

## **Impact of GST in Retail Sector for NCR Region**

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### **Abstract:**

In this paper we have concluded introductory part, research methodology, scope of study, parameter tools, Data Analysis, and period of study regarding Impact of GST in Retail Sector for NCR Region. The imminent implementation of Goods & Services Tax (GST) is expected to result in greater transparency, an improved flow of credit, and reduced trade barriers from a tax perspective. The timely release and revision of the draft GST model law, GST rules, and documentation templates reflect the government's commitment and keenness to implement the GST law in NCR Region in 2017. It is also widely agreed that GST will usher in a series of changes to how businesses will operate and the Retail Sector will be no exception. This thought piece highlights some of the key areas impacted and a number of changes that the sector will need to imbibe over the coming months to ensure that GST is effectively implemented. Impact of GST on retail sector is going to be positive as it will take down total indirect taxes, increase supply chain efficiently and facilitate unified input tax credit. After implementation of GST, state boundaries will be applicable from taxation and documentation point of view. Waning state boundaries will decrease the complexity for retailers and increase the circulation reach as well as efficiency. The goods and services tax (GST) is one of the main tax reorganization that the country is about to witness. Currently, goods are accountable to various taxes/duties such as countervailing duty (CVD), basic customs duty (BCD), central excise duty on manufacture, special additional duty (SAD) on import, value-added tax on intra-state sale, central sales tax on inter-state sale, entry tax on entry of goods into local area, etc. and services are accountable to service tax. All the above taxes and duties except BCD would be subsumed under GST. Good and Services Tax (GST) is a comprehensive tax lived on manufacture, sale and consumption of goods and services at national level. Good and Services Tax (GST) is set to roll out in NCR Region with effect from April 1<sup>st</sup>, 2017. NCR Region retail sector is one of the fastest growing industries in the world. GST will benefit 3 sectors the mostly: Retail and consumer companies, FMCG (Fast-moving consumer goods (FMCG) or consumer packaged goods (CPG)) and logistics business. In the retail sector, its

implementation will mean a seamless integration of goods and services transaction across the states. It will give benefit to the value chain of different stages. GST would have significant impact on the way businesses operate and one of the sectors which would be significantly impacted by GST is the retail sector.

**Keywords:** GST, Retail Sector, NCR Region.

### **Introduction:**

This paper we have describe the introductory part regarding Impact of GST in Retail Sector for NCR Region. The NCR Region retail sector has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. Total consumption expenditure is expected to reach nearly INR 3,600 billion by 2020 from INR 1,824 billion in 2017. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. NCR Region is the world's fifth-largest global destination in the retail space. NCR Region's population is taking to online retail in a big way. Online retail sale is forecasted to grow at the rate of 31 per cent to reach INR 32.70 billion in 2018. Revenue generated from online retail is projected to grow to INR 60 billion by 2020. Organized retail penetration is expected to increase to 18 per cent in 2021 from an estimated nine per cent in 2017. NCR Region is expected to become the world's third-largest consumer economy, reaching INR 400 billion in consumption by 2025. Increasing participation from foreign and private players has given a boost to NCR Region retail sector. NCR Region's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Wal-Mart, GAP, Tesco and JC Penney are increasing their sourcing from NCR Region and are moving from third-party buying offices to establishing their own wholly owned/wholly-managed sourcing and buying offices. NCR Region's retail sector investments doubled to reach Rs 1,300 crore (INR 180.18 million) in 2018. The Government of NCR Region has introduced reforms to attract Foreign Direct Investment (FDI) in retail sector. The government has approved 51 per cent FDI in multi-brand retail and 100 per cent in single brand retail under the automatic route which is expected to give a boost to ease of doing business and Make in NCR Region, and plans to allow 100 per cent FDI in e-commerce. NCR Region will become a favourable market for fashion retailers on the back of a large young adult consumer base, increasing disposable incomes and relaxed FDI norms.

