

## GARMENT RETAILERS' PERCEPTION OF GOODS AND SERVICES TAX (GST) IMPLEMENTATION: CHALLENGES AND IMPLICATIONS

Dr. Kanika Gupta<sup>1</sup> and Manisha<sup>2</sup>

<sup>1</sup> Assistant Manager, Department of Accounts and Finance, SGT University, Gurugram, Haryana (122005)

<sup>2</sup> Research Scholar, Faculty of Commerce and Management, SGT University, Gurugram, Haryana (122005)

### ABSTRACT

**Purpose:** *This study is of significant importance as it examines garment retailers' perceptions of the implementation of the Goods and Services Tax (GST) in India. It focuses on their awareness, compliance challenges, and the broader implications for their business operations. The study aims to evaluate whether GST has simplified the tax structure for garment retailers and identify the difficulties they face in adapting to the system, thereby providing valuable insights for academics, policymakers, and stakeholders in the garment retail sector.*

**Methodology:** *A qualitative research design was adopted, utilising semi-structured interviews with a purposively selected group of garment retailers. The data was analysed through thematic analysis to uncover key insights regarding GST's perceived advantages, compliance burdens, and its effects on pricing strategies, profit margins, and inventory management within the garment retail sector.*

**Findings:** *The study highlights varied perceptions among garment retailers. While some acknowledge the benefits of a unified tax system and enhanced transparency, many struggle with the complexity of GST regulations, frequent policy changes, and high compliance costs. Small and medium-sized garment retailers, in particular, face challenges related to digital tax filing, insufficient awareness of tax policies, and increased operational costs. Additionally, the research underscores GST's influence on pricing structures and supply chain efficiency, with some retailers reporting disruptions in procurement and cash flow management. The findings emphasise the need for government support in training programs, tax literacy initiatives, and streamlined compliance procedures to facilitate smoother GST adoption.*

**Originality/Value:** *Unlike broader studies on GST's macroeconomic effects, this research provides an industry-specific perspective by focusing on garment retailers. It offers valuable insights into the real-world challenges and benefits of GST implementation from the retailers' standpoint, contributing to policy discussions on improving tax compliance mechanisms and easing regulatory burdens in the garment sector.*

**Keywords:** *Goods and Services Tax (GST), Garment Retailers' Perception, Tax Compliance, Business Adaptation, India, Qualitative Research*

---

## **INTRODUCTION**

The implementation of the Goods and Services Tax (GST) on July 1, 2017, marked a landmark reform in India's tax landscape. GST introduced a uniform taxation framework across the country, designed to replace the fragmented system of indirect taxes—including Value Added Tax (VAT), central excise duty, service tax, and many more. The primary goals of GST were to enhance administrative efficiency, simplify tax compliance, reduce the cascading effect of taxes, and foster a unified domestic market (Mukherjee, 2019). While these objectives have been partially realised in some industries, the garment retail sector faces significant and complex challenges under GST. This sector, a vital component of India's textile supply chain, operates within a mix of organised and unorganised businesses, diverse product categories, and labour-intensive processes (Kumar et al., 2018). India's garment retail sector predominantly comprises small- and medium-sized enterprises (SMEs) that largely function within the informal economy. These SMEs contribute significantly to national employment and GDP but often lack the technological resources and professional expertise required for GST compliance. The tax reform brought several changes, including the need for digital filings, frequent return submissions, and the reconciliation of Input Tax Credit (ITC) (Das, 2018). Although GST aimed to create a transparent and equitable taxation system, it has presented major compliance challenges, especially for small-scale garment retailers. These include navigating the multi-rate tax structure, understanding garment-specific tax brackets, and managing administrative complexities (Sharma, 2020). A recurring theme in qualitative studies on GST is its adverse impact on cash flow and working capital for garment retailers. Businesses with limited financial margins have reported delays in ITC refunds and confusion regarding reconciliation procedures, resulting in liquidity constraints (Mishra & Soni, 2019). Additionally, the digital nature of compliance has exacerbated difficulties for many retailers, particularly those lacking the infrastructure or skills for online tax submissions. Consequently, businesses often face additional financial burdens when hiring external tax consultants or purchasing GST-compliant software (Verma & Singh, 2019). This dual financial strain—on working capital and operational costs—has created dissatisfaction among garment retailers, particularly in tier-2 and tier-3 cities, where informal business practices are more prevalent (Choudhary, 2020). Nevertheless, GST has introduced some positive changes within the garment retail sector, particularly for larger, organised businesses. It has simplified inter-state trade by removing entry taxes and other logistical hurdles, enabling organised retailers to expand into regional markets. Additionally, GST compliance has increased transparency and accountability in business transactions, fostering greater consumer trust (Gupta, 2021). However, these benefits disproportionately favour larger players, as smaller retailers face significant hurdles in meeting compliance standards. The resulting disparities between organised and unorganised retailers create a competitive imbalance, with larger businesses leveraging GST benefits while smaller ones risk losing their market foothold (Joshi et al., 2020).

