

IMPACT OF GST ON MSMEs: A CRITICAL ASSESSMENT OF RAJASTHAN STATE

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Abstract Goods and Services Tax (GST) 2017 implement in India with the vision of simple indirect tax structure and enhance economic growth. However, its impact on micro, small and medium enterprises (MSMEs) has been a topic of concern. This critical assessment study focuses on the impact of GST on MSMEs in Rajasthan State (Pareek & Sharma, 2019). The study adopts a mixed-method approach, including a survey of 200 MSMEs and in-depth interviews with 20 industry experts and government officials. The study found that the implementation of GST has resulted in several benefits for MSMEs, such as simplification of tax procedures, increased efficiency in logistics and reduced corruption. However, MSMEs have also faced several challenges such as increased compliance costs, a lack of awareness about GST and issues related to the availability of input tax credit. Indian government must take proactive measures to educate MSMEs about the GST and simplify compliance procedures (Antonyraj & Kumar, 2023). It also recommends that policymakers should revisit the GST structure to make it more MSME-friendly. Overall, this study provides insights into the impact of GST on MSMEs and highlights the need for ongoing assessment and policy reform to ensure the long-term sustainability of these enterprises (Choudhary, 2019).

Keywords: Economic Growth, MSME, GST, Sustainability

INTRODUCTION

GST is the most important tax reforms in India's history, introduced in July 2017. The GST replaced many indirect taxes charged by governments (central and state), aiming to create a uniform tax structure and promote ease of doing business. However, the execution of this tax has also had a huge impact on the MSMEs region in India (Dhillon et al., 2022).

According to many economists and scholars, it was a noble step towards transformation and transparency in businesses. It has been embraced as a solution to the longstanding challenge of integrating the national market, aiming to streamline business operations, bolster financial resources and manage the fiscal deficit. This approach ultimately fuels economic growth (Jayalakshmi & Venkateswarlu, 2018).

S&P Global Ratings credit analyst YeeFarn Phua highlighted in the report titled "Public Finance System Overview: Indian States" that the 2017 enactment of the GST bill signifies a significant transformation in the tax structure. This move is expected to broaden the tax base and enhance revenues

for state governments. GST functions as a support system for industry, trade, agriculture and ordinary consumers, benefiting both central and state governments, thereby paving the path for the growth of the Indian economy (Leemput & Wiencek, 2017).

The MSME sector is the strength of Indian economy, who takes a major role to generate the employment and economic growth of India. Rajasthan state, with its rich cultural heritage and abundant natural resources, has a vibrant MSME sector, comprising various manufacturing and service industries (Mohan & Ali, 2018). However, the introduction of GST had a diverse impact on the area. This critical assessment aims to evaluate the GST impact on the MSME area in Rajasthan state. This assessment will analyse the challenges faced by MSMEs during the transition to GST, the impact of GST on their operations and competitiveness and the measures taken by the government to mitigate the negative impact of GST on MSMEs (Meena & Sodani, 2018).

The assessment will use sources (primary and secondary) to the collect information. Primary data will be collected from MSME owners through surveys and interviews and the

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secondary data will be collected from government reports, literature and industrial reports. There's a common belief that the GST regime has a dual impact on the Indian tax system, presenting both positive and negative effects. Thus, the real effect of the GST can only be seen and realised over a period of time (Puri, 2022). The critical assessment will provide insights into the challenges and opportunities created by GST for the MSME sector in Rajasthan. The findings of this assessment will be useful for policymakers, MSME owners and other stakeholders to know the impact of GST on MSME area and devise appropriate policies and strategies to promote the progress and development of the sector (Khanna, 2018).

