

To Examine The Possible Impact Of Gst In Msmes In Haryana

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ABSTRACT

Micro, small, and medium-sized enterprises (MSMEs) in India were hit hard by the Goods and Services Tax (GST). The goals of this tax overhaul were to simplify indirect taxation, strengthen the single market, and facilitate corporate operations. Its positive and negative effects on MSMEs reflect the complexity of the terrain in which they operate. The streamlining of taxes processes was one of the most noticeable advantages of GST for MSMEs. To make things easier for companies, GST took the role of several other state and federal taxes. As a result, tax collection efficiencies increased and tax avoidance decreased. Businesses were able to more easily report their tax payments because to the GST network's electronic filing and credit claim system. However, many SMEs had problems with the introduction of GST. Companies' resources were stretched thin as they struggled to adjust to the additional compliance demands brought on by the switch to a different tax system. The high compliance costs for small businesses were a direct result of the complexity of the tax system. GST's effect on MSMEs' competitiveness was industry specific. The tax costs on certain small and medium-sized businesses were cut while others were increased. Cost structures were affected by the possibility of receiving an input tax credit, with the greatest advantages accruing to companies involved in manufacturing and value addition. The dynamics of SMEs' supply chains were also impacted by GST. As a result, more companies began giving preference to vendors who were GST-compliant. As a

result, many formerly informal businesses registered for GST. However, it also meant facing tougher competition from established powerhouses. For micro, small, and medium-sized enterprises (MSMEs), the effects of GST were complicated. While its ultimate goals were to streamline taxes and increase formalisation, its implementation first disrupted many small firms and made it difficult for them to comply. Factors include sector-specific dynamics and the adaptability of MSMEs to the new tax system will determine the long-term consequences. The effects of the changing and adapting GST on MSMEs have been the topic of continuing research and discussion.

Keywords: (Goods and Services Tax), MSMEs (Micro, Small, and Medium Enterprises), Tax reform, Compliance burden, Input tax credit.

INTRODUCTION

A new era of taxes in India began with the introduction of the Goods and Services Tax (GST) in July 2017. The goal of this radical shift was to consolidate several state and federal taxes into a single, all-encompassing charge at the federal level. Although Goods and Services Tax (GST) was enacted to improve the lives of all Indians and all businesses, it was the MSMEs that received the most attention and study. These businesses are crucial to India's economy because they provide jobs and fuel expansion. Therefore, it is crucial to appreciate the larger economic ramifications of this change by learning how GST affects MSMEs. This analysis will go deeply into the complex and multidimensional effects that GST had on MSMEs, looking at how it affected their business practises, financial stability, competitiveness, and overall impact on India's economy. In this article, we will examine the intricate interaction between tax policy and the thriving MSME sector in India by breaking down the many facets of the GST-MSME connection, from compliance hurdles to the advantages of a unified market. India's sweeping tax reform, known as the Goods and Services Tax (GST), has significant effects on the country's smallest and largest businesses (MSMEs). The introduction of GST was a watershed moment in the transition from the complex and disjointed tax system that had existed before. Its key goals were to end taxation of businesses for doing business with

other businesses, increase tax transparency, and establish a national common market. This sparked much curiosity and analysis about how the GST will affect micro, small, and medium-sized enterprises. Through analysing how GST affected MSMEs' finances, competitiveness, compliance procedures, and overall contribution to India's economic landscape, this study aspires to reveal the various and complicated implications of GST on MSMEs.

