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IMPLICATIONS OF GOODS AND SERVICES TAX (GST) ON AYUR PRODUCTS IN KARNATAKA: A STUDY

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Abstract—*The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant reform in the country's indirect taxation system. AYUR products, including Ayurvedic, Yoga, Unani, and herbal healthcare products, have witnessed substantial growth due to increasing consumer awareness regarding natural and preventive healthcare. This study examines the implications of GST on AYUR products in Karnataka by analyzing its impact on pricing, sales, compliance costs. Primary data were collected from 200 respondents comprising retailers, distributors, and manufacturers across Bengaluru, Mysuru, Belagavi, and Kalaburagi. Statistical tools such as Chi-square Test, ANOVA, and Structural Equation Modeling (SEM) were employed for data analysis. The findings reveal that GST has improved tax transparency and market efficiency but has also increased compliance requirements for small businesses. The study suggests policy measures to enhance the growth of the AYUR sector under the GST regime.*

Keywords: *GST, AYUR Products, Karnataka, Retailers, Wholesalers, Manufacturers, Statistical Analysis.*

Introduction

The Goods and Services Tax (GST) is one of the most significant indirect tax reforms introduced in India. Implemented on July 1, 2017, GST replaced multiple indirect taxes such as Value Added Tax (VAT), Excise Duty, Service Tax, and Central Sales Tax with a unified tax system. The primary objective of GST is to create a single national market, eliminate the cascading effect of taxes, improve tax compliance, and enhance economic efficiency. By integrating various indirect taxes into a single tax structure, GST has transformed the way businesses operate across different sectors of the Indian economy.

The AYUR products sector, which includes Ayurvedic, Yoga, Unani, and other traditional healthcare products, plays a vital role in promoting India's indigenous systems of medicine. Karnataka is one of the leading states in the production, distribution, and sale of AYUR products, with numerous manufacturers, wholesalers, and retailers contributing to the growth of the industry. The increasing awareness of natural and herbal healthcare products has further expanded the market potential of AYUR products in recent years.

The introduction of GST has brought both opportunities and challenges to the AYUR products sector. On the positive side, GST has simplified the tax structure, improved transparency in transactions, and facilitated the seamless movement of goods across state boundaries. The availability of Input Tax Credit (ITC) has helped businesses reduce the burden of multiple taxes and improve operational efficiency. Additionally, the uniform tax system has reduced complexities associated with interstate trade and taxation.

However, GST has also created certain challenges for stakeholders in the AYUR products industry. Manufacturers, wholesalers, and retailers have faced issues related to tax compliance, digital filing requirements, documentation, and frequent changes in GST regulations. The tax rates applicable to different AYUR products have influenced pricing strategies, profit margins, and overall business performance. Small and medium enterprises, in particular, have experienced difficulties in adapting to the new tax regime due to limited resources and technical expertise.

Given the economic importance of the AYUR products sector and the widespread impact of GST, it is essential to examine how the tax reform has affected various stakeholders. This study aims to analyze the implications of GST on AYUR product manufacturers, wholesalers, and retailers in Karnataka. The study focuses on understanding the impact of GST on product pricing, compliance burden, sales performance, profitability, and stakeholder perceptions. The findings of the study will provide valuable insights for policymakers, industry participants, and researchers in improving GST implementation and promoting the sustainable growth of the AYUR products sector in Karnataka..

Review of Literature

Ahmad and Poddar (2009) analyzed GST reforms from an intergovernmental fiscal perspective. They emphasized that a comprehensive GST system promotes tax uniformity across states and minimizes distortions in the market. The authors argued that GST facilitates a seamless flow of input tax credits, reducing the cascading effect of taxes and lowering the overall tax burden on goods and services. Their study concluded that GST could improve resource allocation, encourage investment, and create a unified national market.

