

OPPORTUNITIES AND OBSTACLES OF GST IMPLEMENTATION IN THE RETAIL PHARMACY BUSINESS

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Abstract

The Goods and Services Tax (GST) has brought transformational changes to the Indian taxation landscape, particularly within the retail pharmacy sector. This study examines both the opportunities and obstacles arising from GST implementation using Structural Equation Modelling (SEM). Primary data were collected from 327 pharmacy retailers and analysed to identify the opportunities and challenges of GST in the retail pharmacy business. The results show that GST has generated significant opportunities in the form of tax simplification, national market integration, reduction of tax cascading, digital transparency and increased business formalization. At the same time, the study highlights considerable obstacles including frequent regulatory changes, high IT compliance costs, increased competition and cash flow disruptions. The findings confirm that GST has a dual impact, while structurally strengthening transparency and supply chain integration; it imposes operational and financial burdens on small and medium pharmacy retailers. Suggestions are provided to balance these opportunities and challenges through improved regulatory stability, phased reforms and enhanced digital compliance support.

Key Words: GST, Pharmacy Retailers, Opportunities and Obstacles

Introduction

The Goods and Services Tax (GST) implemented in India in 2017 represents one of the most comprehensive indirect tax reforms undertaken to unify the national market and streamline tax administration. The retail pharmacy sector, a highly regulated and essential service industry has been substantially influenced by this reform. While GST promises transparency, efficiency and uniform taxation, it simultaneously imposes new compliance requirements, technological responsibilities and structural adaptation on small and medium pharmacy retailers.

Given this mixed opinion, there is a need for a systematic and empirical assessment of how GST has shaped business operations, supply chain functioning, financial implications and long-term sustainability in the retail pharmacy sector. This paper empirically evaluates these

contrasting forces by analysing the opportunities as well as obstacles experienced by pharmacy retailers through a Structural Equation Modelling (SEM) framework.

Statement of the Problem

Although GST was introduced to create a unified tax regime and reduce business complexities, pharmacy retailers often continue to face operational, procedural and compliance-related challenges. While benefits such as uniform pricing, reduced cascading effect and improved supply chain transparency are acknowledged, there is uncertainty regarding delayed input tax credits, frequent rule modifications and rising digital compliance costs. These contradictory outcomes raise an important research question:

Does GST ultimately enable or burden the retail pharmacy sector?

This study addresses this gap by empirically measuring both opportunities and obstacles business implications through a structured SEM model.

Objectives

- ❖ To assess the opportunities created by GST in the retail pharmacy business.
- ❖ To identify the major obstacles faced by pharmacy retailers after GST implementation.

Review of Literature

1. **Neha Bala, Naresh Mali (2017)** their study examine the positive and negative financial impacts of GST in the Indian Pharmaceutical and Its impact on industry. It is a descriptive research, where the data is collected from Secondary sources like previous researches in this field, various journals, books and websites. This study find the GST bill influence the 100% compliance with all legal and regulatory requirements under the GST Act. Price of the products and service, supply chain, logistics and procurement, accounting, IT systems, tax compliance and other areas will be affected hugely due to the implementation GST.
2. **Venkateswara Kumar & Kishore Babu (2018)¹** have studied the Perception of Pharmacists towards Goods and Services Tax (GST) in Guntur District of Andhra Pradesh, India". To study the concept of GST and to analyze the perception of pharmacists towards GST. Nature of the research is descriptive and the data are collected from primary as well as secondary sources. The data is collected from 172 respondents. The data are analysis through percentage analysis using MS Excel and presented in charts and tables. It was found that GST will bring uniformity in a tax rates. The study revealed the GST will not burden people and it was found in the study the GST will boost the Indian economy in the long run.
3. **Kinjal V et al. (2018)²** analysed "Impact of GST on Pharmaceuticals: An Overview". Goods and Service Tax is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that earlier existed in India. It is a descriptive research, where the data is collected from secondary sources like previous researches in this field, various journals, books and websites. The costing and taxation system will be easy with only mountainous of three accounts. It will create a neutral market for every person with an equal chance towards development across various states. Pharmacy sector and retailers will discover the lack of limits to explore planned supply chain and distribution channel. Many Ayurvedic products come under cosmetic range.
4. **Dr.R.Malini and Mrs.J.Ebanisha (2022)** identified the positive and negative attitude of medicine retailers on GST after COVID 19. In this study researchers used both primary and secondary source. Primary data collected from 54 medicine retailers who are living in Tenkasi District on the basis of simple random sampling method. The collected data is analysed by simple statistical tools such as Weighted Average method and Neutral score. In this study found the overall attitude of medicine retailers towards

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GST after COVID 19 will be mix of positives and negatives. But, after COVID 19 medical sector enjoys lot of positives such as tax relief, slashed tax and reduced tax rates. The result of the research is helps to the policy maker to attain the equitable and sustainable healthcare in India as well as it helps to eliminate the stumbling block in the supply chain system of medicines.