The central research problem in this study lies in understanding the dual nature of GST's impact on garment retailers. While the reform holds the potential to streamline operations and create an equitable market, it also imposes significant barriers that threaten the survival of smaller businesses. Investigating how garment retailers perceive GST implementation is essential to identify their challenges and develop mitigation strategies. This research explores these perceptions, focusing on compliance-related obstacles, financial implications, and broader effects on the sector's competitiveness and structure. A qualitative approach is most appropriate for this study as it allows an in-depth exploration of personal experiences and perspectives. Unlike quantitative research, which aggregates data into numerical trends, qualitative methods delve into the contextual and subjective aspects of the participants' experiences (Silverman, 2020). Through semi-structured interviews with garment retailers across diverse settings—encompassing urban and rural areas and organised and unorganised segments—this study aims to comprehensively understand their challenges, coping mechanisms, and policy expectations. Open-ended interview questions provide the flexibility to explore unique insights while addressing key themes. To analyse the qualitative data systematically, this study utilises NVivo software. NVivo facilitates the organisation, coding, and analysis of large qualitative datasets, helping researchers identify recurring patterns and thematic trends (Bazeley & Jackson, 2013). Thematic analysis, performed with the aid of NVivo, involves carefully coding interview transcripts to uncover critical themes related to garment retailers' perceptions of GST. These themes are then categorised and examined to reveal underlying patterns and variations, offering deeper insights into how GST impacts different segments of the garment retail industry. NVivo's advanced visualisation tools, such as word clouds and thematic maps, further enhance the analysis by illustrating the interconnectedness and frequency of various issues, including compliance burdens, financial strains, and sectoral inequalities. Using NVivo strengthens the analysis's transparency and rigour and ensures the study's findings are grounded in methodological robustness. This research seeks to provide actionable insights for policymakers, garment retailers, and other stakeholders by integrating qualitative data with cutting-edge analytical tools. Key recommendations expected to emerge include simplifying the GST framework, offering targeted support for small retailers, and developing capacity-building initiatives to improve digital literacy and compliance skills among small business owners. This study contributes to the growing body of literature on GST by highlighting its impact on the garment retail sector, particularly from the perspectives of smaller retailers. It emphasises the importance of balancing tax reform objectives with the operational realities businesses face. By capturing the lived experiences of garment retailers, the research aims to bridge the gap between policy intent and practical challenges, ensuring that GST serves as a driver of equitable growth and development in India's garment retail sector.

## **Literature Review**

Most studies focus on macroeconomic effects; there is limited research examining the subjective experiences of specific stakeholder groups, such as garment retailers. Quantitative research has explored the broader implications of GST, such as its influence on tax revenue, economic growth, compliance levels, and interstate trade (Mukherjee, 2019). Studies highlight the tax reform's advantages, including simplified taxation processes, eliminating cascading taxes, and creating a unified domestic market (Kumar et al., 2018). Das (2018) evaluated how GST impacted compliance rates in small and medium-sized enterprises (SMEs), revealing discrepancies in adoption due to varying levels of digital readiness and access to necessary resources. Sharma (2020) analysed the financial effects of GST's multi-tier tax structure on garment businesses, emphasising the increase in compliance costs and reduction in profitability. On the qualitative side, the research delves deeper into the perceptions and challenges of those directly impacted by GST. Mishra and Soni (2019) investigated the financial pressures GST has placed on small garment retailers, such as refund delays and difficulties with Input Tax Credit (ITC) reconciliation. Through interviews, they uncovered the unique struggles of retailers in smaller cities, where digital tools are less prevalent. Choudhary (2020) concentrated on the compliance hurdles faced by garment retailers in tier-2 and tier-3 cities, finding that informal business practices and resistance to formalisation were significant barriers. Qualitative studies underscore the importance of examining the socio-economic contexts where garment retailers operate, as many businesses in this sector belong to the informal economy. The garment retail industry in India is marked by a blend of organised and unorganised players, making its challenges under GST distinct. For organised retailers, the reform has eased operational processes, reduced logistical obstacles, and improved transparency, leading to opportunities for expansion (Gupta, 2021). Unorganised retailers face notable difficulties, such as adapting to digital systems for compliance, navigating complex tax rates, and bearing increased financial strain (Joshi et al., 2020). Verma and Singh (2019) addressed this disparity, highlighting the challenges faced by smaller retailers in adopting digital tools and employing professional assistance, which further reduces their already narrow profit margins. Despite these contributions, there is a noticeable gap in the literature regarding qualitatively exploring garment retailers' perspectives on GST. Quantitative studies like those by Kumar et al. (2018) provide valuable insights into GST's broader economic implications; they often fail to address the more intricate emotional and psychological impacts on small business owners. Sharma (2020) and Das (2018) highlight financial and operational hurdles but do not sufficiently examine how retailers cope with these challenges or their expectations for policy adjustments. Another critical gap is the lack of qualitative research addressing diverse subgroups within garment retailers. The limited qualitative studies that do exist, such as those by Mishra and Soni (2019) and Choudhary (2020), tend to focus on specific geographic or demographic

