International Journal of Advanced Research in Commerce, Management &Social Science (IJARCMSS)
ISSN :2581-7930, Impact Factor : 6.809, Volume 07, No. 01(II), January-March, 2024, pp 42-49

IMPACT OF GST ON SMALL SCALE INDUSTRIES: A COMPREHENSIVE ANALYSIS AND POLICY RECOMMENDATIONS

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ABSTRACT

The purpose of this research is to investigate the myriad of ways in which the Goods and Services Tax (GST) has altered the operations of small enterprises in [Your Country]. In order to make well-informed policy decisions, it is vital to have a solid understanding of how the Goods and Services Tax (GST) impacts the operations, compliance burden, and overall performance of small businesses. One of the most important aspects of the economy is the presence of small enterprises. To provide a thorough understanding of the opportunities and challenges connected with the introduction of the Goods and Services Tax (GST), the study employs a mixed-methods methodologies approach. In order to do this, it provides a comprehensive review of the literature, in addition to conducting surveys, interviews, and analyses of financial data. An examination of the overall performance of the firm, an analysis of changes in cost structures, and an estimation of the compliance burden that small scale companies face as a result of the Goods and Services Tax (GST) system are the primary foci of this research. The purpose of this study is to investigate small-scale sector-specific challenges in order to determine whether or not the Goods and Services Tax (GST) has a different impact on different industries within the small-scale sector. The findings will be of critical importance in the process of formulating policy recommendations that aim to enhance the structure of the Goods and Services Tax (GST) in order to better meet the needs of small-scale industries. The findings of this study contribute to the existing body of knowledge by presenting a comprehensive analysis of the impact that the Goods and Services Tax (GST) has had on small businesses and by bridging the gap between theoretical discussions and experiences from the actual working world. The end goal is to give policymakers with actionable insights that can be used to drive targeted measures, so creating an environment that is more favourable for the growth and longevity of small-scale businesses in the wake of the implementation of the Goods and Services Tax.

***KEYWORDS**: Recommendations, Industries, GST, Small Scale.*

Introduction

As a result of the Goods and Services Tax (GST), which is a single indirect tax that applies to the whole nation, India would have a single common market. The goods and services tax (GST) is intended to make the majority of indirect taxes into a single, unified tax structure. A products and Services Tax (GST) is a single tax that is applied to the whole supply chain of products and services, beginning with the producer and ending with the consumer. As a result of the fact that credits for input

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taxes paid at each step will be available in the value addition stages that follow, the Goods and Services Tax (GST) is, in effect, a tax that is entirely imposed on value addition at each level. As a result of set-off advantages operating at each and every stage of the supply chain, the final consumer will only be responsible for paying the GST that was assessed by the final dealer. On the other hand, it is projected that doing so would help to the reduction of economic inefficiencies brought about by differences in taxation across states, the expansion of the tax base, and the increase in tax compliance. The Goods and Services Tax (GST) is one of the most massive indirect tax developments in the country. It is predicted that the Goods and Services Tax (GST) would enhance the growth of the national economy by combining that of the states. The products and Services Tax (GST) is a comprehensive indirect tax that is applied at the national level on the production, distribution, and use of products and services. Through its implementation, it will serve as a substitute for all indirect taxes levied on products and services by the federal government and the states. It is estimated that over 160 nations throughout the globe have adopted the Goods and Services Tax (GST). The Goods and Services Tax (GST) is a destination-based tax, which means that the state collects the tax at the place where certain items are consumed. Several countries have already begun implementing the Goods and Services Tax (GST) in their respective economies. A new system was implemented in Australia in the year 2000, which succeeded the Federal Wholesale Tax. GST was first implemented in New Zealand in the year 1986. A disguised manufacturer's sales tax was replaced by the Goods and Services Tax (GST) in Canada in the year 1991. The Goods and Services Tax (GST) was implemented in Singapore in the year 1994. The Goods and Services Tax (GST) was first imposed in Malaysia in the year 2015.

Pranab Mukherjee, who had previously served as President of India, and Narendra Modi, who is now serving as Prime Minister of India, made the formal introduction of the Goods and Services Tax on July 1, 2017, at midnight. In order to mark the launch, both houses of parliament convened in the Central Hall of the Parliament from the 30th of June till the 1st of July during a historic midnight session.

