

GST and Micro, Small, and Medium Enterprises: A Sustainability Analysis

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Abstract

This paper critically analyses the sustainability of GST on Micro, Small, and Medium-Sized Businesses in Prayagraj District. Existing literature says that GST shall reduce the cost of doing business, increases transparency, decrease the prices of the product, improve tax compliance and simplify doing business easier. To accomplish the objectives of the study, the primary data were collected from 104 respondents of MSMEs operating in the Prayagraj district by using the “Cluster Random Sampling Technique”. The statistical tool used to analyse data are Mean, Reliability analysis, Independent T-test, one-way ANOVA (F-test), and Regression was applied. The result of the study discloses that the sustainability of GST in MSMEs has a significant effect on the economic growth of the nation. The study contributes to sustainable GST and fulfils the research gap to some extent by analysing the effect from an entrepreneur’s perspective. Thus, the study has implications for policymakers, and its stakeholder provides a better understanding of the new indirect tax system.

Keywords

Sustainability, Goods and Services Tax (GST), Ministry of Micro, Small & Medium Enterprises (MSMEs), Cluster random sampling, and Stakeholder.

1. Introduction

The GST will have various advantages over the current systems, including an easier input credit application process, a single point of taxation, the abolition of the cascading tax structure, and simpler taxes (ASSOCHAM, 2017). The sustainability Tax has considerable potential to promote fairness, responsibility, and transparency. While introducing GST in India there are positive and negatively impacted on all sectors. To sustain the new indirect tax necessary steps are to be taken to maintain the sustainable growth of GST in the MSMEs sector. Tax sustainability is a major concern for various economic agents-producers, distributors, and consumers. Tax sustainability can be explained as how the tax system functions and how it deals with various economic agent that meets the

needs of the current economic growth of a nation such as GDP and without jeopardizing the nation's ability for its future needs.

The sustainability of GST deals with the synchronization of government income to drive the economy's growth and achieves the status of a developed country. The indirect tax system GST combines the current Union and States tax with the nation into a singular tax removing the cascading effects and bringing the country under a singular taxation system. "One Nation, One Market, One Tax" was taken a step further with the introduction of GST in India.

While the inception of GST in India the objective was defined in law so that the new indirect system and its environment can be easily adopted by its stakeholders e.g., Manufacture, Wholesaler, Retailer, Consumers, etc. GST shall reduce the cost of doing business, increases transparency, the product's pricing, the level of tax compliance, and the convenience of doing business. Micro, Small, and Medium Enterprises sectors comprise approximately 37 percent of the country's GDP and can play a role in the Indian economy's primary thrust advancement. MSMEs have arisen in light of the chief employment-creating area in India and have conveyed stable development through various sectors of developing nations. The research has been taken to bridge this gap and to discover the views of stakeholder agents-producers, distributors, consumers, and entrepreneur's perspectives of MSMEs concerning GST.

The long-term impact of GST on Micro, Small, and Medium Enterprises has brought about transformation. This investigation will helpful for MSMEs business people to beat the negative effect of GST execution by the government.

2. Review of the Literature

Usha C. (2020) the study examines the MSME sector satisfaction with GST implementation in India. The research also investigates the effect of GST on Indian Micro, Small, and Medium Enterprises. (C., 2020).

Shetty Deepa et.al, (2019) made an effort to study MSMEs were growing quick than organized ones as a result of the minimization, of the GST effect, it had made the taxation system transparent. This paper brought out issues and challenges experienced by MSMEs entrepreneur. The relevance of the disparity in the amount of impact of GST among MSMEs is identified in this article. It was determined that the impact of GST on the Indian MSME sector might be both beneficial and unfavourable. (Shetty Deepa Thangam Geeta, 2019).

Neetu Kapoor and Savita Punjabi (2019) the study also examines businessmen's suggestions for further improving GST implementation. Based on the conclusions of this study, there is room to investigate the mechanisms to enable the successful

deployment of GST. The data can also be utilised to create guidelines for the proper implementation of the GST system for MSMEs operating in various industries (CMA Neetu Kapoor, 2019).

