Impact of GST on Retail Sector In Metro Cities Of India: A Study

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Abstract

The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant reform in the country's taxation system. GST replaced multiple indirect taxes such as Value Added Tax (VAT), Central Excise Duty, and Service Tax, aiming to create a unified and transparent tax structure. This comprehensive tax reform was implemented with the goal of simplifying the tax regime, reducing tax evasion, and improving compliance. Metro cities such as Delhi, Mumbai, Bengaluru, Chennai, and Kolkata have a dense concentration of retail businesses, ranging from small traders to large multinational retail chains. The implementation of GST in these cities has altered the taxation landscape by introducing a multi-tier tax structure and an input tax credit mechanism. While the uniform tax system aimed at streamlining business operations, its impact has been multifaceted. Some retailers benefited from the reduced tax burden, while others struggled with increased compliance costs and technological adaptation. The shift to digital invoicing, online tax filing, and frequent policy changes posed challenges, especially for small and medium-sized retailers .

Key Words

Retailers, digital invoicing, tax burden, uniform tax system, small traders, multitier tax system, tax evasion, transparent , tax regime, concentration.

Objective of the study

1. To evaluate the financial position of retailers during the pre GST and post GST period.
2. To evaluate the impacts of GST on sales volume of retailers.
3. To Examine the impact of GST on retailers profit margin.

Introduction

With the introduction of the Goods and Services Tax on July 1, 2017, India's tax structure saw a significant transformation with the aim of combining the complex web of indirect taxes into a single, effective system.

This adjustment was expected to improve transparency, reduce the tax cascade effect, and streamline business dealings across a range of sectors, including retail. Because it creates a lot of employment and stimulates consumer spending, especially in India's big cities, the retail sector is vital to the economy.

However, the implementation of GST brought both opportunities and challenges to retailers, affecting pricing strategies, supply chain efficiency, consumer behaviour, and compliance requirements.

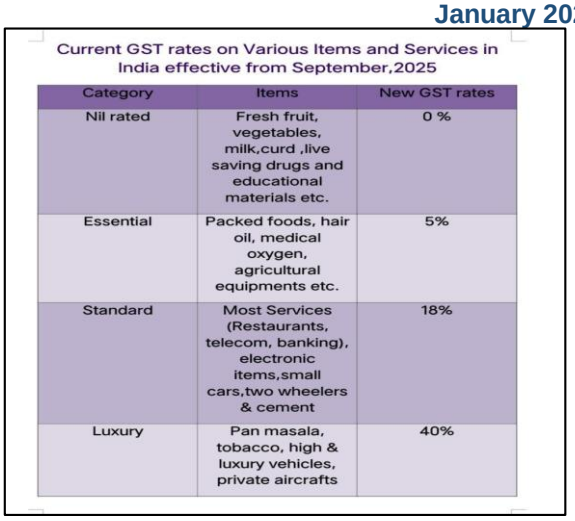
GST Rates on Various Items

a) Everyday consumer items like hair oil, soap, shampoo, and kitchenware now attract 5% GST.

b) Several packaged food items (namkeen, sauces, pasta, cornflakes, butter, ghee) are now taxed at a lower rate.

c) Large TV, AC, dishwashers (consumer durables) have moved from 28% GST to 18%, which lowers their tax burden.

d) Cloths and footwear between ₹1,000–2,500 are now taxed at 5%, which is a meaningful cut for mass-market fashion.



