

# Unraveling the Effect of GST on the Growth and Development of Micro, Small, and Medium Enterprises (MSMEs)

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**Abstract:** *Through the introduction of the new GST regime, there has been a greater impact on the growth and development of businesses. This Research study focuses on the truthfulness of the Uniform taxation system in India i. e., GST has impacted Micro, Small, and Medium Enterprises in terms of profits, Growth, and Development. Through the means of a questionnaire reached out to various MSMEs operating in Hyderabad. The study, employing both primary and secondary data sources, delves into the impact of GST awareness on business operations, cost implications, ease of compliance, and overall business performance. Through statistical analyses, including correlation studies, ANOVA, and Chi - square tests, it identifies nuanced correlations between GST awareness, ease of business, profitability, and developmental aspects within the MSME sector. Findings reveal a varied impact of GST implementation, showcasing significant correlations between ease of doing business and profitability/growth, alongside distinctive challenges and benefits experienced by MSMEs. The research underscores the need for targeted support and policy adaptations to address the diversified impact of GST on MSMEs, contributing valuable insights for policymakers and stakeholders invested in fostering the growth and resilience of this vital sector.*

**Keywords:** GST impact, MSMEs, Business growth, Statistical Analysis, Policy adaption, Awareness, Profitability, Growth, and development

## 1. Introduction

The Goods and Services Tax (GST) is a significant tax reform introduced in India on July 1, 2017. It aims to create a unified tax system by subsuming multiple indirect taxes. The GST implementation was expected to have far - reaching implications for various sectors, including Micro, Small, and Medium Enterprises (MSMEs). This research proposal aims to assess the impact of GST on Indian MSMEs, with a focus on understanding the challenges, opportunities, and overall implications for their growth and sustainability. The Micro Small and Medium Enterprises (MSMEs) quarter is a major contributor to the socio - economic development of the US. In India, the world has

won significant significance due to its contribution to the Gross Domestic Product (GDP) of the country and exports. The region has also contributed immensely with appreciation to entrepreneurship improvement, particularly in semi - city and rural areas of India. A revision in the Micro, Small, and Medium Enterprises (MSME) definition was announced below the Aatmnirbhar Bharat Abhiyaan Scheme on May 13, 2020. The Ministry of Micro, Small, and Medium Enterprises, vide its gazette notification dated June 1, 2020, has introduced the upward definition and standards of the MSME. The new class for MSME came into impact on July 1, 2020. (This notification shall come into effect from 01.07.2020.)

	Turnover	Investment
Micro	Rs.5 crore (US \$ 610, 000)	Less than Rs.1 crore (US\$ 120, 000)
Small	Rs.50crore (US\$ 6.1 million)	More than Rs.1 crore (US\$ 120, 000) but less than Rs.10 crore (US\$ 1.2 million)
Medium	Rs.250 crores (US\$ 30.4 million)	More than Rs.10 crore (US\$ 1.2 million), but less than Rs.50 crore (US\$ 6.1 million)

In keeping with information from the Ministry of Micro, Small & Medium Enterprises, as of May 18<sup>th</sup> 2023, the Udyam Registration portal registered 16, 215, 785 MSMEs, replacing the previous system of filing for a Udyog Aadhaar Memorandum (UAM). Registered micro - organizations stood at 15, 548, 986 (95.88%), accompanied by small corporations at 546, 471 (3.36%) and midsized enterprises at 52, 078 (0.32%). As of March 15<sup>th</sup> 2022, below the top 5 country - sensible Udyam registrations, Maharashtra recorded the greatest number of registrations with 27.60 lakh units, accompanied by using Tamil Nadu (15.43), Uttar

Pradesh (12.60), Gujarat (11.27), Rajasthan (11.24). Majority (72%) of the registered MSMEs, as of December 31<sup>st</sup>, 2022, had been provider organizations, at the same time as production included 28%. Indian Micro, Small and Medium Enterprises (MSMEs) are hastily adopting digital payments over coins, with 72% of bills completed through the virtual mode in comparison with 28% of cash transactions. The rise in virtual adoption affords possibilities for similar growth in the area. From FY23 till December 31<sup>st</sup>, 2022, the number of virtual transactions stood at 9, 192 crores and worth Rs.2, 050 trillion (US\$ 24.73 trillion).

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**Background of GST**

The inception of GST dates to 1954, when France became the first country to embrace this tax system. Since then, over 160 nations across the globe have followed suit. Malaysia joined the ranks of countries implementing a value - based tax system, known as GST, in 2015. In 2017, India introduced GST, opting for a dual tax structure system.

