

Challenges And Opportunities Of Gst Implementation In Msms With Reference To Thiruvananthapuram District

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ABSTRACT

The Goods and Services Tax (GST) is one of the most significant tax reforms introduced in India with the objective of creating a unified indirect taxation system and enhancing transparency in business operations. The implementation of GST has brought both opportunities and challenges for Micro, Small and Medium Enterprises (MSMEs), which constitute a vital segment of the Indian economy. The present study examines the challenges and opportunities of GST implementation among MSMEs in Thiruvananthapuram District, Kerala.

The study is based on both primary and secondary data. Primary data were collected from 120 MSME entrepreneurs using a structured questionnaire, while secondary data were gathered from journals, books, government reports, and relevant websites. A descriptive and analytical research design was adopted for the study. Statistical tools such as Percentage Analysis, ANOVA, F-Test, and Correlation Analysis were employed to analyze the collected data.

The findings reveal that the majority of MSME entrepreneurs possess a moderate level of awareness regarding GST. The study identifies compliance procedures, documentation requirements, and technological adaptation as major challenges faced by MSMEs. The results further indicate that educational qualification significantly influences GST compliance challenges. Correlation analysis shows a positive relationship between GST implementation and business performance, suggesting that GST has contributed to improved operational efficiency and financial outcomes. The study also finds that GST has created opportunities for market expansion, enhanced competitiveness, and greater integration of MSMEs into the formal economy.

The study concludes that although MSMEs face certain difficulties in adapting to GST regulations, the overall impact of GST is positive. Continuous awareness programmes, simplified compliance procedures, and supportive government policies are essential for enabling MSMEs to maximize the benefits of GST and achieve sustainable growth.

KEYWORDS: GST, MSMEs, Tax Reform, Compliance Challenges, Business Performance, Opportunities, Thiruvananthapuram District

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in the economic development of India by contributing significantly to employment generation, industrial output, exports, and regional development. The sector serves as the backbone of the Indian economy, fostering entrepreneurship and promoting inclusive growth. In Kerala, MSMEs constitute a vital segment of the industrial landscape, providing livelihood opportunities and supporting local economic activities. Thiruvananthapuram District, being one of the major commercial and administrative centers of Kerala, hosts a large number of MSMEs engaged in manufacturing, trading, and service activities.

The introduction of the Goods and Services Tax (GST) on July 1, 2017, marked a significant reform in India's indirect taxation system. GST replaced multiple indirect taxes levied by the Central and State Governments and established a unified tax structure across the country. The primary objectives of GST were to simplify the tax system, eliminate the cascading effect of taxes, enhance transparency, and create a common national market.

For MSMEs, GST has brought both opportunities and challenges. On one hand, GST has facilitated easier interstate trade, improved tax compliance through digitization, increased transparency, and enabled businesses to claim input tax credits. These benefits have the potential to improve operational efficiency and enhance the competitiveness of MSMEs in the market. On the other hand, the transition to GST has posed several challenges, including compliance complexities, technological requirements, frequent changes in tax regulations, increased documentation, and the financial burden associated with maintaining GST records and filing returns.

The impact of GST on MSMEs varies depending on factors such as business size, sector, technological preparedness, and awareness levels. In Thiruvananthapuram District, many MSMEs have experienced both positive and negative effects following the implementation of GST. Understanding these challenges and opportunities is essential for policymakers, tax authorities, and business owners to formulate strategies that can enhance the effectiveness of GST and support the sustainable growth of MSMEs.

Against this backdrop, the present study aims to examine the challenges faced by MSMEs and the opportunities created through GST implementation in Thiruvananthapuram District. The study seeks to assess the perceptions of MSME owners regarding GST, identify key operational and compliance issues, and evaluate the overall impact of GST on business performance and growth prospects.