Current GST rates on Various Items and Services in India effective from September,2025

Category	Items	New GST rates
Nil rated	Fresh fruit, vegetables, milk,curd ,live saving drugs and educational materials etc.	0 %
Essential	Packed foods, hair oil, medical oxygen, agricultural equipments etc.	5%
Standard	Most Services (Restaurants, telecom, banking), electronic items,small cars,two wheelers & cement	18%
Luxury	Pan masala, tobacco, high & luxury vehicles, private aircrafts	40%

Figure-1 GST rates on various items and services in India effective from September ,2025

Other specific rates effective from September,2025

Items	New GST Rates
Precious metals and jewellery	3%
Unworked diamonds/stones	0.25%
Bricks/Fly -ash products	6%
Electric Vehicles	5%

Figure-2 Other specific rates effective from September ,2025

Problem Statement

The Goods and Services Tax was introduced in India with the goal of improving company efficiency, especially in the retail industry, and streamlining the taxation structure. The precise effect of GST on retail establishments in major cities is still up for dispute, notwithstanding its possible advantages. Urban retailers have encountered several obstacles in adjusting to the new tax system, such as supply chain management modifications, pricing strategy alterations, and compliance-related concerns. Furthermore, it is unclear how the GST would affect consumer buying patterns and market dynamics in the long run.

Need of the study

In India, the retail industry is a major driver of consumer spending, employment, and economic development, particularly in metro areas. With the implementation of GST, companies have been pushed to adapt their operations, pricing strategies, and supply chain dynamics to comply with the new tax system. Although the GST was expected to improve transparency and streamline tax procedures, its precise effects on the retail industry are yet unknown, especially when considering metropolitan areas. Understanding the consequences of GST on retail enterprises is crucial for policymakers, industry stakeholders, and retailers themselves to recognize the problems and optimize solutions for development and sustainability.

Scope of the study

The purpose of this research is to investigate how the Goods and Services Tax has affected the retail industry in India's major cities, with an emphasis on the main obstacles and possibilities that retailers have encountered since the introduction of the GST. This study's scope encompasses an examination of several facets, including modifications in pricing tactics, supply chain management, regulatory issues, and changes in customer behaviour in the retail sector. Because metro areas like Delhi, Mumbai, Bengaluru, and Kolkata are home to a wide variety of retail establishments and have seen differing degrees of GST effect, the study will concentrate on these firms.

Literature Review

Garg G. (2014) examined "Fundamental Ideas and Characteristics of India's Good and Service Tax." With the use of a qualitative research technique, the research study seeks to assess how the GST will be implemented in the Indian indirect taxation system and preserve the link between the fundamental framework and the design of the IGST, SGST, and CGST in India. The author of this research study clarified how the Goods and Services Tax (GST) affect India, and a subject matter expert predicted that the GST will increase India's income and strengthen its economy. This research is only based upon theoretical understanding.

Shaari N. et al. (2015) investigated "Student's Awareness and Knowledge on the Implementation of Goods/services Tax (GST) in Malaysia." This study article's primary goal is to gauge students' awareness of the GST implementation in Malaysia and their degree of expertise on GST-related topics. The qualitative research technique served as the foundation for this investigation. The majority of respondents were aware of the installation of the GST, according to the study article's authors. The majority of respondents were unsure about how GST will improve efficiency, revenue, and transparency. Additionally, writers were informed that in order to raise public awareness and understanding of the GST tax system, the government should host talks, seminars, and awareness camps. The scope of this study piece was constrained; the author only examined respondents with degrees from UiTM Johor.

Debnath P. (2016) examined "India's GST Implementation and Its Control Over Tax Collection." The purpose of this study paper is to specify the tax collecting levy on road map connectivity and the tax sharing arrangement between the Indian federal government and its state governments. Researchers also discuss the opportunities and difficulties associated with GST in India in this paper. The Conceptual Research method serves as the foundation for this investigation. The industrial and service sectors bore an equal share of the GST tax burden, according to the author. All current national and state indirect taxes will be replaced by the GST. An expert analysis claims that the uniform tax rate characteristic of GST would assist raise revenue and strengthen India's economy. The scope of this research is limited to defining the potential impact of GST adoption on India's competitiveness in global markets.

Ling S. C. et al. (2016) "Goods/services Tax (GST) Compliance among Malaysian Consumers: The Influence of Price, Government Subsidies, and Income Inequality," is the title of his research paper. The study came to the conclusion that social norms, moral principles, faith in the political and legal systems, and general knowledge and awareness of the tax system all influence the degree to which the general public would comply with and accept any new tax system.