Vasanthagopal (2011) examined the proposed GST framework in India and argued that GST would be a significant reform in the indirect taxation system. The study highlighted that GST eliminates multiple layers of taxation by integrating various central and state taxes into a single tax structure. According to the author, GST reduces tax cascading, simplifies tax administration, improves compliance, and enhances economic efficiency. The study further suggested that GST could contribute to increased revenue collection and support long-term economic growth through a more transparent tax regime.

Arun Jaitley (2017) described GST as one of India's most important economic reforms. He stated that GST replaced multiple indirect taxes such as VAT, excise duty, service tax, and entry tax with a unified tax system. According to Jaitley, GST improves transparency, reduces tax evasion, and promotes ease of doing business. The reform was expected to strengthen India's economic competitiveness by simplifying tax procedures and reducing compliance complexities for businesses operating across multiple states.

Sharma and Gupta (2020) investigated the impact of GST on the healthcare and pharmaceutical sectors. Their findings revealed that GST improved supply chain efficiency by reducing logistical barriers and streamlining tax processes. However, the study also found that small and medium enterprises faced challenges due to increased compliance requirements, including digital filing, documentation, and frequent return submissions. The authors recommended providing technical support and training to smaller businesses to help them adapt to the GST framework.

The existing literature provides limited evidence regarding GST's impact on AYUR products, particularly in Karnataka. Hence, the present study fills this research gap.

Statement of the Problem

The implementation of the Goods and Services Tax (GST) in India has significantly transformed the indirect taxation system by replacing multiple taxes with a unified tax structure. While GST aims to simplify taxation, enhance transparency, and reduce cascading tax effects, its impact on the AYUR sector (Ayurvedic, Yoga, Unani, and related products) remains an important area of study. Karnataka has a growing market for AYUR products, driven by increasing consumer awareness and demand for traditional healthcare products.

Despite the potential benefits of GST, AYUR product manufacturers, distributors, and retailers face various challenges such as changes in tax rates, compliance requirements, pricing structures, input tax credit utilization, and market competitiveness. Small and medium-scale AYUR enterprises may experience difficulties in adapting to GST regulations, leading to increased compliance costs and operational complexities. Therefore, there is a need to examine the implications of GST on AYUR products in Karnataka and assess its impact on stakeholders within the sector.

Need for the Study

The Goods and Services Tax (GST) has brought significant changes to the taxation system in India, affecting various industries, including the AYUR products sector. The study is necessary to understand how GST has influenced the pricing, sales, profitability, and market performance of AYUR products in Karnataka. It helps identify the benefits and challenges experienced by manufacturers, distributors and retailers after the implementation of GST. The study also examines the level of GST compliance and awareness among stakeholders and provides suggestions for improving tax administration in the AYUR sector. Furthermore, the findings will contribute to academic literature and assist policymakers in making informed decisions regarding taxation and traditional healthcare products.

Objectives of the Study

1. To examine the impact of GST on AYUR product manufacturers in Karnataka.
2. To analyze the implications of GST on wholesalers dealing with AYUR products.
3. To study the effect of GST on retailers' profitability and business operations.
4. To evaluate the benefits and challenges of GST compliance in the AYUR sector.
5. To suggest measures for improving GST implementation in the AYUR products industry.

Hypotheses of the Study

H_1: GST has a significant impact on AYUR product manufacturers in Karnataka.

H_2: GST has significant implications on wholesalers dealing with AYUR products in Karnataka.

H_3**:** GST has a significant effect on retailers' profitability and business operations in the AYUR sector.

H_4**:** There is a significant relationship between GST compliance and the perceived benefits and challenges in the AYUR sector.

H_5**:** Stakeholders significantly differ in their opinions regarding measures for improving GST implementation in the AYUR products industry.

Overall Research Hypothesis

H1**:** GST has a significant impact on manufacturers, wholesalers, retailers, and compliance practices in the AYUR products industry in Karnataka.

Research Methodology

Sampling Design

Population of the Study

The population of the study comprises all stakeholders involved in the AYUR products sector in Karnataka. These stakeholders include AYUR product manufacturers, wholesalers, and retailers who actively participate in the production, distribution, and marketing of AYUR products.

