Educational Administration: Theory and Practice
2024, 30(9), 1230-1234
ISSN: 2148-2403
https://kuey.net/
Research Article

Impact Of GST Implementation On Small And Medium Enterprises In India

Ms Ripleen kaur[1*], Ms Kulneet kaur[2]

[1*]Assistant professor, Management, SGTBIMIT, New Delhi
[2]Assistant Professor, Management, SGTBIMIT, New Delhi

Citation: Ms Ripleen kaur, et.al (2024). Impact Of GST Implementation On Small And Medium Enterprises In India, *EducationalAdministration: Theory and Practice*, 30(9) 1230-1234
Doi: 10.53555/kuey.v30i9.10890

ARTICLE INFO

ABSTRACT

The introduction of the Goods and Service Tax (GST) on 1st July 2017, changed the taxation system of businesses and led, to create a new direction for India's economy. The new tax system was planned to fix the issues of the old tax structure. "GST is seen as one of the most major and meaningful financial changes after the India's Independence." It has brought together nearly all in-direct taxes that were, earlier charged by both the central and state governments on goods and services, combining them into one single system. However, since it was introduced, it has received both the support and criticism from SMEs, scholars, and others. With the big changes taking place focused on the idea of "One Nation One Tax", it has strongly affected both small and medium scale businesses of India. The present recent work will let us understand, how GST implementation will lower the business costs, make things more open and clearer, bring down product prices, improve tax payments, and make businesses run easier. The rollout of GST has completely transformed the tax structure. While a few industries have gained advantages from it, others have faced some drawbacks or challenges which will be discussed in the further discussion. Study survey was conducted among 197 associated with small and medium enterprises to know the impact of GST implementation on small and medium enterprises in India and concludes that there is significant impact of GST implementation on small and medium enterprises.

Keywords: Good and Service Tax (GST), Tax system, Businesses, Small and Medium enterprises, Financial.

INTRODUCTION

GST, or Goods and Services Tax, is a broad-based indirect tax charged on the production, sale, and use of the goods and services in India. "GST was introduced at midnight on 1st July 2017, after the 101st Amendment to the Indian Constitution was brought into effect." The launch was carried out by "the President of India and the Indian Government at the Central Hall of the Parliament." After the Independence of India, the biggest change that took place in in-direct taxes started with the introduction of Goods and Services Tax (GST). The major objective was to replace the existing complicated and divided tax structure with a single system which would make following tax rules easier, avoid repeated taxation and help bring the economy together as one. Before it was introduced, "the small and medium enterprises of India faced many problems dealing with the tax system." They had to follow different tax rules like excise duty, service tax, VAT and many more. This not only took a lot of time but, also increased their running costs. The scattered tax rules often, made it hard to do business across different states, limiting the market reach of SMEs. Small and medium enterprises are active in many fields like-trade, services, and production. This includes businesses in areas like textile, food-making, IT-services, handicrafts, construction and more. Anbuthambi & Chandrasekaran. (2017), asserted that in this constantly changing of world of taxes, the Goods and Services Tax (GST) is majorly seen, as a change which has affected both the people and businesses. Brought in with the goal of making the confusing system of different taxes easier, GST is welcomed as an important move towards a simpler and fairer way of collecting taxes. According to Siddiq & Prasad. (2017), the start of GST, in many ways, changed the future of both small and medium enterprises. Through this research work, we are going to discuss the big policy shift, and their many hidden difficulties, chances and effects-especially for the small businesses that are the back-bone of economies all over the world. The present study will lead us to understand, how this big tax change has affected the important part of the economy. Small and medium businesses make-up around 90% of all companies in the world and provide jobs to most of the people in many countries. These small businesses, known for being quick and flexible, have become quiet champions of the economic growth. They help a lot in increasing the country's income (GDP) and bring in new and creative ideas. Former President of India late Dr. A.P.J Abdul Kalam, once said: "Small businesses provide strong support to our country's economy." SMEs are the main force behind economic development and towards job creation. Truly, small and medium enterprises are not just business units-they eventually carry the hopes, goals, and means of living for many people in a country like India. Reports by CBIC, GST is likely to increase the Government's income by expanding the number of tax-payers and encouraging better tax payment habits. GST is expected to help India move up, in the Ease of Doing Business Index, and may raise the country's GDP by around 1.5% to 2% thereby, encouraging local demand, open up more. GST system has both the good and bad impacts on India's tax system. Pandit. (2017), mentioned despite so many challenges, "GST has the ability to provide SMEs of India with many long-term benefits by, creating a single market across the country and removing tax limits between states. GST opens up new chances for such businesses to grow-especially for those which earlier found it hard, to reach beyond their local areas. Help from the government and making the GST process easier will be very important as, small and medium businesses get used to the new system. Such steps will support theses businesses to do well in a more connected and modern economy.