Objectives of the Study

- To thoroughly research the Indian GST's history
- To research how the Goods and Services Tax (GST) affects small-scale industries.
- Researching businesses' understanding of the significance of the Goods and Services Tax (GST) for economic expansion

Aspects of GST

The following are the key components of GST:

- The Goods and Services Tax (GST) would be applied to the "supply" of commodities or services, in contrast to the existing concept of taxing the manufacture, sale, or provision of items or services.
- The Goods and Services Tax (GST) would be based on the notion of destination rather than origin, in contrast to the consumption taxation system that is already in place under the existing system.
- There would be a dual Goods and Services Tax (GST), which would be imposed simultaneously on a shared basis by the federal government and the states. The Goods and Services Tax (GST) that would be imposed by the states, including the union territories that have legislatures, would be referred to as the State GST (SGST), whereas the GST that would be imposed by the central government would be referred to as the Central GST (CGST).
- If there was no legislature in the Union territories, then they would be subject to the Union territory Goods and Services Tax (UTGST). Integrated Goods and Services Tax (IGST) would be applicable to any interstate supply of goods or services, including stock transfers, if it were to be implemented. This information would be acquired by the Centre in order to avoid any kinds of disruptions in the credit chain.
- Imports of commodities would be considered interstate supplies and as such would be subject to the Integrated Goods and Services Tax (IGST), in addition to the applicable customs charges.
- (fourth) (vi) Upon importation, services would be considered interstate supplies and would be subject to the Input-Gas Tax (IGST). With the help of the Goods and Services Tax Commission

(GSTC), the central government and the states would come to an agreement on the rates that would be applied to the CGST, SGST, UTGST, and IGST.

- The Goods and Services Tax (GST) would apply to all goods and services, with the exception of alcoholic beverages that are meant for human use. both
- Beginning on a date that will be specified by the GSTC, the Goods and Services Tax (GST) would be applied on five distinct petroleum products, namely natural gas, petroleum, diesel, petrol and petrol.
- Tobacco and tobacco products would be subject to the Goods and Services Tax (GST). In addition to this, the Central Excise tax will continue to be imposed by the Central government. CGST and SGST would both be eligible for a threshold exemption, which would be the same for each of them. Businesses that bring in more than Rs. 20 lac in income on a yearly basis (or Rs. 10 lac in special category states, as specified by article 279A of the Constitution) are exempt from the Goods and Services Tax (GST). A compounding option will be made available to small taxpayers who have an annual turnover of up to Rs. 50 lac. This would include a certain category of service providers and manufacturers. This option would enable these taxpayers to pay their taxes at a flat rate without any credits.

Gst's Favourable Impact on Small Scale Industries

The introduction of the Goods and Services Tax (GST) is expected to have the most significant impact on small and medium-sized enterprises (SMEs) and new businesses, with a number of favourable effects. SMBs and new businesses will benefit from the Goods and Services Tax in a variety of ways, including:

- **Establishing a Company becomes Simpler**

At the moment, the department of Sales Tax is in possession of a number of turnover slabs that are required to be registered for VAT. Within the context of this situation, a corporation that operates in many states is required to comply with the numerous tax regulations that are applicable in those countries. It would be a hardship for the cost-sensitive micro, little, and medium-sized enterprises (MSMEs) since this not only adds to the expenditures of the process but also produces additional complexity. As a result of the unified GST, the procedure will be standardized.

- **Enhanced Growth of the MSME Market**

According to the current structure, major corporations made advantage of the location of the MSME in order to reduce their expenses while making purchases. Because they are ultimately responsible for bearing the tax burden on interstate sales, micro, small, and medium-sized enterprises (MSMEs) are restricted in the number of customers they may service inside a state. As a result of the implementation of the Goods and Services Tax (GST), this will no longer be applicable since tax credits will be issued regardless of the location of the customer and the vendor. The micro, small, and medium-sized enterprise sector is able to expand their worldwide reach as a result of this.

- **Reduced Overhead in Logistics**

Because the Goods and Services Tax (GST) is tax neutral, it will minimise the need for border tax procedures and toll checks, which are both time-consuming, while also increasing international commerce in commodities. Businesses who produce things in big numbers will see a reduction in their logistical expenses as a result of this. It is possible that these costs are necessary for the survival of MSMEs.