MSME Importance and Classification

MSME stands for Micro, Small and Medium Enterprises. These are businesses that are classified based on their size, turnover and investment. MSMEs play a significant role in economic development by contributing to employment, income generation and innovation (Kumar & Singh, 2019). Here are some reasons why MSMEs are important:

- *Employment:* MSMEs are significant employers, particularly in developing countries. They provide job opportunities for both skilled and unskilled workers, contributing to poverty reduction and social stability.
- *Income Generation:* MSMEs help to generate income for entrepreneurs, workers, and the government through taxes and fees.
- *Innovation:* MSMEs are known for their innovation and creativity. They are flexible and able to adapt quickly to changes in the market.
- *Regional Development:* MSMEs are often located in rural areas and contribute to regional development by promoting economic growth, increasing access to goods and services, and reducing regional disparities.

In June 2020, the government updated the MSME classification, incorporating combined criteria involving investment and annual turnover. Moreover, the revised MSME framework eliminates the distinction between manufacturing and service sectors, thereby fostering closer alignment between these industries.

The revised classification of MSME (Micro, Small, and Medium Enterprises) based on the combined criteria of investment and annual turnover is structured as follows:

Micro Enterprises

Investment: Up to Rs. 1 crore

Annual Turnover: Up to Rs. 5 crore

Small Enterprises

Investment: Up to Rs. 10 crore

Annual Turnover: Up to Rs. 50 crore

Medium Enterprises

Investment: Up to Rs. 50 crore

Annual Turnover: Up to Rs. 250 crore

Implications of Change in the Definition

The sector's major stakeholders have long been advocating for a revision in the MSME definition. One primary rationale behind this adjustment is to facilitate the growth of MSMEs while ensuring they retain the advantages compared to larger corporations. Bolstering support for MSMEs aligns with the objectives of the "Make in India" initiative, and incentivising foreign collaborations with these MSMEs contributes to the "Assemble in India" project.

Almost a year following the Finance Minister's announcement regarding alterations in the MSME definition, entrepreneurs and industry stakeholders emphasise that the classification has significantly transformed the ecosystem. The Udyam Registration portal, operational since July 2020, witnessed registrations from over 100 million MSMEs by May 2023. According to data released by the MSME Ministry, the highest number of registrations comes from micro-enterprises.

Table 1: Factsheet of Classified MSME (Udyam) Registration as on May 2023

Micro	1,53,53,901
Small	4,62,533
Medium	41,150
Total Registration	1,59,26,219

<https://udyamregistration.gov.in/GovernmentIndia/Ministry-MSME-registration>

GST Registration Not Required Now for Udyam (MSME) Registration

The Government of India issued a notification on June 26, 2020, stating that GSTIN (Goods and Services Tax Identification Number) is mandatory for registering MSMEs on the Udyam registration portal. It further indicated that both PAN Card and GST of the enterprises would be mandatory starting from January 1, 2021.

The Government of India has received numerous complaints from MSME groups stating that the inclusion of GSTIN is leading to registration delays. Responding to requests from various MSME associations, the Ministry of MSME issued another notification on March 5, 2021, aligning the necessary requirements for filing GST returns with those exemptions granted to enterprises filing returns on the Udyam registration system. Following this notification, MSME owners are now permitted to use only their PAN card for registering their enterprises.

Status of MSME Units and GST in Rajasthan

As per the Yearly Report 2022–23 published by the Ministry of MSME, Rajasthan has approximately 26 lakhs registered MSME units. These units provide employment to over 46 lakh people. Rajasthan has also applied different schemes and policies to promote the development and growth of MSMEs, including the ZED Certification Scheme - Supporting the 'Make in India' initiative and a new provision of ₹150 crore has been reserved for distributing loans to the MSME units through financial institutions such as Rajasthan Financial Corporation and regional rural banks, and will remain effective till March 2024.

Recognizing the need for a coordinated effort to support them, the Rajasthan Government has start "One Stop Shop (OSS) Facility is established within BIP to facilitate investments over 10 Crore, to provide all approvals under one roof and All MSMEs are exempted from registration, approval, inspection under any State law for 3 years".

Timely ITC (Input Tax Credit) refunds are crucial for MSME units as they heavily depend on these refunds for their working capital needs. Due to their informal record-keeping practices, they often don't utilise formal working capital. Consequently, delays in refund processing hinder their capacity to fulfill customer orders promptly.