## **Retail Market in NCR Region**

After Liberalization, Privatization and Globalization era, retailing in NCR Region is getting more attraction like never before. In service sector, especially retailing sector growth is very rapid and moving steep upward trend. Retail sector contributes more than 50% of GDP and its annual growth is estimated 8.9% in current years. It is one of the fastest developing sector and it is gained fifth place in the top five retail market in the world by economic value. As the NCR Region council for research and international Economic relations (ICRIER) retail sector is expected to contribute 22 percent of the NCR Region's GDP. In NCR Region, Retailing is predominantly unorganized. The growths of organized retailing in NCR Region especially in metros are very high and attractive in nature. Retailing in NCR Region is gradually inching its way toward becoming the next boom sector. The NCR Region population is witnessing a significant change in its demographics a large young working population, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in NCR Region. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sqft in size. In NCR Region the emergence of a few medium sized NCR Region Retail chains, namely Pantaloon Retail, RPG Retail, Shoppers Stop, Westside (Tata Group) and Lifestyle International. Given the attractiveness of the NCR Region retail sector, foreign retailers like Wal-Mart, Carrefour SA, Europe's largest retailer and Tesco Plc, the UK's largest retailer, were keen to enter this growing market, In the last few years, NCR Regions have gone through a dramatic transformation in lifestyle by moving from traditional spending on food, groceries and clothing to lifestyle categories that deliver better quality and taste. Consumer behavioral changes make "Yesterday's luxuries are today's necessities". NCR Region is emerging as an attractive market for consumer durables. But the vibrant environmental factors and fierce competition is making it imperative to understand the dynamics of consumer durable market. Market survival depends on consumer satisfaction. Consumer satisfaction depends on their perception and brand preference of brand.

## **RESEARCH METHODOLOGY:**

### **Scope of the Study**

This study is undertaken to analyze "Impact of GST in Retail Sector for NCR Region as a player of retail store ". The study will provide details about the Impact of GST on the retail Sector profitability and financial performance. It is hoped that the result of this study

will propose policy measures for the betterment of the retail sector to achieve the good and strengthened economy

## **Data Collections**

### **Primary data**

The data originally collected by an investigator or an agency for the first time for any statistical investigation and used by them in the statistical analysis, these primary data will be collected from various sources being books, daily published by the organization, and even small note sheet from the official survey reports.

### **Secondary Data**

The data published or un-published which are already been collected and processed by some agency and take over from there and used by any other agency for their statistical are termed as secondary data . This data was obtained from the survey reports, magazines, some of the records.

### **Study Analysis**

Being comparative study, data collected from secondary sources has been transformed into tabular form to facilitate comparative analysis by taking data of 5 years Impact of GST in Retail Sector for NCR Region on Financial performance of the retail store in NCR Region..

### **Study period**

In the financial year 2018-19 to 2019-2020 it comprises of three (3) years.

### **Tools for analysis**

The following tools were applied for analysis

1. Ratio Analysis
2. Comparative analysis

## ANALYSIS AND INTERPRETATION

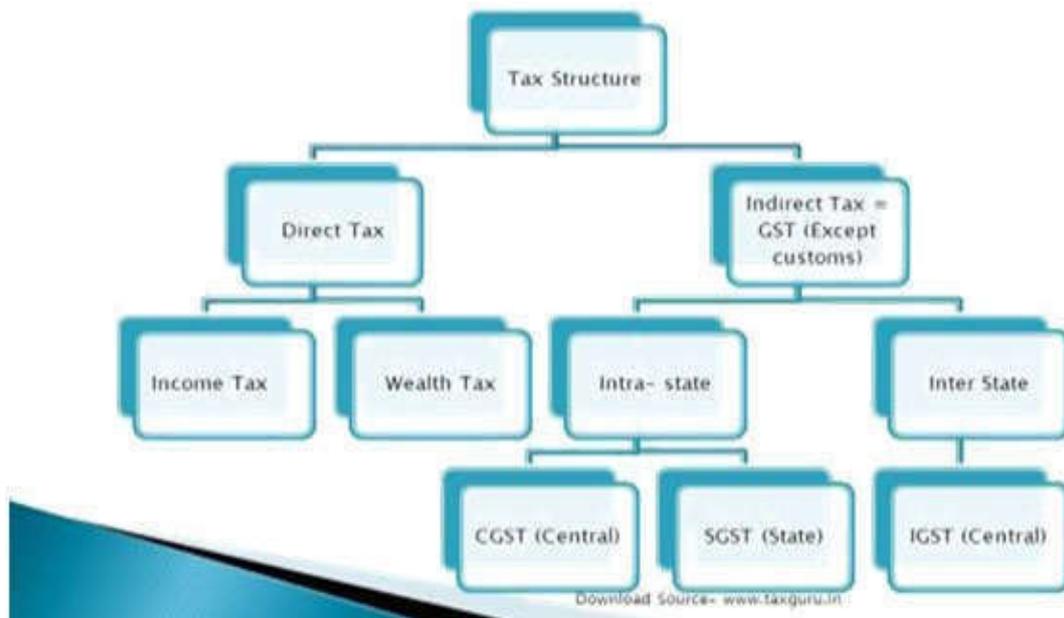
**Table 1.1 Showing the Investors Valuation Ratio**

Particulars	March 2020	March 2019	March 2018	March 2017	March 2016
Face Value	12	12	12	12	10
Operating Profit Per Share (Rs.)	28.56	25.43	17.44	15.69	9.07
Net Operating Profit Per Share (Rs.)	319.13	240.49	190.38	152.71	114.57

**Source: Secondary Data**

The impact of GST on retail sector is going to be optimistic from both operations and taxation point of view. Retail businesses will grow more, thus contributing to overall growth of Indian economy. GST will remove total indirect taxes, increase supply chain efficiency and facilitate input tax credit.