Karthick R. et al. (2017) They found that the businessman benefits from GST in their study paper, "A Study On Consumer Perception towards GST in Kancheepuram district." He said that the GST rate structure is quite complicated for the average individual and that the GST tax rate is excessively expensive for everyday purchases. He has accurate knowledge about how GST is charged to customers.

Chouhan V. et al (2017) analysed "Measuring Awareness about Implementation of GST: A Survey of Rajasthani Small Company Owners." Using a quantitative research methodology, the primary goal of this study is to assess small company owners' knowledge of the GST implementation in Rajasthan. The study's findings indicated that consumers were unwilling to pay GST and that small company owners in Rajasthan were more concerned about computer software and training availability. The author only learned about the knowledge of small company owners in Rajasthan due to the narrow scope of this research.

Research Graph

There are still a lot of unanswered questions about how the Goods and Services Tax (GST) affects India's retail industry, especially when it comes to urban areas. There is a knowledge gap on how GST impacts major merchants operating in metropolitan areas since previous research often focuses on smaller towns or certain sectors. Furthermore, there is a dearth of thorough research on the long-term impacts of GST on profitability, pricing strategies, and competitive dynamics in metro areas, despite several studies addressing retailer views and compliance issues. Additionally, not enough research has been done on how digital tools and technology adoption might help urban shops comply with GST.

Research Question

- How has the implementation of GST affected the profit margins of retailers in metro cities of India?
- What challenges do retailers in metro cities face in complying with GST regulations?
- How has GST influenced pricing strategies and consumer demand in the retail sector of metro cities?

Methodology

1) Research Design

The study follows a descriptive research design to analyse the impact of Goods and Services Tax on the retail sector in metro cities of India. The research aims to understand the effects of GST on business operations, pricing, compliance, and profitability in the retail industry.

2) Approach

A mixed-method approach is adopted, combining both quantitative and qualitative methodologies to obtain comprehensive insights.

Data Collection Method

a) Primary Data

Structured questionnaires targeting retail business owners, managers, and financial analysts. In-depth interviews with industry experts and policymakers. Case studies of select retail businesses pre- and post-GST implementation.

b) Secondary Data

Government reports, GST council updates, and taxation policies. Industry reports from FICCI, ASSOCHAM, and retail associations. Research papers and articles from journals, newspapers, and websites.

Sampling Methodology

- **Target Population**: Retail business owners, financial managers, and tax consultants in metro cities.
- **Sampling Technique**: Stratified random sampling to include small, medium, and large retailers.
- **Sample Size**: Approximately 300 respondents across different retail formats.

Data Analysis Technique

Quantitative Analysis:
Statistical tools such as SPSS and Excel for data processing.

Descriptive statistics:
Inferential analysis using Chi-square tests, correlation, and regression analysis to determine the relationship between GST and business performance.

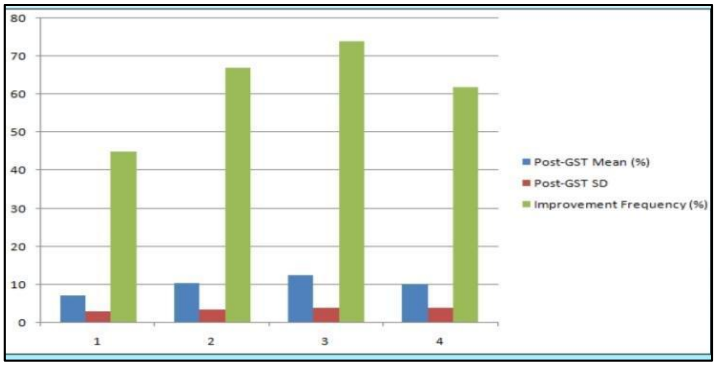
Result & Discussion

Evaluation of Retailers' Financial Position: Pre-GST and Post-GST Analysis
India's indirect taxation system saw a dramatic change with the introduction of the Goods and Services Tax, which had a broad impact on the financial standing of shops in major cities. 300 respondents, representing small, medium, and big merchants, participated in the research to assess how their financial performance differed before and after the GST. Structured questionnaires were used to gather data, with an emphasis on important financial metrics such working capital management, operational expenses, sales, and profit margins**.**