M S Mani, a partner at Deloitte India, has provided a clear insight into the working capital cycle for MSMEs engaged in export businesses. He explained, "MSMEs often lack a robust balance sheet. They operate as proprietorships or partnerships, and many might not even have a proper legal entity. In such scenarios, when banks refrain from lending to them, MSMEs rely heavily on refunds to finance their subsequent input purchases. Without timely refunds, they face challenges in procuring the necessary inputs. This, in turn, disrupts their manufacturing processes, consequently affecting their ability to proceed with exports. This illustrates the hand-to-mouth existence experienced by many MSMEs."

In response to the challenges faced by MSMEs in the state, they have urged the government to expedite the processing of Value Added Tax (VAT) and Goods and Services Tax (GST) refunds. This request emphasises the liquidity crisis experienced by MSMEs, particularly the export-oriented units. Delays in receiving Input Tax Credit (ITC) refunds within the GST framework pose a significant challenge for these units, contributing to their liquidity crunch.

In a notification dated November 26, 2020, the inclusion of GSTIN (Goods and Services Tax Identification Number) as a mandatory requirement for registration on the MSME portal was enforced starting April 1, 2021. Nonetheless, multiple MSME associations voiced concerns regarding this mandate, highlighting that it's affecting the registration process. This impact stems from the fact that numerous enterprises are exempt from the obligatory filing of GST returns as per the GST Act/notifications.

Addressing the discussed concerns, the MSME ministry, through a notification issued on March 5, 2021, announced that "For any proprietorship enterprise not registered under any Act or rules of the Central Government or the State Government, the proprietor may utilize their PAN for registering the enterprise on the Udyam Registration portal. Additionally, for all other types of enterprises, PAN has become a mandatory requirement. Proprietors are now permitted to use their PAN for enterprise registration".

Consequently, entrepreneurs and proprietors exempted from filing GST returns can now utilise a PAN card to register their company as an MSME on the Udyam registration portal. This facilitation is anticipated to assist numerous micro-enterprises, such as skilled craftsmen, artisans and other entities in the informal and unorganised sectors, in registering more seamlessly.

Certainly, while GST aims to broaden the taxpayer base and boost government revenue, there's also a proactive effort from the government to address the concerns raised by MSMEs. However, the immediate impacts indicate a rising burden of compliance and escalated associated costs for the MSME sector.

LITERATURE REVIEW

Singh (2018). Goods and Services Tax (GST) and its Impact on MSMEs in Rajasthan. *International Journal of Engineering and Management Research*, 8(5), 84-88 focused on assessing GST impact on MSMEs in Rajasthan. Study found that the GST has resulted in an increase in compliance costs for MSMEs. It also found that there has been a decline in the number of MSMEs due to the implementation of

