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**PERCEPTION AND IMPACT OF GOODS AND SERVICES  
TAX ON MICRO, SMALL AND MEDIUM ENTERPRISES -  
AN EMPIRICAL VIEWPOINT**

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**Abstract**

*It has been more than three years since the Goods and Services Tax (GST) was rolled out by the Government of India. The struggles of Micro, Small, and Medium Enterprises (MSMEs) are now exaggerated by the ongoing pandemic-lockdown crisis. However, the GST implementation once looked like a storm, has settled down for the MSMEs. Therefore, the present study is conducted to assess the perception, acceptance, and impact of GST on small firms and businesses. Variables like GST satisfaction and awareness are also taken into account. Through the structured questionnaire, a survey was carried out; the responses were gathered from MSME owners and were analyzed with the help of inferential and descriptive statistics. Hypotheses testing was performed through Chi-Square tests, ANOVA analysis, and Correlation analysis. The findings indicate that the perception regarding the GST laws among the MSMEs is associated with the category of the enterprise. Also, GST has been widely accepted by MSMEs. Lastly, the positive impact of GST has been noticed among the respondents. The study, therefore, contributes to the theory and practice of GST implementation in the critical sector of MSMEs.*

**Key Words:** *Goods and Services Tax; Micro, Small and Medium Enterprises; Indirect Taxation; MSME sector; Indian Taxation*

## INTRODUCTION

**M**icro, Small, and Medium Enterprises play a crucial role in developing the economy of a country. Industry and Service sectors ensure the production and growth performance of developed and developing nations. As per the report by the India Ministry of MSME, the industry contributes more than 28 percent of the country's GDP (Ministry of MSME, 2020-21). More than 630 lakh formal and informal Indian MSMEs contribute almost 50 percent to total exports and generate close to 11.10 crore skilled and semi-skilled jobs across the urban and rural demographics. The role of the MSME sector in growth and development can be estimated with the fact that MSMEs are addressed as the 'backbone' and 'growth engine' of the Indian economy. Therefore, MSMEs propel economic growth through entrepreneurship, employment opportunities, and revenue collection. Given the due importance of the Indian MSME sector, the competitive federalism among states as well as central government's policies specifically encourages small businesses to flourish. Some of the recent policy reforms and initiatives that have been introduced for the thriving sector of small enterprises are - Skill India, Make-In-India, StartUp India, MUDRA Yojana, and the very recent one Aatma Nirbhar Bharat.

Currently, the MSME sector is one of the most vulnerable sectors of the Indian economy due to the ongoing Covid-19 pandemic crisis and the repercussions of extended lockdowns. Considering the

anecdotal shreds of evidence, the Covid-19 pandemic brought the world to a standstill by disrupting global economies and causing fiscal austerity. Indian MSMEs, who recently witnessed and modestly recovered from the demonetization in 2016 and GST implementation in 2017, has been exposed to the pandemic situation since March 2020. The shortage of manpower due to reverse migration, fallen aggregate demand for goods and services, and irregularity of business operations has been catastrophic for the MSME sector (Jayakumar, 2020; Misra, 2020; Mittal & Raman, 2021).

As per the Confederation of All India Traders (CAIT), there can be a trade impact of ₹ 380 lakh for Indian markets, and the All India Manufacturers Organisation (AIMO) estimated unforeseen closure of more than 35% of MSMEs due to the Covid-19 induced financial crisis (Mishra, 2020). In a similar vein, the Indian SME Forum anticipates deep trouble for 80% of enterprises, and the Clothing Manufacturers Association of India (CMAI) reported a plunge of 40% in the expected revenue of the industry (Ramaswamy, 2020). To assuage the economic predicament of India in the hour of crisis, the Union Cabinet of Indian Government revised the classification criteria of MSMEs from "investment in plant and machinery" to "annual turnover" under the economic package of "Aatma-Nirbhar Bharat" as shown in Table 1 (Rao H. , 2020). Further, the Covid-19 relief fund has been announced as one of the tranches of Aatma Nirbhar Bharat (Roy & Bhusan, 2020).

