

A STUDY ON IMPACT OF GST ON SELECTED MSMES OF SABARKANTHA REGION OF GUJARAT

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Abstract

GST is indirect tax which is levied on consumptions of any goods and services. In this study an attempt is made to examine the impact of GST on MSMEs of Sabarkantha region of Gujarat. Convenience sampling method was used for data collection. Total 155 structured questionnaires were distributed to entrepreneurs of MSME in various areas of Sabarkantha district out of which 148 responses were collected and used for data analysis. Data was analyzed by using simple percentage analysis, reliability tests, one-way analysis of variance. It was found that there is significant difference between the impact of Goods and Services Tax (GST) and the age of respondents. It was also concluded that there was no significant difference between the impact of Goods and Services Tax (GST) and the income of MSME entrepreneurs. This study provides a basic framework for understanding the impact of GST on MSME entrepreneurs.

Keywords: GST, Entrepreneur, MSME, Impact

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1. Introduction

The MSME sector contributes significantly to the national economy and is not only the largest employer but also a breeding ground for entrepreneurship and skill development. The number of MSMEs is over 30 million, employing about 100 million people. Almost all of the earlier indirect taxes are incorporated into GST. Under this prior indirect tax regime, manufacturers, owners, and Micro, Small, and Medium-Sized Businesses (MSME) were responsible for managing many taxes and coordinating with multiple ministries to complete all tax-related paperwork. A few of them had to file separate taxes on yearly, half-yearly, etc. basis. In addition, dealing with more departments used to put MSMEs through a lot of stress. On the other hand, MSMEs in India can conduct business more easily because of the simple GST. The elimination of the distinction between goods and services makes it simple for MSMEs to comply with GST requirements. MSMEs in India have been facing a number of issues despite having the potential and innate ability to grow, including suboptimal operational scale, technological obsolescence, inefficient supply chains, expanding local and international competition, funding shortages, shifting manufacturing strategies, and an unstable and unpredictable market environment. MSMEs require assistance and support to ensure their continued growth and development in the current competitive environment, as well as to enable them to compete with major, international corporations. When it comes to GST compliance, MSMEs have to expend far more time, money, and energy than larger businesses do. Compared to the larger enterprises, this affects them far more. As a result, since the implementation of the GST, small and medium-sized businesses have benefited greatly from compliance reliefs such as threshold exemptions, composition levy schemes, and the requirement to file GST returns on a quarterly basis, to name a few. In the process, care has also been taken to ensure that they maintain their competitiveness and receive all the advantages of GST, such as continuous input tax credit (ITC) across the supply chain. Since, the nation's independence, the remarkable expansion of small and medium-sized businesses, or SME, has been a defining characteristic of its economic development. It has aided in the creation of jobs and exports in the global economy in addition to the GDP's overall expansion. In India, during the past 50 years, the SME sector has grown significantly in the nation's socioeconomic growth. In the current

globalization context, SMEs are regarded as the main drivers of economic growth worldwide. After the GST was implemented, less time and money were needed for interstate travel because their duties were removed. Due to the ease of free movement of goods, this also lowers the expenses associated with holding big stocks. By taxing stock transmissions and offsetting the effect of contributed taxes through the input credit, the Goods and Services Tax (GST) eliminates all tax breaks and puts small and medium-sized enterprises on an equal footing with large-scale firms.

2. Literature Review

(Goel & Mehta, 2020), in their study explores how the small business owners were affected by the announcement of the new tax system. This study targeted 159 small and medium-sized enterprises, of which 132 received valid responses. This study is based on a descriptive research design and convenience sampling technique. Statistical tools such as descriptive statistics, chi-square distribution, and exploratory factor analysis were used for analysing the data. The study found that acceptance variable, collapsing variable, condemnation variable and ambiguity variable influence the perception of SMEs and also that most entrepreneurs have little knowledge about the entire GST law and its implementation. Lack of information related to GST has led to negative attitudes towards GST.

(Smt. Usha, 2020), in her study found that GST will have both positive and negative impacts on his MSME sector." The positive impacts include elimination of component burdens and ITCs, while the negative impacts include higher requirements for working capital and the burden of compliance costs.

