



## Impact of GST on wholesale market: A study on selected wholesalers at Bengaluru

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### Abstract

Tax is a right of any Government to levy on the citizens of its nation. Every citizen has a responsibility to pay tax mandatory without expecting return. Tax is the primary Source of Revenue that is capitalized in Development of economy. The Tax is levied on any individuals, capital gain, properties or any income earned by the Citizen. The taxes are levied for various Purposes. The one main Purpose is that very prime source of revenue to the government that is used for the Purpose to meet all the expenditure of the government which is used mainly for rendering the basic facilities to the citizens of the nation, to providing fund for various projects and schemes such as Education Benefit project, Health Benefit projects, Infrastructure Development projects in the Country. This study is mainly focused on Wholesale market; selected 100 wholesalers are selected for the study based on Stratified Random and Convenient Sampling, Wholesale business respondents like Fast Moving Consumer Goods Outlet, Agro-chemical Product outlet, Electrical Appliances Outlet and Construction Related Outlet are considered for the study. It is found that impact of GST system has a positive impact on the wholesale market as it reduced double taxation, cascading effect, litigation activity has reduced.

**Keywords:** GST, Wholesale market, FMCG

### Introduction

Each Country has Different Practice of levy and Collection of Taxes it is based on Change in Public needs and government functions. In all the Countries When it comes to levy of tax, they have two alternatives such as by slab Percentage or by the flat percentage. Flat percentage means the individual has to pay certain percentage of tax irrespective of Income and Slab percentage means different percentage of tax on Different Category of Income.

### Concept of GST

The Indirect tax regime of the GST was an economic player, it helps to develop the best route to uphold the economy, it collects taxes on all major taxable events such as sale, barter, transfer, gift. Hence, it is the prime requirement of understanding the concert of GST being part of Indirect Taxes.

The concept of GST came into existence on 1<sup>st</sup> July 2017 as a new tax system which is based on consumption of goods and services by this it helps to reduce imbalance regionally the revenue flows the consuming state. Hence GST is value added tax, the value is added to each stage of supply chain. Hence GST renders the taxpayer's tax credit on continues tax, GST is a comprehensive tax where from the point of Produce or Service render or point up to Wholesaler level or consumer level, the value is added at every stage and gets a credit on the chain.

As a Supplier is permitted to avail tax credit at every stage paid on purchase of goods and service can set off against the

supply of goods and services, thus, the final consumer does not get the set off as he is the consumer finally as the only value added in each stage. Hence, there is double tax or any cascading effect of taxes under the GST system.

An example is provided for the individual to understand the cascading effect removed and value addition can be made by GST compare to the old tax

Imagine a Manufacturer of Salver, He Buys a raw material like cloth tread tailoring equipment's worth Rs. 2000, a tax at 10% is paid on amounting Rs. 200. The total cost of material including tax is 2200. With these Raw materials, he manufactures a salver; the manufacturer adds value to the material for converting the raw material into finished goods. Let us take this value added by him to be Rs.700 (i.e., labour cost Rs. 200, Expenses Rs. 300 and Profit margin Rs.200). The gross value of goods would, then be Rs 2200+ 700 or 2900. At a tax rate of 10 %, the tax on Salver will be then 3190. Tax payable by the consumer is Rs. 290 which includes Rs. 20 which is levied on tax amount of Rs.200 included in material cost resulting in double taxation. This is cascading taxation. In GST Rs. 200 taxes paid on the material is not included and it is kept under the Input Tax Credit account. Hence the tax payable by the consumer is Rs. 270 only as against 290 in the existing system. Under GST, he can Set-off this tax (Rs.200) against the tax he has already paid on raw material (Rs.200). Therefore, the effective GST incidence on the manufacturer is only Rs.70). This Is depicted below the table.