**Table 1:** Classification of MSMEs

Criteria/Indicator	Business Investment	Turnover
Micro Enterprise	< 1 crore	< 5 crores
Small Enterprise	1 crore - < 10 crores	5 crores - < 50 crores
Medium Enterprise	10 crores - < 50 crores	50 crores - < 250 crores

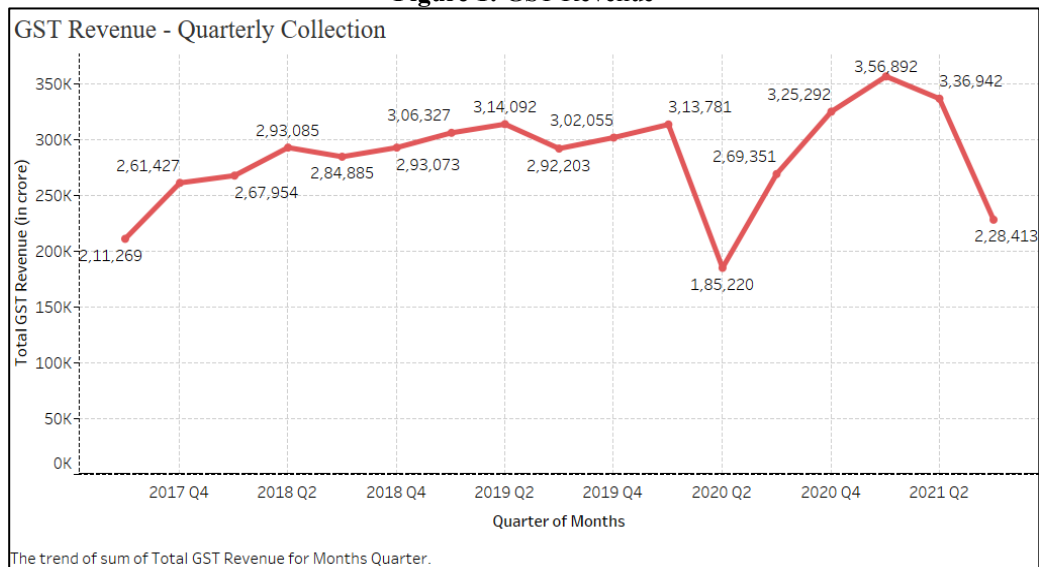
**Source:** Author's Calculation

MSMEs are the dominating taxpayer models, which time and again prove themselves as a pivotal contributor to direct and indirect taxes and thus assist in revenue generation for the country (Pertiwi *et al.* 2019). In the case of Indian MSMEs, the majority of the contribution in the GST revenue has been

estimated from the MSMEs (Sinha, 2019). Since GST does not define the enterprise category as per the Micro, Small, and Medium Enterprises Development Act (2006), the linking of enterprises with the GST network has not been possible yet. However, the limitation does not undermine the significant share of

MSMEs in generating GST revenue. Figure 1, constructed through Tableau software, depicts the GST collection since its implementation, and the plunge in 2020 and 2021 depicts the impact of the first and second wave of Covid-19 in India.

**Figure 1: GST Revenue**



**Source:** GST Council and Press Information Bureau

GST has its roots originated and adopted in France, and several European countries followed the route (Sharma, 2019). India introduced GST by replacing numerous states and central levels taxes such as VAT and sales tax. Hence, GST was implemented as a broad-based, comprehensive, and single tax regime for one national market for a defined commodity. The timeline of the GST implementation can be understood as follows:

1. In 1994, the infamous Bagchi Report by Dr. Amaresh Bagchi highlighted the importance as report also suggested that VAT should be implemented in India to facilitate the principle of the principle of tax neutrality (Bagchi, 1994).
2. In 2000, Ahim Dasgupta Committee was appointed for the task, and in 2005, VAT replaced the old indirect taxation system of India (Anbuthambi & Chandrasekaran, 2017).
3. In 2002, Vijay Kelkar was appointed to head the report of the task force on GST; in 2004, the report was submitted, which concluded that the

GST model would be an efficient and better version of VAT (Dhasmana, 2017).