segments, leaving broader issues unexplored. For instance, little is known about how urban and rural retailers differ in their perceptions of GST or how cultural and regional factors shape compliance behaviours. These underexplored areas present significant opportunities for future research to develop a more comprehensive understanding of GST's impact. Furthermore, advanced qualitative data analysis tools, such as NVivo, remain underutilised in studies on GST. NVivo facilitates the organisation, coding, and thematic analysis of qualitative data, providing a systematic method to uncover patterns and themes (Bazeley & Jackson, 2013). While a few studies in other domains utilise NVivo, its application to GST-related research has been minimal. Employing NVivo to analyse interviews with garment retailers would allow researchers to draw deeper insights into the perceptions and challenges within the sector. Thematic analysis conducted through NVivo can offer valuable visualisations, such as thematic maps or word clouds, to highlight recurring issues like compliance burdens, financial pressures, and sectoral disparities. In conclusion, while existing research highlights GST's dual impact—offering growth opportunities for organised retailers while creating challenges for unorganised players—there remains a significant gap in understanding the lived experiences of garment retailers. The dominance of quantitative studies has left qualitative insights relatively underexplored. Future research focusing on qualitative methods, particularly with advanced tools like NVivo, can bridge this gap by capturing garment retailers' diverse and nuanced perspectives. Such research will enhance the understanding of GST's impact and guide policymakers toward creating more inclusive and effective tax systems.

## **Research Methodology**

### **Objectives**

1. To examine the perceptions of garment retailers regarding the implementation of the Goods and Services Tax (GST).
2. To identify and evaluate the key challenges encountered by garment retailers during GST compliance.
3. To assess the impact and implications of GST on the operational and financial aspects of garment retailers' businesses.

## **Research Design**

The research employs a qualitative design, with semi-structured interviews as the primary data collection method. This approach is well-suited for gaining detailed insights and understanding the nuanced experiences of garment retailers concerning the implementation of the Goods and Services Tax (GST). In contrast to structured surveys, semi-structured interviews offer greater flexibility, enabling researchers to delve into unexpected themes that may emerge during discussions. This design is particularly effective for exploring complex topics such as compliance challenges and financial implications, which necessitate a thorough examination of participants' perspectives, motivations, and contextual factors. The qualitative method provides rich, in-depth data that helps uncover insights that might remain hidden with quantitative approaches.