(Geeta, Mathiraj, & Bharathi, 2019), in their study, find the impact on various aspects such as GST adoption, creation of tax registration and high compliance burden by using cluster random sampling technique, out of which 158 MSME entrepreneurs were selected from Sivaganga district of Tamil Nadu for the study. The statistical tool used for analysis is one-way ANOVA to determine the significance differences in the magnitude of GST impact across MSMEs. It is concluded that the impact of GST on India's MSME sector could be both positive and negative.

(Shivani, 2019), conduct a study to examine the impact of GST on MSMEs and seek to understand the overall impact of GST on MSMEs by exploring the benefits and challenges of the new regime from the MSME perspective. GST appears to bring many positive benefits such as: Simplification of input credit claim procedure, single tax, abolition of cascading tax system, simplification of taxation, etc. These advantages outweigh the disadvantages.

(Vidit Mohan & Salman Ali , 2018), conducted a study to analyse the impact of GST on MSMEs in Raipur and collected qualitative and quantitative data from selected MSME owners. Research findings show that there is scope for effective implementation of GST. It identifies and assesses the inter-jurisdictional and other issues that are involved in GST implementation as well as scope to probe the means to enable the effective deployment of GST based on the findings of this study.

(Jayalakshmi & Venkateswarlu, 2018), conducted a study to examine the impact of his GST on micro, small and medium enterprises. India's small and medium-sized enterprises (SMEs) have thrived in a challenging environment and have experienced several ups and downs over the past few years. The Indian economy has emerged as one of the world's leading economies and is expected to reach \$5 trillion by 2025, giving a major impetus to strengthening the SME sector, which is the backbone of the economy. This study focuses on study the impact of GST on MSMEs.

(Somani, 2018), explains the impact of GST (Goods and Services Tax) on India's micro, small and medium enterprises. GST simplifies the entire process of filing and paying taxes. Competition among MSMEs will also increase by unifying the Indian market and allowing them to compete with multinational and multistate companies. Although GST has many benefits. Multiple registrations, complex procedures and shifting of tax liability are some of the problem areas for MSMEs. To build technical literacy in MSMEs and to make optimum use of the technology enabled platform, government must take sustained initiatives in order to educate MSMEs by conducting various seminars, conferences, training sessions etc., about the new tax regime and its provisions across

the country. If the government takes proactive corrective measures, GST is expected to have a positive impact on MSMEs and the Indian economy as a whole.

(Pandit, 2017), conducted a study on the opportunities and challenges faced by MSMEs in India due to the implementation of GST. The general observation from the literature review is that compliance costs have increased after the implementation of GST. Although there was initial resistance from various stakeholders, the rollout progressed smoothly over time. In some countries, the government also sought feedback and suggestions from industry after implementation of his GST. It was found that GST requires an IT infrastructure and educating businesses on various aspects of GST, such as calculating tax liability and availing input tax credits. Indian MSMEs need to demonstrate behavioural change in the way they operate their businesses, rather than viewing GST as just a tax reform.

Research Gap.

Although various researchers have studied the impact of GST on different sectors in India and most of researchers focuses on positive and negative impacts of GST on businesses. The present study fills the gap by identify the views of MSME entrepreneurs regarding GST on the basis of age and income and tries to study on the impact of GST on MSMEs in Sabarkantha district of Gujarat.

3. Research Methodology.

3.1 Objective of the Study.

- To investigate the impact of GST on small and medium enterprises (MSMEs) in Sabarkantha region of Gujarat.
- To check the significant differences in age and impact of GST.
- To explore the significant differences in income and impact of GST.

3.2 Research Design.

A descriptive research design was adopted in this study. This study uses primary and published data. The study uses simple percentage analysis, reliability tests, One-way analysis of variance.

3.3 Sources of Data

This study has utilised both primary and secondary data. Primary data has been collected through structural questionnaire and secondary data has been collected through website, journals, newspaper etc.