4. In 2006, for the first time, GST appeared in the Budget
5. In 2014, the Cabinet approved GST Amendment Bill, and
6. On 30<sup>th</sup> June 2017 from midnight onwards, GST was rolled out (Sachdev, 2018; Dey, 2020).

Most importantly, GST addresses the problem of cascading effect under the erstwhile system and enables seller or service provider to claim input tax credit which he or she has paid while purchasing the goods or availing the service (Vasanthgopal, 2011). While GST promotes market expansion, reduction of the tax burden on businesses, elimination of the distinction between goods and services, improved logistics, and removal of multiple taxations, it also has its woes, especially for a small business owner (Kumar R., 2020). Studies have also reported a lack of clarity and compliance issues with the GST system among

small business owners. Moreover, scant studies have estimated the direct impact of GST implementation on business operations and revenue generation. However, such discussions are limited to the theoretical approach to the GST system and neglect the quantitative-empirical viewpoint. Further, scant studies specifically undertook the MSME sector concerning GST implementation and its impact. Therefore, the present study intends to evaluate the perception and acceptance regarding GST implementation among the MSME owners in National Capital Region. Furthermore, the study also aims to evaluate the impact of GST implementation on MSME businesses.

## LITERATURE REVIEW

The word 'tax' is derived from 'taxare' that simply means 'to estimate' (Nayyar & Singh, 2018). GST is consumption as well destination-based tax which is forced at various stages of creation and appropriation of goods and services. With the balanced and fixed approach, GST provides equivalent rights to the citizens (Kumar R. , 2020). The fall-backs and deficiencies of the previous indirect tax regime caused the implementation of GST in India. Due to the variety of taxes like VAT, Excise Duty, and Sales Tax, the multiplicity of taxes was disallowed to make way for GST (Nayyar & Singh, 2018). Therefore, GST had to be adopted to reduce multiple tax slabs, which are built on the principle of destination and are imposed on the articles in the place where the real consumption is done (Arora, 2016; Subramanian, 2018). Explaining the role of systematic goods and services tax, Bikas and Andruskaite (2013) discussed that there is a positive relationship between revenue from such tax and macroeconomic factors such as national exports, imports, production, and consumption. According to Rana (2018), GST is a transformational and facilitating reform that promotes multiple benefits such as better efficiency and productivity, effective compliance among business owners and taxpayers, and improved ease of doing trading and business. The concept of "One Nation and One Tax" is a win-win situation for retailers, wholesalers, industrial houses, customers, and taxation authorities; also, due to the introduction of GST in India and subsequent elimination of

cascading effect, price distortion, and tax corruption has significantly reduced (Sabari Nath, 2019). Kankipati (2017) also explained that GST should be adopted by every economy to attract better revenue conformity and foreign investments.

Justifying the need for GST, Kaur (2018) discussed the role of GST for sectors like real estate, healthcare, telecom, and advertisement industry; the author expressed that GST is a destination-based tax that simplifies the taxation system of India. GST benefits Indian consumers as it reduces the cost of goods and services by eliminating double taxation, which occurs due to the cascading effect (Pegu, 2017). Identifying the changes in the structure of the indirect tax, foreign direct investment inflows, and the effect of GST, AlpnaYadav (2017) discussed the benefits of GST for the FMCG sector, information technology sector, textiles and pharma industry, agriculture, and service sectors. According to Mehrotra and Kalra (2018), GST eradicates the baized tax structure under the state governments, and therefore, attracts businesses in different geographical locations across India. Examining the role of the proposed GST, Vasanthagopal (2011) stated that the systematically and flawlessly implemented GST will ensure a positive effect on MSMEs, EXIM trade, and government revenue.

Goods and Service Tax is a perfect method to utilize input tax credit and is a game-changer for Indian markets as it tends to reduce inflation and cost of production along with the seamless flow of tax credit (Vohra, 2017). GST is an indirect and multi-arrangement tax, which is a destination-based expense; with plenty of improvements in taxation structure, GST also tends to increase the material fare by compiling various irregular or regular expenses conjointly (Gupta, 2018). Discussing the proposed GST, studies have found that GST is a method to get rid of multiple taxations and high compliance costs. Researchers also conjectured that GST outcome would give us many advantages, and therefore, according to the assumptions drawn, GST would play a dynamic role in our country's growth and development (Kumar, 2014; Kour et al., 2016).