Sample Size

For the present study, a total sample of 200 respondents was selected from the AYUR products sector in Karnataka. The sample consists of 100 manufacturers, 60 wholesalers, and 40 retailers. The selected respondents represent different levels of the AYUR product supply chain and provide valuable insights regarding the implications of GST on their business operations.

Sampling Technique

The study adopts the Stratified Random Sampling Technique to ensure adequate representation of all stakeholder groups. Under this method, the entire population is divided into three distinct strata based on the nature of business, namely manufacturers, wholesalers, and retailers. Respondents are then selected randomly from each stratum according to the required sample size. This technique helps in obtaining a representative sample and improves the reliability of the study findings.

Sample Profile of Respondents

The sample profile indicates that out of the total 200 respondents, 100 (50%) are manufacturers, 60 (30%) are wholesalers, and 40 (20%) are retailers.

With regard to gender, 160 respondents (80%) are male, while 40 respondents (20%) are female. This indicates that male respondents constitute the majority of participants in the study.

Based on business experience, 60 respondents (30%) have less than five years of experience, 50 respondents (25%) have between five and ten years of experience, and 90 respondents (45%) have more than ten years of experience. This shows that a large proportion of respondents possess significant experience in the AYUR products business.

Regarding business size, 45 respondents (22.5%) belong to small-scale enterprises, 65 respondents (32.5%) belong to medium-scale enterprises, and 90 respondents (45%) belong to large-scale enterprises. The findings indicate that large-scale businesses constitute the highest proportion of the sample.

Data Collection

Primary Data

Primary data for the study were collected through a structured questionnaire administered to manufacturers, wholesalers, and retailers dealing with AYUR products in Karnataka. The questionnaire was designed to gather information regarding the impact of GST on product pricing, compliance burden, sales performance, profitability, and stakeholder perceptions of GST implementation. Responses were measured using a five-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree," enabling quantitative analysis of respondents' opinions.

Secondary Data

Secondary data were collected from various reliable sources to support and supplement the primary data. These sources include GST Council Reports, Government Publications, Ministry of AYUSH Reports, Research Journals, Books, Newspapers and Magazines, the Official GST Portal, and other published articles and reports. The secondary data provide background information, policy insights, and supporting evidence related to GST and the AYUR products sector in Karnataka.

Data Analysis and Interpretation

The collected data are analyzed using statistical tools such as percentage analysis, Chi-square test, ANOVA and Structural Equation Modeling (SEM) to draw meaningful conclusions regarding the impact of GST on the AYUR products sector.

Table 1: Opinion on GST Impact on Business Operations

Opinion	Frequency	Percentage
Strongly Positive	40	20.0
Positive	75	37.5
Neutral	35	17.5
Negative	30	15.0
Strongly Negative	20	10.0
Total	**200**	**100.0**

Interpretation

The above table shows the opinions of manufacturers, wholesalers, and retailers regarding the impact of GST on business operations in the AYUR products sector. Out of 200 respondents, 75 respondents (37.5%) expressed a positive opinion, while 40 respondents (20%) expressed a strongly positive opinion. Together, 57.5% of respondents viewed GST favorably, indicating that GST has simplified tax procedures, improved transparency, and reduced the burden of multiple indirect taxes.

About 17.5% of respondents remained neutral, suggesting that GST has neither significantly benefited nor adversely affected their business operations. However, 25% of respondents reported negative perceptions, mainly due to compliance costs, frequent filing requirements, and technological challenges associated with GST returns.

The findings suggest that although GST has positively transformed the AYUR products market by creating a unified tax structure, certain operational challenges continue to affect smaller business entities, especially retailers.

Chi-Square Test

Hypothesis

H_0: There is no significant relationship between business type (manufacturer, wholesaler, and retailer) and GST compliance difficulties.

H_1: There is a significant relationship between business type and GST compliance difficulties.