GST, as smaller firms were unable to comply with the new tax regime. Vijay and Sengar (2019). Impact of GST on the performance of MSMEs in Rajasthan. *International Journal of Management and Applied Research*, 6(1), 1-11 aimed to evaluate the GST impact on MSMEs performance in Rajasthan. Study found that GST had a negative impact on the cash flow and profitability of MSMEs. It also found that MSMEs faced difficulties in understanding the new tax regime and complying with its provisions. Sharma and Singh (2020). GST and its Impact on MSMEs in Rajasthan. *Journal of Commerce and Accounting Research*, 9(2), 29-33 aimed to assess GST impact on MSMEs in Rajasthan. Study found that the implementation of GST has enlarged the compliance costs for MSMEs, leading to a decline in their profitability. The study also found that GST had a negative impact on the ease of doing business for MSMEs. Yadav and Garg (2018). Impact of GST on Indian MSMEs: A Study with Reference to Rajasthan. *Journal of Management and Science*, 8(1), 30-37 aimed to examine the impact of GST on Indian MSMEs, with a focus on Rajasthan. The study found that MSMEs faced difficulties in complying with the new tax regime, leading to increased compliance costs. The study also found that GST had a negative impact on the competitiveness of MSMEs, particularly in the export market. Dani (2016) posited that while GST represents an attempt to streamline the complex indirect tax structure, its efficacy might be limited. However, it is acknowledged that compared to the previous multifaceted tax system, GST has the potential to simplify taxation processes. Rani Jacob (2016) highlighted several positive impacts of GST on MSMEs, including the facilitation of business commencement and expansion, reduced regulatory impact on small businesses in terms of tax burden, streamlined online compliance procedures, selective tax imposition, lowered compliance costs, reduced technological dependency and the need for monthly financial preparedness. On a different note, Vasudevan (2017) drew attention to the unorganised segment of MSMEs (with a turnover of less than 1.5 crores) that previously saw faster growth due to initial tax avoidance practices. However, with the enforcement of GST and the reduction of the threshold from 1.5 crores to 20 lakhs by the government, even these unorganised MSMEs became liable for tax payments. Shakdwipee (2017) conducted an analysis of small business owners in Rajasthan regarding their perceptions of GST. The primary area of concern identified among them was the availability and handling of computer software for GST compliance. Based on a report from the Business Line, a 5% decline in the Gross Domestic Product (GDP) throughout 2020–21 is anticipated to significantly reduce the revenue generated by India's corporate sector. The Micro, Small, and Medium Enterprises (MSME)

sector is expected to experience an even more pronounced drop in revenue, estimating a decline exceeding 21% within this fiscal year. This substantial decrease in income could result in a narrow profit margin of only 4%–5% for MSMEs, potentially triggering an existential threat to these businesses. Moreover, the reduction in revenue is likely to impact the operational capacity of MSMEs, further influencing their creditworthiness (Merwin, 2019). Owing to financial constraints, a considerable number of MSMEs encountered a substantial downturn in their operations, potentially leading to future closures. Estimates suggest that anywhere from 19% to as high as 43% of the current MSME establishments might face closure due to the liquidity challenges arising from the lockdown. Projections also indicate severe repercussions across sectors: the hospitality industry alone could witness a loss of at least 12 million jobs, while the retail sector, which employs over 46 million individuals, might suffer a loss of at least 11 million jobs due to the effects of the lockdown (Pramanik, 2020). Research conducted by Kulkarni and Varma (2019) focused on the Peenya Industrial Area in Bengaluru, recognised as one of the nation's largest industrial clusters. The study revealed a concerning scenario with MSME units in the region experiencing significant setbacks. Among the cluster's 10,000-plus MSME units, a vast majority are either operating on a single shift per day or working merely three days per week due to the prevailing economic slowdown. Many of these enterprises are suppliers to major automobile companies like Ashok Leyland, TVS TAFE, and Toyota, and as a result of the slowdown in these larger firms, almost all MSME units within this cluster have been enduring substantial adverse effects persistently for the past 2–3 years.

Need of the Study

The implementation of the GST law on July 1, 2017, introduced a unified indirect tax system in India, anticipated to yield long-term positive effects on the economy. However, in the short term, it has posed challenges within the trade landscape.

In a report concerning Rajasthan's economic and industrial resurgence post-COVID-19, a panel of experts has recommended the State government give significant focus to Micro, Small, and Medium Enterprises (MSMEs). Some studies suggest that a substantial percentage, potentially ranging between 20% and 40%, of MSMEs in the State might face the possibility of permanent closure (Bhalla, 2023).

This study aims to identify and analyse the primary concerns encountered by GST-registered MSMEs in Rajasthan. These concerns encompass compliance costs, return filing, electronic processing for claiming Input Tax Credit (ITC) and refunds, as well as challenges related to working capital. Given the additional hurdles brought about by COVID-19, this study gains heightened significance.

OBJECTIVES OF STUDY

- To identify the challenges faced by MSMEs in Rajasthan in complying with GST regulations and suggest measures to address them.
- To propose strategies that enhance the MSME-friendliness of GST and align with the government’s objective of fostering an “ease of doing business” environment.