To ease the taxation framework and policies, GST replaced the complex VAT and Sales Tax; according to Kumar K. A (2017), GST has the potential to attract foreign direct investments and employment opportunities. As per Amutha (2018), GST leaves lesser scope for corruption and tax evasion. Discussing the impact of GST implementation, Digal (2020) explained the positive implications of GST, such as ease of doing business, reduced logistical overheads, assistance in business sales, and unification of markets. The negative implications discussed by the author are reduction in threshold limit, lack of financial and technological preparedness, and selective levying of GST.

Considering the case of MSMEs, studies suggest that GST has relatively reduced the tax burden from the business owners, and due to digital compliance, transparency has improved in the tax ecosystem (Verma *et al.* 2018; Ganapati & Kulkarni, 2020). Since GST ensures the smooth movement of goods and services across all states, it tends to create an atmosphere of a single market (Awasthi, 2018). Furthermore, GST implementation enables the maintenance of documents and hiring of educated staff owing to its compliance procedures. It is also witnessed as an opportunity to reorganize the MSME sector, supply chain, and international costing standards. However, the impact of GST can be negative for some businesses and positive for others (Naskar, 2019).

Explaining the challenges involved in GST, Vanitha and Radha (2019) discussed that few commodities are taxed at relatively higher rates, which induce higher borrowing costs as well as a higher tax burden on such goods and services. Similarly, as per Siddiq and Prasad (2017), GST puts a heavy burden of tax on service providers, and it also tends to increase working capital requirements. Mohan and Ali (2018) summarised that MSMEs face several hindrances concerning to operational issues under the GST system, where most enterprise owners find GST complex and costly to implement. Ghosh (2020) also considered GST implementation as a 'coercive formalization' of MSMEs into the tax system.

GST implementation in India has introduced a significant change in business processes and accounting systems since the need for proper maintenance of accounting records and trained personnel has increased (Joseph & Jacob, 2018). For GST compliance, adequate software and a trained workforce are a necessity for MSMEs to file and record their GST in the prescribed manner (Chen & Taib, 2016). According to Mohan (2020), GST is a tech-driven administration that has improved the entire system of indirect tax in terms of transparency and convenience. The author also listed five significant benefits of GST implementation in India that include logistic cost control, vigilant consumers, anti-profiteering measures, better tracking of origin and supply of goods, and last but not least overall price control.

Informal and unregistered MSMEs are difficult to tax, as discussed by McGee *et al.* (2008) and Akinboade (2015). Also, MSMEs are known for having unregistered status along with under-reporting or absolute non-reporting of incomes (Gerxhani & Scharm, 2002). Therefore, GST ensures to remove such inherent flaws of tax compliance among small firms (Shah & Kanodia, 2016). The majority of the MSMEs which were previously working under shadow operations are now recognized under the GST regime (Digal K. , 2020). Therefore, unlike VAT and service tax, GST unifies the market and does not differentiate between sales of goods and services. Hence, it also improves market expansion for MSMEs (Pandit, 2017; Jayalakshmi & Venkateswarlu, 2018).

## DATA AND RESEARCH METHODOLOGY

### Target Population

The population of the present research is the owners of MSMEs operating their business in the urban area of the National Capital Region (NCR) of India. The MSME owners include manufacturers, traders, and service providers who are in the business of sale-purchase of commodities and services.

### Sample Size

The fraction of the population which participates in the study is known as the sample. In the present study, 150 respondents were approached through telephonic calls and emails due to social distancing norms and prevailing lockdown in the area. The response rate of the survey is 80 percent, as the actual responses received were 120. However, in the process of data screening, eight responses were discarded due to missing values and outliers. Hence, the final sample size of the study came down to 111 respondents.

### Source of Data

The data is collected through primary sources with the help of a structured questionnaire. The questionnaire was formulated by identifying variables from the systematic literature review. Manufacturers from industrial clusters and service-providing firms were approached for data collection.

