Journal of Information Systems Engineering and Management
2025, 10(55s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Analysing the Impact of GST on Pricing Strategies and Profitability: A Primary Study of Retail Business

Vijay Bahadur Pal
Assistant Professor
Department of Commerce
Ram Krishna College, Madhubani (Bihar)
(A Constituent Unit of Lalit Narayan Mithila University, Darbhanga - Bihar)

ARTICLE INFO

Received: 10 Mar 2025

Revised: 18 Apr 2025

Accepted: 28 Apr 2025

ABSTRACT

The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked a transformative shift in the country's indirect taxation system. This research investigates the impact of GST on pricing strategies and profitability within the retail sector. The retail industry, being highly sensitive to tax structures due to its direct interaction with end consumers, has experienced varied repercussions from this regime change. This study aims to explore how GST has altered pricing mechanisms, profit margins, and strategic decision-making in retail operations, using primary data collected from retail businesses across different categories such as apparel, FMCG, electronics, and groceries.

The study finds that while GST brought simplification in tax compliance and logistics management, it also induced significant transitional challenges, including technology adoption, invoice management, and awareness dissemination. Small retailers, in particular, faced constraints in aligning with new norms due to limited digital infrastructure and financial literacy. Pricing strategies were notably affected, with businesses recalibrating prices to remain competitive and compliant. The tax rate slabs under GST (5%, 12%, 18%, and 28%) influenced pricing differently across product categories, leading to heterogeneous impacts on profitability.

Using a combination of qualitative interviews and quantitative surveys, the research highlights that while large organized retailers adapted quickly due to better resources, unorganized retailers struggled with increased operational costs, ultimately impacting their profit margins. Some retail segments observed an increase in consumer demand due to the elimination of cascading taxes and reduced effective tax burdens, while others suffered due to price hikes and complexity in rate classification.

Key findings indicate that the long-term impact of GST is inclined towards operational efficiency and market consolidation. However, the short-term disruptions and compliance burden have skewed the profitability trajectory for many small businesses.

Keywords: Goods and Services Tax, Retail Business, Pricing Strategy, Profitability, Fiscal Policy, Compliance, Tax Regime, India, Indirect Taxation, Market Adaptation

INTRODUCTION

The Indian retail sector is one of the fastest-growing industries, contributing significantly to the national GDP and employment generation. It encompasses a wide range of businesses from small kirana stores to large organized chains. Taxation policies have always played a pivotal role in shaping the

Journal of Information Systems Engineering and Management
2025, 10(55s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

business environment of the retail sector. The introduction of the Goods and Services Tax (GST) was a landmark reform that aimed to unify the country's complex indirect tax system and improve economic efficiency.

Before GST, the retail sector was governed by a plethora of indirect taxes such as VAT, CST, excise, service tax, and entry tax, leading to a cascading effect, increased compliance costs, and limited credit flow. The GST subsumed these taxes into a single, unified framework designed to reduce economic distortions, enhance tax transparency, and promote ease of doing business.

This paper seeks to examine how GST has influenced retail pricing strategies and profitability. Pricing is a crucial element for retailers as it determines competitiveness, customer retention, and financial sustainability. With the implementation of GST, retail businesses had to re-evaluate their pricing models to accommodate the new tax rates and input credit mechanisms. Profitability, another vital metric, is closely linked to operational costs, tax liabilities, and market pricing.

The rationale for this study stems from the observed volatility in retail markets post-GST. While some sectors benefited from tax rationalization, others faced issues like ambiguous rate classifications, compliance burdens, and increased costs. The dual structure of GST (CGST and SGST) also posed initial challenges in understanding and implementation.

This research is grounded in a primary study of retail businesses, offering firsthand insights into how GST has altered strategic planning and financial outcomes. By evaluating both quantitative and qualitative data, the study provides a comprehensive view of the practical impacts of GST, beyond theoretical expectations. The objectives of this paper include understanding the rationale behind pricing decisions post-GST, assessing profitability variations across retail formats, and identifying the adaptive strategies used by retailers. The paper also seeks to offer recommendations for policymakers to enhance the efficacy of GST implementation in the retail sector.

LITERATURE REVIEW

Numerous studies have evaluated the macroeconomic implications of GST in India. However, limited empirical research focuses specifically on its impact on the retail sector's pricing strategies and profitability. This literature review explores key scholarly and industry publications to identify existing knowledge and gaps.