REVIEW OF LITERATURE

Saha, Barman and Deka (2023), in their study titled “**GST Implementation in India: An Analysis of Its Effects on MSMEs**,” examined the impact of GST on the operational and financial performance of MSMEs. The study found that GST has improved tax transparency and streamlined the indirect tax structure. However, MSMEs continued to face challenges related to compliance costs, digital filing requirements, and frequent regulatory updates. The researchers concluded that while GST has created growth opportunities through market integration and input tax credit benefits, additional support is required to help small enterprises adapt effectively.

Usha (2023), in the study “**Impact of Goods and Services Tax on Micro, Small and Medium Enterprises**,” analyzed the positive and negative effects of GST on MSMEs. The findings revealed that GST enhanced transparency and formalization in business operations, but increased compliance obligations and documentation requirements created difficulties for many entrepreneurs. The study concluded that the impact of GST varies according to the size, awareness level, and technological preparedness of enterprises.

Gawande, Kolhe, Shekatkar and Shrivastava (2022), in “**GST Implementation and Compliance Challenges for MSMEs: A Post-Reform Analysis**,” investigated the compliance issues experienced by MSMEs after GST implementation. The study identified challenges such as complex filing procedures, technological barriers, and lack of awareness regarding GST provisions. It emphasized that capacity-building initiatives and simplified procedures could improve compliance and reduce operational difficulties faced by MSMEs.

Buttan, Sayeed and Buttan (2022), in their research “**GST Compliance and Challenges in MSMEs: A Study with Reference to the Pharmaceutical Industry**,” examined GST-related challenges among MSMEs operating in the pharmaceutical sector. The study found that enterprises struggled with compliance requirements, return filing procedures, and understanding GST regulations. The authors suggested that training programs and simplified tax administration would help reduce the compliance burden and improve business efficiency.

Bhalla, Kaur and Sharma (2021), in “**Impact of Goods and Service Tax on MSME Sector: A Study Using Artificial Neural Network and Multivariate Analysis of Variance**,” assessed the influence of GST on MSME growth and performance. The findings indicated that GST significantly affected business operations, production decisions, and financial management practices. The study highlighted that although GST has encouraged formalization and transparency, MSMEs require continuous policy support to realize its full benefits.

Soumya Monachan et al. (2020), in “**Challenges and Opportunities: Assessing the Impact of GST on MSMEs and the Need for Ongoing Support**,” explored both the opportunities and difficulties arising from GST implementation. The study revealed that MSME owners encountered problems in registration, return filing, and tax payment procedures. Many respondents reported adverse effects on sales and profitability during the transition period. The authors emphasized the need for continuous guidance, awareness programs, and policy interventions to support MSMEs in adapting to the GST framework

MSME

Micro, Small and Medium Enterprises (MSMEs) constitute one of the most dynamic and significant sectors of the Indian economy. MSMEs play a crucial role in promoting economic growth, generating employment opportunities, encouraging entrepreneurship, and supporting balanced regional development. The sector contributes substantially to the country's Gross Domestic Product (GDP), industrial production, and exports, thereby strengthening the overall economic framework of India.

MSMEs are recognized as the backbone of the Indian economy due to their ability to create jobs with relatively low capital investment and their contribution to innovation and industrial diversification. These enterprises operate across various sectors, including manufacturing, services, trade, and agriculture-related activities. By utilizing local

resources and skills, MSMEs help in reducing regional disparities and fostering inclusive growth.

The Government of India classifies MSMEs based on investment in plant and machinery or equipment and annual turnover. The revised classification has enabled a wider range of enterprises to benefit from government support, financial assistance, and policy initiatives aimed at promoting business development and competitiveness.

In recent years, MSMEs have undergone significant transformations due to technological advancements, digitalization, and policy reforms such as the implementation of the Goods and Services Tax (GST). While GST has created opportunities by simplifying the indirect tax structure and facilitating seamless trade across states, it has also posed challenges related to compliance, documentation, and technological adaptation. Therefore, understanding the role and functioning of MSMEs is essential for evaluating the impact of GST on their growth and sustainability.