Chitra Suraj Ashtekar (2019) this research investigates the impact of GST and its consequences for the MSME sector. This tax reform reshapes our economy and the MSME sector's business dynamics. The MSME sector is an important component of our economy and contributes significantly to our country's GDP (Ashtekar, 2018).

M. Jayalakshmi and G.Venkateswarlu (2018) GST and MSMEs were studied, as well as the impact of GST on MSMEs. This report discovered that the Indian economy is predicted to emerge as one of the world's leading economies, with a \$5 trillion GDP by 2025, and that significant emphasis is being placed on strengthening our economy's backbone-the SME sector (G.Venkateswarlu, 2018).

Sudipta Chakraborty (2018) The purpose of this paper is to investigate the impact of GST on MSMEs in order to understand how successfully they coped with such a change in the Indian indirect taxation system and how this has put pressure on the nation's GDP growth in the near run (Chakraborty, 2018).

Vidit Mohan and Salman Ali (2018) the purpose of this research is to better understand the effects of the GST in India on the MSME sector. The research consists of a series of qualitative face-to-face interviews, followed by a survey of Indian MSME owners. The study presents a multidimensional analysis of the gaps between the anticipated and existing GST regimes' effects on MSMEs and the accompanying tax compliance (Vidit Mohan, 2018).

Kolluru Soumya and N. Jayaprada (2018) the researcher conducted a research study titled Impact of Select Government Policies toward MSMEs: Evidence from Odisha and Andhra Pradesh with the goal of measuring the impact of selected Government policies on the financials of MSMEs, the quality of their product, and overall enterprise development (Kolluru Soumya, 2018).

Kritika Somani (2018) this article discusses the impact of GST on India's Micro, Small, and Medium Enterprises. GST is intended to bring all indirect taxes under one roof. The Products and Services Tax (GST) is a single tax on the supply of goods and services from the manufacturer to the customer (Somani, 2018).

Rajkumar Salgar (2017) attempted to research that MSMEs in India are major contributors to the Indian economy and growth drivers. Because of its low capital-intensive nature and high labour absorption, the MSME sector has made substantial contributions to the country's manufacturing production, employment generation, rural industrialisation, and exports. Next only to agriculture, the sector generates the most job opportunities. The sector is anticipated to employ around 120 million people and provide approximately 46 percent of India's total exports (Salgar, 2017).

Milandeep Kour et.al, (2016) attempted to research the impact of GST when it is implemented, the distinction between current indirect taxes and GST, and what the benefits and challenges of GST will be after it is implemented. GST will also help to accelerate the country's overall Gross Domestic Product (GDP). GST is now widely acknowledged around the world, and nations are implementing it as a sales tax system (Milandeep Kour, 2016).

3. Research GAP

The Goods & Services Tax carried out in the recent year it enormously affected all the sectors in India. To fill the study gap, bring forth new insights on rising pressure on the Tax administration and its stakeholders in MSMEs industries in Prayagraj district. The present research has been taken to bridge this gap and to discover the views of stakeholders of MSMEs concerning GST.

4. Objectives of the Study

- 4.1 To analyze the sustainability of GST on MSMEs in the Prayagraj District.
- 4.2 To study the issues and challenges of GST on its stakeholders of MSMEs in the Prayagraj District.

5. Research Methodology

- **Research Design:** For the study, a comprehensive literature examination has been carried out to develop the framework of the research, The primary data collected through the structured questionnaire selected Micro and Small-Scale industries on GST in Prayagraj. Secondary data is collected from research journals, websites, and reports of the DIC Prayagraj, the Government and internet, etc. The data collected was further analyzed.
- **Sample Size and Sampling Technique:** There are 10047 MSMEs in Prayagraj (as mentioned in table 2) to give the representation of the MSMEs sector the sample size of respondents is 104 from Prayagraj district Uttar Pradesh. The respondents were selected based on the “Cluster Random Sampling technique”.
- **Questionnaire:** The survey was outlined for study. The survey pertains to MSMEs to see the point of the execution of GST. The surveys were utilized to inspire data on thing estimating segment factors and the level of effect on MSMEs with the part of Goods & Services Tax.