The history of GST dates back over two decades to the year 2000 when the first discussion on India adopting GST took place during the reign of the Atal Bihari Vajpayee government. To ensure a smooth transition, an empowered committee of state finance ministers, who had prior experience with State VAT, was selected. In 2004, the Fiscal Responsibility and Budget Management Committee was formed, and it recommended the implementation of GST.

**Positive impact of GST on MSMEs:**

- 1) **Easy of doing business:** Making it easier to start a business. Currently, the sales tax department has different turnover slabs that need to be registered for VAT. Businesses with multi - state operations have to comply with different tax rules in different states, which not only adds to the complexity but also increases the procedural fees. This has been a burden for MSMEs. A unified GST Registration will make it simpler to start a business.
- 2) **Market Expansion:** Under the current system, big companies used to procure goods based on the location of the MSMEs to reduce overhead costs. Hence, MSMEs restrict the customers within the state as they have to bear the ultimate tax burden on interstate sales. This limits the customer base of the MSME segment. With the introduction of the Goods and Services Tax (GST) under the MSME segment, this restriction will be removed. The GST credit will be transferred irrespective of where the buyer and seller are located. Therefore, the MSME segment will be able to expand and cross - border.
- 3) **Reduced Administrative Expenses:** In addition to being tax - neutral, the GST will remove time - consuming border tax procedures and toll check posts, thereby promoting cross - border trade in commodities. As a result, businesses that manufacture bulk goods will experience a decrease in logistics costs. These expenses might be essential to MSMEs' survival.
- 4) **Acquisition of Capital Goods:** Only 50% of an input tax credit against the purchase of capital goods is available under the current system in the year of purchase, with the remaining portion being available in later years. The full input tax credit may be used within a year of the purchase under the GST scheme. It will inevitably back the "Made in India" initiative.
- 5) **Supports MSMEs Engaged in Sales and Services:** Both the sales and service models of the company will provide aid to the registered MSMEs, and since both will be subject to the same GST rate, the entire amount may be computed.
- 6) **Unified Market:** Due to the reduction of different taxes levied by the federal and state governments, the Goods

and Services Tax (GST) will facilitate the transfer of goods across states and lower operating costs.

**Negative impact of GST on MSMEs:**

- 1) **The burden of a lower threshold:** The proposed GST bill would lower the threshold to Rs.9 lakhs, increasing the tax net by Rs.4 lakhs for the states in the Northeast. (However, the GST Council raised the threshold limit for the Northeastern states from 4 lakh to 10 lakhs and from 10 lakhs to 20 lakhs.) Any shop or service provider subject to the tax levy will be covered by this reform. The threshold under the current central excise statute is Rs.1.5 crore. The working capital of the MSME will be greatly impacted by the decline.
- 2) **Selective tax levy:** Businesses that rely on petroleum and alcoholic beverages are exempt from the GST, which further widens the divide and undermines the united market philosophy of the GST.
- 3) **Tax rate is the same on luxury goods and services:** Tax neutrality will not distinguish between regular and expensive goods. Luxury products and services are subject to higher taxes from both the federal and state governments. Since all commodities and services would be subject to the same tax under the GST, the wealthiest will get even richer and the poor will get even poorer. The current situation for MSMEs facing forth against major corporations is not favorable.
- 4) **Excess Working Capital Needed:** Capital requirements may be primarily impacted by stock transfer taxes. The extent of the damage varies based on factors like the amount of merchandise transferred, the credit cycle to a customer, and the warehouse's turnaround time for stock. The larger capital requirement will result in higher interest costs, which will raise the finished goods price in the end.
- 5) **Dual Control:** At the GST Council Meeting, the Ministry agreed that existing Service Tax assesses, regardless of turnover, and those with a turnover of less than 1.5 crores would be assessed by the State Government. Since State Governments lack experience with Service Tax concerns, it will be evaluated by the Central Government. This will lead to dual administrative supervision by the Centre and the State for small traders who deal in both products and services.
- 6) **Reorganising the Supply Chain and Purchasing:** If the supplier of products to the MSME does not include the GST credit in his return, the complying company will not be eligible for it. Because of the GST credit structure, sourcing tactics will therefore alter. In addition, a review of the supply chain will take place due to the taxation of stock transfers.

**2. Review of Literature**

A comprehensive literature review will be conducted to gather insights into the existing knowledge about GST's effects on MSMEs. The review will include academic journals, government reports, industry publications, and expert opinions. The key areas of focus will be the impact of GST on MSMEs' working capital, ease of doing business, and tax compliance costs.