Pre-GST Scenario for MSMEs

Introducing the context by covering the MSMEs' tax situation prior to the implementation of GST. The taxation landscape in India was characterised by a tangled web of state and national levies before to the introduction of the Goods and Services Tax (GST) in July 2017. Small and medium-sized enterprises (SME) in India faced significant obstacles due to the country's complex tax framework, which included excise taxes, value-added tax (VAT), central sales tax (CST), and a wide variety of additional levies. Since various states had varied tax rates and rules, firms had a difficult time staying compliant, which led to higher administrative expenditures. Because of the fragmented nature of the market, small and medium-sized enterprises (SMEs) had trouble with logistical inefficiencies, tax complications at the border, and reaching a wider audience. Here, we'll take a closer look at the situation before GST was implemented, explaining the complexities of the taxation system that micro, small, and medium-sized enterprises (MSMEs) faced, and discussing the revolutionary effects that GST was supposed to have on this vital part of the Indian economy. Before the introduction of the Goods and Services Tax (GST) in India, the environment for MSMEs was marked by a patchwork of tax rules and regulations. Complying with the various excise charges, value-added taxes (VATs), and entrance taxes imposed by the various states was a complex task. Having to deal with ever-changing tax rates and convoluted compliance procedures added an unnecessary financial strain on small and medium-sized enterprises. Furthermore, the Indian market was fragmented due to the inconsistent tax structure, which hampered the free movement of products and services and stunted the expansion of MSMEs. This section will examine the pre-GST era, illuminating the difficulties and limitations that micro, small, and medium-sized enterprises (MSMEs) encountered within this complex tax framework, and

explaining how the implementation of GST was a watershed moment on the path to greater efficiency and competitiveness for these businesses.

GST Implementation Challenges

Examining the difficulties and learning curves that small and medium-sized enterprises (SMEs) encountered while adopting GST. The implementation of the Goods and Services Tax (GST) throughout India marked a sea change in the country's tax system. The complex web of indirect taxes was supposed to be replaced by an uniform and simpler tax system thanks to this revolutionary change. This change was like venturing into unexplored territory. The transition to GST presented several difficulties that called for a review of previous corporate plans, financial processes, and operational protocols. The transition to digital tax filing systems, understanding complex new tax rules, and maintaining a steady stream of input tax credits were all obstacles that needed to be overcome. Many micro, small, and medium-sized enterprises (MSMEs) have little financial and technical resources, making it difficult for them to adapt to these shifts. There was a steep learning curve, a lot of unpredictability, and some unavoidable interruptions to business as usual during the first few months of GST implementation. Insights into the tactics and ideas that helped MSMEs overcome these difficulties and reap the benefits of a more streamlined tax system are provided as this part looks into the many problems they faced throughout this critical era of tax reform. The introduction of the Goods and Services Tax (GST) in India marked the beginning of a new era in taxes, one that was meant to simplify the complex tax system that had long baffled companies, especially MSMEs (MSMEs). The potential advantages of GST were inarguable, but the road to its complete acceptance was paved with complications and unknowns. Small and medium-sized enterprises (MSMEs) are the lifeblood of the Indian economy, yet they faced significant difficulties in adjusting to the new tax system. The transition to GST necessitated a thorough examination of existing fiscal policies, compliance mechanisms, and technological advancements. MSMEs, frequently hampered by a lack of funding and technical knowledge, have to climb a steep learning curve in order to make this move. MSMEs faced challenges beyond monetary in nature, such as the need to comprehend complex tax rules and the integration

of digital platforms for tax filings and supply chain changes. In this part, we'll take a close look at the many difficulties small and medium-sized enterprises (SMEs) had as a result of GST's introduction, diving into the tactics these businesses used to overcome these hurdles and start reaping the rewards of a more streamlined tax system.

