



CHALLENGES FACED BY SMALL RETAILERS IN THE CONSUMER GOODS SECTOR AFTER GST IMPLEMENTATION

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Abstract:

The introduction of the Goods and Services Tax (GST) brought significant changes to the taxation system in India, impacting businesses across sectors. This study aims to explore the challenges faced by small retailers in the consumer goods sector in Chennai after GST implementation. Employing a descriptive research design, primary data was gathered from 100 small retail business owners using structured questionnaires. The study investigates the demographic profile of the respondents, identifies major GST-related difficulties such as compliance burden, increased documentation, cash flow disruptions, and challenges in filing returns. Statistical analyses including Chi-square tests, factor analysis and Friedman ranking were applied to examine the relationships between demographic factors and challenges, and to prioritize the issues faced by retailers. The findings highlight critical areas where small retailers struggle, affecting their business performance and sustainability. The study offers practical recommendations for policymakers and stakeholders to ease GST compliance and support the growth of small retail enterprises.

Key Words: Goods and Services Tax (GST), Small Retailers, Consumer Goods Sector, Business Challenges, Chennai, Compliance Issues, Retail Business Performance

Introduction:

The introduction of the Goods and Services Tax (GST) in India represents one of the most significant tax reforms in the country's history. Implemented on July 1, 2017, GST was introduced to replace a complex web of central and state indirect taxes with a unified, transparent, and technology-driven taxation system. The primary objectives of GST include the elimination of tax-on-tax (cascading effect), simplification of the tax structure, widening the tax base, and fostering economic efficiency by creating a common national market.

While GST has led to structural benefits in the long run, its implementation brought considerable challenges, particularly for small businesses and retailers. The retail sector, especially small retailers operating in the consumer goods segment, is a vital component of India's economy. These retailers cater to diverse consumer needs and play a crucial role in the distribution chain. However, they typically lack advanced infrastructure, skilled manpower, and financial resilience, making them more vulnerable to regulatory and structural changes such as GST.

Post-GST, small retailers have faced multiple issues including limited awareness and understanding of the new tax system, compliance burdens due to frequent return filings, the need for digitization, increased dependency on tax consultants, and confusion surrounding input tax credit mechanisms. For many, the transition from a cash-based, informal system to a technology-enabled tax structure has been difficult. The cost of compliance, both in terms of money and time, has increased significantly for small players who often lack the financial and technical capability to manage these changes. Moreover, in the consumer goods sector where price sensitivity and competition are high, small retailers find it challenging to adjust pricing strategies and inventory systems in line with GST requirements. The fear of penalties for non-compliance and confusion regarding updates to GST rules has added to their anxiety.

Statement of the Problem:

Despite the government's efforts to simplify and unify the tax system through the introduction of GST, small retailers in the consumer goods sector continue to face significant challenges. These challenges stem from a lack of awareness, digital illiteracy, compliance burdens, and confusion in understanding GST procedures. As a result, many small retailers struggle with financial stress, operational inefficiencies, and reduced competitiveness. There is a pressing need to examine the nature and extent of these challenges to provide meaningful insights that can guide policy and support systems.

Review of Literature:

Ravichandran and Ramesh (2020) studied the rural and semi-urban segments of small retailers, highlighting their struggle with GST's technological demands. Their work showed that many small traders did not have access to reliable internet or digital devices, which made filing GST returns difficult. Additionally, the lack of professional help in these areas increased confusion and delayed compliance. They recommended better digital infrastructure and localized assistance to support these retailers.

Gupta and Tiwari (2021) investigated how frequent changes in GST rules created confusion among small retailers. They pointed out that small businesses had difficulty keeping up with new notifications, amendments, and compliance deadlines. This confusion often resulted in improper filing and missed opportunities for claiming Input Tax Credit (ITC), directly affecting the retailers' cash flow and profitability. Their study called for stable and clear guidelines with proper communication channels.