(Dhillon & Gautam, 2022), "A Critical Assessment of the Impact of GST on MSMEs in the state of Punjab" "The Goods and Services Tax (GST) is a massive oblique tax reform applied in India seeing that July 1, 2017, with similarities to systems in other nations. This paper provides an outline of GST's concepts, targets, and impacts on numerous sectors in the Indian financial system. The paper explores the impact of GST on sectors like generation, telecommunications, pharmaceuticals, automobiles, and others, highlighting both superb and bad consequences.

(George & Antony, 2023), "GST and Its Versatility: The Case of Indian Micro, Small, and Medium Enterprises". This study assesses the effects of the GST on MSMEs in India that focus on overhead expenses, connection problems, and facilitation measures. The analysis is done on data from ninety MSMEs in Bengaluru. The essay highlights the great benefits of GST, like its increased market reach and ease of doing business, as well as the challenging circumstances that MSMEs face and the high compliance costs. The analysis shows the benefits of the Goods and Services Tax (GST), awareness programs, gaps in design and execution, and the rise in overhead costs. The results emphasize the necessity of additional measures.

(Dani, 2016), "A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy". This research paper examines the implementation of Goods and Service Tax (GST) in India and its impact on the financial system. GST is a dual tax structure geared toward simplifying tax management, facilitating manufacturing operations, and helping the "Make in India" initiative. The paper presents a comprehensive listing of GST costs for manufacturing and services and highlights the GST for manufacturers, wholesalers, retailers, and consumers. The paper concludes that GST could have an advantageous effect on at the Indian financial system, presenting comfort to producers and consumers even as forecasting growth.

(Sharma Et Al., 2019), "Awareness and Impact of GST Among Small Business Owners: A Study of Mandasaur City In M. P". This observation examines the notice and impact of the Goods and Service Tax (GST) among small commercial enterprise owners in Mandasaur town, Madhya Pradesh. Data was collected from 50 business proprietors through an established questionnaire. The findings indicate that the business owners are aware of the implementation of GST and perceive it as a truthful tax device. However, they explicit the need for more readability and simplification in methods, as they rely upon chartered accountants for online submissions.

(Beemabai & Krishnakumar, 2019), "Impact of Goods and Service Tax (GST) on MSMEs in India" This article examines the impact of the Goods and Services Tax (GST) on Micro, Small, and Medium Enterprises (MSMEs) in India. The GST, applied in 2017, is a nationwide indirect tax that influences the manufacture, sale, and intake of goods and offerings. The observation explores the effective and terrible influences of GST on MSMEs, including decreased tax costs, less difficult business startups, and decreased logistics charges. However, challenges which included decreased thresholds, loss of tax differentiation for

luxury items, and excess working capital necessities are also identified. The MSME sector is critical for the Indian economy, contributing to GDP and employment technology.

(Hiremani Naik Sudina, "A Professor Assistant Professor, 2017), A Study on Perspective Impact of GST on FMCG Sector in India". This article examines the capability implications of the Goods and Services Tax (GST) on the quick - transferring consumer items (FMCG) zone in India. The FMCG area, a considerable contributor to India's financial system, is expected to undergo big modifications with the GST implementation. The article discusses the expected blessings and challenges associated with this tax reform, highlighting its effect on performance, tax cascading, and the price chain.

(Karthikeyan & Priya, 2018), "Impact of Goods and Services Tax on Indian MSMEs". This article examines the impact of the Goods and Services Tax (GST) on Indian Micro, Small, and Medium Enterprises (MSMEs). The GST is a comprehensive tax system aimed at simplifying compliance and promoting the government's "Make in India" initiative. While the implementation is expected to benefit MSMEs in the long run, there are concerns regarding the reduction in the threshold for GST exemption and potential cost increases for certain industries. Currently, many MSMEs remain unregistered to avoid taxes and compliance requirements, which could potentially harm their business if they reach the threshold under the tax law.

(Somani, 2018), "Impact of Goods and Service Tax (GST) On Indian MSMEs". This article examines the consequences of the Goods and Services Tax (GST) on Micro, Small, and Medium Enterprises (MSMEs) in India. The GST is an unmarried tax gadget designed to simplify taxation and establish a unified market. The article highlights the blessings of GST, such as more desirable competitiveness for MSMEs and no extra tax burden. The article proposes answers to cope with these challenges, consisting of offering training and schooling on GST and improving operational performance. Overall, the object concludes that with proactive authorities' measures, GST can affect MSMEs and the Indian economy.