Simplified Taxation Procedures

How GST made tax filing and compliance easier for SMEs. One of the primary goals of the Goods and Services Tax (GST) in India was the simplification of tax processes, marking a watershed point in the country's taxation history. When compared to the old, disjointed tax structure, this portion of GST was a huge improvement. With the introduction of GST, several different types of taxes were consolidated into a single national levy. This change ushered in a new age of tax simplification, with hopes of easing the compliance burden and increasing openness. It presented the possibility of a simpler and more effective tax climate for micro, small, and medium-sized enterprises. This simplification, however, came at the cost of a major overhaul of back-end operations including accounting and compliance methods. To better understand the consequences of these changes for MSMEs' operations, financial health, and capacity to prosper in a more streamlined tax environment, this section delves into the heart of GST's simplified taxing processes and how MSMEs reacted to these changes. With the simplification of tax processes being a primary goal of the Goods and Services Tax (GST) in India, this aspect of GST constituted a radical break from the complex and fragmented tax system of the past. The Goods and Services Tax (GST) was supposed to simplify taxation by combining several federal and state levies into a single rate. With the possibility of less bureaucracy and more transparency in the tax system, this revolutionary shift had the potential to ease the compliance issues that had long beset MSMEs. This enhanced ease of use, however, came at the expense of long-standing commercial norms, tax compliance procedures, and accounting approaches. Small and medium-sized enterprises (SMEs) were at a crossroads during this tax revolution and had to quickly adjust to the new tax policies. Here, we get down to the nitty-gritty of the GST's reduced taxing processes, looking at how MSMEs accepted and reacted to these changes and evaluating the wider

consequences for their competitiveness, cost structures, and overall resilience in a simplified tax environment.

Input Tax Credit Benefits

Bringing attention to the positive effects of input tax credits on the cost structures of small and medium-sized enterprises. The Input Tax Credit provision is a major part of India's Goods and Services Tax (GST) framework (ITC). The goal of this method was to radically alter the way that companies, especially MSMEs, think about and deal with taxes. Input taxes paid by enterprises might be used to reduce their overall tax bill under the GST system, eliminating the tax "domino effect" that plagued the previous tax system. ITC offered a game-changing chance for micro, small, and medium-sized enterprises (MSMEs) to improve their efficiency, competitiveness, and cost structures. However, in order to reap these advantages, one must have an in-depth familiarity with the ITC system, maintain precise records, and follow all applicable rules and regulations. Here, we dig into the enormous benefits of Input Tax Credit and examine how MSMEs have used this feature to reduce costs, increase financial viability, and prosper in the ever-changing environment of the GST era. Input Tax Credit was the driving force behind the dramatic changes to India's tax system that the Goods and Services Tax (GST) ushered in (ITC). With the introduction of GST, ITC shone as a model of fiscal efficiency. The tax on tax cascade effect that had plagued the previous tax system was eradicated by this ingenious method, which enabled enterprises to deduct the taxes paid on inputs from their tax bill. In addition to streamlining tax processes, ITC marked a radical change in how companies handled their finances and operations. With limited means at their disposal, MSMEs understood that adopting the ITC system would have a profound effect on their operational costs, competitive advantage, and long-term viability. It took careful accounting, adherence to regulatory standards, and an in-depth knowledge of ITC to realise these benefits. Here, we dig into the intricate realm of Input Tax Credit and examine how Micro, Small, and Medium-Sized Enterprises (MSMEs) have used this tool to improve their bottom lines, lower their tax bills, and better position themselves for expansion in the modern GST era.

Sectoral Impact

Examining how GST affected different sectors within the MSME ecosystem. The implementation of the Goods and Services Tax (GST) in India wasn't a one-size-fits-all change; it had distinctive ramifications across various industry sectors, each navigating its own unique set of challenges and opportunities. For Micro, Small, and Medium Enterprises (MSMEs), the sectoral impact of GST was particularly pronounced. Industries ranging from manufacturing to services, from agriculture to technology, experienced the ripple effects of this tax reform in distinct ways. While some MSMEs benefitted from reduced tax rates and streamlined processes, others faced the challenge of adapting to new compliance norms and adjusting their pricing strategies. The sectoral impact of GST extended beyond tax considerations; it influenced market dynamics, supply chains, and the competitive landscape, shaping the fortunes of MSMEs across diverse sectors. In this section, we dissect the multifaceted sectoral impact of GST on MSMEs, offering insights into how different industries fared under the new tax regime and the strategies employed by MSMEs to thrive within their specific sectoral contexts.