**Table Showing the example of cascading effect and value Addition**

| Particulars              | Old VAT System | Under GST | ITC Under GST |
|--------------------------|----------------|-----------|---------------|
| Purchase of Raw Material | 2,000          | 2,000     |               |
| Add: Tax at 10%          | 200            | -         | 200           |
| Sub Total                | 2,200          | 2,000     |               |
| Add: Value Addition      |                |           |               |
| Labour Cost              | 200            | 200       |               |
| Expenses                 | 300            | 300       |               |

|  |       |         |                   |
|--|-------|---------|-------------------|
| Profit Margin                                    | 200   | 200     |                   |
| Sub Total – Selling Price                        | 2,900 | 2,700   |                   |
| Tax on Output at 10%                             | 290   | 270     |                   |
| Price of the Goods                               | 3,190 | 2,970   |                   |
| Tax Paid by the Consumer                         | 290   | 270     |                   |
| Tax revenue to the Government                    | 290   | 70      | (Rs. 270-Rs. 200) |
| Reduction in Selling Price (Rs. 3,190- Rs.2,970) |       | Rs. 220 |                   |

Goods and Service Tax (GST) is expected to provide the much-needed stimulant for economic growth in India by Transforming of the indirect taxation towards free flow

of goods and services within the economy and also eliminating cascading effect of Double taxation.

**List of returns to be furnished Wholesalers**

**Table 1.6:** Showing returns to be furnish by Wholesaler

| GSTR Form | Description   | Who files         | Frequency | Date of filing                                   |
|-----------|---|-------------------|-----------|--|
| GSTR-1    | Statement of Outward supplies of Goods and Services | Registered Person | Monthly   | 10th of the next month                           |
| GSTR-2    | Statement of Inward supplies of Goods and Services  | Registered Person | Monthly   | 15 <sup>th</sup> of next month                   |
| GSTR-3    | Returns for a normal Taxpayer                       | Registered Person | Monthly   | 20 <sup>th</sup> of the next month               |
| GSTR-9    | Annual Return                                       | Registered Person | Annually  | 31 <sup>st</sup> December of Next Financial year |

**Different kind of Wholesalers Considered in this Study**

**a. Fast Moving Consumer Goods**

FMCG stands for Fast-Moving Consumer Goods which are also known as consumer packed goods (CPD) These goods refer to the products that are sold quickly and generally non-durable. The success of FMCG products depends on brand equity, marketing, distribution network and understanding of consumer behaviour.

**b. Agro-chemical Product**

Agro-chemicals are commercially produced, usually synthetic, chemical compounds used in farming. They are used as fertiliser, pesticide or soil conditioner.

**c. Electrical Appliances**

An appliance is an item of equipment that uses current, and is not an electric light unit or an independent motor an appliance is a piece of equipment which uses electricity to make it possible to use the power of its own battery

**d. Construction Related Activity**

The Activity carried for Construction and also which helps the Construction Activities like wood work, cement and other activity.

**Literature Survey**

Basavanagouda and Panduranga (2021) Conducted a research titled “A Study on Impact of GST on Cement Industry in India” The study has focus on cement Industry and on the basis of secondary data, this study analyzed that the Growth in Cement Production, Consumption, sales and Exports are not satisfied after the Implementation of GST in India.

Chhajer et.al. (2020) studied a Research article titled “Scenario of FMCG sector in India after implementation of GST”. This study focusses on attitude of customer Towards Implementing GST by taking FMCG products and to know advantage and disadvantages of effect of GST which will Benefited for both Policy Formulation and Common man. the study deals with relationship between the GST and few FMCG Sector Keeping few MNC s in view. They Found that Cost of certain items are increased and GST is failed in

cutting down the general expenses of certain unpacked items, also concluded like it may help in future years in FMCG sector.

Sharma (2020) Conducted a research titled “Pre and post implementation impact of GST on the Shopkeeper” the study conducted through primary and secondary data, the study focusses on Household products and its effect before and after Implementation of GST. The study also found that GST has failed in Implementing and there is no much Efficiency in GST.