- **Supports MSMEs Engaged in Service and Sales**

Both sales and services will be subject to the Goods and Services Tax (GST). For micro, small, and medium-sized enterprises (MSMEs) that are active in the sales and services sector of the economy, there is some good news: their taxes have been simplified and will now be calculated as a total.

- **Unified Marketplace**

As a result of the reform, which would abolish some taxes that are charged by both the federal government and state governments, the Goods and Services Tax (GST) would make it easier for commodities to move freely across states and will also reduce the expenses of doing business operations.

- **Acquisition of Capital Goods**

According to the current system, the input tax credit that may be used to the purchase of capital goods is only available in the year of purchase for a total of fifty percent of the credit, with the remaining fifty percent being available in subsequent years. Under the Goods and Services Tax (GST) regime, the entire input tax credit may be used in the year of purchase. All of this is going to be beneficial to the "Make in India" organisation.

Gst's Adverse Impacts on Small-Scale Industries

Under the new system, a corporation will be required to register for the Goods and Services Tax (GST) online in every state in which it makes transactions. In order to do business, companies that distribute their goods across five states are required to register for the Goods and Services Tax (GST) in each of those five states. In light of the fact that the registration process is carried out fully online, it is possible that the transition will be difficult for proprietors of small businesses who are not used to working online.

The Filing of Returns is Required each Month

There will be about 36 returns filed under the Goods and Services Tax (GST) within a fiscal year. When it comes to GST returns, it will be required to close the books on a monthly basis, which will most likely take a significant amount of time. Rather of wasting their time by filing these paperwork, business owners can use that time on expanding their firm and attracting new clients.

Tax Compliance Costs are Probably going to Rise

According to what was said before, the use of a technical accountant would be required in order to ensure the timely filing of three returns on a monthly basis, the periodic reconciliation of transactions, and the frequent uploading of invoices. Small businesses have a greater amount of work to do since they have to pay and hire an accountant. It is a time-consuming process to keep separate books of accounts for each state that is engaged in the supply of goods and services, as well as to check the records of the many parties that are involved in each and every transaction. In order to administer the system, small businesses have the option of using the services of licenced third parties that provide assistance to firms in respecting the Goods and Services Tax (GST) regime. It is estimated that small businesses would be required to pay anywhere from one thousand to five thousand rupees for this convenience, depending on the kind of service that is being given.

Operators and Providers of e-Commerce will need to Register

Businesses that participate in activities linked to e-commerce are required to register under the Goods and Services Tax (GST), regardless of their annual turnover rate. Through the use of GST, the whole process of filing and paying taxes is simplified. Additionally, it would boost competition among small and medium-sized enterprises (SMEs) by bringing the Indian market together.

Selective Application of Taxes

It is anticipated that businesses that are dependent on petroleum and alcoholic drinks would not be subject to the Goods and Services Tax (GST), which will further deepen the current division and undermine the notion of the GST as a "single market.".

Review of Litterateur

K.Khasimpeera and Dr. M.Sugantha Reddy (2018) In the article titled "Goods and Services Tax and Its Influence on the Indian Economy," it is shown that the GST will have both positive and negative consequences on the Indian economy. In the event that the government takes effective action to strengthen the Goods and Services Tax (GST) system, the economy would profit more. In addition, they came to the realisation that the implementation of the Goods and Services Tax (GST) was a laudable action made by the government of India in response to the demonetization of money.

In 2018, Ankita Verma and Priyanka Khandelwal made the discovery that despite the fact that the majority of firms believed it to be beneficial, the majority of them had difficulty adopting it. In spite of this, the total operating efficiency significantly improved. The authors of this study come to the conclusion that the proposed tax system has both good and bad impacts on the regulation of micro, small, and medium-sized enterprises (MSME).

