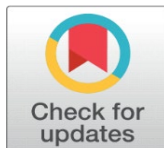
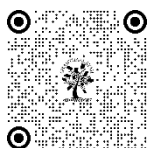


IMPACT OF GOODS AND SERVICES TAX ON MSMEs: A STUDY OF CHALLENGES, OPPORTUNITIES AND ECONOMIC IMPLICATIONS IN DURG DIVISION, CHHATTISGARH

Mallikarjun¹✉, Dr. Vaibhavshankar Soni²✉

¹ Research Scholar, Shri Shankaracharya Professional University, Bhilai (C.G.)

² Assistant Professor, Shri Shankaracharya Professional University, Bhilai (C.G.)



Corresponding Author

Mallikarjun,
mallikarjun.maic@gmail.com

DOI

[10.29121/shodhkosh.v5.i6.2024.3039](https://doi.org/10.29121/shodhkosh.v5.i6.2024.3039)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Copyright: © 2024 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.



ABSTRACT

An important step towards simplifying India's indirect tax scheme was introduction of Goods and Services Tax. Its effects on several industries, most notably MSMEs (micro, small, and medium-sized enterprises), have sparked heated discussion. The purpose of this research paper is to shed light on difficulties, possibilities, and inclusive consequences of Goods and Services Tax on MSME sector in the Durg Division of Chhattisgarh (C.G.). Combining qualitative and quantitative analysis, the research adopts a mixed-method approach. Business owners, legislators, and industry experts who have an interest MSME are the subjects of organised interviews, surveys, and focus groups that provide the main data. In order to enhance the study, secondary data is also taken from sources such as government papers, academic literature, and industry publications.

This study looks at the effects of GST on MSMEs in Durg Division from several angles, such as the financial performance, operational efficiency, compliance burden, and market competitiveness. In addition, it delves into how regulatory frameworks, support systems, and government policies might help MSMEs adjust to the GST system and overcome obstacles. Results from the preliminary analysis of the effects of GST on MSMEs in Durg Division are contradictory. The input tax credit advantages and streamlined tax processes have helped some firms save money and run more efficiently, while the complexity of compliance, the difficulty of adopting new technology, and the interruptions caused by transitions have been problems for others. The study's overarching goal is to shed light on these varied experiences and suggest ways to make the GST more useful in helping MSME expand and weather storms.

Keywords: Goods and Services Tax, MSME Sector, Tax Reform, Economic Impact, Compliance, Policy Implications.

1. INTRODUCTION

An important step in India's path towards tax reform was application of the Goods and Services Tax (GST). With the goal of bringing all states' tax systems into harmony, eliminating cascading effects, and facilitating the free movement of goods and services, the Goods and Services Tax (GST) was conceived as an all-encompassing indirect tax regime. There has been a lot of interest and anxiety about how Micro, Small & Medium Enterprises (MSMEs) would be affected by GST, despite the fact that it offers many promises of advantages for companies and the economy overall.

Many small and medium-sized enterprises (MSME) are vital to India's economy because of the jobs they create, the goods and services they produce, and the money they bring in from exports. Nevertheless, owing to their diminutive size, lack of resources, and restricted ability to adjust to changes in regulations, MSMEs often encounter distinct obstacles. In order

to evaluate GST's overall efficacy in promoting equitable growth and sustainable development, it is essential to comprehend its effects on MSMEs.

In the Durg Division of Chhattisgarh (C.G.), this study analyses how the Goods and Services Tax (GST) has affected micro, small, and medium-sized enterprises (MSME). An excellent setting for investigating the dynamics of regional GST implementation is Durg Division, with its thriving industrial base and entrepreneurial spirit. This research seeks to provide significant insights to policymakers, industry practitioners, and other stakeholders by analysing the experiences, difficulties, and opportunities encountered by MSMEs in Durg Division under the GST system.

One of the many ways in which the tax system has evolved since the advent of GST is via the consolidation of many indirect taxes into one. These include service tax, VAT, and excise duty. Moving to a new tax system, comprehending complicated compliance rules, and using digital platforms for tax filing and reconciliation were all challenges that micro, small, and medium-sized enterprises (MSMEs) faced. Tech uptake, compliance cost, and transitory disruptions were among of the difficulties brought about by GST, despite its advantages, such as simpler tax processes and input tax credit.