5. **R. Malini *et al* (2024)** research entitled “Pre and Post impact of GST on Medicines: Retailers’ Perspective. The objective of this study was analysed the positive and negative attitude of retailers towards pre and post impact of GST on medicines. The data was collected from both primary and secondary sources. Primary data collected via Questionnaire from 67 respondents randomly selected in Tenkasi District by adapting convenient sampling method and Secondary data collected through various journals and web sources. This study was conducted between February 2022 and July 2022 and the collected data was analysed by using Garrett rank. The overall attitude of medicine retailers about pre and post impact of GST will be a mix of positives and negatives. It explores the importance of the medicines at emergency and GST improves the supply chain system.
6. **Dr. Rupali Jadhav (2024)** examined the impact of GST by comparing it with the previous indirect tax system and exploring its benefits and challenges. Based on secondary data from journals, articles, and newspapers, the study found that GST could raise India’s GDP growth by 0.9–1.7 percentage points by eliminating multiple state and central taxes, reducing compliance costs, and simplifying tax filing. It enhances profitability, attracts investments, and creates a more competitive business environment. The study concluded that GST is a user-friendly, transparent, and coherent tax system that promotes growth, employment, and global competitiveness, ultimately playing a dynamic role in India’s economic development.

Research Gap

Existing literature primarily focuses on theoretical implications of GST or macro-level industry outcomes with limited empirical evidence examining its effects specifically on the retail pharmacy sector, which functions under stringent regulatory norms and sensitive margins. Few studies have concurrently measured both opportunities and obstacles within the same analytical model. This study fills the gap by applying SEM to validate contrasting dimensions of GST impact providing a holistic post-implementation assessment.

Research Methodology

The researchers tabulated research design with the following six “S”:

1	Source of the Data	Primary and Secondary sources.
2	Study Period	June 2024 to December 2024.
3	Study Area	Tenkasi District.
4	Sampling Method	Simple Random Sampling Method.
5	Sample Size	327 Pharmacy Retailers.
6	Statistical Tool	SEM.

Analysis and Interpretation

The opinion of pharmacy retailers towards GST reflects a mixed opinions consisting of both favourable and unfavourable dimensions. While GST has introduced structural transparency and uniform taxation, it has simultaneously created regulatory and operational burdens. To understand the overall opinion of GST, two major dimensions, Opportunities and

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Obstacles have been analysed through Structural Equation Modelling (SEM) and the results are represented in Table 1 and Table 2.

Dimension I

The SEM results show important opportunity of GST for retail pharmacy businesses is the creation of a unified national market, along with a simplified tax system. Retailers also experience better transparency, improved logistics and reduced cascading taxes. Though formalization is the lowest factor, it still contributes positively. These results are shown in Table 1 and Figure 1.

Dimension II

The SEM results also highlight key obstacles faced by retailers after GST implementation such as frequent regulatory changes, followed by high IT costs and rising competition among retailers. Delay in input tax credit and risk of penalties also add pressure. Even though restructuring of dealer agreements is the lowest factor, it still affects operations. These results are shown in Table 2 and Figure 2.

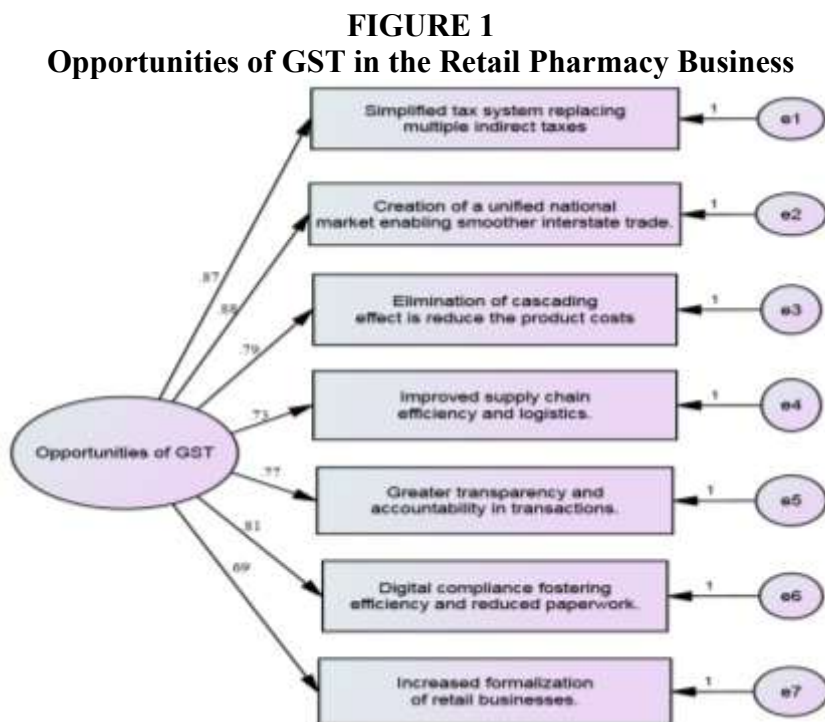
TABLE 1
Standardized Estimates of Opportunities of GST in the Retail Pharmacy Business