OBJECTIVES :

1. To study impact of GST on MSME
2. To study GST Implementation Challenges

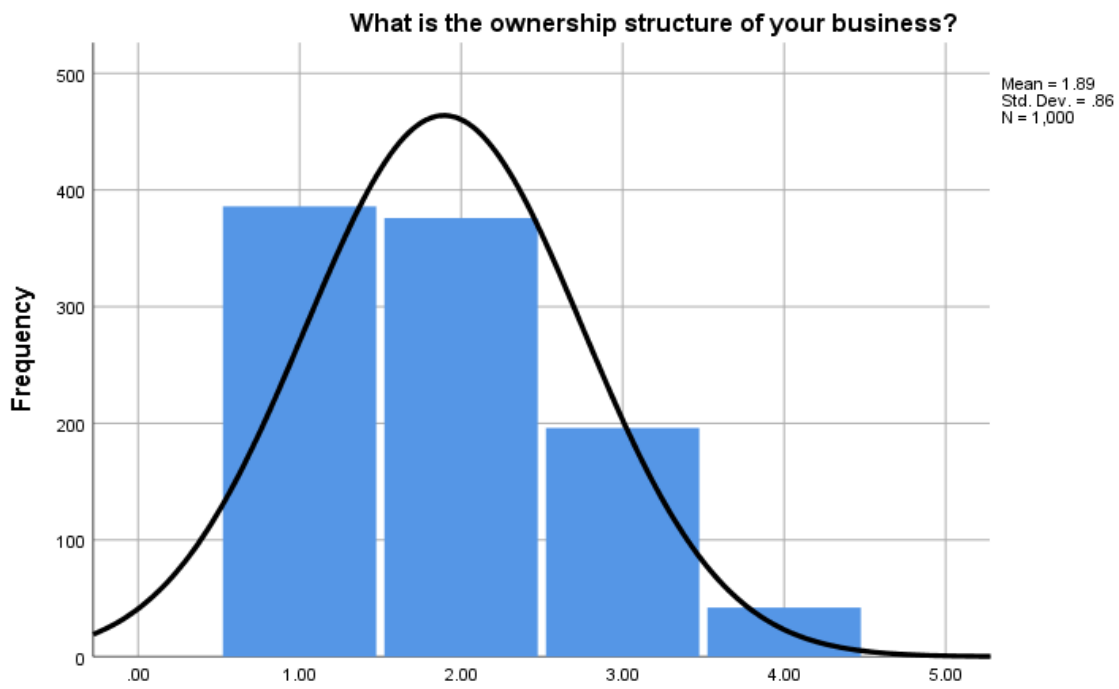
RESEARCH METHODOLOGY:

A detailed study technique will be used to understand how the GST may affect MSMEs. This project will gather quantitative and qualitative data using mixed methods. Large-scale surveys and data mining will collect quantitative data. A variety of MSMEs from different industries, geographies, and sizes will get these surveys. We will work with government agencies, industry groups, and third-party data suppliers to obtain GST compliance, financial performance, and MSMEs growth trends statistics. However, in-depth interviews and focus group discussions will collect qualitative data. These qualitative research approaches will illuminate MSME owners, tax professionals, and industry stakeholders' GST implementation issues, perspectives, and solutions. The study will include a representative cross-section of MSMEs using stratified sampling. This will include micro-enterprises, small firms, and medium-sized organisations to measure GST's effect across categories. Thorough analysis will be done on the data. Specialized software will analyse quantitative data for

trends, correlations, and statistical significance. “To get GST and MSMEs insights, qualitative data will be thematically analysed. This study technique examines GST's effect on Indian MSMEs objectively and qualitatively using a broad and representative sample.