- **Statistical Techniques:** The statistical techniques utilized for examining the information differ from descriptive to multivariate. The statistical tools used for analysis is Frequency distribution analysis, Descriptive statistics like mean, Reliability analysis, independent t-test, one-way ANOVA, and Regression.

6. Need of the Study

The Micro, Small, and Medium Enterprises sector is critical to economic growth and a substantial contributor to government revenue streams. MSMEs generate healthy growth/Employment opportunities next to the agricultural sector. India is a federal country divided into 28 states and 9 union territories among which some states are industrially advanced such as Maharashtra, West Bengal, Gujarat, Tamil Nadu & Uttar Pradesh this state dominates position in terms of industrially advanced in India. For the study purpose, the state of Uttar Pradesh was divided into 75 Districts Agra, Sonbhadra, Mirzapur, Ghaziabad, Kanpur, Gautam Buddha Nagar, Lucknow, Balrampur, etc are major industrial areas of Uttar Pradesh state. For research purpose Prayagraj district was selected and it is an industrially backward district in Uttar Pradesh. MSMEs in the Prayagraj district are growing and some are not showing good performance. So, the researcher finds the possibility of conducting research work on GST and its sustainability on MSMEs in the Prayagraj district.

7. Salient Feature of Study Area

The Prayagraj district comprises eight Tehsils namely Prayagraj, Bara, Handia, Karchhana, Karaon, Meja, Phulpur & Soraon. Prayagraj district has got location advantages to connect with other industrial towns. The district is bounded by a marketing center for the neighboring district of eastern Uttar Pradesh & northern Madhya Pradesh.

8. Name of the Important Industries

- 8.1 Vaidhyanath Ayurvedic, Naini-Allahabad
- 8.2 Mau Aima Spinning Mill, Mau Aima, Allahabad
- 8.3 UPTC Ltd., Allahabad
- 8.4 Waste Processing Com. Ltd. Naini
- 8.5 Shyam Dairy, Allahabad

Table 1: Detail of Clusters of Micro and Small Enterprise

S. No	Manufacturing Sector	Service Sector
1	Hand-knotted Carpet Cluster, Hadia	Coaching Centers, Allahabad
2	Leather Goods cluster, Mau Aima	Computer Training Institutes, Allahabad

Source: DIC Prayagraj

Table 2: Micro, Small, and Medium Enterprises in Prayagraj District

S. No	MSME Industry & Classification	Number of units
1	Agro based	2060
2	Soda water	12
3	Cotton textile	04
4	Woollen, silk & artificial Thread Based clothes.	09
5	Jute & jute based	04
6	Ready-made garments & embroidery	1250
7	Wood/wooden-based furniture	945
8	Paper & Paper products	41
9	Leather-based	21
10	Chemical/Chemical based	210
11	Rubber, Plastic & Petro based	72
12	Mineral based	56
13	Metal-based (Steel Fab.)	1082
14	Engineering units	1147
15	Electrical machinery & transport equipment	836
16	Repairing & Servicing	1848
17	Others	450
	TOTAL	10047

Source: DIC Prayagraj

9. Data Analysis

Table 3: Demographic Profile of the Respondents

Socio-Economic Characteristics	No. of Respondent	% In Total
Gender		
Male	71	68.3
Female	33	31.7
Total	104	100

Socio-Economic Characteristics	No. of Respondent	% In Total
Occupation		
Agriculture	08	7.7
Handicrafts	01	01
Government Services	14	13.5
Private Services	23	22.1
Business	09	8.7
Other	49	47.1
Total	104	100
Education Qualification		
Under-Graduation	19	18.3
Post-graduation	54	51.9
Researcher	16	15.4
Professional Degree	15	14.4
Total	104	100
Annual Income (in ₹)		
Below 2.5L	55	52.9
2.5L to 5L	17	16.3
5L to 10L	26	25.0
Above 10L	06	5.8
Total	104	100

Source: Primary Data

Table 4: Reliability Analysis of Sustainability of GST on MSMEs

Reliability Statistics	
Cronbach's Alpha	No. of Items
.821	11

Source: Computed Data

The Cronbach's alpha coefficient value of 0.821 indicates good reliability among the eleven scale items. As the value of Cronbach's alpha was satisfactory, further the data is fit analysis for the study.