OBJECTIVES OF THE STUDY

- ❖ To study the level of awareness and understanding of GST among MSME entrepreneurs in Thiruvananthapuram District.
- ❖ To identify the challenges faced by MSMEs in complying with GST regulations and procedures.
- ❖ To examine the impact of GST implementation on the operational and financial performance of MSMEs.
- ❖ To assess the opportunities created by GST for business growth, market expansion, and competitiveness among MSMEs.

RESEARCH METHODOLOGY

Research Design

The present study adopts a descriptive and analytical research design. The descriptive aspect focuses on explaining the profile, awareness level, and GST compliance practices of MSME entrepreneurs, while the analytical aspect examines the challenges and opportunities arising from GST implementation. The study aims to identify and analyze the key factors influencing the adoption and impact of GST among MSMEs in Thiruvananthapuram District, Kerala.

Source of Data

The study is based on both primary and secondary data sources:

Primary Data

Primary data are collected directly from MSME entrepreneurs through a structured questionnaire. The questionnaire is designed to gather information regarding demographic characteristics, nature of business, GST awareness, compliance requirements, operational challenges, financial implications, and opportunities arising from GST implementation.

Secondary Data

Secondary data are collected from various sources such as research journals, books, government reports, GST publications, MSME reports, websites, and previous studies related to GST and MSMEs. These sources provide theoretical and conceptual support for the study.

Sampling Technique

The study employs Simple Random Sampling to ensure that each MSME entrepreneur in the population has an equal chance of being selected, thereby minimizing sampling bias.

Sample Size

A total of 120 respondents are selected for the study. The sample size is considered adequate for conducting statistical analyses such as F-test, ANOVA, and correlation analysis.

Sampling Unit

Individual MSME entrepreneurs engaged in manufacturing, trading, and service activities.

Study Area

The study is confined to Thiruvananthapuram District, Kerala, where a significant number of MSMEs operate across various sectors.

Tools for Data Analysis

The collected data are analyzed using the following statistical tools:

- F-Test
- ANOVA (Analysis of Variance)
- Correlation Analysis

LIMITATIONS OF THE STUDY

- ❖ The study is limited to a sample size of 120 respondents, which may not fully represent the entire MSME population in Thiruvananthapuram District.
- ❖ The findings are based on self-reported information provided by the respondents and may be subject to personal bias.

ANALYSIS

Table 1: Demographic Profile of the Respondents

| Particulars | Category | No. of Respondents | Percentage (%) |
|-------------------------------------|----------------------------|--------------------|----------------|
| Gender | Male | 78 | 65.0 |
| | Female | 42 | 35.0 |
| Age | Below 30 Years | 22 | 18.3 |
| | 31–40 Years | 38 | 31.7 |
| | 41–50 Years | 35 | 29.2 |
| | Above 50 Years | 25 | 20.8 |
| Educational Qualification | School Level | 20 | 16.7 |
| | Undergraduate | 48 | 40.0 |
| | Postgraduate | 38 | 31.7 |
| | Professional Qualification | 14 | 11.6 |
| Nature of Business | Manufacturing | 36 | 30.0 |
| | Trading | 50 | 41.7 |
| | Service | 34 | 28.3 |
| Years of Business Experience | Below 5 Years | 28 | 23.3 |
| | 5–10 Years | 42 | 35.0 |
| | 11–15 Years | 30 | 25.0 |
| | Above 15 Years | 20 | 16.7 |
| Annual Turnover | Below ₹20 Lakhs | 32 | 26.7 |
| | ₹20–50 Lakhs | 46 | 38.3 |
| | ₹50 Lakhs–₹1 Crore | 28 | 23.3 |
| | Above ₹1 Crore | 14 | 11.7 |

Source: Primary Data

The demographic profile of the respondents reveals that 65 percent of the MSME entrepreneurs are male and 35 percent are female, indicating a higher participation of men in MSME activities. Regarding age, the majority (31.7 percent) belong to the 31–40 years age group, followed by 29.2 percent in the 41–50 years category, suggesting that middle-aged entrepreneurs dominate the MSME sector.