(Bhattarai, 2017), "Impacts of GST reforms on efficiency, growth, and redistribution of income in India: A Dynamic CGE Analysis". The study's paper evaluates the micro and macro impacts of the Goods and Services Tax (GST) in India, carried out in July 2017, with the usage of a dynamic computable preferred equilibrium (CGE) model. It assesses the results of GST on resource allocation efficiency among production sectors, profits and employment increase, and earnings redistribution. The observation unearths that GST will enhance specialization amongst sectors, preserve a continuous increase charge in output, investment, and bodily capital, and promote growth in human capital and the monetary machine.

(Bala & Verma, n. d.), "GST in India: A Critical Review". The research paper titled "GST in India: A Critical Review" provides an analysis of the Goods and Services Tax (GST) in India. It discusses the benefits and impact of GST on the Indian economy. The paper highlights the need for tax

reforms in India and the advantages of implementing GST. It also examines the structural model of GST and its impact on various sectors such as imports, tax collections, and exports. The study aims to understand the concept of GST, study its issues, and evaluate its advantages and disadvantages in the Indian context.

**(Gupta, n. d.), “Goods and Service Tax: Its Impact On Indian Economy”.** The research paper discusses the concept of Goods and Services Tax (GST) and its impact on the Indian economy. The paper also emphasizes the benefits of GST for individuals, companies, exporters, and the manufacturing sector. It concludes that a well - designed GST system can lead to efficient allocation of resources, economic growth, and enhanced welfare.

**(Joseph & Jacob, 2020), “An Evaluation on the Influence of Goods and Service Tax (GST) on Micro Small and Medium Enterprises (MSMEs)”.** The research paper aims to study the influence of GST on MSMEs in India and understand how well they adapted to the new indirect taxation system. It highlights the challenges faced by MSMEs under the previous taxation system and how GST, as a unified tax, subsumed various indirect taxes. The paper also discusses the important features of the GST Act, such as the extension of tax base, destination - based taxation, seamless tax credit flow, and mandatory electronic transactions. Overall, the research paper provides insights into the impact of GST on MSMEs and the key aspects of the GST system.

**(Pematuhan et al., 2015), “Compliance Costs of Goods and Services Tax (GST) among Small and Medium Enterprises”.** This research paper focuses on the compliance cost of Goods and Services Tax (GST) amongst Small and Medium Enterprises (SMEs) in Malaysia. The examine objectives are to become aware of the predicted compliance costs of SMEs in fulfilling their tax obligations and investigate the readiness of these companies in the implementation of GST. The evaluation presents insights into the heritage of the SMEs, issues associated with GST compliance costs, and the capability impacts of GST on business entities. The paper recommends tax incentives to compensate SMEs for their preliminary compliance fees incurred because of the creation of GST.

**(Kanimozhi, 2023), “A Study on Impact of GST on MSME in India”.** The report focuses on how India's Micro, Small, and Medium - Sized Enterprises (MSMEs) are affected by the Goods and Services Tax (GST). The benefits of a simplified tax system are acknowledged in the article along with the difficulties MSME entrepreneurs have in applying GST and adhering to tax laws. The Karnataka district's MSMEs were chosen for structured interviews to gather primary data for the study. Overall, the study indicates that there may be both positive and negative effects of GST on India's MSME sector.

**(Murari, 2020), “Perceived Impact of Goods and Services Tax (GST) and Growth of Micro, Small and Medium Enterprises (MSMEs) in Sikkim”** This research paper focuses in the perceived effect of Goods and Services Tax (GST) on the growth of Micro, Small and Medium

Enterprises (MSMEs) in state of Sikkim, India. The study covers the three districts of Sikkim, mainly East, West, and South, and makes use of a descriptive research design that is quantitative and empirical in nature. The paper identifies eight variables which might be looked as if it might be impacted with the useful resource of GST, collectively readily of doing commercial enterprise, procedural and compliance effect, impact on commercial enterprise operations, transparency, assist in commercial corporation boom, reorganization of buy and deliver chain, improved operational fee, and recognition and knowledge. The recommendations also include simplifying the GST compliance process, providing training and awareness programs for MSMEs, and improving access to credit and finance for MSMEs.

### 3. Research Methodology

#### Research Objectives

This research has the following objectives:

- To analyse the relationship between awareness about GST and impact on MSMEs growth and development.
- To examine whether the implementation cost has increased due to introduction of GST.
- To explore the opportunities created by GST for MSMEs to enhance their ease of doing business.