Data analysis

What is the ownership structure of your business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole Proprietorship	386	38.6	38.6	38.6
	Partnership	376	37.6	37.6	76.2
	Private Limited Company	196	19.6	19.6	95.8
	Public Limited Company	42	4.2	4.2	100.0
	Total	1000	100.0	100.0	

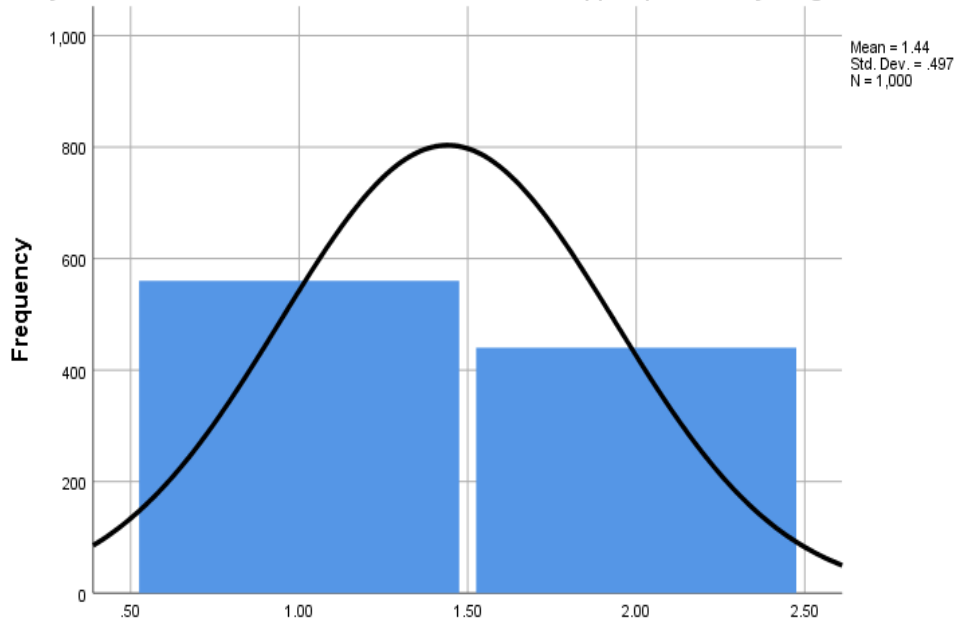


What is the ownership structure of your business?

From the analysis as discussed randomly with people as respondents, we observed their opinion and the details mentioned in the above graph and table is concerned about 1000 respondents . It was observed about What is the ownership structure of your business? 386(38.6%) respondents responded Sole Proprietorship, 376(37.6%) respondents responded Partnership and 196(19.6%) respondents responded Private Limited Company whereas 42(4.2%) respondents responded Public Limited Company.

Are you satisfied with the level of GST awareness and support provided by the government and authorities?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	560	56.0	56.0	56.0
	No	440	44.0	44.0	100.0
	Total	1000	100.0	100.0	

Are you satisfied with the level of GST awareness and support provided by the government and authorities?