LITERATURE REVIEW

India is a democratic nation, and the major objective of the government is to support, maintain, and improve the well-being of its people. Majority of population from India are from the middle-class group. They don't usually dream of owning big houses or luxury cars like a Benz, but they surely hope for better education, transport, clean water, proper drainage and good healthcare facilities. Such people also wish for well-paying jobs as well as, improved medical services. "Small and Medium Enterprises (SMEs) play an important role in improving the lives of India's middle class." They help by creating jobs, encouraging people to start their own businesses, and helping the economy grow. Mukherjee. (2018), stated SMEs help towards providing employment, mainly in areas of making goods and offering services, and also make up a big share of India's exports. In addition, SMEs support the growth of different regions and help in spreading development to all parts of the society. Small and medium businesses are the core strength of India's economy, building links which help growth and chances reach people everywhere. Be it in towns or villages, such enterprises provide important jobs, add a lot to the country's income, and act as a key door for people to join the regular business system. "India has more than 63 million small and medium businesses, which together add nearly 30% to our country's income and make about 45% of the things we produce." These enterprises also provide jobs to around 113 million people, helping build the nation's workforce and giving many people a way to earn and live better lives. These small and medium businesses might not always be in the news, but they are a very important part of India's development journey. Therefore, such business owners also had to pay different charges if their enterprises worked in different states and had to register for VAT separately in each state's sales tax office. Since each and every state had their own tax rules, the whole process became confusing and things were more difficult so, GST was introduced. According to Kour et.al. (2016), Under the GST, the registration is done in one place, and the rules remains the same for every state across the country. The main purpose of bringing GST was to get rid of the problem of double taxation. Goel & Mehta. (2020), mentioned implementation of GST in small and medium enterprises helps them to, simplify the system by removing confusion between taxes collected by the Central Government (like excise duty, customs duty, service tax) and those by the State Government (like VAT, purchase tax, luxury tax). GST puts a single, same tax on goods and services across the whole country. Businesses sending goods to other states often, faced trouble while filling forms and paying entry taxes at the state borders, thereby causing delays in getting the goods delivered on time. With the GST, the existing Central Sales Tax (CST) on sales between states is replaced by a single tax called IGST. IGST includes CGST and SGST which is collected by the Central Government. Since, the border and check-post taxes are removed under GST, state borders become less important. This helps to cut down delays in delivery and lowers transportation costs. Facilitates smoother trade between states, quicker delivery of goods and services, and reduced spending on maintenance costs. Lourdunathan & Xavier. (2017), stated- "Implementation of GST has made things simpler by removing the difference between goods and services." Doing trade between states has cut down both the travel time and transport expenses a lot. Now, the tax is charged on the final total amount not on each item or service separately. "Small and medium enterprises get tax benefits when they pay for input items and services, such as imports, purchases from other states or same state as well as telephone services." Starting a new SMEs and growing it later, will be relatively simpler under the GST system. Earlier, business owners had to manage various tax departments based on the type of business and deals. Under GST, it's clear that the responsible authority will be either "the Central or the State government." Before the introduction of GST, each bill used to include a long and confusing list of different taxes on the goods and services sold. "GST has made billing easier because now, only one tax rate needs to be shown." Under the previous tax regime, small and medium businesses with yearly earnings of around Rs. 5 lakhs in some states and Rs. 10 lakhs in others must had to register and pay VAT. GST, has reduced this load for many enterprises, as they now don't have to register or pay if, their yearly income is below Rs. 20 lakhs (Rs. 10 lakhs in North Eastern states). Under the GST scheme, SMEs earning between Rs.20 lakhs to Rs.50 lakhs can pay GST, at a reduced rate. This is expected to benefit the new and small businesses by reducing their