



# PROBLEMS AND PROSPECTS ON GOODS AND SERVICES TAX AMONG RETAILERS IN KOLLAM DISTRICT

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## ABSTRACT

The retail industry is rapidly expanding and has grown to become one of the worlds' largest. The expansion of India's retail industry set the stage for the GST era. GST went into force on July 1, 2017 to eliminate the cascading effect of taxes on goods and services. GST had an impact on the retail industry, both positively and negatively. GST alters the dynamics of India's retail industry in a variety of ways, including lower taxes, increased supply chain efficiency, the inevitable increase in the cost of some goods and services, and the usage of the IT ecosystem. The GDP rate in India increased from 0.9% to 1.7% following the implementation of GST. GST not only brings indirect tax reform, but it also plays an important role in trade growth. This study covers problems and prospects on GST mechanism among the retailers in Kollam district.

**Keywords:** Retail Sector, Goods and Service Tax, Problems.

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## INTRODUCTION

The Goods and Services Tax (GST) is the most ambitious and extraordinary indirect tax reform in India's post-independence history. The main aim of GST is to levy a single national uniform tax on all goods and services across

India. GST has replaced a variety of Central and State levies, transforming India into a more nationalised market and drew additional manufacturers into the tax net. Improving efficiency can have a significant impact on both GDP and government finances. GST is a tax on



goods and services that includes a full and ongoing chain of set-off benefits up to the retailer level. It is effectively a tax only on value addition at each level, and a supplier at each stage is allowed to set-off the GST paid on the purchase of goods and services through a tax credit mechanism. The burden of GST is ultimately paid by the end-user of the commodity or service. With the implementation of GST, a continuous chain of set-off has been formed from the original producer's point and service provider's point up to the retailer's level, removing the burden of any cascading or pyramiding impacts of an indirect tax system. This is the heart of GST. GST only applies to the end consumer. As a result, tax cascading (tax-on-tax) is avoided, and production costs are reduced.

#### Features of GST in India

1. Goods and Services Tax (GST) is an indirect national tax levied on the production, sale, and consumption of goods and services in India.
2. It is a single tax levied on the supply of products and services from the manufacturer to the customer.
3. There are three sorts of taxes that apply under this system: CGST, SGST, and IGST.
  - CGST: This is the federal government's tax on intra-state transactions.
  - SGST: The state government's tax on intra-state transactions
  - IGST: IGST is a federal government tax applied on interstate commerce.
  - UTGST: This is the federal government's tax on intra-union territory transactions for UTs that do not have governing bodies.
4. Goods and Services Tax (GST) has contributed to the expansion of India's tax base. Each tax law previously had a variable registration threshold limit based on turnover.
5. GST laws in India are far tougher than any of the country's prior indirect tax laws. Only invoices uploaded by their individual suppliers qualify for GST input tax credits.
6. The primary purpose of GST was to eliminate the tax cascading effect.

Previously, taxpayers were unable to offset one tax's tax credits against another due to conflicting indirect tax legislation.

7. A unified indirect tax system reduces the amount of documentation required for product offering. GST, among other things, reduces transportation cycle times, enhances supply chain and turnaround times, and fosters warehouse consolidation.
8. GST will result in improved tax compliance due to robust IT infrastructure. There is an inbuilt mechanism in the architecture of GST that would incentivise tax compliance by traders due to the seamless transfer of input tax credit from one stage to another in the chain of value creation.

#### REVIEW OF LITERATURE

**Lourdunathan F and Xavier P (2016)**, investigated manufacturers', merchants', and society's implicit opinions regarding obstacles and prospects of GST in India in the future. This study also discusses taxation at the federal and state levels. Various states are depicted in which GST is used to promote economic growth. Some major challenges along the path of GST include the demonetisation issue, the incorrect timing, political issues, the rate for manufacturers and traders, the impact on working and cash flow, and the implementation in unorganised sectors.

**MitraPriya (2017)**, stated GST as a game changer in the Indian economy. The paper demonstrated that GST lowered the complexity of numerous taxes and eliminated the cascade effect. Tax structure depicted on paper, with several tax rates incorporated. Tax incidence was felt in a variety of industries, including telecommunications, e-commerce, automobiles, real estate, banking, and consumer products. The impact on input tax credit indicated that cross credit utilisation in CGST and SGST will be available.

#### SCOPE OF THE STUDY

GST is a comprehensive indirect tax levied at the national level on the manufacture, sale, and consumption of goods and services. GST is an indirect tax that applies to the entire country of India in order to create a single



common market. The study also highlights about the real challenges faced by them and to know whether GST is likely to boost up India's economic progress or not.

**OBJECTIVES OF THE STUDY**

- To study the problems faced by the retailers due to GST execution.
- To study the impact of GST on retailers in Kollam district.

- To provide feasible solutions based on findings.