### Research Approach

In the present research, the survey research design method is applied to reach a meaningful conclusion. The nature of the study is empirical, descriptive, and quantitative. The purposive sampling technique is used in the study to ensure that respondents are registered under the GST Act and possess GST identification numbers as well.

### Measurement of Variables

The present study refers to previous empirical research in order to measure variables associated with perception, acceptance, and impact of GST. Measurement of perception is done in accordance with Lourdanathan and Xavier (2017) and Nandal and Diksha (2018). Similarly, acceptance towards GST among MSME owners has been evaluated as per behavioural study by Garg et al. (2018). The impact of GST has been studied with the help of Siddiq and Prasad (2017) and Verma et al. (2018).

### Statistical Tools

Descriptive and inferential statistics are applied to interpret data. Through the help of SPSS software, Chi-Square Test, Correlation Analysis, ANOVA Test, and Frequency Analysis was done to the screened data.

### Hypotheses Construction

Following are the research hypotheses:

**H<sub>0A</sub>:** There is no association between the type of enterprise and their perception of GST law.

**H<sub>1A</sub>:** There is an association between the type of enterprise and their perception of GST law.

**H<sub>0B</sub>:** The acceptance towards GST is similar across all types of enterprises.

**H<sub>0B</sub>:** The acceptance towards GST is not similar across all types of enterprises.

**H<sub>0C</sub>:** There is no relationship between GST Awareness, GST Satisfaction, and Perceived Impact of GST among MSME owners.

**H<sub>1C</sub>:** There is a relationship between GST Awareness, GST Satisfaction, and Perceived Impact of GST among MSME owners.

## DATA ANALYSIS AND INTERPRETATION

The demographic variables of the study are shown in Table 2. Most of the enterprise owners belong to the well-educated group. The participation of women in entrepreneurship is quite limited as compared to men, which is an established concern for the Indian entrepreneurial sector. Among enterprises, 23 percent belong to the manufacturing sector, while 77 percent of enterprises belong to service and trading enterprises. The majority of respondents belong to micro-enterprises, with almost 66 percent of strength.

**Table 2:** Simple Statistics of Demographic Variables

Variables	Frequency	Percentage
Gender of the Owner	Male	92 82.9
	Female	19 17.1

<b>Industry Category</b>	Manufacturing	26	23.4
	Service and Trading	85	76.6
<b>Enterprise Type</b>	Micro	73	65.8
	Small	23	20.7
	Medium	15	13.5
<b>Enterprise in Existence</b>	Less than a year	2	1.8
	1 to 3 years	10	9.0
	3 to 5 years	22	19.8
	5 to 10 years	18	16.2
	More than 10 years	59	53.2
<b>Education of the Owner</b>	No Formal Education	1	0.9
	Higher Secondary	6	5.4
	Technical-Vocational	3	2.7
	Diploma	14	12.6
	Graduate	41	36.9
	Post Graduate	46	41.4
<b>Registered under MSMED Act</b>	Yes	105	94.6
	No	6	5.4

Source: Authors' Calculations

**Table 3:** Respondent's Perception regarding GST

		Frequency	Percentage
GST is an excellent method to replace VAT & Service Tax	Yes	98	88.3
	No	13	11.7
GST is a method of efficient revenue collection for the government	Yes	105	94.6
	No	6	5.4
GST is beneficial for businesses in the long run	Yes	102	91.9
	No	9	8.1
GST eliminates double taxation, which makes it a better form of taxation	Yes	101	90.99
	No	10	9.01
GSTN return portal is an effective way to file GST return	Yes	75	67.6
	No	36	32.4
Due to systematic ITC, the manufacturing costs have decreased	Yes	87	78.37
	No	24	21.63
GST promotes timely payment of tax and controls tax avoidance	Yes	99	89.18
	No	12	10.82

Source: Authors' Calculations

As shown in Table 3, the perception towards GST was gathered on the following statements. The Respondents were asked to choose between Yes and No. According to the responses received, maximum respondents consider GST as a great reform to replace the inefficient taxation system. However, 32 percent of respondents are not impressed with the GSTN return portal, which could be due to several reasons, including factors like difficulty in filing an online return or a relatively less user-friendly platform. Most of the respondents also agreed that due to GST

implementation and systematic Input Tax Credit (ITC), the cost of manufacturing had been reduced. Similarly, GST is considered an effective tool that controls tax avoidance and assists in systematic revenue collection.