Table 2: Chi-Square Analysis

Particulars	Value
Chi-Square Value	18.42
Degrees of Freedom	4
Table Value (5%)	9.488

Result

Since the calculated value (18.42) is greater than the table value (9.488), the null hypothesis is rejected.

Interpretation

The Chi-Square test was conducted to examine whether GST compliance difficulties differ among manufacturers, wholesalers, and retailers. The calculated Chi-Square value of 18.42 exceeds the table value of 9.488 at the 5% significance level.

Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. This indicates that the type of business significantly influences GST compliance difficulties.

The results imply that retailers generally face greater compliance challenges because of limited accounting expertise, frequent GST return filing requirements, and technological constraints. In contrast, manufacturers and large wholesalers often possess dedicated accounting departments and advanced software systems, enabling them to manage GST compliance more efficiently.

Thus, GST compliance issues are not uniformly distributed across business categories and vary according to the nature and scale of operations

ANOVA Analysis

Objective

To determine whether GST benefits differ among manufacturers, wholesalers, and retailers.

Table 3: ANOVA Results

Source	Sum of Squares	df	Mean Square	F Value
Between Groups	102.50	2	51.25	5.82
Within Groups	1734.20	197	8.80	
Total	**1836.70**	**199**		

Result

The calculated F-value (5.82) is greater than the critical value (3.04).

Interpretation

The ANOVA test was used to compare the mean GST benefit scores among manufacturers, wholesalers, and retailers. The calculated F-value of 5.82 is greater than the critical value of 3.04 at the 5% significance level.

This result indicates a statistically significant difference in the level of benefits experienced by different business groups. Therefore, the null hypothesis stating that all groups experience similar benefits is rejected.

SEM Model

Table 4: Structural Equation Modeling (SEM)

Path	Standardized Estimate	p-value
GST → Compliance Burden	0.72	0.000
GST → Pricing Changes	0.68	0.001
Compliance Burden → Profitability	-0.54	0.002
Pricing Changes → Profitability	-0.46	0.005

GST Implementation → Compliance Burden → Business Performance

GST Implementation → Pricing Changes → Profitability

SEM Results

Table 5: Model Fit Indices

Index	Value
CFI	0.94
GFI	0.92
RMSEA	0.05
Chi-Square/df	2.10

Interpretation

The SEM results indicate that GST significantly influences compliance burden and pricing changes. Increased compliance burden negatively affects profitability, while pricing changes also reduce profit margins. The model demonstrates a good fit.

Major Findings

1. GST has significantly influenced the pricing structure of AYUR products in Karnataka.
2. Retailers reported an increase in compliance requirements, including GST return filing and record maintenance.
3. Wholesalers experienced improved transparency in tax transactions due to the uniform GST system.
4. Manufacturers benefited from the input tax credit mechanism, which reduced the cascading effect of taxes.
5. GST has streamlined the supply chain process and improved the movement of AYUR products across Karnataka.

Suggestions

1. The government should simplify GST compliance procedures for small AYUR product retailers and wholesalers.
2. Regular GST awareness and training programs should be conducted for manufacturers, wholesalers, and retailers.
3. Digital support systems and technical assistance should be provided to businesses facing difficulties in GST filing.
4. GST rates on AYUR products may be reviewed periodically to ensure affordability and market growth.
5. Manufacturers should be encouraged to utilize input tax credits effectively to reduce production costs.

Conclusion

The study concludes that the implementation of GST has brought significant changes to the AYUR products sector in Karnataka. The tax reform has enhanced transparency, reduced the cascading effect of taxes, and improved supply chain efficiency for manufacturers, wholesalers, and retailers. However, GST compliance requirements have increased operational challenges, particularly for small-scale businesses. Statistical analysis confirms that GST has a significant impact on business performance and profitability in the AYUR products sector. While the overall perception of GST remains positive due to its long-term benefits, further simplification of compliance procedures and stakeholder support measures are necessary to maximize its effectiveness and promote sustainable growth of the AYUR industry in Karnataka.

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