Bairagi (2020) Published article on “GST and implication to industry, retail investors in India “the Study focus on Industry and individual retail investors in stock market of India. the study found this will boost the overall growth of the country. they also conclude that it will benefit towards individual investors in promotional benefit in terms of corporate earnings and more for ease of doing business. it helps for decision making for retail investors.

Goutam et.al. (2019) Conducted a Research on “Evaluating the impact of GST on the Growth of manufacturers, Distributers, Retailers, freelancers, Startups, Elcetera Differently in the IT-sector – An empirical Research” This Study mainly Concentrated on Spotlight the impact of GST on IT sector in India and how it affects the Indian economy. they also found that although with many difficulties in filling the GST, Some positive benefited for IT sector.

Garg (2019) Published an article on “impact of GST on Various sector of Indian economy “this study focusses on concept of GST, Features and brief impact of several sector of Indian economy. they Found that GST has a mixed impact on economy, some sectors have positive impact and few with negative impact mainly agriculture and Textile industry and they also found it will positively affect to the tax payers as well as government in terms of revenue Maheshwari et.al., (2019) Published an Article on “A study on the impact of GST on wholesale shop keepers with special reference to new Tarangupet Merchant Association” this study focusses on highlight the concept of GST and impact on Wholesale shopkeeper mainly concentrating on Tarangupet merchant Association. they also found that positive responds from the merchant association and they also conclude that there is no changes in customers.

Varma (2019) Conducted a research on “Impact of GST on supply chain management” in this study they focused on some of key impact that the rollout of GST has on supply chain and optimization across various industries. They suggest that restructure the supply chain that should takes place.

**Statement of Problem**

The GST has enforced a new system with respect to different aspects such as documentation, Filling and invoicing, this leads to changes in work environment to meet the quality standard. In view of above research gap this study helps to know the awareness and level of agreement about GST System to Wholesalers also focused on identifying the impact of GST on the performance of wholesalers and Difficulties faced by wholesalers as well as to know the satisfaction level of GST implementation according to the wholesalers and to provide feasible solution based on the Study.

**Objectives of The Study**

- To Access the Awareness Level of Wholesalers towards GST.
- To Analyze the Impact of GST on Satisfaction Level of Wholesalers.
- To Identify the Difficulties faced by wholesalers due to GST.
- To Offer Valuable Suggestions based on finding of the study conducted.

**Scope of The Study**

The study has been conducted with the wholesalers who deal with the product within Bengaluru. the Primary data is collected from the wholesalers in Bengaluru, the study is beneficial to describe the provisions of the GST, the study is to know the awareness and agreement level of GST on

wholesalers, mainly the performance and level of satisfaction of the wholesaler and also focuses on the difficulties on GST towards Wholesalers and to offer Suggestions.

**Sources of Data Collection**

The Research is based on both Primary Data and Secondary Data

**a. Primary Data**

Primary Data is collected from the Wholesalers of Bengaluru North, Bengaluru South, Bengaluru East and Bengaluru West Region.

**b. Secondary Data**

Secondary Data is collected from Various Websites, GST website, Book.

**Research Plan**

**Population**

Population means the whole universe of the study in which the researcher does his study or research. the population for research Considered as Wholesalers of Bengaluru who are related to Fast moving consumer goods outlet, Electrical appliances outlet, Agro-chemical product Outlet and Construction related Outlet.

**Sample Design**

The Sample unit for the study is Wholesalers in the Bengaluru. The study is based on the sample size of 100 respondents comprising of Wholesalers. The sampling method is Stratified Random and Convenient Sampling.

The complete study of all items in the population is known as census inquiry. A sample is a group of few items, which respondents the population is or universe from where it is taken.