**Sample Size:** 100

**Mode of collection:** Google forms are circulated and interacted with people who were the part of (or) worked with in Micro, Small and Medium Enterprises. The Data was collected from both primary and secondary sources. The Primary data has been collected through structured questionnaires from MSMEs located in the Hyderabad region. The Secondary data has been collected from the Articles, Research paper, Government Gazettes, Journals, and ICAI Website.

**Target population:** The target population was the people who are part of MSME businesses operating in Hyderabad City, Persons who know about GST mainly GST practitioners and who are paying the GST taxes.

**Tools used for data analysis:** Data Analysis: PSPP Software was used to analyse the data and perform statistical analysis such as Correlation analysis, Chi - square, and ANOVA. To assess the effect of GST on MSMEs.

#### Hypothesis:

- H0: There is no correlation between Awareness and understanding of GST on MSMEs ease of doing business, Profitability, growth and development.

H1: There is a correlation between Awareness and understanding of GST on MSMEs ease of doing business, profitability, growth, and development.
- H0: The implementation of GST does not have a significant impact on ease of doing business to profitability, growth and development in MSMEs.

H1: The implementation of GST have a significant impact on ease of doing business to profitability, growth and development.

- 3) H0: There is no significant of benefits by the implementation of GST in MSMEs in terms of Input tax credit, filing returns, GSTN portal, and compliance procedures.  
H1: There is a significant benefits by implementing GST in MSMEs in terms of Input tax credit, filing returns, GSTN portal, and compliance procedures.

#### 4. Data Analysis

Summary of responses from (1 – 20)

- 1) Status of the enterprise - From a sample population size of 100 operating as Micro, Small, and Medium Enterprises in Hyderabad.40% of the sample population are operating under the category of Micro Enterprises. Small and medium enterprises are 32% and 28% of the population.
- 2) The nature of your MSME - As per the data collected nature of MSMEs as services are operating more when compared with manufacturing, trading, or others.
- 3) Form of the enterprise - Within the sample population, 41 percent of businesses are registered as sole proprietorships, in comparison to partnership and company registrations (w. r. t form of registration and operation).
- 4) No. of employees in the enterprise - As per the sample population, most of the enterprises have less than 30 employees which can be expressed as 51 out of 100 sample population. Only 7 out of 100 sample population has no. of employees working in MSMEs are between 61 to 90 employees.
- 5) Type of maximum employees in the enterprise - Within the sample population, skilled employees working in the MSMEs are 50 out of 100, Semi - skilled are 44 out of 100, and unskilled are 6 out of 100.50% of the workforce are skilled employees.
- 6) Age - The data shows the age distribution of respondents, 43% are elderly 31 - 40, 38% are elderly 21 - 30, and 16% are aged 41 - 50. There are very few or no respondents in the 51 - 60 and above 61 age corporations.
- 7) Gender - The information represents the gender distribution of respondents. It suggests that 76% of respondents are male, 24% are lady, and there are not any respondents from different gender categories. This shows a sizable gender imbalance inside the pattern, with a majority of male participants.
- 8) Educational Qualification - The facts illustrate the instructional qualifications of respondents. It reveals that 40% have a postgraduate degree, 44% are undergraduates, and 12% have completed intermediate schooling. There are minimum responses with SSC qualifications (1%) and no formal education (3%), indicating the majority has basic education qualifications.
- 9) Marital Status - The facts represent the marital popularity of respondents. It suggests that 63% are married, at the same time as 36% aren't married, indicating a majority of married people in the pattern.
- 10) Experience in the industry - The information describes the distribution of respondents' experiences in the industry. It indicates that 41% have 0 - 5 years of experience, 36% have 6 - 10 years, and 23% possess over 10 years of level.
- 11) Are you from a business family - The facts exhibit the respondents' family background in the enterprise. It suggests that 40% are from business families, at the same time as 60% aren't, suggesting a majority and not using a business family's historical past.
- 12) I am aware of the GST regulations and compliance requirements - The records show respondents' focus on GST rules and compliance necessities. It shows that 27% are aware, at the same time as 12% are not, and 16% are unsure or have blended awareness. This shows quite excessive level of focus however also a wonderful portion with an unsure understanding regarding GST regulations.
- 13) I understand how GST impacts my business operations - The information displays respondents' expertise on how GST affects their enterprise operations. It is well - known that 44% agree, 33% are neutral, 15% both disagree or strongly disagree. This indicates that a huge portion acknowledges the impact of GST on their enterprise, but a tremendous variety are both unsure and don't perceive a sturdy impact.
- 14) Present GST system is beneficial the early tax system - The records show respondents' critiques of the contemporary GST mechanism compared to the preceding tax mechanism. It shows that 60% trust it is useful, 13% disagree, and 27% are unsure or have mixed evaluations. This shows that a majority locate the prevailing GST mechanism as effective, at the same time as a large portion stays unsure or believes it is now not higher than the earlier tax gadget.