For perception assessment, the respondents were asked a few statements on the Likert scale of agreeability. The Pearson Chi-Square test between categorical variables was applied to test the association between the type of enterprise and their perception towards

GST law, as shown in Table 4. Among respondents, 68 MSME owners agreed that the existing GST law is clear and plain on the applicability of tax. 72 respondents agreed that GST law is clear on the timing of tax. 67 respondents found GST law is clear on the value of taxable services, and 70 respondents considered the GST law is accurate with its method of payment. In the results of Table 4, we can see that for each statement related to perception towards GST law, the p values (0.035, 0.015, 0.008, and 0.006) are less than our chosen significance value of  $\alpha = 0.05$ . Therefore, we reject null hypothesis H0A and conclude that there is an association between the type of enterprise and their perception of GST law. To understand the statistical difference among the

different groups, one-way ANOVA test was performed. It assessed the GST acceptance among the groups of types of enterprise, as shown in Table 5. Among respondents, 68 MSME owners agreed that the existing GST law is clear and plain on the applicability of tax. 72 respondents agreed that GST law is clear on the timing of tax. 67 respondents found GST law is clear on the value of taxable services, and 70 respondents considered the GST law is accurate with its method of payment. In the results of Table 4, we can see that for each statement related to perception towards GST law, the p values (0.035, 0.015, 0.008, and 0.006) are less than our chosen significance value of  $\alpha = 0.05$ . Therefore, we reject null hypothesis H0A and conclude that there is an

**Table 4:** Chi-Square Test: Respondents' Perception regarding GST Law

	Pearson Chi-Square Value	df	Significance
Existing GST Law is clear and plain on the applicability of Tax	13.528	6	0.035
Existing GST Law is clear and plain on the timing of Tax	18.925	8	0.015
Existing GST Law is clear and plain on the value of taxable services	17.529	6	0.008
Existing GST Law is clear and plain on the method of payment	18.302	6	0.006

Source: Authors' Calculations

association between the type of enterprise and their perception of GST law. A one-way ANOVA test was

performed to assess the GST acceptance among the groups of types of enterprise, as shown in Table 5.

**Table 5:** ANOVA Test: Respondents' Acceptance towards GST

		Sum of Squares	df	Mean Square	F	Sig.
<b>GST is a fair tax reform initiative in India</b>	<b>Between Groups</b>	0.812	2	0.406	0.557	0.575
	<b>Within Groups</b>	78.773	108	0.729		
	<b>Total</b>	79.586	110			
<b>India was ready to implement GST</b>	<b>Between Groups</b>	1.476	2	0.738	0.639	0.530
	<b>Within Groups</b>	124.758	108	1.155		
	<b>Total</b>	126.234	110			
<b>GST tends to be challenging to understand and implement</b>	<b>Between Groups</b>	0.450	2	0.225	0.215	0.807
	<b>Within Groups</b>	113.297	108	1.049		
	<b>Total</b>	113.748	110			



<b>GST is beneficial in a long course</b>	<b>Between Groups</b>	0.379	2	0.189	0.274	0.761
	<b>Within Groups</b>	74.558	108	0.690		
	<b>Total</b>	74.937	110			
<b>Implementation of GST will increase the overall revenue of government.</b>	<b>Between Groups</b>	3.343	2	1.672	2.360	0.099
	<b>Within Groups</b>	76.512	108	0.708		
	<b>Total</b>	79.856	110			
<b>GST reforms affect small businesses adversely</b>	<b>Between Groups</b>	0.734	2	0.367	0.304	0.738
	<b>Within Groups</b>	130.293	108	1.206		
	<b>Total</b>	131.027	110			
<b>GST is affecting the purchasing power of customers</b>	<b>Between Groups</b>	0.436	2	0.218	0.318	0.728
	<b>Within Groups</b>	73.997	108	0.685		
	<b>Total</b>	74.432	110			
<b>The introduction of GST has complicated the overall tax structure</b>	<b>Between Groups</b>	0.780	2	0.390	0.523	0.594
	<b>Within Groups</b>	80.518	108	0.746		
	<b>Total</b>	81.297	110			