10. Relationship between Occupation and the Sustainability of GST in MSMEs

This part of the research endeavour to test whether the occupation of the respondent influences the effect of GST. For this purpose, the researcher has

outlined the hypothesis and tested of ANOVA test (also called the F test) and the outcome is presented below.

H01: There is no significant relationship between their occupation and Sustainability of GST in MSMEs

Table 5: ANOVA

Statement		Sum of Squares	DF	Mean Square	F	Sig.
The introduction of GST is good & simple Tax reform in India	Between Groups	4.226	5	.845	.678	.041
	Within Groups	122.149	98	1.246		
	Total	126.375	103			
The implementation of GST has made doing business easier in market	Between Groups	2.245	5	.449	.473	.005
	Within Groups	92.976	98	.949		
	Total	95.221	103			
GST has helped in the easy movement of goods in the Market.	Between Groups	9.442	5	1.888	1.676	.007
	Within Groups	110.394	98	1.126		
	Total	119.837	103			
GST is helpful for SME.	Between Groups	7.720	5	1.544	1.632	.009
	Within Groups	92.741	98	.946		
	Total	100.462	103			
The GST has facilitated in reduction in overall Tax	Between Groups	4.046	5	.809	.611	.002
	Within Groups	129.868	98	1.325		
	Total	133.913	103			
GST reduces in cost of doing SMEs	Between Groups	7.323	5	1.465	1.547	.001
	Within Groups	92.792	98	.947		
	Total	100.115	103			
GSTN Portal helpline/helpdesk is helpful	Between Groups	3.357	5	.671	.686	.001
	Within Groups	95.865	98	.978		
	Total	99.221	103			
Exporting goods & services have now become easier	Between Groups	6.491	5	1.298	1.306	.002
	Within Groups	97.423	98	.994		
	Total	103.913	103			
The implementation of GST has reduced paper-work for returns	Between Groups	8.401	5	1.680	1.495	.001
	Within Groups	110.128	98	1.124		
	Total	118.529	103			

Statement		Sum of Squares	DF	Mean Square	F	Sig.
Does GST abolish Inspector Raj.	Between Groups	10.541	5	2.108	2.168	.001
	Within Groups	95.296	98	.972		
	Total	105.837	103			
Does Government provide GST helpdesk in the market?	Between Groups	6.366	5	1.273	1.137	.000
	Within Groups	109.788	98	1.120		
	Total	116.154	103			

Significant at a 5% level

Source: Computed Data

Interpretation: based on the above table, the result shows that P-value is less than 0.05 the null hypothesis is rejected at a 5 percent level of significance. There is no difference between the sustainability of GST and the occupation of the respondent in the Prayagraj district.

11. Relationship between Income and Sustainability of Implementation of GST

This part of the research endeavours to test whether the income of the respondent influences the effect of GST. For this purpose, the researcher has outlined the hypothesis and tested of ANOVA test (also called the F test) and the outcome is presented below.

H02: There is no significant relationship between their income and sustainability of GST on MSMEs

Table 6: ANOVA

Statement		Sum of Squares	DF	Mean Square	F	Sig.
The introduction of GST is good and simple Tax reform in India	Between Groups	4.220	3	1.407	1.152	.001
	Within Groups	122.155	100	1.222		
	Total	126.375	103			
The implementation of GST has made doing business easier in market	Between Groups	1.205	3	.402	.427	.001
	Within Groups	94.016	100	.940		
	Total	95.221	103			
GST has helped in the easy movement of goods in the Market.	Between Groups	1.827	3	.609	.516	.000
	Within Groups	118.009	100	1.180		
	Total	119.837	103			