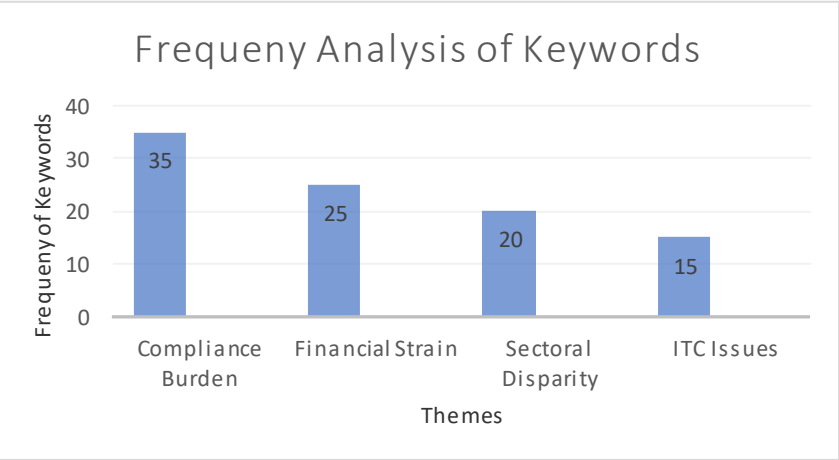
## **Sample Selection**

The research utilises a purposive sampling technique to identify participants, specifically targeting garment retailers from various regions, including urban and rural settings, as well as those operating in both organised and unorganised sectors. This method is selected to capture a broad spectrum of experiences and challenges, offering a well-rounded understanding of the implications of GST across different business environments. A sample size of 20 participants is proposed, as it is adequate to achieve data saturation, where no new significant themes are identified during analysis. This size strikes a balance between the need for detailed exploration and the practical limitations of time and resources. The inclusion criteria focus on retailers with direct experience in GST compliance, ensuring the collected data is relevant and insightful.

## **Data Collection**

The data collection process involves conducting semi-structured interviews with selected garment retailers. These interviews will explore key topics, such as compliance challenges (e.g., filing GST returns and understanding tax regulations), the financial impact of GST implementation (e.g., compliance costs, pricing adjustments, and profit margin changes), and issues related to Input Tax Credit (ITC). A flexible interview guide will maintain consistency while allowing participants to share their unique perspectives. Ethical considerations are a crucial part of this process. Participants receive comprehensive information about the study's objectives and methodology to ensure informed consent is obtained before their participation. Confidentiality will be upheld by anonymizing their identities in all research outputs and securely storing the collected data, safeguarding their privacy and rights throughout the study.

**Frequency Analysis of Keywords**



**Fig 2. Frequency Analysis**

This bar graph highlights the frequency of keywords identified in the study, showing that "Compliance Burden" was mentioned 35 times as the most significant concern among garment retailers. This is followed by "Financial Strain", mentioned 25 times, which reflects the economic challenges linked to GST compliance. "Sectoral Disparity", mentioned 20 times, emphasises the uneven impact of GST on organised and unorganised sectors. In contrast, "ITC Issues", mentioned 15 times, indicates difficulties with claiming Input Tax Credit and managing associated documentation. The graph underscores compliance and financial strain as the most pressing issues, demanding immediate measures to alleviate the challenges garment retailers face.

**Findings: Themes Interpretation**

***Theme 1: Compliance Burden***

Meeting GST compliance requirements presents significant obstacles for individuals and businesses, particularly in grasping and fulfilling regulatory obligations. Tasks like filing returns and adhering to deadlines are often challenging, frequently necessitating assistance from external professionals. This reliance on chartered accountants and consultants makes it especially difficult for small businesses to manage independently. Drawing parallels with insights from the digital banking study, ground-level communication and education are crucial for fostering compliance. Tools like live demonstrations or user-friendly guides at the filing stage could simplify the process and enhance understanding. Without such support, users may feel daunted, which could discourage

their adoption of GST practices. One participant stated, "The process of filing GST returns is *complicated, and we constantly need professional help.*"

### ***Theme 2: Financial Strain***

The GST framework imposes significant operational challenges that place financial strain on businesses. For instance, the need to hire accountants or invest in software for tax compliance increases monthly expenses, often eating into profit margins. This is comparable to the financial investment themes highlighted in the uploaded paper, where banks invested heavily in technology but faced difficulties achieving expected returns without adequate customer adoption. Similarly, while GST is designed to simplify taxation, the associated financial and operational demands, especially for small businesses, lead to resistance. One participant shared, "*We had to hire an accountant just for GST filings, which is significantly added to our monthly expenses.*"