**Fig 1.1 Proposed Tax structure in NCR Region**



### Review of Literature:

In this paper we have considered more than three review articles regarding Impact of GST in Retail Sector for NCR Region.

Abhinav Jain, Co-founder & director, Beacon (22 June, 2020) lectures that though GST

is saving cost at the back end but causing a major pain in the Retail Segment. Rental cost which incurs a service tax of 15%, unlike other industries Retailer can't give up these cost but has to view it as additional expense.

Krish Iyer, Wal-Mart India President & CEO June 1, 2017, viewed GST as a new way of doing business. He further added that GST will create one unified national market and hence make supply chain and Indian retail sector more efficient. With GST the bottlenecks around the country are checked payments and therefore the amount of time that the trucks have to wait and hence their lack of easy movement of goods from one state to the other.

A Vinod Kaushik Retail sector in India 26 Sep 2016, observed that the Indian retail sector is one of the fastest growing industries in the world. Retail sector in India is expected to grow to INR 1.3 trillion by 2020, registering a compound annual growth rate of 16.7% over 2015-2020. India is among the highest in the world in terms of per capita retail store availability. India's retail sector is experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities. The government of India has introduced reforms to attract Foreign Direct Investment in retail sector. The government has approved 51% Foreign Direct Investment in multi-brand retail and increased FDI limit to 100% (from 51%) in single brand retail.

### **Objectives of the study**

In this paper we have considered parameters tools, Data Analysis and Collection Method with the help of Research Approaches and Objectives are as follows:

- To understand the impact of GST on Retail Sector in NCR Region.
- To Analyze pre and post GST Tax Structure in NCR Region.
- To comparison of pre and post GST Tax Structure in NCR Region.

### **Overall Impact of GST in general on Retail Sector**

Retail is one of the major industries in India and also one of the largest in the world. The Indian retail sector is expected to reach 1.3 trillion by 2020 the annual growth rate of 16.7%. GST is applicable to almost every retail supply, affecting the cost for the consumers. Find out the details about the impact of GST on Retailers.

- **Reduce Multiple Taxes**

GST effectively replaces all the multiple indirect taxes being applied to the supply of retail products. Before GST, retailers had to pay multiple taxes, including VAT, CST, service tax, excise duty, etc, amounting to around 30% of the product cost. After GST, there is only a single tax, varying from 12 to 28% on different products. GST also reduces the cascading of taxes as the credit for input taxes can be now claimed by retailers.

- **Input Tax Credit**

Unlike the previous tax regime, GST has the provision of input tax credit, in which a retailer can claim credits for the tax previously paid by him on the purchase of inputs. This not only saves tax but also it reduces the cascading effect of taxes.

- **Reduced Complications**

The smaller number of taxes means less complexity. Also, GST is a completely digital tax system, that means retailers can plan and file the returns online without having to manage a lot of physical documents, accounts, etc.

- **New Promotional Strategies**

The new GST tax regimes has forced retailers to re plan and implement a completely new promotional strategy in sharp contrast to the erstwhile strategy of promotional gifts and items. This is primarily because under GST all supply channels are accountable and accordingly attract some tax.

## **A Comparison between pre and post GST Tax Structure**

An Illustration with an example of supply chain, consisting Manufacturer Wholesaler, Retailer and Customer, showing the impact with and without GST-

Assume, Manufacturer, started production of one Product, he had all the necessary things to manufacture the Product. Now, Manufacturer should have certain people known as wholesalers and further wholesalers will have retailers, so that item reaches to the Customer.