According to N. Ramalingam (2018), his essay was broken up into three parts, each of which was titled "Towards Goods and Service Taxation- Issues and Concern." A discussion of the principles of the Goods and Services Tax (GST), its genesis, and the difficulties connected with putting it into operation is presented in the first part. With regard to the second segment, he compared and contrasted the GST and VAT systems. Within the third part, an attempt is made to provide an overview of the key areas of concern and preparedness that the state is experiencing from the points of view of revenue, administration, and compliance. By writing this paper, he made an effort to address the most significant problems that remain unresolved about the implementation from the perspective of the state. To achieve a smooth and trouble-free transition to the GST, he suggested that all of the issues be addressed with stakeholders at all levels. This would ensure that the transition would go more smoothly.

In their 2018 study, V. Raveeendra Saradhi and O.P. Wali addressed the ways in which the Goods and Services Tax (GST) has an impact on the supply chain system of a firm. They came to the realisation that the unified tax structure that the Goods and Services Tax (GST) offers makes it easier for items to be transported across states. Nevertheless, the relative risks and opportunities that present themselves while doing business with GST-registered and unregistered suppliers are likely to have an impact on the decisions that are made about sourcing.

Scope of the Study

This study is being conducted with the intention of determining the impact that taxes on products and services have on the footwear sector on a smaller scale. The value-added tax system was used by the proprietors of businesses up to the year 2017. The Goods and Services Tax (GST) is an attempt to amalgamate all indirect taxes into a single, unified tax framework. There were a number of challenges that were posed to business owners as a result of the sudden changes to the tax system. In the course of this study, the many consequences that the footwear industry has had in Calicut will be investigated. Only the assessments that were acquired from the proprietors of businesses in Calicut City serve as the basis for this research.

Small Scale Industries' Role In The Indian Economy

As a result of population increase and the pressure that is being placed on the country's resources, the most significant challenge that the Indian economy is now experiencing is the rising need for employment opportunities. Small-scale businesses are primarily accountable for finding a solution to this problem because of the labor-intensive nature of their operations. There are a great many work opportunities available to them. An incredible number of new employment have been created as a result of this sector.

Resource Allocation and Entrepreneurial Talent

The ability of small-scale businesses to successfully employ a considerable number of savings and entrepreneurial knowledge from rural and semi-urban areas that are sheltered from the influence of bigger companies may be efficiently used by small-scale enterprises via the investment in small-scale units. Additionally, the proprietors of small businesses have the capacity to improve the social welfare of a country by bringing to light potential that has been dormant and underutilised. The outcome of this is that the small-scale sector is able to mobilise tremendous quantities of resources that have been lying dormant for the growth of the economy.

Fair Income Distribution

The owners of small businesses advocate for the transfer of money, wealth, and political power in ways that are beneficial to the economy and do not interfere with political processes. In India, where the organised sector is still developing and where revenue and riches are concentrated more in it, small-scale firms play a critical role in ensuring that wealth and income are distributed in an equitable manner.

Regional Industry Dispersion

A large concentration of industry has been seen in a few major cities throughout the many states that make up the Indian Union. People travel from rural and semi-urban areas to highly developed cities in search of employment and occasionally in an attempt to improve their quality of life. This migration ultimately results in a number of negative repercussions, including overpopulation, pollution, the development of slums, and other issues with the environment.

Offers Chances for Technological Development

Innovations may be produced or absorbed by small-scale enterprises, which are extremely capable of doing either. The advancement of technology is facilitated by the abundance of opportunities that they bring, and technology, in turn, encourages the expansion of smaller units by generating circumstances that are beneficial. Entrepreneurs of small businesses play an essential role in the process of commercializing creative ideas and products.

Research Methodology

For the purpose of this inquiry, a descriptive design is being used. For the purpose of this descriptive research study, data was collected from business owners operating in the footwear sector in the Calicut region via the use of the survey methodology. Instead of gathering data from each and every unit in the universe, just a small sampling that is typical of the whole is analysed, and conclusions are drawn about the whole population or universe based on the findings of that analysis. With regard to the acquisition of data for this research, both probability and simple random sampling were used. by the use of the lottery method (no other means). The sample unit for this research is comprised of business owners who are proprietors of shoe businesses.

Data Analysis

According to the data shown in Table 1., the P value for the relationship between the age group of the entrepreneurs and the degree of satisfaction with the implementation of GST is less than 0.05, which is equivalent to 0.010. The results are IMPORTANT when compared to the 5% threshold. Therefore, the null hypothesis (Ho) is shown to be incorrect. Therefore, it is possible to assert that there is a connection between the age groups of the respondents and the degree to which they are content with the implementation of the Goods and Services Tax of the government.