**Demographic Variables**

| Variable                                    | Types                             | Number of Respondents | Percentage |
|---|-----------------------------------|-----------------------|------------|
| Gender                                      | Male                              | 61                    | 61         |
|   | Female                            | 39                    | 39         |
| Qualification                               | SSLC                              | 17                    | 17         |
|   | PUC                               | 28                    | 28         |
|   | Degree                            | 42                    | 42         |
|   | Post Graduation                   | 17                    | 17         |
| Location of the Business Respondents        | Bangalore North                   | 28                    | 28         |
|   | Bangalore South                   | 24                    | 24         |
|   | Bangalore East                    | 26                    | 26         |
|   | Bangalore West                    | 22                    | 22         |
| Type of Retail Establishment of Respondents | Individual                        | 39                    | 39         |
|   | HUF                               | 17                    | 17         |
|   | Partnership                       | 40                    | 40         |
|   | Company                           | 4                     | 4          |
| Type of Wholesale Business of Respondents   | Fast Moving Consumer Goods Outlet | 24                    | 24         |
|   | Agro-chemical Product outlet      | 30                    | 30         |
|   | Electrical Appliances Outlet      | 23                    | 23         |
|   | Construction Related Outlet       | 23                    | 23         |
| Turnover of Business of Respondents         | Up-to 50 lakhs                    | 22                    | 22         |
|   | 51 -75 lakhs                      | 32                    | 32         |
|   | 76-100 lakhs                      | 35                    | 35         |
|   | Above 100 lakhs                   | 11                    | 11         |

**Awareness level and benefits of GST for Wholesalers**

| Variable   | Strongly Agree % | Agree % | Neutral % | Disagree % | Strongly Disagree % |
|--|------------------|---------|-----------|------------|---------------------|
| I Know about Input Tax Credit  | 25               | 14      | 29        | 15         | 17                  |
| Wholesale Business is Increasing Because of GST                                | 29               | 52      | 15        | 2          | 2                   |
| GST Is Beneficial to Wholesalers   | 28               | 53      | 13        | 3          | 3                   |
| Wholesalers aware about the Background of GST                                  | 19               | 26      | 16        | 17         | 22                  |
| GST had made ease to conduct Business  | 31               | 45      | 22        | 1          | 1                   |
| GST has eliminated the Cascading effect  | 45               | 47      | 7         | 1          | 0                   |
| GST reduced tax burden comparing to VAT  | 31               | 45      | 22        | 1          | 1                   |
| Litigation activity has reduced after implementation of GST in taxation system | 34               | 58      | 7         | 1          | 0                   |
| GST legal compliances are decreasing comparing to VAT                          | 46               | 45      | 8         | 1          | 0                   |

**Challenges and Difficulties of implementation of GST for Wholesalers**

| Variable  | Strongly Agree % | Agree % | Neutral % | Disagree % | Strongly Disagree % |
|---|------------------|---------|-----------|------------|---------------------|
| Implementing GST in business is challenging           | 8                | 9       | 24        | 20         | 39                  |
| Preparation of GST Invoice is Difficult               | 2                | 11      | 17        | 32         | 38                  |
| Availability of IT Infrastructure is problematic      | 0                | 0       | 25        | 18         | 57                  |
| Limited validity period of E-way bill                 | 6                | 6       | 10        | 25         | 53                  |
| Lack of Appropriate Knowledge                         | 18               | 25      | 19        | 20         | 18                  |
| Tracking of bill for modification                     | 3                | 7       | 6         | 39         | 45                  |
| Technical System issue of GSTN Portal was problematic | 0                | 6       | 14        | 32         | 48                  |