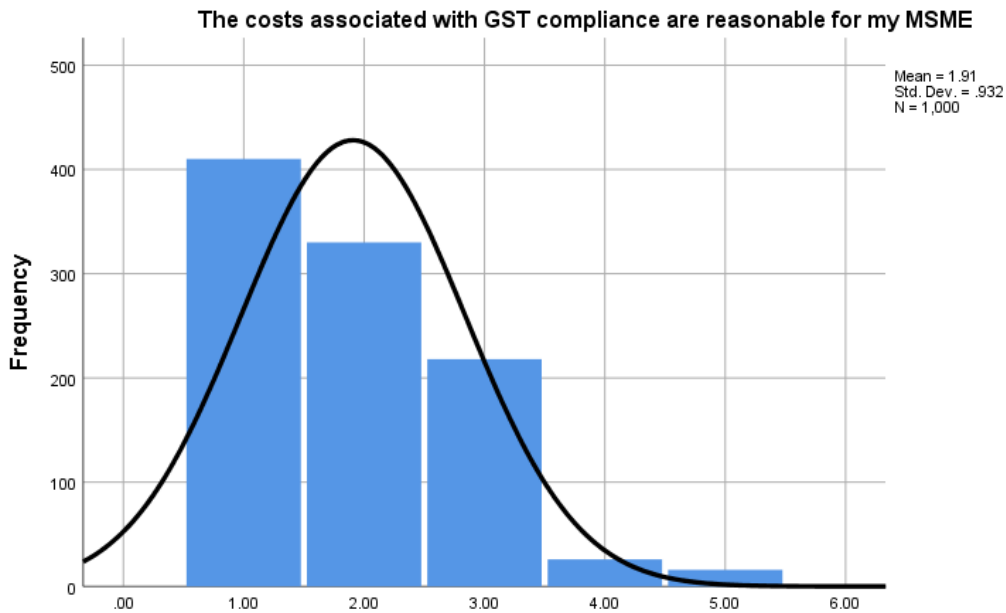


Are you satisfied with the level of GST awareness and support provided by the government and authorities?

From the analysis we have found the details mentioned in the above graph and table and it states that the sample data is concerned about 1000 respondents . It was asked about Are you satisfied with the level of GST awareness and support provided by the government and authorities? and 560(56%) respondents responded as Yes, whereas 440(44%) respondents responded as No

The costs associated with GST compliance are reasonable for my MSME					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	410	41.0	41.0	41.0
	Agree	330	33.0	33.0	74.0
	Neutral	218	21.8	21.8	95.8
	Disagree	26	2.6	2.6	98.4

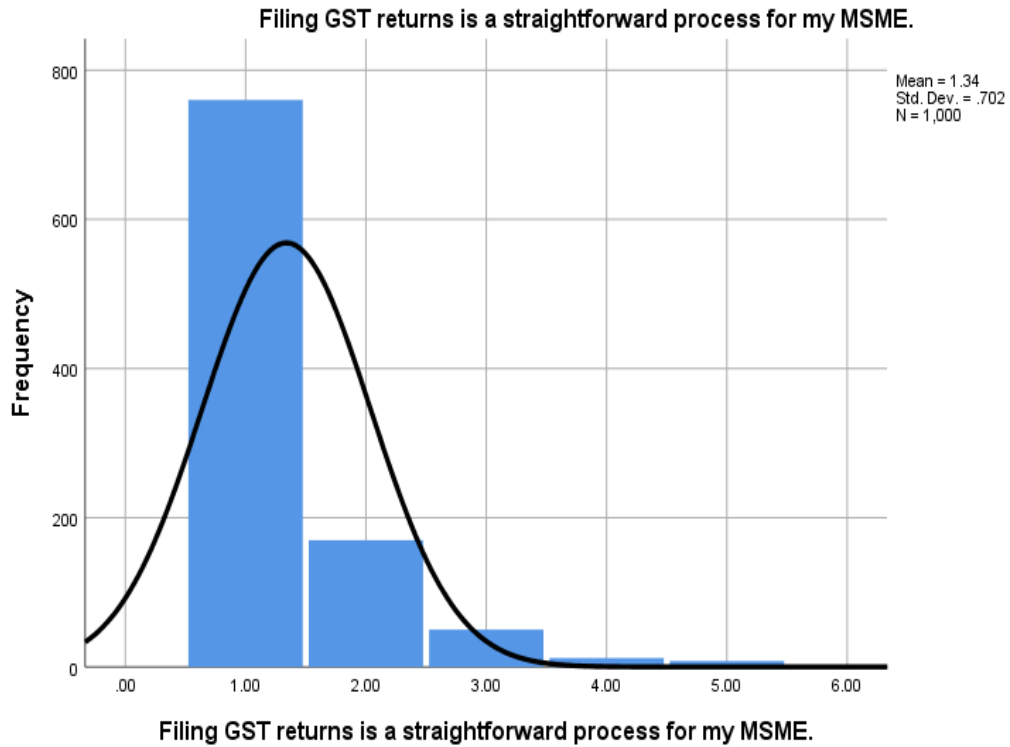
	Strongly Disagree	16	1.6	1.6	100.0
	Total	1000	100.0	100.0	