3.4 Sample Size and Technique

In present study 155 questionnaires were distributed to targeted population in various areas of Sabarkantha district out of which 148 responses were collected and used for data analysis. Convenience sampling method has been used for data collection in the year 2022. Questionnaire represents demographic profile of respondents and level of impact of GST on MSMEs.

3.5 Hypothesis

H₀₁: There is no significant differences between age and impact of GST.

H₀₂: There is no significant differences between income and impact of GST.

4. Data Analysis and Interpretation

4.1 Demographic Profile

The respondents' demographic profile includes gender, age, level of education, and monthly income, which are as shown in the section below.

Table No- 4.1 Demographic profile

		Frequency	Percentage
Gender	Male	105	70.95
	Female	43	29.05
	Total	148	100.00
Education	HSC	10	6.76
	Diploma	19	12.84
	Graduate	84	56.76
	Post Graduate	35	23.65
	Total	148	100.00
Age	18 to 28 years	18	12.16

	29 to 38 years	34	22.97
	39 to 48 years	50	33.78
	49 to 58 years	40	27.03
	Above 58 years	6	4.05
	Total	148	100.00
Monthly Income	Rs.50000 to Rs 100000	72	48.65
	Rs 100001 to Rs 200000	49	33.11
	Rs 200001 to Rs 500000	22	14.86
	Above Rs 500001	5	3.38
	Total	148	100.00

(Source- Primary Data)

Table 4.1 shows the demographic profile of the respondents where 70.95% of the total number of respondents are male and 29.05% are female. The highest qualification of the respondents is graduate (56.76%) and the lowest qualification is HSC 6.76%, 33.78% of the respondents belong to the age group of 39-48 years, and the monthly income of 48.65% of the respondents is from Rs 50,000 to Rs 100,000.

4.2 Reliability Test Regarding Impact of GST on Entrepreneurs of MSMEs

Conbach's alpha has been used to check the reliability of questioner's which are set by researcher. The result shows that all variables are above 0.7 which is acceptable.

Table No.-4.2 Reliability analysis

Sr.no	Statements	Cronbach's Alpha
1	GST impacted your business operation	0.811
2	GST impacted sales performance	0.721
3	GST impacted service sector and it get costlier	0.742
4	GST impacted filing of taxes	0.788
5	GST impacted logistical overheads	0.841
6	GST impacted purchase of capital goods	0.745
7	GST impacted online compliance procedures	0.886
8	GST eliminates multiple taxes	0.871
	Cronbach's Alpha	0.801

(Source- Primary Data)

From the reliability analysis it can be seen that Cronbach's alpha value of all the statements regarding impact of GST on micro, small and medium-sized enterprises (MSMEs) is above 0.7 which indicates high reliability.

4.3 One-way ANOVA (Age and Impact of GST).

To check the significant differences in age and impact of GST, One-way ANOVA test was conducted and the results are presented as follows.

H₀₁: There is no significant differences between age and impact of GST.

Table No-4.3 One way ANOVA (Age and impact of GST)

ANOVA		Sum of Squares	df	Mean Square	F	Sig.	Result
Statement 1	Between Groups	12.361	4	1.183	1.451	.040	Significant
	Within Groups	58.944	143	.815			
	Total	71.220	147				
Statement 2	Between Groups	1.225	4	.612	3.225	.001	Significant
	Within Groups	58.743	143	.979			
	Total	59.927	147				
Statement 3	Between Groups	.515	4	.256	3.273	.018	Significant
	Within Groups	56.325	143	.939			
	Total	56.847	147				
Statement 4	Between Groups	17.541	4	8.751	4.072	.003	Significant
	Within Groups	86.449	143	1.442			
	Total	104.040	147				
Statement 5	Between Groups	7.491	4	3.746	4.059	.004	Significant
	Within Groups	55.366	143	.923			
	Total	62.857	147				
Statement 6	Between Groups	.161	4	.080	3.021	.021	Significant

	Within Groups	70.918	143	1.182			
	Total	71.079	147				
Statement 7	Between Groups	4.896	4	2.448	2.733	.035	Significant
	Within Groups	84.755	143	1.413			
	Total	89.651	147				
	Between Groups	20.521	4	.260	3.241	.006	
Statement 8	Within Groups	99.035	143	.984			Significant
	Total	119.556	147				

Significant using Tukey HSD test. *Denotes Significant at 5 % level

(Source- Primary Data)

Table no 4.3 represents the One-way ANOVA test regarding the significant differences in age and impact of GST. The p-value at the 5% significance level is less than 0.05 so here, researcher **rejects null hypothesis** at the 5% significance level. Based on the Tukey HSD tests, it is concluded that there is significant difference between the impact of Goods and Services Tax (GST) and the age of entrepreneurs.