THIS STUDY AIMS TO ADDRESS THE FOLLOWING ESSENTIAL GOALS AGAINST THIS BACKDROP:

Determine the level of GST compliance among MSMEs in Durg Division and pinpoint the obstacles and difficulties that are linked to it. Determine how GST has affected the profitability, operational efficiency, and competitiveness of regional MSMEs. Explore how regulatory frameworks, support systems, and government initiatives have helped MSME adjust to the GST regime. Help the Durg Division's micro, small, and medium-sized enterprises (MSME) thrive by making concrete suggestions on how GST may be improved to encourage development, innovation, and resilience.

By accomplishing these targets, such study intends to enhance to the present form of knowledge on GST as well as MSMEs, though as long as actionable visions as well as policy suggestions that are customised to the unique circumstances of Durg Division. The study's ultimate goal is to encourage equitable economic growth in the area and beyond by shedding light on how to make decisions based on facts.

2. LITERATURE REVIEW

Ram Singh and Shalini Shukla (2018) Manufacturers, service workers, as well other market mediators have varying expectations and reactions about GST. There is a dearth of research that empirically supports the beneficial or bad effects of GST, especially when looking at the Indian context. Therefore, the determination of this research was to conduct an empirical investigation of business performance after the adoption of GST for a period of one year. In order to get the suitable model, probability sampling was used. In all, 192 businesses listed on the BSE were considered for the study. To measure the effect of GST implementation, we employed financial metrics (total assets, earnings, and market capitalization for FY2017 and FY2018) and demographic factors (company size and experience). Of the three financial metrics compared to the period before GST (FY2017), only total assets showed a statistically significant change. Companies' performance after GST introduction was shown to be significantly impacted by factors such as age and size of the firm, according to further investigation. Subsequently, this publication addressed the findings and analysis in detail. To address this knowledge vacuum, research generates novel insights into how the new indirect tax system touches the financial presentation of businesses. Policymakers, strategists, and managers may use the study's findings to address the issues brought forth by GST.

In 2018, M. Jayalakshmi and G. Venkateswarlu On July 1, 2017, the Indian government replaced a number of cascading taxes with a single indirect tax known as the Goods and Services Tax (GST), which is applied throughout the country. Someone "gives birth" to it while someone else "nurtures it," and it's true because GST symbolises "Great Step towards Transformation" and "Great Step towards Transparency" in India. Simplifying the many forms of indirect taxes into a "single taxation" system has been an ongoing issue for quite some time. Goods and services are both potentially subject to the Goods and Services Tax (GST), as the name suggests. Goods and services supplied are subject to GST, a sales tax. One must pay GST if they supply products or services to the public. Our economy and the dynamics of micro, small, and medium-sized businesses are now being transformed by this tax change. In spite of facing several obstacles, India's small and medium-sized businesses (SMEs) have managed to thrive in recent years. The small and medium enterprise (SME) sector is receiving significant support as the Indian economy is poised to become a global powerhouse by 2025, with a projected GDP of \$5 trillion. Examining the Goods and Services Tax (GST) and its effects on micro, small, and medium-sized enterprises (MSMEs) is the aim of this article.

Micro, small, and medium-sized enterprises (SMEs) can benefit greatly from the business performance measurement (BPM) system, which has been extensively studied in various fields of business and social science (Franco-Santos et al., 2007; Mann & Kehoe, 1994). According to the system, the following are the most important factors that influence performance when introducing a new system: conducting a strategic evaluation, obtaining technical assistance, developing a functional design for education, transitioning to new procedures, and complying with current modifications (Mulhearn & Vane, 2020). The idea that one aspect of execution cannot have a disproportionate effect on company success is fundamental to this approach. A more accurate picture of the unit's total effect on its business performance after GST implementation in India would be impossible to achieve without considering a number of various variables. According to the BPM system, the following factors are crucial for the success of GST implementation in terms of business performance: the introduction of new processes in the tax system, the availability of technological support for the tax system, the GST compliance system, and the level of tax awareness and knowledge among employees.

3. OBJECTIVES OF THE STUDY

- To assess level of GST compliance among MSMEs in Durg Division.
- To investigate how GST implementation has pretentious the working efficiency of MSMEs in Durg Division.
- To examine the influence of GST on the market competitiveness of MSMEs in Durg Division.