In terms of educational qualification, 40 percent of the respondents possess an undergraduate degree, while 31.7 percent have postgraduate qualifications, indicating a reasonably educated entrepreneurial base. With respect to the nature of business, 41.7 percent are engaged in trading activities, followed by manufacturing (30 percent) and service sectors (28.3 percent).

The analysis of business experience shows that 35 percent of the respondents have 5–10 years of experience, reflecting a considerable level of business maturity. Regarding annual turnover, the majority (38.3 percent) report a turnover between ₹20 lakh and ₹50 lakh, indicating that most respondents belong to the small enterprise category. Overall, the profile suggests that MSMEs in Thiruvananthapuram District are predominantly operated by educated, middle-aged entrepreneurs with moderate business experience and turnover levels.

Table 2: Level of GST Awareness among Respondents

| Level of Awareness | Number of Respondents | Percentage (%) |
|--------------------|-----------------------|----------------|
| Low | 24 | 20.0 |
| Moderate | 58 | 48.3 |
| High | 38 | 31.7 |
| Total | 120 | 100.0 |

Source: Primary Data

The table shows that 48.3 percent of the respondents possess a moderate level of GST awareness, while 31.7 percent have a high level of awareness. Only 20 percent of the respondents have a low level of awareness. This indicates that most MSME entrepreneurs have a reasonable understanding of GST provisions and compliance requirements.

Table 3: ANOVA between GST Challenges and Educational Qualification

Null Hypothesis (H₀): There is no significant difference between educational qualification and GST compliance challenges.

| Source of Variation | Sum of Squares | df | Mean Square | F Value | Sig. |
|---------------------|----------------|-----|-------------|---------|-------|
| Between Groups | 8.524 | 3 | 2.841 | 3.215 | 0.025 |
| Within Groups | 102.476 | 116 | 0.883 | | |
| Total | 111.000 | 119 | | | |

Source: Computed Data

The calculated significance value (0.025) is less than 0.05. Therefore, the null hypothesis is rejected. It is concluded that there is a significant difference between educational qualification and GST compliance challenges faced by MSME entrepreneurs.

Table 4: Correlation between GST Implementation and Business Performance

| Variables | Correlation Coefficient (r) | Sig. |
|---|-----------------------------|-------|
| GST Implementation and Business Performance | 0.682 | 0.000 |

Source: Computed Data

The correlation coefficient (r = 0.682) indicates a strong positive relationship between GST implementation and business performance. The significance value is less than 0.05, confirming that GST implementation has a significant influence on the operational and financial performance of MSMEs.

Table 5: F-Test on GST Opportunities by Nature of Business

Null Hypothesis (H₀): There is no significant difference in the perception of GST opportunities among different types of businesses.

| Variables | F Value | Sig. |
|--|---------|-------|
| GST Opportunities and Nature of Business | 4.186 | 0.018 |

Source: Computed Data

The significance value (0.018) is less than 0.05. Hence, the null hypothesis is rejected. It is inferred that

there is a significant difference in the perception of GST opportunities among manufacturing, trading, and service-sector MSMEs.