Table 1: Pre-GST Mean (%) deviations, and frequency of changes reported by the 300 respondents pre- and post-GST

Retailer Type	Pre-GST Mean (%)	Pre-GST SD	Post-GST Mean (%)	Post-GST SD	Improvement Frequency (%)
Small Retailers	6.21	2.87	7.15	3.05	45
Medium Retailers	8.65	3.12	10.32	3.46	67
Large Retailers	10.84	3.45	12.47	3.89	74
Overall Average	8.52	3.41	10.13	3.85	62

Graph 1: Pre-GST Mean (%) deviations, and frequency of changes reported by the 300 respondents pre- and post-GST



The results show that while retailers' general financial situation improved after the GST, the extent of the improvement differed depending on the size and structure of the company.
Due to delays in claiming input tax credits and the need for an initial compliance cost, small shops often experienced cash problems, underscoring the unequal distribution of GST advantages (Kumar & Prasad, 2019).
However, in order to increase profitability, medium and big merchants used digital accounting, automated invoicing, and effective supply chain management.
This suggests that resource availability and technology preparedness were important factors in determining financial success under the GST system.

Effect of GST On Cash Flow Of Retail Business

The operational and financial frameworks of retail firms in India have undergone a fundamental change since the Goods and Services Tax was introduced. The purpose of this survey, which included 300 participants from rural towns, semi-urban regions, and metro areas, is to examine how the GST has affected the cash flow of retail establishments. For retailers, cash flow is crucial since it dictates their capacity to pay for operating costs, make inventory investments, and maintain growth. 300 retail shop owners and managers were given a structured questionnaire as part of the research, which collected quantitative and qualitative information on cash inflows, outflows .

Table 2 : Descriptive Statistics of Retailers' Cash Flow Pre- and Post-GST (n=300)

Cash Flow Component	Pre-GST Mean	Pre-GST SD	Post-GST Mean	Post-GST SD
Cash Inflow	1,25,000	15,600	1,18,500	18,200
Cash Outflow	95,000	12,400	1,03,000	14,800

A statistically significant correlation between GST adoption and cash flow stability is further supported by the findings of the Chi-square test ($\chi^2 = 21.46$, $df = 2$, $p < 0.05$). Retailers said that while additional tax payments and procedural complications caused by GST compliance initially interrupted cash flow, firms who successfully claim input tax credits and use contemporary accounting techniques have a favourable long-term impact. The results show that reducing cash flow risks in the post-GST era requires training, technology adoption, and improved financial management. The survey, which included 300 respondents, shows that the impact of GST on the cash flow of Indian retail enterprises has been uneven.

Consumer Behaviour and Sales Patterns Post-GST

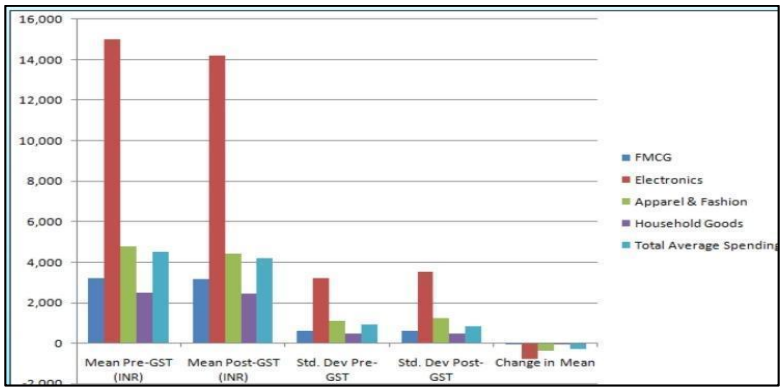
The introduction of the Goods and Services Tax in India has significantly altered consumer behaviour and sales patterns across the retail sector, as evidenced by a study conducted on 300 respondents representing diverse urban retail settings. The primary objective of this study was to examine how the implementation of GST influenced consumer purchasing decisions, frequency of purchases, and overall sales trends, as well as to identify correlations between demographic variables and changes in sales patterns.

