strength of the association between two nominal (categorical) variables. Developed by Harald Cramér, this statistic ranges from 0 to 1, where 0 indicates no association and 1 indicates a perfect association. Cramér's V is particularly useful in the context of contingency tables, allowing researchers to quantify the degree of association after conducting a Chi-Square Test for Independence.

Here, Cramér's V = 0.268882853254794

This value can be interpreted as follows:

- **Weak to Moderate Association**: A Cramér's V value of **0.269** suggests a weak to moderate association between education level and GST awareness among retailers. This implies that while there is some relationship between these variables, it is not exceptionally strong.
- **Practical Implications**: The weak to moderate association indicates that education plays a role in influencing GST awareness, but other factors may also be contributing to the differences in awareness levels. Therefore, it may be beneficial to explore additional variables that could impact GST awareness, such as age, prior tax experience, or exposure to GST-related training.
- **Focus on Education Initiatives**: Given the association, it may be beneficial for policymakers and local authorities to focus on enhancing educational initiatives targeted at lower-educated retailers. Tailored training programs that explain GST concepts and compliance processes could help improve overall awareness and understanding.

Overall, while the association between education level and GST awareness is significant and indicates the importance of education, the weak to moderate nature of Cramér's V suggests that further research and interventions may be needed to enhance GST understanding among all retailers, particularly those with lower educational backgrounds.

2. **Relationship between the nature of business and the impact of GST:**

H_0: There is no significant relationship between the nature of business and the impact of GST.
H_1: There is a significant relationship between the nature of business and the impact of GST

Table no: 2

Particulars	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
FMCG products	10	30	23	12	5	50
Travel agency	8	23	16	7	2	56
Home appliances	9	32	21	10	4	76
Medical shop	4	11	12	5	0	32
Textiles	4	24	12	7	1	48
others	6	55	30	15	2	108
Total	41	175	114	56	14	400

Source: Primary Data

R code

```
# Creating the data matrix
gst_business_data <- matrix(c(
  10, 30, 23, 12, 5,    # FMCG Products
  8, 23, 16, 7, 2,      # Travel Agency
  9, 32, 21, 10, 4,   # Home Appliances
  4, 11, 12, 5, 0,      # Medical Shop
```

```
  4, 24, 12,7, 1,     # Textiles
  6, 55, 30,15, 2     # Others
), nrow = 6, byrow = TRUE)
# Naming rows and columns
rownames(gst_business_data) <- c("FMCG Products", "Travel Agency", "Home Appliances", "Medical Shop", "Textiles", "Others")
colnames(gst_business_data) <- c("Strongly Agree", "Agree", "Neutral", "Disagree", "Strongly Disagree")
# Display the data table
print("GST Impact Data by Nature of Business:")
print(gst_business_data)
# Perform Chi-Square Test for Independence
chisq_test_business_result <- chisq.test(gst_business_data)
print("Chi-Square Test Result:")
print(chisq_test_business_result)
# Extracting Chi-Square statistic and p-value
chisq_statistic <- chisq_test_business_result$statistic
p_value <- chisq_test_business_result$p.value #
Printing the results
print(paste("Chi-Square Statistic:", chisq_statistic))
print(paste("p-value:", p_value))
```

Result

Chi-Square Statistic: 13.375, **Degrees of Freedom (df)**: 20, **p-value**: 0.8607

No Significant Relationship: There is no significant relationship between the nature of business and the impact of GST, as indicated by the high p-value. This means that the type of business does not significantly influence how businesses perceive or are impacted by GST.

3. Relationship between age and opinions about GST among retailers:

In recent years, the implementation of the Goods and Services Tax (GST) in India has transformed the indirect tax landscape, impacting various sectors and demographics. Understanding how different age groups perceive GST is essential for assessing its effectiveness and identifying potential areas for improvement. This study aims to explore the relationship between age and opinions regarding GST among retailers in Valanchery Municipality. By conducting an analysis of variance (ANOVA), we investigate whether there are statistically significant differences in opinions about GST across different age groups. The results of this analysis will contribute to a deeper understanding of how age influences perceptions of GST, informing policymakers and stakeholders in their efforts to enhance compliance and improve tax administration.

Source	**Sum of Squares**	**Mean Square**	**F**
Between Groups	2.439	0.813	3.391
Within Groups	23.018	0.240	
Total	25.457		

1. **Between Groups**: The Sum of Squares for Between Groups is 2.439, with a Mean Square of 0.813. This indicates the variation in opinions about GST attributed to differences between age groups.
2. **Within Groups**: The Sum of Squares for Within Groups is 23.018, with a Mean Square of 0.240. This reflects the variation in opinions within each age group.
3. **F-statistic**: The F-value of 3.391 is calculated as the ratio of the Mean Square Between Groups to the Mean Square Within Groups. A higher F-value typically suggests a greater degree of variance between the groups compared to within them.

4. **P-value**: The interpretation of the P-value is crucial for hypothesis testing. In this case, while the P-value is not explicitly stated in the table, the remarks indicate that the null hypothesis is accepted at a 5% level of significance. This suggests that the F-value did not reach the critical threshold for significance, leading to the conclusion that there is no significant difference in opinions about GST across different age groups.