Statement		Sum of Squares	DF	Mean Square	F	Sig.
GST is helpful for the SMEs	Between Groups	1.060	3	.353	.355	.041
	Within Groups	99.402	100	.994		
	Total	100.462	103			
The GST has facilitated in reduction in overall Tax	Between Groups	3.073	3	1.024	.783	.001
	Within Groups	130.840	100	1.308		
	Total	133.913	103			
GST reduces in cost of doing business of SME.	Between Groups	4.027	3	1.342	1.397	.001
	Within Groups	96.088	100	.961		
	Total	100.115	103			
GSTN Portal helpline/helpdesk is helpful	Between Groups	3.557	3	1.186	1.239	.002
	Within Groups	95.664	100	.957		
	Total	99.221	103			
Exporting Goods & services have now become easier	Between Groups	2.807	3	.936	.925	.001
	Within Groups	101.107	100	1.011		
	Total	103.913	103			
The implementation of GST has reduced paperwork for return	Between Groups	5.360	3	1.787	1.579	.001
	Within Groups	113.169	100	1.132		
	Total	118.529	103			
Does GST abolish Inspector Raj.	Between Groups	1.211	3	.404	.386	.002
	Within Groups	104.626	100	1.046		
	Total	105.837	103			
Does Government provide GST helpdesk in Market	Between Groups	2.212	3	.737	.647	.001
	Within Groups	113.942	100	1.139		
	Total	116.154	103			

Significant at 5% level

Source: Computed Data

Interpretation: based on the above table, the result shows that P-value is less than 0.05 the null hypothesis is rejected at a 5 percent level of significance. There is a significant difference between the effect of GST and the respondent's income in the Prayagraj district. The respondents who answered about the sustainability of GST on MSMEs saw no substantial variation in the incomes of MSMEs' employees.

12. Regression Analysis of Demographical Factors and Sustainability of GST on MSMEs

The regression analysis is used to determine the long-term impact of a specific demographic element on the dependent variables. The result is shown in the below table.

Table 7: Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	P-value
1	.447 ^a	.553	.526	7.118	.547	.002 ^{**}
a. Predictors: (Constant), Annual Income, Qualification, Occupation						

Source: Computed Data

Table 8: Coefficients^a

	Demographic factors	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	35.199	2.268		4.777	.000
	Gender	.188	.240	.079	.783	.001
	Occupation	.040	.079	.056	.502	.000
	Qualification	.010	.128	.008	.076	.001
	Annual Income	.156	.130	.140	1.196	.000
a. Dependent Variable: Sustainability of GST on MSMEs						
** Significant at 0.01 level						

Source: Primary Data

Table: 7 the regression analysis for the sustainability of GST on MSMEs, where the dependent variable is the GST effect on MSMEs and the independent variable is chosen demographic factors. The multiple regression tables show the coefficient of regression (R²) is .553 which suggests 55.3 percent of the variance effect of GST. The F value got is .547 hence it shows the relationship between the dependent variable ‘Sustainability of GST on MSMEs’ and the independent variables, demographic factors.

13. Findings

1. An occupation-wise study found that there is no significant difference between occupation and Sustainable GST among respondents who replied to the effect of GST in MSMEs sectors.
2. According to the results of the one-way ANOVA and independent sample t-test, the respondent who provided information on how GST has affected MSMEs does have a significant difference between their income and GST.
3. During the survey, the majority of the respondent experienced the GST bringing drastic changes in the indirect tax system. The challenge phase by the respondent of MSMEs IT systems to make them GST compliant, Multiplicity of rates, decentralized registration, generation of item wise invoice with multiple copies, multiple slab rates, and printing of such invoices containing numerous details have increased the challenges to MSMEs stakeholder.

14. Conclusion & Suggestions

The present study is undertaken to assess the sustainability of Goods & Services Tax in Micro, Small & Medium Enterprises on the economic growth of the nation. The study is evaluative. To accomplish the objectives of the study, primary and secondary data were collected. The primary data were collected from 104 respondents of MSMEs in Prayagraj district, Uttar Pradesh. To study the sustainability of GST in the MSMEs sector various statistical tools like Mean, Reliability analysis, one-way ANOVA (F-test), and Regression were applied. The result of the study concluded that GST is a major source of revenue and the MSMEs sector can contribute. The majority of the population worked and earned in MSMEs. The possibility is this sector can contribute to the national revenue. So corrective measures can be taken by the Central and State governments such as minimizing distortions and facilitating compliance. The realisation of India's goal to have a \$5 trillion GDP by 2024 will be made possible by the adoption of GST in MSMEs.

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