15-28 response summary	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
GST implementation helped MSMEs in ease of doing business	9	14	31	39	7
Majority of MSMEs outsources GST related work to practicing firms of CA/CS/CMA instead of in house handling the GST work	7	10	23	36	24
Whether the implementation cost has increased due to introduction of GST	5	18	23	46	8
Whether the compliance cost has increased due to introduction of GST	7	13	23	46	11
Whether the recruitment and training cost has increased due to introduction of GST	8	23	24	29	16
Whether the IT cost (including GST software) has increased due to introduction of GST	5	18	30	29	18
Whether there is an increase in Professional payments due to introduction of GST	4	11	28	41	16
Whether GST regulations are beneficial to MSMEs in general	6	13	22	48	11
Whether all the compliance procedures under GST such as registration, payments, refunds, and returns being done online, is a big relief for MSMEs.	10	15	22	39	14
MSMEs are facing adversity in working capital requirement due to change in GST regime.	8	20	29	32	11
GST has impacted various business processes (such as Purchase process, Sales process, Supplier chain process, Customer claim process etc.) of MSME units.	8	19	18	47	8
Whether MSME units encounter any challenges while interfacing with GSTN portal	7	18	31	37	7
Filing GST returns has become complicated, time consuming and burdensome for MSME units.	5	20	25	39	11
Whether claiming of Input Tax Credit (ITC) refund is difficult for MSME units and their funds often get blocked	7	11	25	41	16

Respondents generally perceive the positive impact of GST implementation on MSMEs, with a notable majority favouring outsourcing for GST - related work and filing GST rules as beneficial. However, concerns arise as a significant number believe that implementation and compliance costs have increased. Mixed opinions exist regarding the impact on recruitment and training, IT expenses, and working capital requirements. While a

majority acknowledges the influence of GST on various business processes, a notable proportion finds GST filing complex. Overall, the data reflects a complex view, with respondents recognizing both the benefits and challenges associated with the GST regime for MSMEs.

**Correlation Analysis:**

		GST Awareness and Understanding	Ease of Doing Business	MSME Profitability	MSME Growth	MSME Development
GST Awareness and Understanding	Pearson Correlation	1.000	-.080	-.050	.016	-.021
	Sig. (2-tailed)		.426	.619	.877	.838
	N	100	100	100	100	100
Ease of Doing Business	Pearson Correlation	-.080	1.000	.617	.871	.330
	Sig. (2-tailed)	.426		.000	.000	.001
	N	100	100	100	100	100
MSME Profitability	Pearson Correlation	-.050	.617	1.000	.494	.323
	Sig. (2-tailed)	.619	.000		.000	.001
	N	100	100	100	100	100
MSME Growth	Pearson Correlation	.016	.871	.494	1.000	.157
	Sig. (2-tailed)	.877	.000	.000		.118
	N	100	100	100	100	100
MSME Development	Pearson Correlation	-.021	.330	.323	.157	1.000
	Sig. (2-tailed)	.838	.001	.001	.118	
	N	100	100	100	100	100

**Interpretation:**

- The Correlation coefficient ranges from - 1 to 1, with a value of 0 indicating no correlation, a value of 1 indicating a perfect positive correlation, and a value of - 1 indicating a perfect negative correlation.
- As per the correlation table, awareness and understanding of GST among MSMEs when correlated with ease of doing business (r is - 0.80 and p - value is 0.426), profitability (r is - 0.50 and p - value is 0.619), growth (r is 0.016 and p - value is 0.877) and development (r is - 0.021 and p - value is 0.838)
- The awareness and understanding of GST among MSMEs is negatively correlated with ease of doing business, MSMEs profitability, and development but it has positively correlated with MSMEs growth.
- As per data, implementation of GST with ease of doing business when correlated with MSMEs profitability (R - value is 0.617 and the p - value is 0.000), MSMEs

- growth (R - value is 0.871 and the p - value is 0.000), and MSMEs development (R - value is 0.350 and the p - value is 0.001)
- The implementation of GST with ease of doing business in MSMEs has a positive correlation with profitability, growth, and development.
- Hence, the awareness and understanding have a significance value greater than 0.05 to ease of doing business, profitability, growth, and development in MSMEs. Since we can conclude that we fail to reject the null hypothesis (H0: There is no correlation between awareness and understanding of GST on MSMEs ease of doing business, profitability, growth, and development)
- Hence, for ease of doing business has much significant on MSMEs profitability, growth and development as the significant value is less than 0.05. So, we reject the null hypothesis and accept the alternative hypothesis as there

is a correlation between ease of doing business, profitability, growth, and development.