Given that the null hypothesis (H_0) is accepted, it can be concluded that there is no significant relationship between age and opinions about GST among retailers in Valanchery Municipality. This finding suggests that age may not be a determining factor in shaping opinions about GST, indicating a need for further research to explore other demographic or contextual factors that could influence perceptions of the tax system. Understanding the opinions of retailers on GST is essential for improving tax policy and compliance efforts, and these results provide a foundation for further investigation into how different groups respond to tax reforms.

However, the overall findings from the research provide valuable insights into the awareness and perceptions of GST among retailers:

1. **Awareness of GST**: Retailers exhibit high awareness of GST tax rates, but there is a notable gap in their knowledge regarding GST credits. This indicates a need for more targeted educational initiatives to enhance understanding of GST benefits.
2. **Information Sources**: The primary sources of GST-related information for retailers are online resources and interpersonal networks. This reliance highlights the importance of effective communication strategies from authorities to ensure accurate dissemination of information.
3. **Educational Status**: The analysis confirms a significant relationship between educational status and GST awareness, suggesting that higher education levels correlate with a greater understanding of GST principles.
4. **Composition Scheme Registration**: A substantial 65% of respondents are registered under the composition scheme, indicating a preference for simplified compliance measures among retailers.
5. **Perceptions of GST**: Interestingly, 53% of respondents believe that GST is an improvement over the previous Value Added Tax (VAT) system, and many express a general acceptance of the GST framework.
6. **Challenges Faced**: Despite the overall acceptance of GST, retailers face ongoing challenges related to GST procedures, paperwork, and filing returns, which can hinder compliance and create frustration.
7. **Impact on Prices**: The implementation of GST has led to increased product prices and costs, with many retailers agreeing on the necessity of removing the cascading effect of tax to benefit consumers.
8. **Government Benefits**: A significant portion of respondents believes that the central government benefits more from GST implementation than retailers, suggesting a need for greater transparency regarding the use of GST revenues.
9. **Overall Opinion**: Ultimately, the majority of respondents maintain a favorable opinion about GST, acknowledging both its positive impacts and the challenges it presents.

These findings not only shed light on the current state of GST awareness and perception among retailers but also emphasize the necessity for continued education and improvements in the GST framework. Understanding these dynamics can help policymakers design more effective strategies to enhance compliance and optimize the benefits of GST for all stakeholders involved.

1. **Enhance GST Awareness Programs**: Implement targeted awareness campaigns tailored specifically for retailers to deepen their understanding of GST concepts, including tax rates, credits, and filing processes. Utilize various channels, such as social media, webinars, and local events, to reach a wider audience.

2. **Simplify Registration and Filing Procedures**: Streamline the GST registration and filing processes to make them more user-friendly. This can include reducing paperwork, offering clearer instructions, and providing online tools that guide retailers through the registration and filing stages.
3. **Provide Comprehensive Training on GST Compliance**: Develop and offer training programs that focus on the practical aspects of GST filing and compliance. These programs should cover common challenges retailers face and include hands-on sessions to build confidence in using GST software and systems.
4. **Organize Workshops and Conferences**: Conduct regular workshops, seminars, and conferences aimed at educating retailers about GST updates, best practices, and compliance strategies. These events can also serve as platforms for networking and sharing experiences among retailers.
5. **Consider a Unified Tax Rate**: Explore the possibility of implementing a unified tax rate for all goods and services to simplify the overall GST framework. A standardized tax rate could reduce confusion and compliance burdens for retailers while promoting transparency and fairness in the tax system.
6. **Create a Support System for Retailers**: Establish a dedicated helpdesk or support system where retailers can easily access information, ask questions, and receive assistance with GST-related issues. This can be a valuable resource for addressing concerns and providing real-time support.

By implementing these suggestions, stakeholders can work towards creating a more supportive environment for retailers, ultimately enhancing compliance and maximizing the benefits of the GST system.

The study reveals that the Goods and Services Tax (GST) has both positive and negative impacts on retailers in Valanchery Municipality. While the reform has led to increased compliance and some economic benefits, retailers continue to struggle with GST procedures and documentation. The findings suggest that improved awareness and simplified procedures could mitigate these challenges. This study aligns with the Theory of Environmental Adaptation, indicating that retail stores adapt to regulatory changes like GST to enhance business performance and compliance. Overall, while GST has introduced efficiencies, it has also highlighted areas where further support and education are needed.

This research contributes to understanding the localized impact of GST, offering insights for both policymakers and retailers to navigate the complexities of the tax system effectively.

Scope for Future Research

Future research could explore several areas to build on the findings of this study:

1. **Longitudinal Studies**: Investigating the long-term effects of GST on retailers across different regions could provide deeper insights into the evolving impact of the tax reform.
2. **Challenges Faced by Different Retail Types**: Research could examine the specific challenges faced by various types of retail businesses, such as small versus large enterprises, and how they adapt to GST changes.
3. **Comparative Studies**: Conducting comparative studies between different municipalities or states could reveal region-specific issues and solutions regarding GST implementation.
4. **Effectiveness of Government Initiatives**: Focusing on the effectiveness of government initiatives and educational programs aimed at improving GST compliance could help refine strategies for supporting retailers in their adaptation to GST.

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