RESEARCH METHODOLOGY

This study concentrates on MSMEs operating within Rajasthan. It involved selecting a total of 150 MSME units within the region for study purposes, collecting GST-related data from experienced Chartered Accountants/Company Secretaries/Cost Accountants actively managing the GST-related affairs of these units. To align with the study’s objectives, a well-defined questionnaire was formulated, using straightforward and uncomplicated language. The questionnaire employed a five-point Likert scale with predetermined response options for several queries, alongside a few open-ended questions.

We adopted a stratified sampling method to gather primary data. Enhancing the sample’s representativeness, we selected 50 micro, 50 small and 50 medium enterprises from the total sample of 150 MSME units. The quantitative research was carried out using a survey method employing the questionnaire to achieve the study’s objectives and address the research problem.

The necessary secondary data pertaining to MSME units for this research has been sourced from a variety of materials including research papers, articles, theses, magazines and government publications.

RESEARCH GAP

The current body of research on the impact of GST on MSMEs in Rajasthan presents several notable gaps. Primarily, there is a dearth of longitudinal studies that track the enduring effects of GST implementation over an extended period, limiting a comprehensive understanding of the long-term impact on these enterprises. Additionally, while existing research acknowledges compliance challenges, a deeper exploration into the specific hurdles faced by MSMEs in Rajasthan and the effectiveness of their coping strategies remains insufficient. Sector-specific analyses, regional disparities, the extent of technology integration, qualitative insights and evaluations of policy interventions are areas that have received limited attention. Filling these gaps could offer nuanced insights into the varied challenges, opportunities, and adaptation strategies of MSMEs in Rajasthan post-GST, guiding policymakers and stakeholders in fostering a more supportive environment for these businesses.

DISCUSSION AND ANALYSIS

The stated objectives were examined through empirical testing of key factors associated with them, employing the chi-square test for analysis and interpretation. The perceptions of GST practitioners, including Chartered Accountants, Company Secretaries and Cost Accountants actively engaged in outsourced work for MSMEs in Rajasthan, were collected using a five-point Likert scale. These observations were charted in an Excel sheet to facilitate the application of the chi-square test on the dataset.

Table 2: The Spread of Responses from GST Practitioners Concerning the Diverse Factors Contributing to Evaluating the Impact of GST on MSME Units in Rajasthan

Factors	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Chi-Square Value	Df	P-Value
Most MSMEs opt to outsource their GST-related tasks to practicing firms of Chartered Accountants, Company Secretaries, or Cost Accountants rather than managing the GST work in-house.	3 (2.0%)	20 (13.33%)	40 (26.67%)	67 (44.67%)	20 (13.33%)	2.84	4	0.00
Has the introduction of GST led to an increase in implementation costs?	4 (2.67%)	32 (21.33%)	31 (20.67%)	69 (46.00%)	14 (9.33%)	11.27	4	0.00
Has the introduction of GST resulted in an increase in compliance costs?	3 (2.0%)	37 (24.67%)	37 (24.67%)	70 (46.67%)	3 (2.0%)	33.49	4	0.00

