



# GST Impact on Small Retail Businesses

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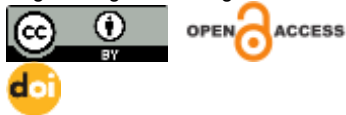
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## ABSTRACT

The introduction of the Goods and Services Tax (GST) marked a historic shift in the indirect taxation system of India. Implemented on 1 July 2017, GST replaced a complex web of indirect taxes levied by both central and state governments, including Value Added Tax, excise duty, service tax, octroi, and entry tax. The primary objective of GST was to simplify taxation, eliminate the cascading effect of taxes, promote transparency, and create a unified national market.

Small retail businesses play a vital role in the Indian economy by ensuring last-mile distribution of goods, generating employment, and supporting local economies.

However, these businesses often operate with limited financial resources, informal accounting practices, and minimal exposure to digital systems. The implementation of GST brought significant changes in the way these businesses function, particularly in areas such as tax registration, invoice generation, record maintenance, and periodic return filing.

This study aims to analyse the impact of GST on small retail businesses by examining both its advantages and challenges. While GST has provided benefits such as uniform tax rates, better compliance, and input tax credit, it has also increased the

compliance burden through digital filing requirements and frequent regulatory updates. The study is based on secondary data and practical observations and seeks to provide insights that can help improve GST implementation for small retailers.

## INTRODUCTION

The Goods and Services Tax (GST) is a destination-based indirect tax that is levied on the supply of goods and services at each stage of value addition. Prior to GST, India followed a fragmented indirect tax system where multiple taxes were imposed at different stages of production and distribution. This system was particularly burdensome for small retail businesses, as they were required to comply with different tax laws across states, leading to increased administrative costs and lack of transparency.

GST was introduced to address these inefficiencies by integrating various indirect taxes into a single tax regime. Under GST, businesses are allowed to claim input tax credit for the taxes paid on purchases, thereby avoiding tax-on-tax and reducing the overall tax burden. The GST framework is governed by the GST Council, which formulates tax rates, exemptions, and compliance procedures.



For small retail businesses, GST brought both structural and operational changes. Retailers were required to register under GST, issue tax invoices, maintain detailed records, and file returns electronically. Many small retailers initially faced difficulties due to lack of awareness, inadequate training, and limited access to technology.

Despite these challenges, GST has encouraged formalization of businesses and improved accountability. This study seeks to evaluate the real impact of GST on small retail businesses and assess whether the reform has achieved its intended objectives.

## **NEED FOR THE STUDY**

Small retail businesses operate on thin profit margins and depend heavily on daily sales and cash flows. Any change in taxation policy has a direct impact on their pricing, profitability, and sustainability. The introduction of GST represented a major shift from traditional tax practices to a technology-driven system, which posed several challenges for small retailers.

The need for this study arises from the fact that most GST-related research focuses on large enterprises, while the issues faced by small retailers remain underexplored. This study helps identify practical problems, assess the effectiveness of government support measures such as the composition scheme, and evaluate whether GST has truly simplified business operations for small retailers. The findings can assist policymakers in designing more inclusive GST policies.

## **OBJECTIVES OF THE STUDY**

- To analyze the impact of GST on small retail businesses.
- This includes examining how GST has affected their operational efficiency, cost structure, pricing strategies, and profitability.
- Another key objective is to study the structure and features of GST and understand its relevance to small-scale retail traders.
- The study also aims to identify the benefits of GST, such as input tax credit, reduced tax cascading, and improved transparency.
- At the same time, it seeks to analyze the challenges faced by small retailers, including digital compliance, increased documentation, and frequent regulatory changes.
- Assessing the level of awareness and understanding of GST among small retail business owners is another important objective.
- Finally, the study aims to suggest measures to reduce compliance burden and improve GST implementation for small retail businesses.



## TOOLS FOR ANALYSIS

The study employs simple and appropriate tools of analysis suitable for a mini project. Percentage analysis is used to interpret data collected from small retailers regarding GST registration, compliance difficulties, and awareness levels. This method helps in simplifying numerical data and presenting it in an understandable format.

Comparative analysis is used to compare the pre-GST and post-GST scenarios with respect to tax burden, compliance requirements, and operational costs. Descriptive analysis is used to explain qualitative aspects such as perceptions, attitudes, and experiences of small retailers toward GST. These tools collectively help in drawing meaningful conclusions and presenting the study in a systematic manner.

## FINDINGS OF THE STUDY

- The study reveals that GST has brought greater transparency and uniformity in the indirect tax system.
- However, it has also increased the compliance burden for small retail businesses.
- Many retailers faced initial difficulties in understanding GST rules, tax rates, and filing procedures.
- Digital compliance emerged as a major challenge, especially for elderly shop owners and those operating in rural areas.
- The findings also indicate that compliance costs increased due to the need for professional assistance.
- Retailers who maintained proper records benefited from input tax credit, while others faced cash flow problems due to delayed refunds.
- The composition scheme was found to be beneficial for very small retailers, as it reduced compliance requirements.
- Overall, GST has had a mixed impact on small retail businesses.

## CONCLUSION

GST is a landmark reform that has transformed India's indirect taxation system and laid the foundation for a more transparent and efficient tax regime. While GST has simplified taxation at a macro level, small retail businesses faced several challenges during its implementation. Issues such as lack of awareness, digital dependency, and increased compliance costs affected their operations.

Despite these challenges, GST has encouraged formalization, improved record-keeping practices, and created opportunities for long-term growth. With continuous government support, simplified compliance procedures, and effective training programs, small retail businesses can fully benefit from GST. Policymakers should focus on reducing compliance complexity and enhancing digital literacy to ensure inclusive economic growth.



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