According to the ***Ministry of Finance (2018***), GST aimed to eliminate tax cascading, reduce compliance issues, and create a common national market. Deloitte (2017) noted that GST would bring supply chain efficiencies due to seamless credit flow and eliminate check-post delays.

Bhushan and Mehta (2018) investigated the effect of GST on small and medium enterprises and highlighted the lack of digital readiness and awareness among retailers. Their research noted a temporary dip in profits due to transition costs.

Kumar and Saha (2019) studied GST's impact on consumer behavior, suggesting that transparent pricing might increase trust and long-term consumption. However, pricing strategies had to be modified frequently due to rate revisions, affecting profit forecasting.

Singh and Kaur (2020) emphasized the complexity in GST classifications, where similar products attracted different rates. This inconsistency led to confusion and inconsistent pricing among retailers, ultimately impacting profit margins.

Bhatia (2021) focused on organized retail chains and found a significant improvement in logistical efficiency and cost management post-GST. On the contrary, unorganized retailers experienced marginalization due to higher compliance requirements.

While most studies agree on the long-term benefits of GST, they also acknowledge transitional challenges. None, however, offer a sector-specific, primary data-driven analysis of the retail industry, especially focusing on pricing and profitability.

Journal of Information Systems Engineering and Management
2025, 10(55s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

This study aims to fill that gap by combining theoretical insights with real-world data from retail businesses. It also draws comparisons with global GST/VAT regimes to assess India's unique challenges and opportunities.

RESEARCH METHODOLOGY

This research adopts a mixed-method approach, incorporating both quantitative and qualitative data collection techniques to analyze the impact of GST on pricing strategies and profitability in the retail sector.

Data Collection: Primary data was collected using structured questionnaires and semi-structured interviews. A sample of 150 retail businesses, including both organized and unorganized segments across major cities like Delhi, Mumbai, Bangalore, and Kolkata, was selected using stratified random sampling.

Quantitative Analysis: The questionnaire focused on pricing changes pre- and post-GST, profit margin variations, compliance costs, and operational efficiency. Data was analyzed using statistical tools like SPSS for correlation, regression, and trend analysis.

Qualitative Analysis: Interviews with 30 retail business owners provided nuanced insights into strategic changes, challenges, and perceptions regarding GST.

Secondary Data: Reports from the Ministry of Finance, industry whitepapers, GST Council updates, and academic journals were also reviewed.

OBJECTIVE OF THE STUDY

The primary objective of this study is to analyze the impact of the Goods and Services Tax (GST) on pricing strategies and profitability within the Indian retail sector. Specifically, the research seeks to:

1. Evaluate how GST has altered the pricing models and decision-making processes in retail businesses.
2. Investigate changes in profitability margins across different retail formats (e.g., FMCG, apparel, electronics).
3. Examine the compliance challenges and operational shifts triggered by GST implementation.
4. Identify adaptive strategies adopted by retailers to cope with the new tax regime.
5. Offer policy-level recommendations to facilitate smoother GST compliance and enhance the retail sector's contribution to the economy.

Through primary data analysis, this study aims to bridge the knowledge gap between theoretical GST objectives and practical retail realities.

DATA ANALYSIS AND FINDINGS

This section presents an in-depth analysis of the primary data collected from 150 retail businesses across India. It evaluates how GST has impacted pricing strategies and profitability, focusing on trends, statistical correlations, and qualitative insights. The respondents represented various retail segments: FMCG (30%), Apparel (25%), Electronics (20%), Grocery (15%), and Others (10%).

1. Pricing Strategy Adjustments Post-GST

Segment	Increased Prices (%)	Reduced Prices (%)	No Change (%)
FMCG	40	35	25
Apparel	30	25	45
Electronics	45	20	35
Grocery	50	15	35
Others	35	30	35

Table 1: Changes in Pricing Strategy Post-GST by Retail Segment

Journal of Information Systems Engineering and Management
2025, 10(55s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Interpretation: More than 40% of retailers in the electronics and grocery segments reported price increases post-GST, primarily due to the 18%-28% tax brackets. FMCG retailers, on the other hand, utilized input tax credit mechanisms to pass on benefits to consumers, reducing prices in 35% of cases.