**Discussion**

**Awareness level and benefits of GST for Wholesalers**

- Indirect tax system in India Before Implementation of GST was very complicates and there were different types of taxes, after implementation of GST single tax system has been adopted in country. However, there are only very few goods and services are not included and remaining all included in single tax system.
- The majority of respondents of wholesale business in partnership that is 40%, Next individual conducting a business is 39% of wholesalers, 17% of respondents conducting business from Hindu Undivided family and 4% of respondents are conducting business in company.
- The Turnover is very important for business that 35% of respondents has 76 to 100 lakhs, 32% of respondents has 51 to 75 lakhs, 22% of respondents has Up to 50 lakhs and 11% of respondents has above 100 lakhs.
- The majority of Wholesalers are convenient in filing the GST from the Auditor that is 41% and 39% with the help of Auditor, this is because its easiest way to outsource as they are more aware and understand the procedure in better way than that of the Wholesalers and only 20% of the Wholesalers are filing GST on their own.
- The majority of 29% of wholesalers are not sure about the knowledge of Input Tax Credit, 25% of the wholesalers are strongly agree that they know about ITC, 17% of respondents are strongly disagree that means they don't have any knowledge regarding ITC, again 15% of respondents disagree, 14% of respondents are agree that they have a better Knowledge regarding ITC.
- The majority of 52% of Wholesalers are agree that Because of GST the Wholesale Business is increasing and again 29% of Wholesalers Strongly Agree with the statement, the next 15% of Wholesalers are neutral that means they are not clear about It 2% of wholesalers are strongly disagree and again 2% of respondents are disagree.
- the most of the respondents that are 53% of the respondents agree that GST is beneficial, next 28% of wholesalers are also agree with that, whereas 13% are in the neutral state and 3% of the respondents disagree and

again 3% of respondents strongly disagree that GST as beneficial system.

- The majority 27% of respondents are strongly agree with that, they know the basic guidelines of GST system, next 25% of respondents disagree with this, some 20% of wholesalers agree that they know basic guidelines about the GST system, 14% of respondents are not clear about it that is neutral and again 14% of respondents are strongly disagree.
- The most 45% of wholesalers agree that GST made simplify to conduct the business and again 31% of respondent agree to the same, next 22% of wholesalers are in dilemma between ease or difficult, the 1% of respondent are strongly disagree with this and again 1% of wholesalers disagree for this.
- The majority of 47% of wholesalers agree, and 45% of the respondents agree that it's true, whereas 7% of the wholesalers are in Dilemma whether The GST has eliminated the cascading effect or not. But, 1% of the respondents disagree to this question and finally no one respondents strongly disagree the elimination of the cascading effect. This is because some of the respondents are not aware the provisions.
- The majority 46 percent of respondents strongly agree that GST has reduced the double taxation and again 44 percent respondents agreed this, only 9 percent respondents are in dilemma that double taxation may or may not reduce, and there are no respondents disagree and strongly disagree towards the statement.
- The 45 percent of respondents agree that the GST reduced tax burden comparing to VAT, 31 respondents strongly agree that for this statement, 22 percent of respondents are in dilemma about GST may or may not reduce tax burden comparing to VAT, only 1 percent of respondent disagree and again 1 percent of respondent strongly disagree with that this may be because that they may not aware of provision.
- The most 58 percent of respondents agree with that Litigation activity has reduced after GST implementation in tax system, most of 34 percent respondents strongly agree with this, next 7 percent respondents are in confusion, 1 percent respondent disagree and no respondent strongly disagree.

- The most of 46% respondents strongly agree with that is GST legal compliances are decreasing comparing to VAT. Next 45% respondents agree with the same, 8% respondents are in confusion may or may not that be neutral, 1% respondents disagree and again no respondents strongly disagree.