The costs associated with GST compliance are reasonable for my MSME

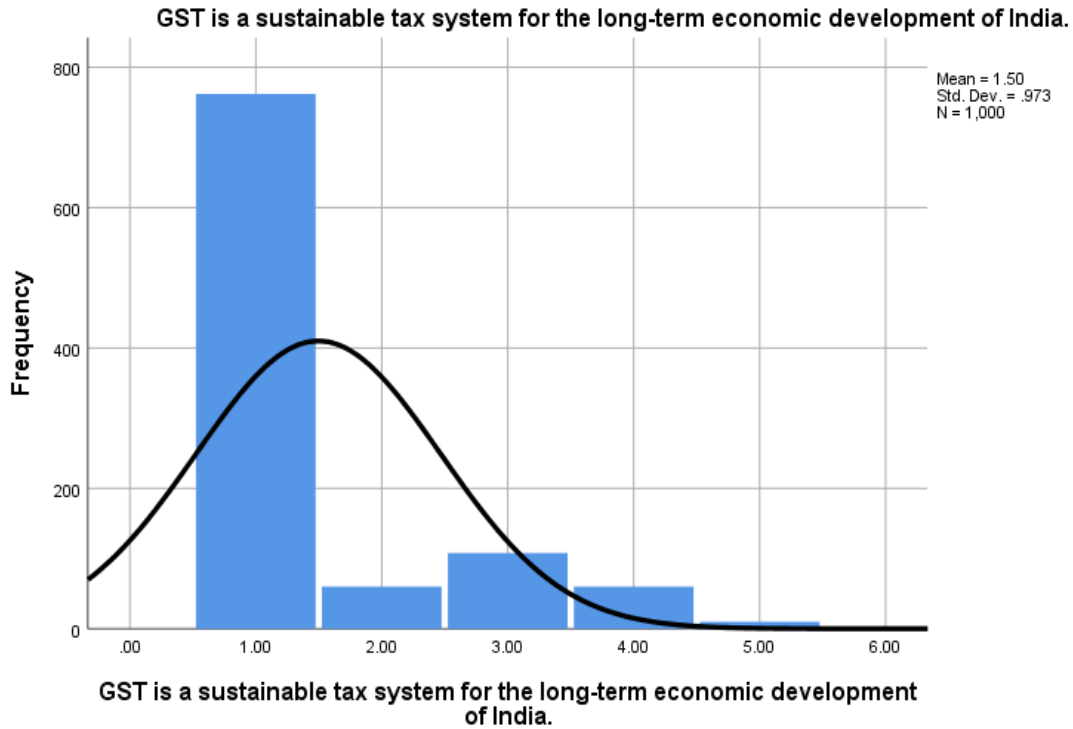
From the analysis we have found the details mentioned in the above graph and table and it states that the sample data is concerned about 1000 respondents . The costs associated with GST compliance are reasonable for my MSME 410(FALSE%) respondents responded Strongly Agree, 330(33%) respondents responded Agree, 218(21.8%) respondents responded Neutral and 26(2.6%) respondents responded Disagree and 16(1.6%) respondents responded Strongly Disagree”.

Filing GST returns is a straightforward process for my MSME.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	760	76.0	76.0	76.0
	Agree	170	17.0	17.0	93.0
	Neutral	50	5.0	5.0	98.0
	Disagree	12	1.2	1.2	99.2
	Strongly Disagree	8	.8	.8	100.0
	Total	1000	100.0	100.0	



From the analysis we have found the details mentioned in the above graph and table and it states that the sample data is concerned about 1000 respondents . Filing GST returns is a straightforward process for my MSME. 760(FALSE%) respondents responded Strongly Agree, 170(17%) respondents responded Agree, 50(5%) respondents responded Neutral and 12(1.2%) respondents responded Disagree and 8(0.8%) respondents responded Strongly Disagree.