Source: Authors' Calculations

As per the results obtained in Table 5, the acceptance among the groups of enterprises is statistically similar to each other as the p values obtained are more than our chosen significance value of  $\alpha = 0.05$ . Therefore, we fail to reject the null hypothesis ( $H_{0B}$ ) and conclude that the acceptance of GST is similar across all types of enterprises. The results declare that irrespective of micro, small or medium enterprise, the acceptance towards GST, among the MSME owners, is similar. According to studies by Palil and Ibrahim (2011); Ojha

and Vrat (2018); and Rao et al. (2019), GST has a significant impact on the revenue of the firms, pricing, and cost of goods and services. To assess the impact of GST on the businesses, responses were obtained for the same, as shown in Table 6. Majority of the respondents believe that the demand for goods and business revenue are affected positively due to the GST implementation. However, the pricing of goods and services has remained neutral, according to the opinions of respondents.

**Table 6:** Impact of GST on the Firms and Businesses

	Frequency	Percent
<b>Do you feel that introduction of GST has affected the demand for goods and services?</b>		
- Demand is positively affected	69	62.2
- Demand is negatively affected	19	17.1
- No such effect on demand	23	20.7
<b>How has GST impacted the pricing of your products/services?</b>		
- Price to customer has increased	32	28.8
- Price to customer has decreased	23	20.7
- Price to customer remained neutral	56	50.5

<b>Has the introduction of GST positively affected your revenue?</b>		
- <b>Yes, the revenue has undoubtedly increased</b>	75	67.6
- <b>No, the revenue earned is less than before</b>	18	16.2
- <b>There is no significant impact on revenue</b>	18	16.2
<b>You presume the transactions to GST regime are</b>		
- <b>Smoother</b>	73	65.8
- <b>Difficult</b>	34	30.6
- <b>As same as previous applicable tax</b>	4	3.6

Source: Authors' Calculations

Also, maximum business owners find the GST regime a smoother process due to the fixed rate of taxation on goods and services. Therefore, the impact of GST on small firms and businesses is positive; MSMEs are getting profitable from the systematically planned and implemented GST. To assess the relationship between

respondents' Awareness regarding GST norms, Satisfaction with GST compliance, and perceived positive Impact of GST on the businesses, Pearson Correlation Analysis was performed among three variables that are GST Awareness, GST Satisfaction, and Perceived Impact of GST.

**Table 7:** Pearson Correlation Statistics: GST Awareness, GST Satisfaction and Perceived Impact of GST

		<b>GST Awareness</b>	<b>GST Satisfaction</b>	<b>GST Positive Impact</b>
<b>GST Awareness</b>	<b>Pearson Correlation</b>	1	0.346**	0.427**
	<b>Sig. (2-tailed)</b>		0.000	0.000
	<b>N</b>	111	111	111
<b>GST Satisfaction</b>	<b>Pearson Correlation</b>	0.346**	1	0.622**
	<b>Sig. (2-tailed)</b>	0.000		0.000
	<b>N</b>	111	111	111
<b>GST Positive Impact</b>	<b>Pearson Correlation</b>	0.427**	0.622**	1
	<b>Sig. (2-tailed)</b>	0.000	0.000	
	<b>N</b>	111	111	111

Note: \*\*. Correlation is significant at the 0.01 level (2-tailed)

Source: Authors' Calculations

As shown in Table 7, the relationship between GST Awareness and GST Satisfaction is statistically significant at  $r = 0.346$ ,  $n = 111$ ,  $p = 0.05$ . Similarly, there is a significant relationship between GST Satisfaction and its Impact on businesses at  $r = 0.622$ ,  $n = 111$ ,  $p = 0.05$ . Also, GST Awareness and GST Perceived impact is significantly correlated at  $r = 0.427$ ,  $n = 111$ ,  $p = 0.05$ . Therefore, we reject the null hypothesis ( $H_0$ ) and conclude that there is a significant relationship between GST Awareness, GST Satisfaction, and Perceived Impact of GST among MSME owners. The variables are also positively correlated to each other, which can be interpreted as those respondents who are aware of the GST norms

and regulations are satisfied with the GST implementation and report the positive impact of GST on their businesses. Similarly, respondents who confirmed that GST has positively affected their business are also found to be aware and satisfied with the GST implementation.