Data were collected through structured questionnaires and analysed using SPSS and Microsoft Excel, applying descriptive statistics, including mean and standard deviation, and inferential statistics through Chi-square tests.

Table 3 : Mean and Standard Deviation of Consumer Spending Pre- and Post-GST

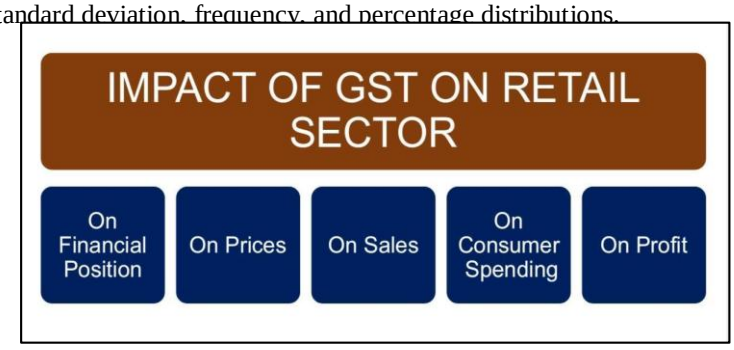
Product Category	Mean Pre-GST (INR)	Mean Post-GST (INR)	Std. Dev Pre-GST	Std. Dev Post-GST	Change in Mean
FMCG	3,200	3,150	600	620	-50
Electronics	15,000	14,200	3,200	3,500	-800
Apparel &Fashion	4,800	4,400	1,100	1,250	-400
Household Goods	2,500	2,450	450	480	-50
Total Average Spending	4,500	4,200	920	850	-300

Graph 2 : Mean and Standard Deviation of Consumer Spending Pre- and Post-GST



Statistical Analysis and Interpretation of Results

The statistical analysis of the study examining the impact of GST on retailers' profit margins was conducted using data collected from 300 respondents across various metro cities in India, encompassing small, medium, and large-scale retail businesses. The primary objective was to assess how the introduction of GST influenced profitability, pricing strategies, and operational costs. Data collected through structured questionnaires were analysed using SPSS and Microsoft Excel, which allowed for efficient computation of descriptive statistics such as mean, standard deviation, frequency, and percentage distributions.



Impact of GST on financial position of retailers

Retailers in Indian metro cities have mixed financial impact from GST .
Due to recent cuts in rates have increase sales for certain products on the other side smaller businesses still face challenges and working capital issues.

1) Positive impacts of GST on retailer financial positions-

There are some positive effect of GST on financial position of retailers -
a) Increase demand - Recent rationalization of GST rates, particularly before the festival season of 2025, led to significant price reductions on items like electrical appliances, mid-range fashion, footwear, and household goods. This has spurred consumer spending and boosted sales for retailers.

b)Simplified tax structure- GST replaced a complex system of multiple central and state-level taxes, reducing the overall tax burden and compliance effort for many businesses. This has improved efficiency and transparency.

c)Simplify input tax credit (ITC)- Retailers can now claim a unified credit for taxes paid on inputs, which helps to reduce their overall tax liability and improves cash flow.

d) Improve supply chain system- With the removal of inter-state tax barriers, retailers can consolidate warehouses and streamline logistics, reducing operating costs and delivery times.

2) Negative impact of GST on retailer financial positions-
There are some negative effect of GST on financial position of retailers -

a) Uneven demand recovery- While recent GST cuts have increase demand for some products on the other side footwear and Quick Service Restaurants (QSR) have experienced a more uneven recovery.

b) High compliance costs for small businesses- For many smaller retailers, particularly those in the unorganized sector, the technology and expertise required to comply with online GST filing procedural operational costs.

c) Cash flow issues from delayed ITC(Input Tax Credit) - Small companies with limited working capital can face liquidity problems when there are delays in getting their Input Tax Credit refunds.