tax load and making things easier for them. According to Tripathi. (2018), even though the GST has many benefits, small and medium enterprises might feel unsure or worried about shifting to GST and getting comfortable with the new tax system. There were some problems which will be discussed further, but GST has clearly given many important benefits to the small and medium businesses over time. Such benefits have come from GST is made to make things easier, by bringing all markets together and make taxes clearer by helping businesses grow better. Bringing in the online E-way bill system has made things smoother by giving a common digital paper needed to move goods worth more than a set amount. Sureka & Bordoloi. (2025), asserted "GST has helped small businesses grow in India by, letting the small firms reach buyers and sellers across the country more easily." Small and medium enterprises of India are able to offer their goods and services to people all over India without stressing about different state tax rules, tough paperwork for every state, or un-even tax rates that earlier made their products less attractive in other states. Sureka & Bordoloi. (2024), mentioned that the improved clarity and organized setup introduced by GST, boost the trustworthiness of small and medium businesses which may help them connect more. Even though there are many long-term gains, shifting to and working under the GST system but, there are many difficulties for both small and medium businesses throughout India. GST mainly works through digital methods. Almost all tasks-like signing up, making bills (especially electronic ones for specific income levels), filing returns, paying taxes, and any kind of communication with tax department-are done online using the official GST website. This online process created many difficulties for small and medium businesses, particularly in smaller towns or rural regions, where stable internet access or proper digital setup might not be available. Also, using accounting software which follows GST rules meant initial expenses and training for employees or business owners, where many of whom were not familiar with such digital tools. According to MG & Babu. (2021), the effect of GST has not been the same for every small and medium enterprises as some businesses, such as- textiles and construction, faced special difficulties because of particular tax rates, complicated product classifications, or the need to change long-standing ways of. "Small and medium businesses in far-off places may deal wit more problems related to internet access and finding trained tax experts than those in big cities." Knowing such small differences is important to fully understand how, GST has affected businesses. Big problem arises from the Input Tax Credit (ITC) system. Sureka & Bordoloi. (2025), mentioned even though, ITC helps lower the total tax amount, companies usually need to pay GST to their suppliers first and can only get that money back later while filing returns. Also, getting GST refunds, especially for exporters or those whose input tax is more than output tax, often it takes time, which can tie up a lot of working money for a long time. "Any differences or errors between the seller and buyer report (like in GSTR-1 and GSTR-2A/2B matching), can cause delays or even rejection of Input Tax Credit (ITC), adding more pressure on cash availability." These hold-ups can badly affect a small business's ability to handle daily tasks, give salaries on time and spend money on expanding the business. Grasping these small but important details is very essential, to fully understand how GST affects different areas. Closely examine how the business runs and who your buyers and sellers are, so you can wisely decide whether the business needs to be register to GST. Owners of small and medium business owners need to keep themselves aware of the latest rules by checking trusted government sources regularly. GST-bills must include important information like the names and addresses of the seller and buyer, their GST numbers (GSTINs), a special bill number, the date it was made, details of the items or services, how much is being sold, the total price, the correct GST rates (CGST, SGST, IGST), and where the goods or services are being sent. Usage of modern tools and technologies are strongly advised-if not absolutely necessary but, for smooth and effective functioning. Deshmukh et.al. (2022), asserted spending money on quality accounting tools or special GST software can make many of such jobs easier. Leveraging software can quickly create correct bills, helps to keep proper records, work out tax amounts, match the purchase data with GSTR-2A/2B, and even file returns directly on the GST website. Advantages are-fewer mistakes, saves time, more accuracy, easier while tracking, and on-time reminders-are usually more valuable in making a smart choice for both small and medium businesses.