**Table 1.2: Pre and Post GST Tax Structure**

<b>Pre GST-Tax Structure</b>				
<b>Particulars</b>	<b>Manufacturer</b>	<b>Wholesaler</b>	<b>Retailer</b>	<b>Customer</b>
Cost of Production	1000	1724	2164	
Value added	500	200	300	
Total	1500	1924	2464	
Add: excise duty@ 12.5%	190	-	-	
Total	1690	1924	2464	
CST @ 2%	34	-	--	
Total	1724	1924	2464	
VAT @ 12.5%	-	240	308	
VAT set off	-	-	-240	
Total	1724	2164	2532	2532

**Table 1.3: Post GST Tax Structure**

<b>Particulars</b>	<b>Manufacturer</b>	<b>Wholesaler</b>	<b>Retailer</b>	<b>Customer</b>
Cost of Production	1000	1800	2100	
Value Added	500	200	300	
Total	1500	2000	2400	
GST @ 20%	300	400	480	
GST Set off	0	-300	-400	
Total	1800	2100	2480	2480

### **Advantages of GST**

1. GST will reduce numbers of indirect taxes. With GST the customer will be able to find out exactly how much tax is being paid on a product or service.

2. Under GST the obligation of tax will be divided equally between the manufacturers and services providers.
3. In GST system prices of some manufactured goods and services will go down which in turn will bring down the inflation and benefit the middle class.
4. Business will become easier as all the other indirect taxes like Octroi, central sales tax, entry tax, state sales tax, license fees, turnover tax will clubbed in single GST tax.
5. In GST there will be no hidden taxes and costs involve in doing Business. Hence, GST will bring transparency in all taxes.
6. It will promote exports of the country that will not only boost economic growth but also generate employment.
7. It is predicted that GST will also indirectly increase the country's GDP. With advantages, GST also has some disadvantages, as follows:

### **Disadvantages of GST**

1. It may disappoint people who want to purchase new homes as GST can add up to 7 percent to the cost of new homes. This may thus impact negatively on real estate sector as the demand of consumers may decrease.
2. There is no direct monetary tax benefit by GST. GST is nothing new, Just a new name for various old taxes collected as one.
3. Since the mechanism is still complicated, it cannot completely eliminate black money and tax evasion.
4. Introduction of GST would also make Indian products competitive in the domestic and international markets.
5. Last but not the least, this tax, because of its transparent character would be easier to administer. However, once implemented, the system holds great promise in terms of sustaining growth for the Indian economy

### **Results & Findings:**

1. In pre-GST to manufacture a product levying excise duty @ 12.5%, CST @ 2%, cost Rs. 1724 and when transferred to wholesaler adding VAT @ 12.5%. it costs Rs.2164 and finally when it is transferred from Retailer to customer levying again 12.5% of VAT at

Retailer and the selling price becomes Rs.2532..

2. In post GST, to manufacture the same product excluding excise duty and CST and levying GST

- 20%, its cost Rs.1800 and when transferred to wholesaler a value of Rs.200 is added and GST
- 20% is levied and GST levied at wholesaler is set off, costs Rs.2100. the same procedure is followed at Retailer point and product final selling price comes to Rs.2480.

3. Here it is evident that the cascading effect of Pre GST is completely eradicated in the post GST and the cost of the product has been reduced by Rs. (2532-2480) Rs. 52. Reduction in cost will result in reduction in selling price, decreasing in selling price will increase the purchasing power in the hands of customers. This is how the retail sector will see a boost in sales.

### **Conclusion:**

For a common man GST stands for Goods and Services Tax and is proposed to be a comprehensive indirect tax levied on manufacturing, sale and consumption of goods as well as services at the national level. It will replace all other indirect taxes levied on goods and services by the Indian Central and State governments. The existing taxes on most of the consumer goods is on the higher side. Most of the goods (for e.g. electronics, beauty products, and non-luxury automobiles) attract an excise duty of 12.5% and a state levy of VAT at 12.5% to 15%. Additionally, in the current scenario, there is numerous cascading effect i.e. tax on tax on the account of CST, VAT, Octroi, entry tax, local body tax, etc till the product reaches the ultimate end-customer. A combined effect of such indirect taxes leads to an effective tax rate of 25% to 30% and the burden is solely on the end customer. With the unified rate of GST, the prices of the most goods would reduce significantly in the overall indirect tax cost. This decrease in indirect tax can lead to decrease in manufacturing cost and increase in baseline profits, giving ample space for reducing prices and benefiting end-users. Goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. It is expected that the malicious activity of tax theft will go away under Goods and Service Tax regime in order to benefit both governments as well as the consumer. In reality, that extra revenue that the government is expecting to generate won't come from the consumers' pocket but from the reduction of tax theft. The impact of

GST on retail sector is going to be optimistic from both operations and taxation point of view. Retail businesses will grow more, thus contributing to overall growth of Indian economy. GST will remove total indirect taxes, increase supply chain efficiency and facilitate input tax credit. The end price for consumers will also reduce due to GST. Except some clauses, GST will promote retail sector in a huge way. It can be understood that by the passage of the Goods and Services Tax as a uniform tax rate. It will be considered as a very positive development in Retail Sector.

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