Impact of GST on prices in retail sector

Price impacts of the 2025 GST rate reforms in metro cities:
a) Reduction in prices
Daily consumable goods, household appliances, and small cars became cheaper. Some examples include:
5% GST slab- Packaged food, toiletries (e.g., hair oil, shampoo, toothpaste), small appliances, and clothes under ₹2,500 saw price reductions.
18% GST slab- Large electronics like TVs, refrigerators, and washing machines, along with small cars and two-wheelers, moved to a lower tax slab.

b) Increased prices
Luxury items made costly and prices of these items increase by imposed high GST rates. This included a new 40% GST slab for items like high-end cars and tobacco products.

Impact of GST on Retail Prices after New GST rates effective from September 2025

Category	Previous GSt	New GST	Impact on Prices
Daily Essentials/FMCG	0 to 18 %	0 to 5 %	Decrease
Apparel & Footwear	12 to 15 %	5%	Decrease
Electronic Appliances	28%	18%	Decrease
Automobile (Small Cars)	28 %	18%	Decrease
Health Care	12%	0 to 5%	Decrease
Educational Stationery	Varied	0 %	Decrease
Luxury Goods	Varied	40%	Increase

Figure-3 Impact of GST on Retail prices after new GST rates effective from September ,2025

Impact of GST on sales of Retail Sector

Goods and Services Tax (GST) has a positive impact on retail sales in metro cities by simplifying the tax structure, enhancing supply chain efficiency, and often lowering prices for many consumer goods, increase spending power, though some retailers experienced

initial challenges with compliance. Recent reforms (GST 2.0) have further lowered tax rates on several items, which has increase sales in metro cities by boosting affordability and consumer spending.

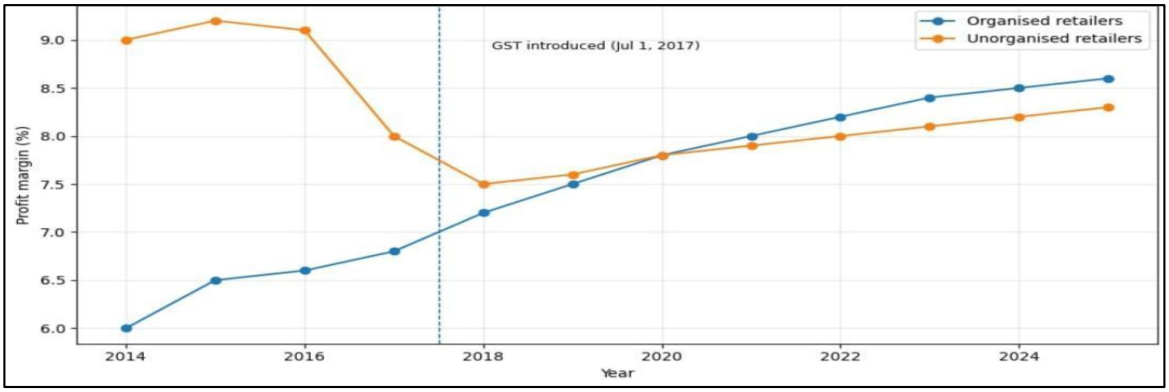
Increase in Sales of Retailers in Metro Cities Of India after GST Period

Cities	States	% increase in Sales
Mumbai	Maharashtra	9 to 12%
Delhi NCR	NCT/ Adjacent states	8 to 11%
Bengaluru	Karnataka	10 to 13 %
Chennai	Tamilnadu	5 to 8 %
Kolkata	West Bengal	4 to 7 %
Hyderabad	Telangana	8 to 11 %

Figure-4 Increase in sales of retailers in metro cites of India after GST period

Graph 3 : Profit Margin of Organised and Unorganised retailers in India before and after GST Period with the help of Illustrative Line Graph

Organised retailers profit margins tending to improve over time while unorganised retailers often faced an initial margin down from increased compliance and loss of price advantage, then a gradual recovery. The plotted numbers are hypothetical intended to visualize the qualitative effects.