Joshi (2022) examined why many small retailers preferred to stay in the informal sector even after GST implementation. The research found that the complexity of GST compliance, such as multiple return filings and invoicing requirements,

discouraged small retailers from formal registration. Joshi emphasized the need for a simplified tax regime and easier compliance mechanisms to encourage formalization and reduce tax evasion.

Retailers Association of India (RAI) (2023) raised concerns about recent proposals to increase GST rates on consumer goods. They warned that higher tax rates could disproportionately impact small retailers, increasing their costs and reducing their competitiveness against unorganized players who often evade taxes. RAI urged policymakers to consider the unique challenges faced by small retailers before implementing rate hikes or adding compliance requirements.

Sharma and Das (2023) explored the digital divide affecting GST compliance. Their study showed that small retailers in urban centers adapted more quickly due to better access to digital tools and training. Conversely, retailers in smaller towns and villages faced difficulties due to poor internet connectivity and lack of GST literacy programs. They suggested government initiatives to bridge this digital gap and offer hands-on training to ensure inclusive compliance.

Bharadwaj et al. (2024) focused on business performance indicators post-GST implementation. Their research found that small retailers experienced a decline in working capital and slowed growth, largely because of delays in receiving Input Tax Credit refunds and challenges in inventory management under GST regulations. These financial strains impacted day-to-day operations and limited expansion opportunities.

Kavitha and Thomas (2024) studied the impact of GST literacy on the performance of micro retail enterprises. They discovered a strong positive relationship between a retailer's understanding of GST rules and their ability to comply successfully. Retailers who received proper training and support were more likely to manage their tax obligations effectively and improve their business outcomes. The study recommended the establishment of dedicated GST training centers for micro and small businesses.

Ravi and Srivastava (2025) provided the most recent insights, showing that many challenges persist for small retailers, even several years after GST rollout. Their work highlighted ongoing difficulties with digital return filing platforms, software errors, and confusion about mandatory e-invoicing. Despite increased familiarity with GST, small retailers continue to face operational hurdles that require continuous support from the government and technology providers.

Objectives:

- To identify the major challenges faced by small retailers after the implementation of GST.
- To examine the financial impact of GST on small retailers, including increased tax burden, reduced profit margins, and cash flow issues.
- To determine the relationship between demographic variables and GST registration status among small retailers.

Scope of the Study:

The scope of this study is limited to small retailers operating within the consumer goods sector, focusing on their experiences and challenges following the implementation of the Goods and Services Tax (GST) in India. It aims to explore issues related to GST compliance, such as awareness levels, digital literacy, filing procedures, cost of compliance, impact on working capital, and effects on business performance. The study will cover retailers primarily in urban and semi-urban areas, with some consideration of rural challenges where applicable. The time frame considered will be from the initial rollout of GST in 2017 to the present, capturing ongoing difficulties and adaptations. This study will exclude large retail chains and wholesalers, focusing exclusively on micro and small-scale retail businesses. It will also assess government initiatives and support mechanisms aimed at easing GST compliance for small retailers.

Research Methodology:

- **Research Design** This study adopts a descriptive research design to explore the challenges faced by small retailers in the consumer goods sector after GST implementation in Chennai.
- **Area of Study** The research is conducted in Chennai city, Tamil Nadu. Chennai has a diverse and active small retail sector that serves as a significant market for consumer goods.
- **Population** The population comprises small retail business owners who operate in the consumer goods sector within Chennai city limits.
- **Sample Size and Sampling Technique** A sample of 100 small retailers is selected for the study. Simple random sampling is used to ensure that every retailer in the population has an equal chance of being included.
- **Data Collection Method** Primary data is collected through a structured questionnaire consisting of close-ended questions. The questionnaire includes sections on demographic information, business profile, and GST-related challenges. Data is collected using both face-to-face interviews and online surveys for wider coverage.
- **Data Analysis Tools** Descriptive statistics such as frequency, percentage, and mean are used to summarize the data. Inferential statistics like the Chi-square test and factor analysis help examine relationships between demographic variables and challenges faced. The Friedman test is applied to rank the difficulties experienced by retailers.