## DISCUSSION AND CONCLUSION

Through the survey, it has been found that the majority of manufacturers and service providers are registered under the MSME Act, which is beneficial for both the enterprises and the government. The registration assists enterprises in getting policy benefits, a business enabling environment, and credit utilization. Such

benefits shall reduce the overall cost of operating and manufacturing; also, it will promote ease of doing business among entrepreneurs. Registered MSMEs allow firms to get secure under the umbrella of indirect taxation and hence promote better management and

revenue collection for the government. The registered enterprises prefer to buy their raw material and other supplies from GST registered suppliers to avail tax credit on the same, due to which, there has been a great effect on minor scaled unregistered details.

**Table 8: Results: Hypotheses Testing**

Hypotheses	Level of Significance	Decision
<b>H<sub>A</sub>:</b> There is an association between type of enterprise and their perception towards GST law.	0.05	Accept
<b>H<sub>B</sub>:</b> The acceptance towards GST is not similar across all types of enterprises.	0.05	Reject
<b>H<sub>C</sub>:</b> There is a relationship between GST Awareness, GST Satisfaction, and Perceived Impact of GST among MSME owners.	0.01	Accept

**Source:** Authors' Calculations

The perception among MSMEs regarding the GST implementation has a close association with the type of establishment; that is, perception varies across micro, small and medium enterprises. However, the acceptance regarding the GST is similar across all groups of enterprises. We have also witnessed a positive correlation between Awareness regarding GST, Satisfaction from GST, and its impact on business. Though there can be few enterprises, which are not much affected by the significant impact of GST, perhaps because they do not carry the same level of understanding and knowledge about the new tax regime.

GST brings transparency and creates a corruption-free tax administration, with its aim of creating market expansion policies and a simplified taxation system. The vision is to increase the GDP of our country, promote the Make in India and Aatma- Nirbhar Bharat initiatives and produce diverse production opportunities. With the introduction of GST, the manufacturers shall be benefited significantly. A positive impact on the manufacturing sector is expected since the effect of cascading of taxes has been reduced, especially on the stage of the post-manufacture of the supply chain. Therefore, GST justifies its need by estimating the true perception regarding the implementation of GST and its impact on small businesses through an empirical approach. MSMEs are the seedbed of entrepreneurship of the country; India envisions its \$5 trillion economy goal

affected manufacturing and service sector has now led to:

- Removal of multiple valuations simplifies the business accounting,
- Entry tax sub summation leads to the reduction in the cost of production,
- Improved cash flows,
- Ease of registration due to a single registration process,
- Cost-to-consumer has reduced considerably due to the removal of cascading, and
- Increase in immediate working capital requirements.

GST is considered beneficial, but it also creates a few hurdles in business operations. For example, in terms of the continuous flow of credit and avoidance of double taxation has further amplified a certain burden of compliance. Therefore, GST requires few amendments and due considerations to make the reforms more understandable and easily interpretable for everyone.

The timeline to conduct the present study could not be better. It has been more than three years since GST was rolled out, and almost every household and business enterprise is aware of the term. The study with an expected contribution of \$2 trillion from MSMEs. The study, therefore, depicts the true sentiment towards GST implementation among the representatives of the crucial sector of MSMEs. The key findings of the study are important to the

government and its policymakers. Although in the empirical survey, the consensus is towards the positive impact of GST on the small businesses, there are enough MSME respondents who were found relatively less aware, less satisfied, and adversely affected by the GST implementation.

The findings of the present study indicate a positive outlook of MSMEs towards GST rollout. However, such findings cannot be generalized to rural-based enterprises and uneducated owners. Therefore, to understand the perception and impact of GST on small businesses, future research can be extended to remote and rural area.

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