OBJECTIVE

To know the impact of GST implementation on small and medium enterprises in India

METHODOLOGY

Study survey was conducted among 197 associated with small and medium enterprises to know the impact of GST implementation on small and medium enterprises in India. "Random sampling method" along with "T-test" were used to collect and analyse the data.

DATA ANALYSIS

In the total population of study survey males are 58.9% and females are 41.1%. 36.1% of them are below 32 years, 34.0% comes under the age group of 32-42 years and rest 29.9% are above 42 years of age. 17.8% of them are associated with public enterprises, 25.9% with private, 21.3% in collective, 19.8% with utility, and rest 15.2% are associated with mixed enterprises.

“Table 1 General Details”

“Variables”	“Respondents”	“Percentage”
Male	116	58.9
Female	81	41.1
Total	**197**	**100**
Age (years)		
Below 32	71	36.1
32-42	67	34.0
Above 42	59	29.9
Total	**197**	**100**
Types of enterprises		
Public	35	17.8
Private	51	25.9
Collective	42	21.3
Utility	39	19.8
Mixed	30	15.2
Total	**197**	**100**

Table 2 Impact of GST implementation on small and medium enterprises

“S. No.”	“Statements”	“Mean Value”	“t value”	“Sig.”
1.	GST implementation helps in creating a single market across the country	3.13	1.857	0.032
2.	It has removed tax limits between states	3.16	2.300	0.011
3.	The border and check-post taxes are removed under GST	3.19	2.774	0.003
4.	Helps to cut down delays in delivery and lowers transportation costs	3.16	16.596	0.011
5.	Facilitates smoother trade between states	3.12	1.745	0.041
6.	Made things simpler by removing the difference between goods and services	3.20	2.859	0.002
7.	The tax is charged on the final total amount not on each item or service separately	3.17	2.453	0.008
8.	GST implementation promotes online E-way bill system which has made things smoother	3.15	2.174	0.015
9.	GST helps to make supply chains more open and responsible	3.18	2.578	0.005
10.	Allow access to bigger markets which really help businesses grow	3.14	2.040	0.021

Table 2 shows impact of GST implementation on small and medium enterprises. The respondent says that GST implementation made things simpler by removing the difference between goods and services with mean value 3.20, the border and check-post taxes are removed under GST (3.19), GST helps to make supply chains more open and responsible (3.18), the tax is charged on the final total amount not on each item or service separately (3.17). The respondent also shared that GST implementation has removed tax limits between states (3.16), helps to cut down delays in delivery and lowers transportation costs (3.16), it has removed tax limits between states (3.16), GST implementation promotes online E-way bill system which has made things smoother (3.15). It is also found that GST implementation allow access to bigger markets which really help businesses grow (3.14), GST implementation helps in creating a single market across the country (3.13), and facilitates smoother trade between states with mean value 3.12.