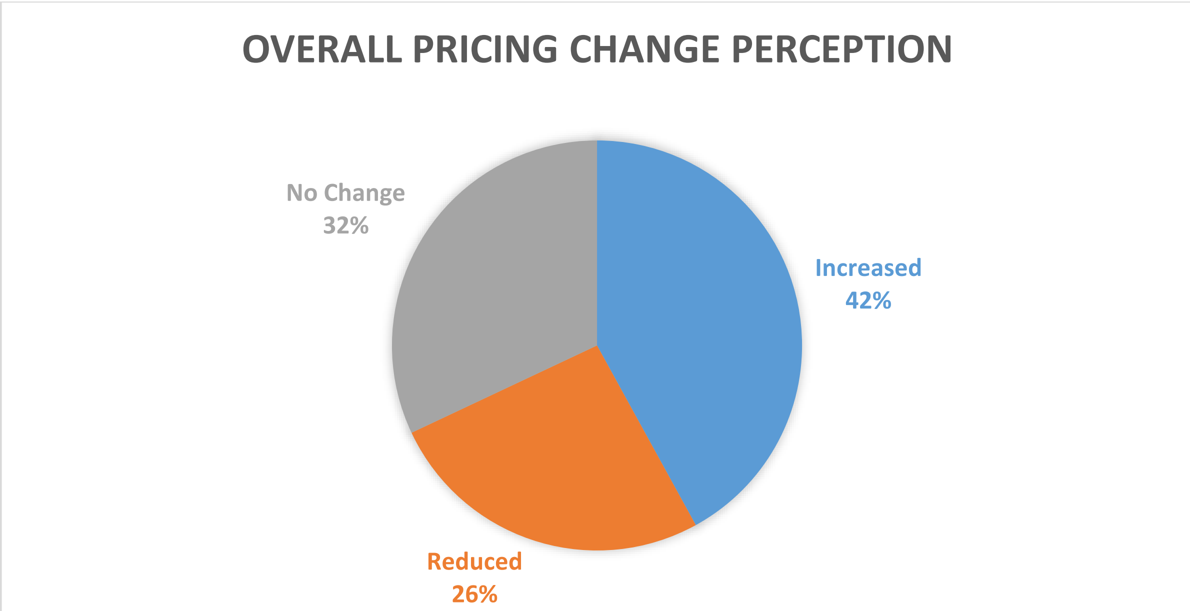

Figure 1: Pie Chart - Overall Pricing Change Perception

- 42% reported Increased prices
- 26% reported Reduced prices
- 32% reported No Change

2. Profitability Trends across Segments

Segment	Increased Profit (%)	Decreased Profit (%)	No Significant Change (%)
FMCG	25	50	25
Apparel	20	60	20
Electronics	30	45	25
Grocery	10	65	25
Others	15	50	35

Table 2: Reported Profit Margin Changes Post-GST

Interpretation: The majority of small and unorganized retailers reported a decline in profitability, especially in Grocery and Apparel segments. Factors included compliance costs, POS system upgrades, and delayed input tax refunds.

3. Compliance Burden and Digital Readiness

Business Type	Fully GST Ready (%)	Partially Ready (%)	Not Ready (%)
Organized Retail	85	10	5
Unorganized Retail	30	40	30

Table 3: Readiness for GST Compliance

Journal of Information Systems Engineering and Management
2025, 10(55s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

Interpretation: Organized retailers had higher compliance readiness due to better digital infrastructure. Unorganized businesses struggled, with 30% indicating they were unprepared for GST, causing issues with invoice generation and ITC claims.

4. Strategic Adaptations to GST Implementation

Strategy	Adoption Rate (%)
Price Recalibration	70
IT System Up gradation	60
Customer Education Campaigns	40
Product Reclassification	35
Outsourcing Tax Filing	50

Table 4: Strategic Measures Adopted by Retailers

Qualitative Insights:

- Retailers emphasized the need for third-party consultants to manage GST compliance.
- Many small retailers were unaware of exemption thresholds and over-complied, increasing their expenses.
- Cash flow problems were reported due to delayed ITC claims and higher upfront tax payments.