Measured Variables		Latent Variables	Estimates	S.E	CR	P Value	H ₁ Accepted/ Rejected
Simplified tax system replacing multiple indirect taxes.	←	Opportunities of GST	0.87	.032	13.451	<0.005***	Accepted
Creation of a unified national market enabling smoother interstate trade.	←	Opportunities of GST	0.88	.038	17.437	<0.005***	Accepted
Elimination of cascading effect is reducing the product costs.	←	Opportunities of GST	0.79	.022	26.340	<0.005***	Accepted
Improved supply chain efficiency and logistics.	←	Opportunities of GST	0.73	.033	25.753	<0.005***	Accepted
Greater transparency and accountability in transactions.	←	Opportunities of GST	0.77	.048	8.413	<0.005***	Accepted

Digital compliance fostering efficiency and reduced paperwork.	←	Opportunities of GST	0.81	.043	5.129	<0.005***	Accepted
Increased formalization of retail businesses.	←	Opportunities of GST	0.69	.028	39.025	<0.005***	Accepted

Source: Primary Data

***Significant at 0.05 Level



The SEM analysis reveals that all the indicators measuring the opportunities of GST have a strong and statistically significant relationship with the latent construct “Opportunities of GST in the Retail Pharmacy Business” as all standardized estimates fall between 0.69 and 0.88 with p-values less than 0.005. The highest regression weights are observed for the creation of a unified national market (0.88) and simplification of the tax system (0.87) are indicated that ease of interstate trade and the replacement of multiple indirect taxes are recognized as the most impactful opportunities among pharmacy retailers. These are followed by the elimination of the cascading effect (0.79) and improved supply chain efficiency (0.73) is demonstrated that GST has contributed to cost reduction and logistic streamlining.

Further, the results show that GST has enhanced transparency and accountability (0.77) and promoted digital compliance (0.81), which in turn reduced paperwork and procedural delays. Although the standardized estimate for increased formalization of retail businesses (0.69) is comparatively lower, it still signifies a substantial positive effect shown that GST has encouraged a gradual shift toward a more structured and organized retail pharmacy ecosystem. Since all hypotheses are accepted, the findings collectively confirm that GST reforms have generated meaningful operational, structural and administrative opportunities for retail pharmacy businesses.

TABLE 2

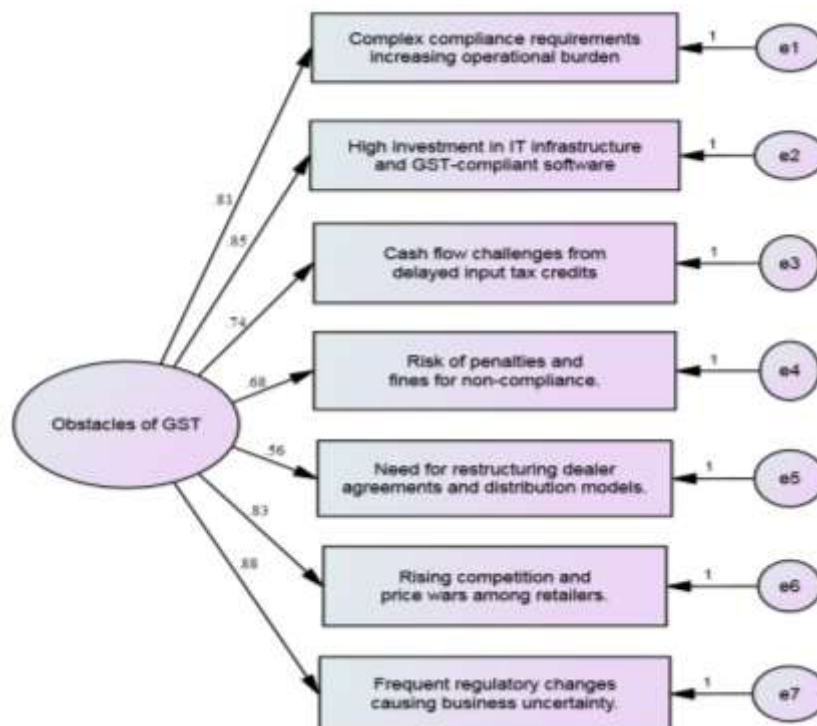
Standardized Estimates of Obstacles of GST in the Retail Pharmacy Business