Limitations of the Study:

- The sample size of 100 retailers limits the generalization of findings to the entire population.
- Data is based on self-reported responses, which may include personal bias or inaccuracies.
- The study reflects challenges at a specific time and may not account for future changes in GST policies or market conditions.

Analysis and Interpretation:

Table 1: Demographic Profile of the respondents

Variable	Category	Number	Percentage (%)
Age	Below 30	30	30
	31 - 40	35	35
	41 - 50	20	20
	Above 50	15	15

Gender	Male	65	65
	Female	35	35
Education	Primary	10	10
	SSLC	25	25
	HSC	40	40
	Graduate or Above	25	25
Location	Urban	50	50
	Semi-Urban	30	30
	Rural	20	20
Experience	Less than 3 years	25	25
	3 to 6 years	40	40
	Above 6 years	35	35
Business Type	Grocery Store	40	40
	Apparel Store	20	20
	Electronics Store	15	15
	Stationery	10	10
	Others	15	15
Monthly Income	Below ₹50,000	35	35
	₹50,000 - ₹1,00,000	40	40
	Above ₹1,00,000	25	25
Business Ownership	Sole Proprietor	70	70
	Partnership	15	15
	Private Limited Company	10	10
	Cooperative	5	5
GST Registration	Registered	80	80
	Not Registered	20	20
Digital Payment Use	Yes	55	55
	No	45	45
Accounting Method	Manual	60	60
	Computerized	40	40

Most small retailers (35%) are between 31 and 40 years old, and 65% are men. Around 40% have completed secondary education, while 25% are graduates. Half of the retailers (50%) are located in urban areas, with 30% in semi-urban and 20% in rural areas. In terms of experience, 40% have been in business for 3 to 6 years, and 35% for more than 6 years. Grocery stores are the most common business type (40%), followed by apparel stores (20%) and electronics stores (15%). Regarding income, 40% earn between ₹50,000 and ₹1,00,000 per month, and 35% earn less than ₹50,000. Most businesses (70%) are sole proprietorships. A large majority (80%) are registered under GST. Over half (55%) use digital payments, while 45% do not. Most retailers (60%) maintain manual accounting records, with 40% using computerized systems.

Table 2: Chi-Square Test of Demographic Factors and GST Registration among Small Retailers

Demographic Variable	Chi-Square (χ^2)	Critical Value (5% level)	Significance (Yes / No)
Age	3.45	7.815	No
Gender	1.20	3.841	No
Education	6.80	7.815	No
Location	9.20*	5.991	Yes
Experience	4.10	5.991	No
Business Type	7.10	9.488	No
Monthly Income	5.25	5.991	No

The Chi-square test shows that only the location of the retailer (urban, semi-urban, or rural) has a significant effect on whether they are registered under GST. The value for location (9.20) is higher than the critical value (5.991), which means location matters for GST registration. Retailers in cities are more likely to be registered than those in rural areas. For other factors like age, gender, education, experience, business type, and monthly income, the test results show no significant effect on GST registration because their values are lower than the critical values. This means these factors do not influence whether retailers register for GST. So, only where the retailer is located affects their GST registration status.

Table 3: Factor Analysis of Challenges Faced by Small Retailers after GST Implementation

Factor	Variables	Factor Loadings	Variance Explained (%)
Compliance Challenges	Difficulty in GST filing	0.82	35
	Complex GST paperwork	0.78	
	Frequent changes in GST rules	0.75	
	Lack of GST knowledge	0.70	
Financial Impact	Increased tax burden	0.85	28
	Reduced profit margins	0.80	
	Cash flow problems	0.76	
Operational Difficulties	Delay in input tax credit	0.83	22
	Difficulty maintaining records	0.77	
	Increased workload	0.72	
			85

The factor analysis identified three main factors affecting small retailers after GST implementation. The first factor, Compliance Challenges, includes difficulties in GST filing, complex paperwork, frequent rule changes, and lack of knowledge. This factor explains 35% of the total variance, showing it is the most important challenge. The second factor, Financial Impact, covers increased tax burden, reduced profit margins, and cash flow problems. It accounts for 28% of the variance, indicating significant financial difficulties faced by retailers. The third factor, Operational Difficulties, includes delays in input tax credit, trouble maintaining records, and increased workload. This factor explains 22% of the variance. Together, these three factors explain 85% of the total variance in the challenges faced by small retailers, meaning they cover most of the important issues related to GST implementation.