### Challenges and Difficulties of implementation of GST for Wholesalers

- The most of 39% of respondents strongly disagree with this, again 24% of respondents disagree for the statement, next 20% of respondents are in dilemma that difficulty or not, 9% respondents agree and 8% respondents strongly agree for this question pose on them.
- the 38% of respondents strongly disagree and again 32% of respondents are agree for the same that preparation of GST Invoice is difficult, next 17% of respondents are in state where there is difficult or easy, then 11% of respondents agree for the statement and 2% of respondents strongly disagree for the question asked to them.
- The most of 57% of respondents feels it, again 18% of respondents say not problematic for this, and respondents are that they may face little problem that neutral 25% respondents are in confusion and no respondents agree for highly problematic and no respondents says problematic IT transparency.
- The 53% respondents feel that not at all problematic, again 25% respondents say not problematic, next 10% respondents feel it may or may not be problematic that is neutral, 6% respondents feel problematic and again 6% respondents reacted as highly problematic for limited validity of e-way bill.
- Lack of appropriate knowledge is problematic that is 25% of respondents feel that, again 20% of respondents react that it's not problematic, where 19% of respondents has confusion about knowledge, next 18% of respondents say highly problematic and same 18% of respondents feels not at all problematic.
- Tracking bill for modification is not at all problematic where 45% of respondents feels it, 39% of respondents feels it's not problematic, next 7% respondents feel that its problematic, 6% of respondents are in confusion that may or may not that be neutral and 3% respondents feels it is highly problematic.
- The Technical system issue of GSTN was problematic 48% of respondents Strongly disagree with it, whereas 32% respondents also disagree for the statement, 14% respondents feel it may or may not be issue that is neutral, 6% of respondents agree with the statement and no respondents strongly agree for it.
- The wholesale business will increase in GST system that is 52%, then 32% of respondents feel no changes in business and 16% of respondents feel Decrease in wholesale business.

### Conculsion

The impact of GST system has a positive impact on the wholesale market as it reduced double taxation, cascading effect, litigation activity has reduced. The GST facilitates the seamless input tax credit and ease of compliance and demand of products are increased, sales revenue is increasing and meet the performance level, where it

increased competition is increased, profitability of business also increased whereas cost of product got slightly reduced, evasion activity became less.

The Satisfaction level, satisfaction level and other antecedent were considered as variables for the purpose of measuring the impact of the GST. The Satisfaction level evidently prove that majority of the respondents are satisfied by the implementation the GST and including the other antecedent gives us the clear picture on the overall impact of the GST. The study is evident that the impact of the GST has positive relation with the wholesale sector and it has substantial impact on activities.

Growth of Wholesale Market GST will unify the markets as there won't be state boundaries to hinder their business. GST will hyponym their inter and intra state transaction. Wholesalers can expand their business beyond the state with ease to due to one-time venture registration of their business. This will also contribute towards the growth of the wholesale market and helps to boost the economy of the country. Overall impact of GST on wholesale sector is going to be positive from both taxation and operations point of view. Wholesale businesses will furnish more, thus contributing to overall growth of the Indian economy. GST will benefit to wholesalers in a huge way, also helps to select appropriate place of supply for making a tax payment. On careful evaluation of GST model, it should be noted that place of supply for wholesalers will be the location of the goods at the time of supply to the retailers. Even though GST helped wholesale sector, there are many problems in the existing GST system the Wholesalers need more prominent awareness When it comes to implementing GST in business, preparation of invoices, limited validity of e-way bill, tracking and modifying, some of respondents are facing problem in computing of turnover, GSTN portal issues and mismatches. The government has to come up with new innovative ideas to overcome the challenges faced by the wholesalers in order to smooth functioning of wholesale business.

On the whole nation following one tax one nation concept by aim of implementation of GST has impacted to contribution to the wholesalers as well as economy of the country. In overall, this study we conclude that GST plays a dynamic role on the growth and economic development of the wholesale market that in terms of contribution to the nation.

### Suggestions

- The Wholesalers have Slight knowledge about the GST system, but the lack prominence about rules. The rule should be making in simplest form
- There is still a requirement for the conducting more awareness programs using skill development programs in virtual mode in smart phones this will be easily accessible for the wholesalers so that they will aware about the applicability of GST.
- The government has to give more clarity for computing aggregate turnover for GST.
- The slab rates of taxation say that the tax should fallow the system of economical that is the government is requested to reduce the tax rates for certain products so that it reduces the burden.
- After implementation of GST system, there were many changes takes place through notifications, the notification should make availability for the

wholesalers in SMS way to registered phone number so that they get to aware about the changes made.

- The GST has increased the requirements and necessities to be complied with the system. The wholesalers are not able to handle the requirements Hence, the auditor should make them understand the requirements.
- The Cost of the Product has not decreased so they can look into product the tax which was before so that they can get to know about it.

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