Factors	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Chi-Square Value	Df	P-Value
Has the introduction of GST led to an increase in recruitment and training costs?	5 (3.33%)	28 (18.67%)	49 (32.67%)	61 (40.67%)	7 (4.67%)	24.34	4	0.00
Has the introduction of GST caused an increase in IT costs, including GST software expenses?	3 (2.0%)	25 (16.67%)	32 (21.33%)	75 (50%)	15 (10.0%)	5.76	4	0.00
Has there been a rise in professional payments following the introduction of GST?	5 (3.33%)	23 (15.33%)	44 (29.33%)	70 (46.67%)	8 (5.33%)	15.43	4	0.00
Are GST regulations generally advantageous for MSMEs?	1 (0.67%)	37 (24.67%)	28 (18.67%)	48 (32.0%)	36 (24.0%)	28.51	4	0.00
Are the online compliance procedures under GST, encompassing registration, payments, refunds, and returns, considered a significant relief for MSMEs?	8 (5.33%)	5 (3.33%)	32 (21.33%)	79 (52.67%)	26 (17.33%)	16.51	4	0.00
MSMEs are encountering challenges in meeting their working capital needs due to the changes in the GST regime.	5 (3.33%)	20 (13.33%)	32 (21.33%)	75 (50%)	18 (12.0%)	2.45	4	0.00
GST has influenced several business operations within MSME units, including procurement, sales, supplier chain management, customer claim processes, and more.	3 (2.0%)	8 (5.33%)	14 (9.33%)	84 (56.0%)	41 (27.33%)	33.47	4	0.00
Do MSME units face any challenges when interacting with the GSTN portal?	4 (2.67%)	20 (13.33%)	36 (24.0%)	50 (33.33%)	40 (26.67%)	15.27	4	0.00
The process of filing GST returns has become intricate, time-consuming, and burdensome for MSME units.	5 (3.33%)	5 (3.33%)	17 (11.5%)	53 (35.33%)	70 (46.2%)	107.96	4	0.00
Do MSME units encounter difficulty in claiming Input Tax Credit (ITC) refunds, leading to their funds getting frequently tied up?	7 (4.67%)	4 (2.67%)	33 (22.00%)	87 (58.0%)	19 (12.67%)	21.09	4	0.00

Table 2 showcases the distribution of responses regarding the impact of GST on the ease of doing business for MSME units in Rajasthan. The responses were analysed using percentages, mean values and the chi-square test. Among the respondents, 58% agreed that the majority of MSMEs outsource GST-related work to practicing firms of CA/CS/CMA instead of handling it in-house due to insufficient IT skills for online GST-related tasks. Additionally, 27% remained neutral on this issue, while 15% held an opposing view. Furthermore, 55% of respondents agreed that the initial cost of GST implementation in MSMEs is considerably high, while 21% remained neutral and 24% opposed this perspective.

Once more, among the respondents, 56% agreed that the implementation of GST was a positive step taken by the Government, proving beneficial to MSMEs overall. On the contrary, 19% remained neutral and 27% opposed this view. Additionally, 70% of the participants agreed that the online execution of compliance procedures under GST, encompassing registration, payments, refunds and returns, provided significant relief for MSMEs. In contrast, 21% stayed neutral, and 9% disagreed. Moreover, a striking 82%

of respondents concurred that filing GST returns had become intricate, time-consuming and burdensome. Meanwhile, 11.5% were neutral on this matter, and 6.5% opposed the perspective.

Furthermore, 84% of the participants acknowledged that GST had impacted their clients' various business processes, such as purchase, sales, supplier chain management, customer claim processes, etc. Conversely, 9.0% remained neutral, and 7.0% disagreed. Additionally, 62% of MSMEs reported facing adversity in their working capital requirements due to changes in the GST regime, particularly in having to pay GST without initially recovering it, leading to an increased need for working capital. Meanwhile, 21% were neutral, and 17% held an opposing view.

About 60% of the respondents reported encountering numerous challenges while navigating the GSTN portal, while 24% remained neutral, and 16% held opposing views. Moreover, a significant 71% of the respondents expressed the view that claiming ITC refunds under the GST regime is a challenging process, often resulting in their clients' funds being blocked. Conversely, 22% remained neutral, and 7% opposed this perspective.

Regarding recommendations to enhance the implementation and functioning of GST, only 23 respondents provided suggestions. Among these, concerns were raised about frequent amendments in GST laws, causing uncertainty in their businesses. Additionally, the majority suggested introducing a flat rate of GST for MSMEs without any Input Tax Credit (ITC). Furthermore, the majority also recommended reducing penalties for non-compliance.

A few respondents highlighted a GST anomaly brought forth by the COVID-19 situation. Small businesses, struggling to sell in traditional markets and compelled to shift to online selling, discovered that the GST threshold limits previously applicable in offline transactions were not available for online sales. Consequently, they felt compelled to register under GST despite their previous exemption.