4.4 One-way ANOVA (Income and Impact of GST).

To check the significant differences in income and impact of GST, One-way ANOVA test was conducted and the results are presented below.

H₀₂: There is no significant differences between income and impact of GST.

Table No-4.4 One-way ANOVA (Income and impact of GST)

ANOVA							Result
		Sum of Squares	df	Mean Square	F	Sig.	
Statement 1	Between Groups	12.361	4	1.183	1.451	.240	Not Significant
	Within Groups	68.944	143	.815			
	Total	81.220	147				
Statement 2	Between Groups	31.225	4	.612	.625	.531	Not Significant
	Within Groups	68.743	143	.979			
	Total	109.927	147				

Statement 3	Between Groups	1.515	4	.256	.273	.768	Not Significant
	Within Groups	57.325	143	.939			
	Total	56.847	147				
Statement 4	Between Groups	17.541	4	.751	1.070	.512	Not Significant
	Within Groups	86.449	143	.442			
	Total	104.040	147				
Statement 5	Between Groups	7.491	4	.746	1.059	.254	Not Significant
	Within Groups	55.366	143	.923			
	Total	62.857	147				
Statement 6	Between Groups	.161	4	.080	1.098	.952	Not Significant
	Within Groups	70.918	143	.182			
	Total	71.079	147				
Statement 7	Between Groups	4.896	4	.448	1.733	.151	Not Significant
	Within Groups	84.755	143	.413			
	Total	89.651	147				
Statement 8	Between Groups	5.521	4	1.260	2.265	.746	Not Significant
	Within Groups	79.035	143	.984			
	Total	84.556	147				

Significant using Tukey HSD test. *Denotes Significant at 5 % level

(Source- Primary Data)

Table no 4.4 represents the One-way ANOVA test regarding the significant differences in income and impact of GST. The p-value at the 5% significance level is more than 0.05 so here **null hypothesis is accepted** at 5% level of significance. Hence it is concluded that there is no mean difference between impact of GST and income of entrepreneurs.

5. Major Findings.

- From the total respondent's majority respondents are male 70.95%.
- Highest qualification of respondents is graduate 56.76%.
- Majority 33.78% respondents belong to the age group of 39-48 years.

- Most of respondent's 48.65% monthly income is between Rs 50,000 to Rs 100,000.
- Reliability test reveals Cronbach's alpha value is more than 0.7 which implies that all the items in the scale were acceptable and showing good reliability.
- One-way ANOVA analysis reveals that there is significant difference between the impact of Goods and Services Tax (GST) and the age of respondents.
- From the ANOVA test, it can be concluded that there was no significant difference between the impact of GST and income of MSME entrepreneurs.

6. Limitation of the Study.

The present study is limited to owners of MSMEs in Sabarkantha district of Gujarat. Therefore, the findings of this study cannot be generalized to the entire MSME entrepreneurs in other parts of Gujarat.

7. Conclusion.

In this study an attempt is made to examine the impact of GST on small and medium enterprises (MSMEs) in Sabarkantha region of Gujarat. From analysis it is found that there is significant difference between the impact of Goods and Services Tax (GST) and the age of respondents. The study finds that low GST readiness of MSME entrepreneurs, need to improvise GST networks, and other related trends are bottleneck factors in realizing real outcomes of GST implementation. It also concluded that there was no significant difference in the income of MSME entrepreneurs among the respondents regarding the impact of GST. This study provides a basic framework for understanding the impact of GST on MSME entrepreneurs. If such measures are taken quickly by governments, they could have very imaginative consequences for sustainable economic development.

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