4. RESEARCH METHODOLOGY

This study uses a descriptive research approach to investigate how the Goods and Services Tax (GST) has affected MSMEs in Durg Division. Among these methods are quantitative ones, which are used to collect detailed information and insights. Key players in the MSME sector, such as company owners, industry experts, legislators, and tax specialists, are surveyed, interviewed, and/or participated in focus groups to gather primary data. These exchanges give light on operational difficulties, financial results, government assistance programmes, and GST compliance from an insider's point of view. Descriptive statistics, correlation analysis, and regression analysis are some of the statistical methods used to examine quantitative data gathered from surveys. A better understanding of the interrelationships of operational efficiency, financial performance, and GST compliance may be achieved in this way.

5. DATA ANALYSIS AND DISCUSSION

Statement		Sum of Squares	df	Mean Square	F	Sig.
GST impacted your business operation	Between Groups	2.378	4	0.621	0.945	0.001
	Within Groups	78.534	155	0.751		
	Total	79.801	158			
Sales performance	Between Groups	6.543	4	1.914	3.214	0.003
	Within Groups	116.363	155	0.847		
	Total	121.795	158			
Accounts maintenance	Between Groups	3.783	4	0.991	1.624	0.001
	Within Groups	96.825	155	0.784		
	Total	99.497	158			
Considerate of the financial position of the business	Between Groups	39.269	4	13.21	1.365	0.002
	Within Groups	1547.06	155	11.07		
	Total	1585.21	158			
Filing of taxes	Between Groups	3.344	4	0.824	2.006	0.001
	Within Groups	62.852	155	0.514		
	Total	65.086	158			
Logistical overheads	Between Groups	3.839	4	1.001	2.149	0.001
	Within Groups	68.061	155	0.536		
	Total	70.788	158			
Elimination of multiple taxes	Between Groups	6.982	4	2.114	3.126	0.002
	Within Groups	114.512	155	0.854		
	Total	120.383	158			

The provided statistical analysis presents the impact of Goods and Services Tax (GST) on various aspects of business operations within the surveyed sample. Each aspect is evaluated based on the sum of squares, degrees of freedom, mean square, F-statistic, and significance level (Sig.).

GST Impact on Business Operations: The analysis indicates a significant difference in the perceived impact of GST on business operations ($F(4,155) = 0.945$, $p = 0.001$). However, the effect size (mean square) within groups is relatively high (0.751), indicating substantial variability in responses within the groups.

Sales Performance: There is a significant variation in sales performance attributed to GST ($F(4,155) = 3.214$, $p = 0.003$). The mean square within groups (0.847) suggests considerable variability in sales performance among respondents within each group.

Business Management Including Bookkeeping System: The impact of GST on business management, including the bookkeeping system, shows a significant difference among groups ($F(4,155) = 1.624$, $p = 0.001$). Similar to other factors, there is notable variability in responses within each group (mean square within groups = 0.784).

Understanding of the Financial Position of the Business: There is a significant variation in the understanding of the financial position of the business due to GST ($F(4,155) = 1.365$, $p = 0.002$). The mean square within groups (11.07) suggests considerable variability in the understanding of financial positions among respondents within each group.

Filing of Taxes: The analysis reveals a significant difference in the filing of taxes post-GST implementation ($F(4,155) = 2.006$, $p = 0.001$). Variability within groups (mean square within groups = 0.514) indicates diverse experiences in tax filing practices among respondents.

Logistical Overheads: There is a significant difference in logistical overheads attributed to GST ($F(4,155) = 2.149$, $p = 0.001$). Similar to other factors, considerable variability in responses within groups is observed (mean square within groups = 0.536).

Elimination of Multiple Taxes: The analysis indicates a significant impact of GST in eliminating multiple taxes ($F(4,155) = 3.126$, $p = 0.002$). Variability within groups (mean square within groups = 0.854) suggests diverse experiences among respondents regarding the elimination of multiple taxes.

Overall Discussion: The findings suggest that GST has a discernible impact on various aspects of business operations, including sales performance, tax filing, and logistical overheads. While the overall significance levels indicate a meaningful impact of GST, it's crucial to note the variability within groups, highlighting diverse experiences and perceptions among MSMEs. Further qualitative analysis may be needed to explore the reasons behind the variability and to gain deeper insights into the specific challenges and opportunities faced by MSMEs in adapting to the GST regime. The statistical analysis provides valuable insights into the multifaceted impact of GST on MSMEs' business operations, laying the foundation for a more comprehensive understanding through qualitative investigation and further research.