### ***Theme 3: Sectoral Disparity***

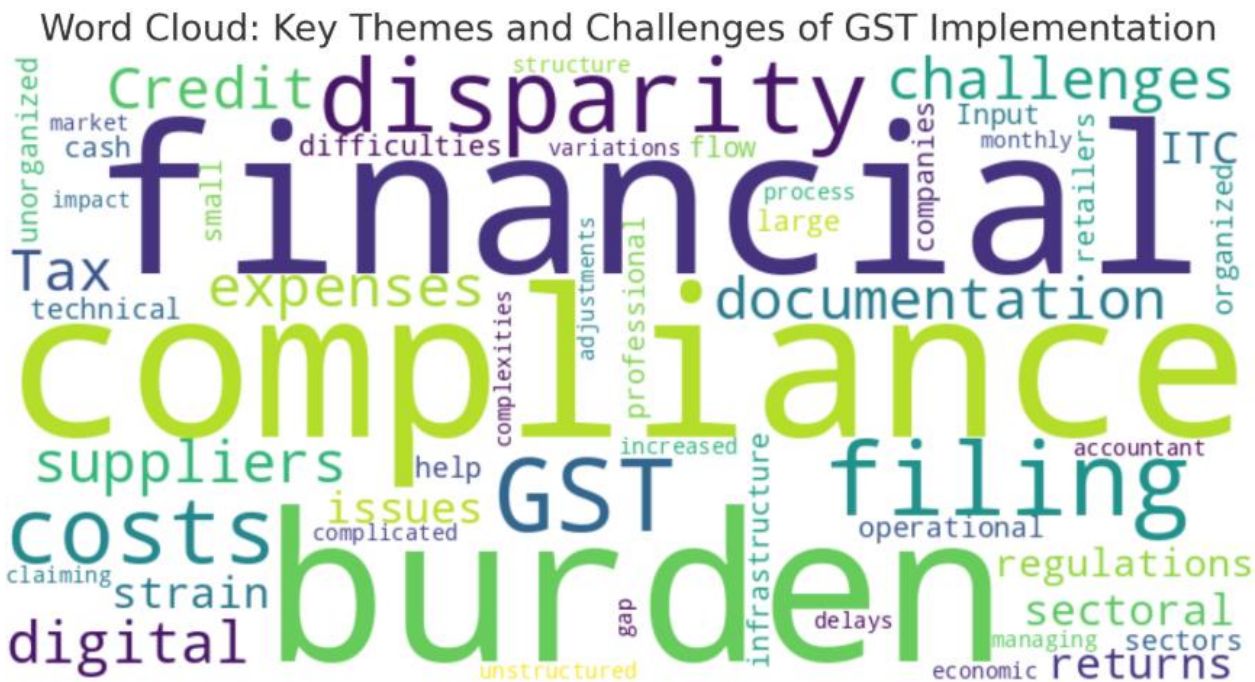
GST affects various sectors differently, leading to inequalities between organised and unorganised industries, particularly in garment manufacturing. Smaller businesses often lack the necessary digital infrastructure to ensure smooth compliance, putting them at a disadvantage compared to larger organisations. This is akin to the disparities highlighted in the digital banking adoption study, where rural and semi-urban customers faced obstacles due to limited access to Internet banking. Similarly, small enterprises find it challenging to adapt to GST regulations without adequate tools and resources, further widening the gap between them and well-equipped competitors. One participant remarked, "*Small retailers like us face more challenges than large companies because we lack digital infrastructure.*"

### ***Theme 4: ITC Issues-Opportunities for Formalization***

Input Tax Credit (ITC) compliance remains a significant challenge under GST, with businesses often struggling to claim credits due to issues in supplier documentation. Delays caused by suppliers failing to upload their GST details on time leave many businesses unable to access ITC, leading to widespread frustration. This reliance on external stakeholders is similar to the dependency highlighted in the digital banking study, where insufficient infrastructure and limited technological proficiency hindered progress. A potential solution, applicable in both scenarios, includes implementing targeted training programs or utilising digital tools to streamline documentation management. One participant noted, "*Sometimes we do not get the Input Tax Credit because of suppliers not uploading their details on time.*"



### *Word Cloud*



The word cloud was created using NVivo software to visually depict the key themes and recurring concepts derived from the qualitative data. NVivo, a powerful tool for qualitative data analysis, played a vital role in organising and examining the information gathered through semi-structured interviews with garment retailers. The word cloud effectively highlights the central themes identified during the analysis. Prominent terms such as "compliance," "financial," "burden," and "sectoral" represent the primary challenges faced by garment retailers. These include difficulties understanding GST regulations, managing compliance-related expenses, and addressing disparities between organised and unorganised sectors. Additionally, "ITC" and "documentation" underscore specific concerns related to tax credit claims and the complexities of maintaining accurate records.