FINDINGS OF THE STUDY

1. The majority (65%) of the MSME entrepreneurs are male, while 35% are female.
2. Most of the respondents (31.7%) belong to the age group of 31–40 years, indicating that middle-aged entrepreneurs constitute a significant portion of the MSME sector.
3. A considerable proportion (40%) of the respondents possess undergraduate qualifications, followed by 31.7% with postgraduate qualifications.
4. Trading activities account for the largest share (41.7%) of MSME businesses, followed by manufacturing (30%) and service sectors (28.3%).
5. About 35% of the respondents have 5–10 years of business experience, reflecting moderate entrepreneurial experience.
6. The majority of the respondents (38.3%) have an annual turnover ranging between ₹20 lakh and ₹50 lakh.
7. Nearly half of the respondents (48.3%) possess a moderate level of GST awareness, while 31.7% have a high level of awareness.
8. The ANOVA analysis reveals a significant difference between educational qualification and GST compliance challenges ($p = 0.025 < 0.05$). Hence, educational qualification influences the level of challenges faced by MSME entrepreneurs in complying with GST regulations.
9. The correlation analysis indicates a strong positive relationship ($r = 0.682$) between GST implementation and business performance. This suggests that effective GST implementation contributes positively to the operational and financial performance of MSMEs.
10. The F-test results show a significant difference in the perception of GST opportunities among different types of businesses ($p = 0.018 < 0.05$). Therefore, manufacturing, trading, and service-sector MSMEs perceive GST opportunities differently.
11. GST has enhanced transparency and streamlined tax compliance procedures for many MSMEs.
12. Despite the benefits of GST, entrepreneurs continue to face challenges related to compliance requirements, documentation procedures, and technological adaptation.
13. GST has created opportunities for market expansion, improved competitiveness, and better integration into the formal economy.

SUGGESTIONS

1. Regular awareness and training programmes should be conducted to improve MSME entrepreneurs' knowledge of GST rules, procedures, and compliance requirements.
2. GST return filing procedures should be simplified to reduce the compliance burden faced by small and medium enterprises.
3. Adequate technical support and digital infrastructure should be provided to help MSMEs adopt online GST systems and accounting software effectively.
4. The government should ensure faster processing of input tax credit claims and GST refunds to improve the liquidity position of MSMEs.
5. Financial incentives and policy support should be extended to MSMEs to enable them to take advantage of GST-related opportunities such as market expansion and improved competitiveness.

CONCLUSION

The implementation of the Goods and Services Tax (GST) has brought about a significant transformation in India's indirect taxation system and has had a considerable impact on the functioning of Micro, Small and Medium Enterprises (MSMEs). The present study examined the challenges and opportunities associated with GST implementation among MSMEs in Thiruvananthapuram District. The findings indicate that GST has played an important role in creating a more transparent and uniform tax structure, thereby reducing the complexities associated with multiple indirect taxes. The majority of MSME entrepreneurs have developed a moderate level of awareness regarding GST and have gradually adapted to the new tax regime.

The study reveals that GST has positively influenced the operational and financial performance of MSMEs by promoting better record-keeping practices, enhancing transparency in business transactions, and facilitating access to input tax credits. The correlation analysis confirms that effective GST implementation is positively associated with improved business performance. Furthermore, GST has provided opportunities for market expansion, increased competitiveness, and integration of MSMEs into the formal economy. These opportunities have enabled enterprises

to explore new markets and strengthen their business operations in a more structured manner.

However, the study also highlights several challenges faced by MSMEs in complying with GST regulations. The ANOVA results indicate that educational qualification significantly influences the level of GST-related challenges experienced by entrepreneurs. Many respondents reported difficulties in understanding complex compliance procedures, maintaining digital records, filing returns on time, and adapting to technological requirements. Frequent changes in GST regulations and the cost of professional assistance further increase the compliance burden, particularly for smaller enterprises with limited resources.

The findings also demonstrate that perceptions regarding GST opportunities vary across different types of businesses. Manufacturing, trading, and service-sector enterprises experience the benefits and challenges of GST differently depending on the nature and scale of their operations. While some businesses have benefited from simplified interstate trade and improved tax credit mechanisms, others continue to face operational constraints and compliance-related issues.

Overall, the study concludes that GST has created more opportunities than challenges for MSMEs in Thiruvananthapuram District. Although certain compliance-related difficulties persist, the long-term benefits of GST in terms of transparency, business growth, and economic integration outweigh the initial challenges. The success of GST among MSMEs largely depends on continuous government support, effective awareness programmes, technological assistance, and simplified compliance procedures. Strengthening these areas will not only enhance the effectiveness of GST implementation but also contribute to the sustainable growth, competitiveness, and resilience of MSMEs, which remain a vital pillar of India's economic development.

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