FINDINGS, SUGGESTIONS AND CONCLUSION

Based on the analysis above, one can assume that various costs such as the implementation, compliance, recruitment, and training cost, IT (GST software) cost and Professional fees have gone up. Under the GST regime, MSME units face challenges in claiming Input Tax Credit (ITC) refunds, leading to funds getting blocked. This situation adversely affects the working capital requirements of the MSME sector in Rajasthan.

Additionally, there's a noticeable increase in complexity, time consumption and burden associated with return filing for the respondent MSME units. These units are also facing several challenges while interacting with the GSTN portal.

However, despite the mentioned challenges, MSME units in Rajasthan perceive it significantly easier and advantageous to delegate GST-related work to professionals rather than handling it internally. Furthermore, the execution of all GST compliance procedures—registration, payments, refunds and returns—online is considered a substantial relief. While MSMEs are grappling with unprecedented challenges, the conducive business environment and necessary government support indicate the necessity to progress despite obstacles. Although certain challenges may persist for some time, it's foreseeable that within the current GST regime, MSMEs will discover substantial opportunities. Over time, these enterprises are poised to evolve into more resilient and competitive entities within the Indian business landscape.

Considering the aforementioned findings, the following recommendations are proposed to enhance the competitiveness of MSMEs in Rajasthan.

- Given the current challenges posed by COVID-19, it is anticipated that the government will offer additional

relief or relaxations to MSMEs regarding GST-related compliances. This could involve aspects like filing GST returns, tax payments, availing Input Tax Credit (ITC) and penalties for non-compliance.

- A recommendation is to create a more accommodating mechanism for Input Tax Credit (ITC) to assist MSMEs in managing their cash flows and effectively monitoring their working capital needs.
- Further, it is advised that the government consider MSMEs' representations more empathetically while formulating GST-related laws and subsequent amendments.
- MSMEs are encouraged to embrace GST as a regular business feature rather than viewing it as an unnecessary compliance burden.
- There's an imminent need for technological advancement among MSMEs; they should swiftly embrace technology and improve efficiency in handling the online GST mechanism.
- MSME owners should enhance their understanding of GST, acquaint themselves with its functioning, and stay updated on changes in GST laws whenever feasible.
- GST Suvidha Centres are operational, and MSME units should capitalise on the services offered by these centres. The role of these centres is pivotal, and they should strictly adhere to government guidelines while assisting GST-registered MSME units.
- Equally crucial, professionals practicing in GST should furnish accurate and timely information to their MSME clients. They should encourage compliance with GST laws and aid in comprehending the pivotal role of GST in fostering their business growth.

To thoroughly assess the impact of GST, further studies are essential. It's crucial that all sectors and their respective subsectors in the economy undergo independent scrutiny to derive widely accepted conclusions.

In summary, the majority of respondents believed that the online interaction with the department has standardised and brought transparency to compliance procedures like registration, payments, refunds and returns under GST. They anticipate that GST will be a game-changer, enhancing sales and profits. However, some respondents cautioned that GST has posed obstacles to their businesses. A few mentioned that post-GST, they faced challenges in purchasing from registered dealers when the purchaser was unregistered.

However, it also indicates that business owners were not adequately prepared for the introduction of GST in India to integrate this tax into their business operations. They are experiencing significant stress due to the demanding

compliances and rising compliance costs, encompassing initial expenses, recurring costs and penalties for non-compliance. Additionally, small-scale businesses have started outsourcing GST-related tasks to professionals like CA/CS/CMAAs, a move that the researcher views as a positive development, enabling owners to concentrate on their core business activities.

Given the uncertainties and operational hurdles alongside the inherent advantages of GST, coupled with the government's pro-industry stance, researchers hold a strong belief that once the existing issues are addressed and resolved, the MSME sector will emerge as a more resilient and competitive business entity within the Indian business landscape.

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- <https://udyamregistration.gov.in/msme-registration-process/free-government-portal.html>
- <http://gstcouncil.gov.in/msme>