Conclusion

A thorough grasp of the potential and difficulties brought about by the implementation of this historic indirect tax reform may be gained from the research looking at how the Goods and Services Tax (GST) has affected the retail industry in India's major cities. The results show that GST has affected retail enterprises in a variety of ways, including pricing strategies, operational efficiency, compliance expenses, and total profit margins.

The study's main benefits include the indirect tax structure's simplification and unification, which substituted a single, efficient tax system for several state and federal levies (Kumar & Prasad, 2019). Overall, the GST has paved the way for a more organized and competitive retail sector by encouraging formalization, enhancing operational efficiency, and improving compliance.

To maximize advantages for the whole retail ecosystem, policymakers are urged to enact policies that promote smaller shops and make sure that sector-specific factors are incorporated into GST laws. The study's conclusions show that, despite the initial transitional difficulties, the GST will have a generally positive long-term effect on the profitability, transparency, and sustainability of the retail industry in metropolitan areas as long as companies and regulators make strategic adjustments to the changing tax landscape (Kumar & Prasad, 2019; Rao, 2020.

Summary

India's retail industry has seen significant change since the Goods and Services Tax (GST) was implemented, particularly in metro areas with strong consumer demand, a wide range of product options, and intricate supply chains.

Pricing, supply chain effectiveness, tax compliance, customer behaviour, and overall business success were the main topics of a research that examined how the GST affected the retail industry in major cities.

In order to learn more about the perceived benefits and difficulties of GST, the study used a structured questionnaire that was given to 300 respondents, including managers, owners, and customers of retail businesses. However, smaller merchants with fewer financial and technological capabilities found it difficult to comply, which resulted in lower profit margins and higher indirect expenses. Furthermore, the study discovered that sectoral differences were significant. While luxury goods retailers experienced more noticeable effects because of higher GST rates and lower sales volume, fast-moving consumer goods (FMCG) retailers experienced a moderate impact because of their high sales turnover, which offsets tax-related expenses (Verma, 2020). The study's overall findings indicate that although the GST offers a unified tax system that encourages transparency and may increase profitability through structured input credits, the transition period and related compliance issues have .

Recommendation

The report on how the Goods and Services Tax (GST) has affected the retail industry in India's major cities offers a number of practical suggestions that might assist stakeholders, retail companies, and legislators in maximizing the advantages of the GST while reducing its drawbacks.

First off, one of the study's most recurring conclusions is that the intricate processes of filing returns, keeping digital records, and comprehending input tax credit methods place a heavy compliance burden on smaller and medium-sized firms. In order to promote GST literacy and compliance efficiency, it is advised that the government expand awareness campaigns and offer focused training sessions .

Limitation of the Study

Despite offering insightful information, the current study on the effects of GST on the retail industry in India's major cities has certain drawbacks that might limit the findings' depth and generalizability. First off, the study mostly used survey data from 300 respondents, which may not adequately represent the varied experiences of retailers in various states and retail formats, including small-scale and unorganized retailers who might encounter particular difficulties under GST, even though it is sufficient for preliminary analysis (Kumar & Prasad, 2019).

Future Scope of the study

Given how the GST's implementation is still changing and affecting company dynamics, there is a wide range of potential future research topics on how the GST affects the retail industry in India's major cities. To give a more thorough knowledge of sectoral adaptation, future study may examine long-term implications on pricing strategies, operational efficiency, and profitability across various retail segments, including organized and unorganized merchants (Kumar & Prasad, 2019).

Furthermore, research might look at how digitization and technology adoption can make GST compliance easier, especially for small and medium-sized businesses, and how it affects inventory management and supply chain efficiency (Rao, 2020).

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