Measured Variables		Latent Variables	Estimates	S.E	CR	P Value	H ₁ Accepted/Rejected
Complex compliance requirements increasing operational burden	←	Obstacles of GST	0.81	.096	22.086	<0.005***	Accepted
High investment in IT infrastructure and GST-compliant software	←	Obstacles of GST	0.85	.080	21.226	<0.005***	Accepted
Cash flow challenges from delayed input tax credits	←	Obstacles of GST	0.74	.034	22.726	<0.005***	Accepted
Risk of penalties and fines for non-compliance.	←	Obstacles of GST	0.68	.030	22.755	<0.005***	Accepted
Need for restructuring dealer agreements and distribution models.	←	Obstacles of GST	0.56	.002	21.575	<0.005***	Accepted
Rising competition and price wars among retailers.	←	Obstacles of GST	0.83	.031	22.912	<0.005***	Accepted
Frequent regulatory changes causing business uncertainty.	←	Obstacles of GST	0.88	.030	22.855	<0.005***	Accepted

Source: Primary Data

*****Significant at 0.05 Level**

FIGURE 2
Obstacles of GST in the Retail Pharmacy Business



The SEM results clearly indicate that all seven measured variables significantly contribute to the latent construct “Obstacles of GST in the Retail Pharmacy Business,” with standardized estimates ranging from 0.56 to 0.88 and p-values less than 0.005. The highest loading is observed for frequent regulatory changes causing business uncertainty (0.88), followed closely by high investment in IT infrastructure (0.85) and rising competition and price wars (0.83). This highlights that instability in compliance rules, higher digitalization costs and intensified market competition are opined as the most serious obstacles faced by pharmacy retailers under GST. Similarly, complex compliance requirements (0.81) and cash flow challenges from delayed input tax credits (0.74) significantly burden daily business operations and working capital management.

The results further show that risk of penalties and fines for non-compliance (0.68) also plays a considerable role indicated that fear of legal consequences continues to influence pharmacists’ opinions of GST implementation. Although the lowest loading (0.56) is found for the need for restructuring dealer agreements and distribution models, it still remains statistically significant indicated that supply chain restructuring is opined as a secondary yet relevant challenge. As all hypotheses are accepted, the model confirms that GST has introduced multiple structural, financial and administrative constraints for retail pharmacy businesses, particularly in the areas of digital compliance, regulatory adaptation and operational cost escalation.

Findings

- ❖ The pharmacy retailers were felt that the strongest opportunity of GST was ease of interstate trade and tax simplification which helps expand market reach and reduce procedural confusion.
- ❖ They opined that the weakest opportunity was formalization of retail businesses meaning not all retailers equally feel the structural benefits of formalization yet.
- ❖ They were opined that the strongest obstacle is frequent regulatory change, which creates uncertainty and compliance difficulties.
- ❖ The pharmacy retailers felt that the weakest obstacle was supply chain restructuring indicated that business models can adapt more easily than they can cope with regulatory or technological pressures.

Suggestions

Suggestions are emanated from the findings of the Study,

❖ **Government Support:**

Provide subsidies or financial assistance for small retailers to adopt GST-compliant technology.

❖ **Training Programs:**

Conduct awareness and training sessions to simplify GST filing and compliance.

❖ **Simplified Processes:**

Streamline GST return filing procedures to reduce the compliance burden.

❖ **Policy Stability:**

Ensure consistency in tax regulations to avoid business uncertainty.

❖ **Supply Chain Integration:**

Promote digital platforms and logistics integration to enhance efficiency.

Conclusion

The study concludes that GST has brought measurable structural benefits to the retail pharmacy business by promoting uniform taxation, transparency and operational efficiency; however, these benefits are counterbalanced by procedural complexity and compliance-related financial burdens. The SEM analysis confirms that both opportunities and obstacles are statistically significant dimensions of GST's impact. Therefore, GST is neither entirely enabling nor entirely restrictive. It is a reform whose benefits are presently accompanied by transitional and compliance challenges. With improved regulatory simplification, timely policy stabilization and digital support for small units, GST can become more business-friendly and sustainable for the pharmacy retail sector.

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