GST is a sustainable tax system for the long-term economic development of India.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	762	76.2	76.2	76.2
	Agree	60	6.0	6.0	82.2
	Neutral	108	10.8	10.8	93.0
	Disagree	60	6.0	6.0	99.0
	Strongly Disagree	10	1.0	1.0	100.0
	Total	1000	100.0	100.0	



From the analysis we have found the details mentioned in the above graph and table and it states that the sample data is concerned about 1000 respondents . GST is a sustainable tax system for the long-term economic development of India. 762(FALSE%) respondents responded Strongly Agree, 60(6%) respondents responded Agree, 108(10.8%) respondents responded Neutral and 60(6%) respondents responded Disagree and 10(1%) respondents responded Strongly Disagree.

FINDINGS :

We observed their openness from the random analysis with 1000 respondents, as shown in the graph and table above. Your business's ownership structure was noted. 38.6% (386) responded Partnership, Sole Proprietorship, Private Limited Company, and Public Limited Company were the responses.

As shown in the graph and table, the sample data includes 1000 respondents. Are you satisfied with government and authority GST awareness and support? and 560 (56%) said yes, while 440 (44% said no).

As shown in the graph and table, the sample data includes 1000 respondents. GST compliance is affordable for my MSME. 410 (FALSE%) respondents 330 respondents (33%) agreed, 218 (21.8%) were neutral, 26 (2.6%) disagreed, and 16 (1.6%) strongly disagreed.

As shown in the graph and table, the sample data includes 1000 respondents. My MSME files GST returns easily. 760 (76%) respondents Strongly Agree, 170 (17%) Agree, 50 (5%) Neutral, 12 (1.2%) Disagree, and 8 (0.8%) Strongly Disagree.

As shown in the graph and table, the sample data includes 1000 respondents. GST is sustainable for India's economic growth. 762(76.2%) respondents strongly agreed, 60(6%) agreed, 108(10.8%) were neutral, 60(6%) disagreed, and 10(1%) strongly disagreed.

CONCLUSION:

The implementation of the Goods and Services Tax (GST) in India marked a significant chapter in the evolution of the nation's tax landscape. As we conclude our examination of its possible impact on Micro, Small, and Medium Enterprises (MSMEs), several key observations and implications emerge. GST introduced a simplified tax structure, reducing the compliance burden for MSMEs. It aimed to streamline tax procedures, enhance transparency, and create a unified market. However, our research reveals that the initial implementation phase was not without its challenges. MSMEs encountered hurdles in adapting to the new tax regime, with the need for digitalization, revised compliance norms, and adjustments in pricing strategies posing significant challenges. The Input Tax Credit (ITC) mechanism emerged as a vital benefit for MSMEs, allowing them to optimize cost structures, improve financial viability, and bolster competitiveness. However, the effective utilization of ITC required meticulous accounting practices and adherence to regulatory norms. The sectoral impact of GST on MSMEs varied considerably. While some sectors benefitted from reduced tax rates and streamlined supply chains, others faced increased tax burdens and disruptions. GST also encouraged the formalization of the economy, bringing more MSMEs into the formal sector. The impact of GST on MSMEs is a multifaceted narrative. It represents a journey of adaptation and transformation, marked by both challenges and opportunities. GST has the potential to enhance the competitiveness of MSMEs in the long run, but its success hinges on their ability to navigate the evolving tax landscape, embrace digitalization, and comply with changing regulations. As GST continues to evolve, its effects on MSMEs remain an area ripe for ongoing research and

policy refinement. Ultimately, GST holds the promise of catalyzing the growth and formalization of MSMEs, which are crucial drivers of India's economic development.

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