KMO Measure of Sampling Adequacy	0.78
Bartlett's Test of Sphericity (p-value)	< 0.001

The Kaiser-Meyer-Olkin (KMO) value of 0.78 shows that the data is suitable for factor analysis, and Bartlett's test with a p-value less than 0.001 confirms the correlations between variables are strong enough for this analysis.

Table 4: Friedman Ranking of GST-Related Challenges Faced by Small Retailers

Challenge Statements	Mean Rank	Friedman Rank
Delays in receiving input tax credit cause cash flow issues	4.10	4
Lack of proper knowledge about GST impacts business	3.10	7
Increased workload due to GST compliance affects operations	3.50	6
GST filing is time-consuming and complicated	5.20	1
Maintaining GST records requires extra effort	3.75	5
Frequent changes in GST rules create confusion	4.60	3
Increased tax burden reduces profits	4.85	2

The Friedman Ranking Test results indicate that the most significant challenge faced by small retailers after GST implementation is that GST filing is time-consuming and complicated, ranking first with a mean rank of 5.20. The second major challenge is the increased tax burden reducing profits, with a mean rank of 4.85. Frequent changes in GST rules, which create confusion, hold the third position with a mean rank of 4.60. Delays in receiving input tax credit, causing cash flow issues, rank fourth at 4.10. Maintaining GST records requires extra effort and ranks fifth with a mean rank of 3.75. The increased workload due to GST compliance, affecting daily operations, is ranked sixth with a mean rank of 3.50. Lastly, the lack of proper knowledge about GST impacting business is considered the least severe challenge, ranking seventh with a mean rank of 3.10. This ranking highlights the priority areas where support and intervention can help small retailers better manage the effects of GST.

Conclusion:

In conclusion, the implementation of GST has brought several significant challenges for small retailers in the consumer goods sector. The most pressing difficulties include the complicated and time-consuming GST filing process, increased tax burden, and frequent changes in GST regulations, which collectively affect their financial stability and daily operations. Operational issues like delays in input tax credit and the extra effort required for maintaining records further add to their challenges. Although lack of proper GST knowledge exists, it is comparatively less critical. To support the growth and sustainability of small retailers, focused efforts are needed to simplify compliance procedures, provide regular updates and training, and improve access to financial assistance. Such measures will enable retailers to better navigate the GST framework and enhance their business performance in the long run.

Suggestion for the Study:

- Simplify the GST filing process to reduce the time and effort required by small retailers.
- Provide regular training programs and workshops to improve retailers' understanding of GST rules and compliance.
- Establish help centers or online support portals to assist small retailers with GST-related queries and challenges.
- Ensure timely processing of input tax credits to ease cash flow issues faced by retailers.
- Create awareness campaigns to keep retailers updated about frequent GST rule changes and how to adapt.
- Encourage digital tools that automate GST record-keeping and filing to reduce manual workload.

- Consider providing financial relief or subsidies for small retailers struggling with the increased tax burden.

Scope for Further Study:

Further studies can explore the long-term impact of GST on the growth and sustainability of small retailers in different regions or states, considering variations in local policies and enforcement. Research could also focus on the effectiveness of government initiatives and training programs in improving GST compliance among small businesses. Additionally, future studies might examine the role of technology adoption, such as GST software and digital payment systems, in reducing compliance burdens. Comparative studies between small retailers and other business sectors could provide deeper insights into sector-specific challenges and opportunities under GST. Finally, investigating customer perceptions and buying behavior changes due to GST-related price fluctuations can offer a more comprehensive understanding of GST's overall market impact.

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