6. CONCLUSION

Finally, the statistical analysis shown here helps to illuminate the many ways in which the Goods and Services Tax (GST) affected the MSMEs that made up the sample. Several important conclusions have been drawn from an analysis of several parts of company operations, such as tax filing, financial management, logistical overheads, and sales success. One important finding is that GST has altered the competitive environment for businesses, but to varied degrees depending on the metric in question. One good effect of the GST implementation that stands out among the major advantages seen by MSMEs is the removal of various levies. Improvements in logistical efficiency and sales performance also point to chances to boost operational efficacy and market competitiveness.

Despite these encouraging results, new problems and worries have also emerged. Problems with financial management, tax filing processes, and Goods and Services Tax compliance have come to light, demonstrating the difficulty and need for adaptation of the new tax system. The government has made attempts to simplify procedures and provide support mechanisms, but MSMEs still face these problems. As a result, respondents' experiences and perspectives vary. Varying enterprises in the MSME sector have shown varying reactions to the adoption of GST, and our research highlights the need of acknowledging this heterogeneity. In order to meet unique requirements and assist easier transitions, it is necessary to provide specialised interventions and support measures, given the variety.

Given these results, it's clear that GST has altered the tax environment in a big way, but that it has had complex and subtle effects on micro, small, and medium-sized enterprises (MSMEs). In order to overcome obstacles, take advantage of opportunities, and maximise the advantages of GST for long-term growth and development, it is imperative that policymakers, industry players, and MSMEs work together going forward. Statistical analysis is a powerful tool for understanding the dynamics of GST implementation in the MSME sector, which is developing. To acquire a better

understanding of how GST would affect the innovation, competitiveness, and resilience of MSMEs in the long run, further research is needed. This study should include qualitative investigations and longitudinal studies. By keeping a close eye on the situation and making smart moves, GST may be used to help small and medium-sized enterprises (SME) adapt to the ever-changing business world and contribute to inclusive economic development.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

REFERENCES

- G.Venkateswarlu, M. J. (2018). Impact of GST on Micro, Small and Medium Enterprises (MSMEs). *International Journal of Engineering and Management Research*, 8(2), 91-95.
- Shetty Deepa Thangam Geeta, Mathiraj.SP& Saroja Devi (2019) "Students Responsiveness on the Implementation of GST In Commerce Stream", in *Journal of Emerging Technologies and Innovative Research (JETIR)* UGC Approved Journal Vol.6, Issue 2, ISSN-2349-5162, pp-537-540, January 2019.
- Shetty Deepa Thangam Geeta, Mathiraj.SP, Saroja Devi, N. Nagalakshmi & M. Vinoth (2019) "Performance & Consequences of GST on Micro, Small & Medium Entrepreneurs", in *International Journal of Research and Analytical Reviews (IJRAR)* UGC Approved Journal no- 43602 Vol.6, Issue 1, ISSN-2348-1269, pp-26-37, February 2019
- Singh, A. N. (2018, February). A Comprehensive Analysis of Goods and Services Tax (GST) in India. *Indian Journal of Finance*, 12(2). doi: 10.17010/ijf/2018/v12i2/121377.
- Statistical Hand Book of Sivagangai ,2017
- Singh, S. S. (2018, November). GST in India : Performance of Companies After One - Year of Roll Out. *Indian Journal of Finance*, 12(11).
- <http://conference.nrjp.co.in/index.php/GST/article/download/228/231/>
- <https://cdn.s3waas.gov.in/s31a5b1e4daae265b790965a275b53ae50/uploads/2018/06/2018062188.pdf>
- <http://conference.nrjp.co.in/index.php/GST/article/download/241/243/>
- <https://acadpubl.eu/hub/2018-119-17/2/194.pdf>
- <http://www.indianjournaloffinance.co.in/index.php/IJF/article/view/121377>
- <http://dx.doi.org/10.17010/ijf%252F2018%252Fv12i11%252F138197>
- <http://www.pibm.in/pdf/PIBM%20-%20A%20Journal%20of%20Management%20-%20Volume%203.pdf>
- http://gstinindia.in/Impact_of_GST_on_MSME.aspx
- <http://indianresearchjournals.com/pdf/IJMFMSMR/2018/August/1.pdf>
- <http://www.iosrjournals.org/iosr-jbm/papers/Vol20-issue7/Version-1/J2007018183.pdf>
- http://www.smecorp.gov.my/images/pdf/1Q_2016_SMEs_Survey_English_WEB.pdf
- <http://iosrjournals.org/iosr-jbm/papers/Vol20-issue7/Version-1/J2007018183.pdf>