5. Consumer Behaviour and Market Dynamics

Response Category	Percentage (%)
Increased Price Sensitivity	55
Brand Switching	30
Increased Purchase Planning	25

Table 5: Observed Consumer Response Post-GST

Interpretation: GST brought transparency in billing, increasing consumer scrutiny. Price-sensitive buyers often switched to lower-GST-rated alternatives or private label goods.

CONCLUSION

The implementation of GST in India was intended to streamline the indirect taxation system and foster a unified market. This research examined how GST impacted pricing strategies and profitability within the retail sector. Findings suggest that the transition to GST created both opportunities and challenges for retailers.

Initially, many businesses struggled with compliance requirements and understanding GST classifications. The unorganized sector, in particular, found it difficult to adjust, leading to decreased profit margins due to compliance-related investments and disrupted supply chains. Larger, organized retailers demonstrated better adaptability and used technology to align with the new framework.

Pricing strategies underwent significant changes. While some retailers passed on tax savings to consumers, others increased prices due to higher GST slabs. The profit implications varied across sectors, with electronics showing resilience and grocery retailers facing the most pressure.

Strategically, businesses recalibrated their approaches, investing in digital systems, staff training, and reclassification of products to minimize tax liabilities. The long-term impact of GST appears to support

Journal of Information Systems Engineering and Management
2025, 10(55s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

formalization and operational efficiency, although short-term profitability, especially for small retailers, suffered setbacks.
Despite teething issues, the GST regime holds potential for driving retail modernization and fiscal consolidation. Continuous updates to GST slabs and clearer guidelines from the GST Council will be crucial for improved industry response.

RECOMMENDATIONS

Based on the analysis, the following recommendations are proposed:

1. **Simplify GST Slabs and Classifications:**
   - Streamline ambiguous tax rates, especially for similar products.
   - Reduce rate disputes by publishing standardized classification guidelines.
2. **Enhance Support for Small Retailers:**
   - Provide subsidies or financial aid for POS and GST compliance tools.
   - Organize workshops in regional languages to spread awareness and operational clarity.
3. **Facilitate Faster ITC Refunds:**
   - Reduce the processing time for input tax credit refunds.
   - Ensure clarity in filing processes to avoid technical rejections.
4. **Invest in Digital Infrastructure:**
   - Encourage digital literacy among micro retailers.
   - Establish public-private partnerships to roll out affordable GST software.
5. **Encourage Consumer Awareness:**
   - Launch campaigns explaining GST's impact on product pricing.
   - Promote digital receipts and e-billing culture.
6. **Policy Stability and Predictability:**
   - Limit frequent rate changes which disrupt planning.
   - Introduce sunset clauses or timelines for major revisions.

These measures will create a more inclusive retail ecosystem and reinforce the intended benefits of GST.

References

[1] Ministry of Finance, Government of India. (2018). GST Annual Report.
[2] Deloitte. (2017). "Impact of GST on the Indian Economy."
[3] Bhushan, A., & Mehta, M. (2018). "GST and SMEs in India." Economic & Political Weekly.
[4] Kumar, S., & Saha, R. (2019). "GST Impact on Consumer Behavior." Journal of Marketing Trends.
[5] Singh, P., & Kaur, H. (2020). "GST: Classification Challenges." Indian Taxation Review.
[6] Bhatia, V. (2021). "GST in Organized Retail." International Journal of Business Management.
[7] PwC India. (2017). "GST in India: Navigating the Transition."
[8] EY India. (2018). "GST Readiness Report."
[9] CRISIL. (2019). "Retail Sector Outlook Post GST."
[10] KPMG. (2018). "Tax Compliance and Profitability."
[11] FICCI. (2018). "GST and Indian Businesses."
[12] NASSCOM. (2020). "Digital Readiness in Retail Sector."
[13] RBI Bulletin. (2019). "GST and Economic Indicators."
[14] Delloite. (2020). "Input Tax Credit Management."
[15] Tiwari, R. (2021). "Consumer Price Sensitivity in the GST Era." Indian Journal of Economics.
[16] IBEF. (2020). "Retail Industry Analysis."
[17] Retailers Association of India. (2019). "GST Survey Results."
[18] World Bank. (2021). "GST and Doing Business in India."
[19] Taxsutra. (2022). "GST Reforms Update."
[20] GST Council Portal. (2023). "Notifications and Clarifications."