**RESEARCH METHODOLOGY**

Data was collected through primary and secondary sources. Primary data is collected by issuing questionnaire. Secondary data is collected from journals, website etc. Ordinal and Likert scale, percentage analysis, weighted ranking analysis is done to analyze data. The sample unit for this study is comprised to retailers in Kollam district. The sample size for this study is 80.

**ANALYSIS AND INTERPRETATION**

**Table 1**  
**Socio Economic Profile of Respondents**

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Category	Subgroups	Count	%
Gender	Male	75	93.75
	Female	5	6.25
Age	Upto 30	55	68.75
	31-40	20	25
	Above 40	5	6.25
Type of Business	Stationery Shop	42	52.5
	Food and Grocery	12	15
	Pharmaceuticals	6	7.5
	Others	20	25
Period of running business	< 5 year	27	33.75
	6 - 10 year	13	16.25
	>10 year	40	50
Locality of Business	Rural Area	40	50
	Urban Area	40	50

Table 1 represents socio economic profile of respondents selected from the study region. Majority of the respondents are male (93.75) compared to female retailers. 68.75 percent of respondents are having age upto 30

years. 52.5 percent of respondents are having stationery shops. 33.75 percent of retailers running their business from 5 years. 50 percent of respondents each are having their business in rural and urban area.

**TABLE 2**



### PROBLEMS AND PROSPECTS OF GST EXECUTION AMONG RETAILERS

Problems	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Lack of GST awarness	35	17	25	3	-
Increased cost due to purchase of software	50	24	6	-	-
Lack of skilled resource	22	32	10	8	8
Lack of support from government authorities	34	41		5	
Multiple rate structure	25	14	8	9	24
High rate of tax	67	10	10		
Creates confusion	48	18	5	13	
Compliance related issues	15	10	30	15	10

From the above table it is clear that 35 respondents strongly agree they are facing the problem of lack of awareness regarding GST and its provisions. 24 respondents agree that GST results in increased cost due to the purchase of software. 32 respondents agree that they are facing the problem of lack of skilled employees in their business. 41 respondents agree they are not having any support from government authorities as a result of new taxation in

India. 25 respondents strongly agree that GST results in multiple rate of tax structure in India. With regards to GST, majority of the respondents strongly agree that they are suffering from high rate of tax on products and services. It is clearly found that 48 percent of respondents have confusion regarding the GST and its provisions. Respondents have neutral opinion regarding the statement of “GST resulted in compliance related issues”.

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**TABLE 3**  
**IMPACT OF GST ON RETAILERS**

Impact	Weighted score	Rank
Reduce multiple taxes	218	V
Increase in cost of product	248	III
Free flow of goods across nation	274	I
Reduction in transaction cost	273	II
Need for additional manpower	245	IV
GST lessen the retailers' tax burden	214	VI

Table 3 reveals impact of GST on retailers in Kollam district. It is found that the major impact on retailers with regards to execution of GST is free flow of goods across nation which is given as first rank. The sixth rank is given for the statement “GST results in lessen the burden of tax on retailers”.

#### FINDINGS

- Majority of the respondents are male (93.75) compared to female retailers.

- 68.75 percent of respondents are having age upto 30 years.
- 52.5 percent of respondents are having stationery shops.
- 33.75 percent of retailers running their business from 5 years.
- 50 percent of respondents each are having their business in rural and urban area.
- 35 respondents strongly agree they are facing the problem of lack of awareness regarding GST and its provisions. 24



respondents agree that GST results in increased cost due to the purchase of software. 32 respondents agree that they are facing the problem of lack of skilled employees in their business. 41 respondents agree they are not having any support from government authorities as a result of new taxation in India. 25 respondents strongly agree that GST results in multiple rate of tax structure in India. With regards to GST, majority of the respondents strongly agree that they are suffering from high rate of tax on products and services. It is clearly found that 48 percent of respondents have confusion regarding the GST and its provisions. Respondents have neutral opinion regarding the statement of "GST resulted in compliance related issues".

- It is found that the major impact on retailers with regards to execution of GST is free flow of goods across nation which is given as first rank.

#### SUGGESTIONS

- Government should simplify and rationalize ITC provisions.
- More awareness of GST should be given by the Government.
- Make clear cut idea about GST rates, laws and provisions, registration, exempted items etc.
- Training should be provided to retailers regarding accounts, audit and other GST provisions.

#### CONCLUSION

As a result, while GST has aided in the achievement of substantial improvements and the aims of a unified indirect tax regime, the journey towards a "good and simple tax" will only continue in the face of 5 years of GST and increased audits/investigations. There is a need to strike a balance between revenue augmentation measures and taxpayer convenience. A shift in thinking, along with a rigorous look at reforms, will go a long way toward giving India's economy a boost as we move forward. The retail sector has a major effect since it creates a large number of job opportunities. The strong growth of the retail sector accelerated the GST era and increased India's GDP rate. Its successful implementation will result in resource and income gains.

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