CONCLUSION

The present research work helps us understand how GST, has affected both small and medium businesses. Full review of GST’s effects on small and mid-sized companies shows that things do have changed a lot, bringing both chances to grow and difficulties to overcome. Mohan & Ali. (2018), concluded implementation of GST has had both good and bad effects on SMEs. On one side it assured easier processes and, in many cases, actually made things smoother and more efficient. The future scope of small and medium businesses under GST, in India seems to be hopeful. This is mainly because, “GST encourages SMEs to become more formal and organized.” Dhar & Khandelwal. (2022), acknowledged by including more businesses in the official tax system, GST helps to make supply chains more open and responsible. Since, the year 2017, it has been a tough learning experience for both small and medium-sized enterprises all over the world. Even though there are real difficulties, the long-term advantages of working under a clear and single tax system-like smoother trade between states, fewer repeated taxes, and access to bigger markets- can really help businesses grow. Businesses should use modern technology to do well in the GST system, learn the rules (or get help to understand them), keep proper records, and follow the rules on time.

The study aims to know the impact of GST implementation on small and medium enterprises in India and found that GST implementation made things simpler by removing the difference between goods and services, the border and check-post taxes are removed under GST, GST helps to make supply chains more open and responsible, and the tax is charged on the final total amount not on each item or service separately. The study concludes that there is significant impact of GST implementation on small and medium enterprises.

REFERENCES

1. Anbuthambi, B., & Chandrasekaran, N. (2017). Goods and Services Tax (GST) and training for its implementation in India: a perspective. ICTACT journal on management studies, 3(2), 511-514.
2. Siddiq, I., & Prasad, K. S. (2017). Impact of GST on micro, small and medium enterprises. Journal of Management and Science, 1, 180-183.
3. Pandit, S. (2017). GST: Opportunities and challenges for Indian MSMEs. Inspira-Journal of Commerce, Economics & Computer Science (JCECS), 3(3), 208-214.
4. Mukherjee, S. (2018). Challenges to Indian micro small scale and medium enterprises in the era of globalization. Journal of Global Entrepreneurship Research, 8(1), 28.
5. Kour, M., Chaudhary, K., Singh, S., & Kaur, B. (2016). A study on impact of GST after its implementation. International Journal of Innovative studies in sociology and humanities, 1(2), 17-24.
6. Goel, P., & Mehta, S. (2020). Perception of Small and Medium Enterprises Towards Pre and Post GST Regimes. Apeejay Journal of Management & Technology, 15(1), 21-30.
7. Lourdunathan, F., & Xavier, P. (2017). A study on implementation of goods and services tax (GST) in India: Prospectus and challenges. International Journal of Applied Research, 3(1), 626-629.
8. Tripathi, S. (2018). An analysis of goods and service tax (GST) on India's GDP. Journal of Management Research and Analysis (JMRA), 5(2), 105-109.
9. Sureka, A., & Bordoloi, N. (2025). A Comparative Analysis of VAT, Service Tax, and GST: Implications, Challenges, and Transition in the Indian Tax System. Journal of Cases in Management Studies, 1(1).
10. Sureka, A., & Bordoloi, N. (2024). THE IMPACT OF THE NEW GST REGIME ON MSMES IN INDIA, WITH A SPECIAL EMPHASIS ON INPUT TAX CREDIT. Public Policy and Administration, 23(4), 552-565.
11. MG, L. P., & Babu, B. K. (2021). Impact of GST in small &medium enterprises with special reference to textile industry-A study among retailers. Dogo Rangsang Research Journal, 20-27.
12. Sureka, A., & Bordoloi, N. (2025). A Comparative Analysis of VAT, Service Tax, and GST: Implications, Challenges, and Transition in the Indian Tax System. Journal of Cases in Management Studies, 1(1).
13. Deshmukh, A. K., Mohan, A., & Mohan, I. (2022). Goods and services tax (GST) implementation in India: A SAP–LAP–Twitter analytic perspective. Global Journal of Flexible Systems Management, 23(2), 165-183.
14. Mohan, V., & Ali, S. (2018). Assessment of the implications of GST (Goods and Services Tax) rollout on Indian MSMEs. Theoretical Economics Letters, 8(15), 3567-3580.
15. Dhar, K., & Khandelwal, U. (2022). Impact of goods and services tax on supply chain management. Business Perspectives and Research, 10(3), 379-395.