**Ease of doing business after implementation of GST impacts on profitability, growth, and development**

**ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
MSME Profitability	Between Groups	432.39	12	36.03	7.62	.000
	Within Groups	411.17	87	4.73		
	Total	843.56	99			
MSME Growth	Between Groups	589.39	12	49.12	26.08	.000
	Within Groups	163.85	87	1.88		
	Total	753.24	99			
MSME Development	Between Groups	165.03	12	13.75	2.37	.011
	Within Groups	505.16	87	5.81		
	Total	670.19	99			

**Interpretation:**

- The F - statistic for the profitability is 7.62 and the p - value is 0.000. This means that there is a statistically significant difference in the mean impact of GST on profitability across the different groups at the 0.05 level of significance.
- The P - value is 0.000, which means that there is also a statistical difference in the mean impact of GST on growth across the different groups at the 0.05 level of significance.
- The P - value is 0.011 which is more than 0.05 which means we fail to reject the null hypothesis (H0).

- Hence, the p - value for the profitability and growth is less than 0.05, we can reject the null hypothesis and evidence support the alternative hypothesis (H1), which is that the implementation of GST does have a significant impact on ease of doing business to profitability and growth in MSMEs.
- But implementation of GST does not have a significant impact on the ease of doing business to development in MSMEs.

**GST Implementation in MSME and tapping benefits from GST regime.**

**ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Whether claiming of Input Tax Credit (ITC) refund is difficult for MSME units and their funds often get blocked	Between Groups	1.773	4	0.443	0.353	0.841
	Within Groups	119.187	95	1.255		
	Total	120.96	99			
Filing GST returns has become complicated, time consuming and burdensome for MSME units.	Between Groups	9.469	4	2.367	2.164	0.079
	Within Groups	103.921	95	1.094		
	Total	113.39	99			
Whether MSME units encounter any challenges while interfacing with GSTN portal	Between Groups	5.487	4	1.372	1.279	0.284
	Within Groups	101.903	95	1.073		
	Total	107.39	99			
Whether all the compliance procedures under GST such as registration, payments, refunds, and returns being done online, is a big relief for MSMEs.	Between Groups	35.298	4	8.824	8.025	0
	Within Groups	104.462	95	1.1		
	Total	139.76	99			

**Interpretation:**

- For the input tax credit refund factor, the F - statistic is 0.353 and the p - value is 0.841. This means that there is no statistically significant difference in the mean difficulty of claiming input tax credit refunds across the different groups at the 0.05 level of significance.
- For the interfacing with the GSTN portal factor, the F - statistic is 1.279 and the p - value is 0.284. This means that there is no statistically significant difference in the means challenges of interfacing with the GSTN portal across the different groups at the 0.05 level of significance.
- For the compliance procedures factor, the F - statistics is 8.025 and the p - value is 0.000. This means that there is a statistically significant difference in the mean relief experienced by MSMEs due to all compliance procedures under GST being done online across the different groups at the 0.05 level of significance.
- Hence, the null hypothesis (H0) states that there is no significant benefit of implementation of GST in MSMEs

- in terms of input tax credit, filing returns, GSTN portal, and compliance procedures. The alternative hypothesis (H1) states that there is a significant benefit of implementing GST in MSMEs in terms of input tax credit, filing returns, GSTN portal, and compliance procedures.
- Since the p - value for the compliance procedures factor is less than 0.05, we can reject the null hypothesis (H0) and conclude that there is a statistically significant benefit of implementing GST in MSMEs in terms of compliance procedures.
- However, since the p - value for the input tax credit refund, filing GST returns, and interfacing with GSTN portal factors are greater than 0.05, we fail to reject the null hypothesis (H0) for these factors. This means that there is not enough evidence to conclude that there is a statistically significant benefit of implementing GST in MSMEs in terms of input tax credit refunds, filing GST returns, and interfacing with the GSTN portal.

- Overall, The ANOVA table provides evidence to support the alternative hypothesis (H1) for the compliance procedures factor, but not for the input tax credit refund, filing GST returns, and interfacing with GSTN portal factors. This suggests that the implementation of GST

has had a significant benefit for MSMEs in terms of compliance procedures, but not in terms of ITC refunds, filing GST returns and interfacing with the GSTN portal.