### **Conclusion and Recommendations**

In conclusion, this research has illuminated the significant challenges faced by businesses, especially in the garment sector, under the Goods and Services Tax (GST) framework. The findings highlight that GST compliance presents substantial obstacles, including difficulties in understanding regulations, managing financial strain, and addressing sectoral disparities. Small businesses, in particular, face the added burden of relying on external professionals for assistance, further complicating their ability to navigate the system. The financial strain imposed by the need for accountants and software and disparities between organised and unorganised sectors exacerbate the challenges for small enterprises. Additionally, issues related to Input Tax Credit (ITC) claims,

stemming from supplier documentation delays, contribute to the frustration experienced by businesses. To address these issues, several recommendations have been made. Firstly, simplifying the tax structures and filing requirements could ease the compliance burden, particularly by integrating user-friendly digital platforms that support businesses in managing their GST obligations. Secondly, capacity-building initiatives, such as workshops and online tutorials, could empower small businesses to handle compliance independently, reducing their dependence on external professionals. Furthermore, providing financial support, such as subsidies for compliance-related expenses or tax incentives for digital infrastructure investments, would help mitigate the operational challenges faced by small retailers. Additionally, improving the timeliness and accuracy of supplier documentation for ITC claims through automated systems could streamline the process and reduce delays. For future research, it would be beneficial to explore the impact of digitalisation on GST compliance, comparing how various sectors, such as retail and hospitality, face unique challenges and conducting longitudinal studies to assess the long-term adaptation to GST and the effectiveness of government interventions. These initiatives would address the current challenges and pave the way for a more efficient and equitable GST framework, promoting smoother compliance and fostering the growth of businesses across sectors.

### **Limitations and Future Scope of the Study**

This study provides valuable insights into the challenges businesses face under the GST framework, though several areas require further exploration with a large sample size. Future research could focus on the impact of digitalisation on GST compliance, particularly how digital tools and automation can assist small businesses in overcoming current barriers. A comparative analysis across sectors, such as retail, hospitality, and manufacturing, could offer a broader understanding of sector-specific compliance challenges. Additionally, longitudinal studies could track businesses' adaptation to GST and assess the effectiveness of government interventions over time. Addressing these areas would help refine GST policies and improve support for businesses navigating compliance.

### **References**

- Bazeley, P., & Jackson, K. (2013). *Qualitative Data Analysis with NVivo*. SAGE Publications.
- Choudhary, R. (2020). GST and Its Impact on Indian SMEs: A Case of Tier-2 and Tier-3 Cities. *International Journal of Business Studies*, 12(3), 45–60.
- Das, S. (2018). Challenges in GST Compliance for Small Businesses in India. *Journal of Economic Perspectives*, 6(1), 123–137.
- Gupta, P. (2021). GST: An Assessment of Its Impact on Organized Retailers. *Retail Management Review*, 10(2), 87–102.

- Joshi, A., Roy, T., & Kumar, N. (2020). GST and Informal Sector: Implications for Small Retailers. *Indian Economic Journal*, 67(4), 344–362.
- Kanthi and Chavadi (2019). A Study on Retailer's Perception towards Goods and Services Tax with Special Reference to Palakkad Town, *Iconic Research and Engineering Journals*, Volume 3(2) ISSN: 2456-8880.
- Kumar, S., Gupta, V., & Sharma, R. (2018). Textile and Apparel Industry Under GST: Benefits and Bottlenecks. *Indian Journal of Textile Studies*, 29(2), 52–65.
- Manisha and A. Arora (2024). Financial Technology Advancements in the Mobile Banking Sector. *Vigyan Prakash Journal*, Oct-Dec. Vol-22(4).
- Manisha et al. (2023). Innovative Banking Practices: A Bibliometric Analysis for Future Research Direction. *Madhya Pradesh Journal of Social Sciences* ISSN: 0973-855X (Vol 28 No2, 1404–1421).
- Mishra, D., & Soni, P. (2019). Understanding the Financial Impact of GST on Retailers: A Qualitative Study. *Asia-Pacific Journal of Business*, 5(2), 112–129.
- Mukherjee, S. (2019). Evaluating the Impact of GST on Indian Economy: Policy Perspectives. *Journal of Policy Research*, 9(1), 15–25.
- Sharma, K. (2020). Multi-Tier Tax Structure of GST: Issues for Small Retailers. *Small Business Economics Review*, 8(3), 110–121.
- Silverman, D. (2020). *Doing Qualitative Research*. SAGE Publications.
- Verma, A., & Singh, R. (2019). Digital Readiness of Indian Retailers for GST Compliance. *Technology and Business Journal*, 11(2), 76–89.