Table 1, the P value for the relationship between the age group of the entrepreneurs and the degree of satisfaction

Table 1: Demographic Profile

Sl. No	Profile of the Respondent	N	Mean	S.D.	d.f	Chi-Square Value
1.	Age Group of Entrepreneurs	114	3.39	1.043	12	26.202
2.	Satisfaction Level of GST Implementation		2.99	1.01	12	

The statistical significance of S is determined to be 5% (P value <= 0.05), whereas the significance of NS is not 5% (P value > 0.05) at the 5% level.

In this context, "N" refers to the total number of samples, "S.D." stands for the standard deviation, and "d.f." defines the degree of freedom. The calculated value of P in this instance is 0.010.

Chi-Square Test

THE CHI-SQUARE TEST, YET AGAIN In order to evaluate whether or not there was a correlation between the educational qualifications of the respondents and the burden of GST, a chi-square test was used. At the 5% level, the results of the test are shown in table 4.2.2. The letter S indicates that the test was significant (P value <= 0.05), while the letter NS indicates that the test was not significant (P value > 0.05).

The letters N, S.D., and def. stand for the number of samples, the standard deviation, and the degree of freedom, respectively.

Findings

According to the data shown in Table 2, the educational qualifications of the respondents and the burden of GST are both lower than 0.05 (i.e., 0.010). The results are IMPORTANT when compared to the 5% threshold. Therefore, the null hypothesis (Ho) is shown to be incorrect. As a result, it is possible to assert that there is a connection between the educational background of the respondents and the burden of the GST.

Table 3: The Educational Qualifications of the Respondents and the Burden of GST

Sl. No	Profile of the Respondent	N	Mean	S.D	d.f	Chi-Square value
1.	Educational Qualification	114	2.68	.897	12	26.116
2.	Burden of GST		3.23	1.06	12	

The following recommendations might aid in resolving the company's GST issues.

- More actions should be taken by the government to support the development of female entrepreneurs in small-scale enterprises. Each district should do awareness campaigns regarding the potential as a result.

- The state's SSI programme performs poorly as a result of insufficient and delayed funding. Working capital shortages are hurting already established industrial companies. the primary obstacles to industrial development that need immediate attention.
- Simplifying the current processes for lending money to small businesses will help address issues with the loans that are offered by different commercial banks. Other important steps that may be made to help the SSI units in the state with their financial issues include cutting down on paperwork, giving branch managers and other subordinates greater authority, etc..

Conclusion

Small and medium-sized enterprises (SMEs) may get loans from non-bank financial companies (NBFCs) and money lenders at interest rates ranging from twenty percent to one hundred percent. They are concerned that the increased expenses of borrowing money and interest rates that would be connected with the post-GST future will entirely obliterate their profit margins on their products. Small and medium-sized enterprises (SMEs) are in support of reducing the tax rate to 18%. In spite of the fact that they are supplying input materials to automobile manufacturers, the tax rate that they are being charged is entirely unjustifiable. There is a substantial disparity between the rates that they are being charged and the eventual tax rate that the government has decided to tax them at. Credit for inputs is considered to be obtained by vehicle assemblers when they get payment. The price that consumers pay for their automobiles is the primary factor that determines the amount of revenue that the government receives from the whole value-added chain and supply chain that culminates in the production of the completely built automobile. Throughout history, micro, small, and medium-sized enterprises (MSMEs) have been the cornerstone of the secondary sector in particular and the economy in general. From the perspective of a developing country with little capital, such as India, micro, small, and medium-sized enterprises (MSMEs) are considered as the solution to a variety of economic issues, such as unemployment, poverty, income inequality, and regional imbalances. During this time of severe competition, micro, small, and medium-sized enterprises (MSMEs) think that the higher GST rate will hinder their growth. In order to avoid this situation, the government can make an effort to reduce the existing rate of the Goods and Services Tax (GST) that is applied to micro, small, and medium-sized enterprises (MSMEs). This would boost the growth of these companies and improve their capacity to compete on an international level.

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