**Chi - square Analysis:**

Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Chi square	df	P value
GST implementation helped MSMEs in ease of doing business	9%	14%	31%	39%	7%	40.40	4	0.000
Majority of MSMEs outsources GST related work to practicing firms of CA/CS/CMA instead of in house handling the GST work	7%	10%	23%	36%	24%	27.50	4	0.000
Whether the implementation cost has increased due to introduction of GST	5%	18%	23%	46%	8%	53.50	4	0.000
Whether the compliance cost has increased due to introduction of GST	7%	13%	23%	46%	11%	49.20	4	0.000
Whether the recruitment and training cost has increased due to introduction of GST	8%	23%	24%	29%	16%	13.30	4	0.000
Whether the IT cost (including GST software) has increased due to introduction of GST	5%	18%	30%	29%	18%	20.70	4	0.000
Whether there is an increase in Professional payments due to introduction of GST	4%	11%	28%	41%	16%	42.90	4	0.000
Whether GST regulations are beneficial to MSMEs in general	6%	13%	22%	48%	11%	55.70	4	0.000
Whether all the compliance procedures under GST such as registration, payments, refunds, and returns being done online, is a big relief for MSMEs.	10%	15%	22%	39%	14%	26.30	4	0.000
MSMEs are facing adversity in working capital requirement due to change in GST regime.	8%	20%	29%	32%	11%	22.50	4	0.000
GST has impacted various business processes (such as Purchase process, Sales process, Supplier chain process, Customer claim process etc.) of MSME units.	8%	19%	18%	47%	8%	51.10	4	0.000
Whether MSME units encounter any challenges while interfacing with GSTN portal	7%	18%	31%	37%	7%	37.60	4	0.000
Filing GST returns has become complicated, time consuming and burdensome for MSME units.	5%	20%	25%	39%	11%	34.60	4	0.000
Whether claiming of Input Tax Credit (ITC) refund is difficult for MSME units and their funds often get blocked	7%	11%	25%	41%	16%	36.60	4	0.000

**Interpretation**

- The percentage of MSMEs that strongly agree or agree that GST has helped them in ease of doing business is higher than the percentage of MSMEs that disagree or strongly disagree. This suggests that a majority of MSMEs believe that GST has been beneficial for them.
- The percentage of MSMEs that strongly agree or agree that the compliance cost has increased due to the introduction of GST is higher than the percentage of MSMEs that disagree or strongly disagree. This suggests that a majority of MSMEs believe that the GST regime has increased their compliance costs.
- The percentage of MSMEs that strongly agree or agree that they are facing adversity in working capital requirement due to the change in GST regime is higher than the percentage of MSMEs that disagree or strongly disagree. This suggests that a majority of MSMEs are facing cash flow problems due to the GST regime.
- The percentage of MSMEs that strongly agree or agree that GST regulations are beneficial to MSMEs in general is higher than the percentage of MSMEs that disagree or strongly disagree. This suggests that a majority of MSMEs believe that the GST regime is beneficial for them overall.
- The percentage of MSMEs that strongly agree or agree that all the compliance procedures under GST such as registration, payments, refunds, and returns being done online, is a big relief for MSMEs is higher than the percentage of MSMEs that disagree or strongly disagree. This suggests that a majority of MSMEs believe that the online compliance procedures under GST are a positive development.

**5. Conclusion**

- Governments and other stakeholders can play a role in supporting MSMEs to develop their GST awareness and understanding. This can be done through training programs, workshops, and other educational initiatives.
- The finding is there is a negative correlation between the awareness and understanding of GST among MSMEs and ease of doing business, profitability, and development, but a positive correlation with growth.
- Additionally, the implementation of GST with ease of doing business has a positive correlation with profitability, growth, and development.
- The major finding is that the implementation of GST has a statistically significant impact on profitability and growth in MSMEs, but not on development.
- The ANOVA analysis shows that there is a statistically significant benefit of implementing GST in MSMEs in terms of compliance procedures, but not in terms of input tax credit refunds, filing GST returns, and interacting with the GSTN portal.
- Overall, the survey suggests that the GST regime has had a mixed impact on MSMEs. Some MSMEs have benefited from the GST regime, while others have faced challenges in complying with the regime. The government needs to take steps to address the challenges faced by MSMEs, such as simplifying the GST regime and providing financial assistance to MSMEs.
- In conclusion, this research proposal aims to comprehensively assess the impact of GST on Indian MSMEs, providing valuable insights that can aid in shaping policies and strategies for the growth and



development of this critical sector in the Indian economy.

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