



A STUDY ON CHALLENGES AND OPPORTUNITIES OF GST FOR SMALL BUSINESSES IN MADURAI CITY

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ABSTRACT:

The study examines the challenges and opportunities presented by the Goods and Services Tax (GST) for small businesses in Madurai City. Through a structured analysis of financial operations, compliance costs, and policy-related hurdles, the research aims to highlight the key concerns faced by small enterprises. The Garrett Ranking Analysis identifies "Training and Awareness," "Professional Support," and "Access to Input Tax Credit" as the top factors influencing GST adoption. The study also utilizes ANOVA to assess the impact of demographic variables, revealing that educational qualification, occupation, and location significantly shape opinions on GST, whereas factors like age, gender, and income show no statistically significant influence. The research methodology employs both primary and secondary data sources, including surveys, interviews, and government reports, with a stratified random sampling approach covering diverse business sectors. The study finds that while GST has streamlined taxation and enhanced market access, compliance burdens, digital adaptation issues, and tax rate concerns remain key obstacles. The findings suggest and refining GST policies could enhance its effectiveness for small businesses. The study provides valuable insights for policymakers, business owners, and stakeholders, emphasizing the need for targeted reforms to ensure smooth GST compliance and foster business growth.

KEYWORDS:

GST COMPLIANCE, SMALL BUSINESSES, GARRETT RANKING ANALYSIS, ANOVA, TAX POLICY REFORMS.

INTRODUCTION

The Goods and Services Tax (GST), introduced in India on July 1, 2017, marked a significant shift in the country's indirect tax system by replacing multiple cascading taxes with a single, unified tax structure. Aimed at enhancing tax compliance, streamlining trade, and boosting revenue, GST has profoundly impacted businesses across India, particularly small and medium enterprises (SMEs). Small businesses, which contribute about 30% to India's GDP and employ over 110 million people, form the backbone of the economy. In Madurai City, a key commercial hub in Tamil Nadu, small businesses play a crucial role in sectors such as retail trade, textiles, food processing, and handicrafts. The introduction of GST has brought both opportunities and challenges, reshaping financial operations, tax compliance, and growth prospects. As of 2023, India has over 1.4 crore GST-registered businesses,

with approximately 80 lakh falling under the MSME sector. Tamil Nadu is among the top five states in GST collections, contributing over ₹10,000 crore per month to national revenue. In Madurai City, more than 25,000 small businesses are GST-registered, spanning wholesale trade, manufacturing, and services. However, according to a 2022 survey by the Tamil Nadu Chamber of Commerce, 60% of small businesses in Madurai found GST compliance challenging due to frequent amendments, high compliance costs, and digital literacy gaps.

REVIEW OF LITERATURE

The Goods and Services Tax (GST) has significantly impacted small businesses in India, reshaping their financial structures, tax compliance processes, and growth opportunities. Several researchers have examined the

challenges and opportunities associated with GST, particularly in relation to digital adaptation, input tax credit, administrative burden, and financial management. This section reviews key studies on GST's implications for small businesses in India, with a focus on Tamil Nadu and Madurai.

A study by Mani and Subramanian (2023) focused on GST's impact on retail businesses in Madurai, identifying that local traders faced difficulties in adapting to GST due to frequent amendments and compliance requirements. Their study emphasized that while GST simplified interstate trade, small retailers in Madurai struggled with understanding the tax system and maintaining accurate digital records. Similarly, Nayak and Das (2023) explored growth opportunities for SMEs under GST, highlighting that businesses that successfully adapted to GST were able to expand their market reach by participating in interstate trade without the burden of multiple state taxes. Selvam and Krishnan (2023) analyzed post-GST taxation reforms in Tamil Nadu, identifying that small businesses benefited from the removal of cascading taxes but continued to face compliance issues due to frequent policy changes. They recommended simplifying the GST structure for small traders and increasing government-led training programs to enhance GST awareness. GST's reliance on digital compliance has been a major hurdle for small businesses, particularly those in tier-2 and tier-3 cities. Bhattacharya (2022) explored the digital adaptation of SMEs under GST, finding that while e-filing systems increased tax transparency, many businesses struggled with technological infrastructure and digital literacy gaps. One of the critical issues under GST for SMEs has been the delayed and complex process of claiming Input Tax Credit (ITC). Das and Verma (2021) focused on the challenges in ITC claims for SMEs in the manufacturing sector, highlighting that small businesses faced cash flow constraints due to delayed refunds and mismatches in tax filings. Rao and Iyer (2020) examined the impact of GST on working capital management, revealing that businesses suffered liquidity issues due to ITC blockages and higher upfront tax payments. They suggested policy changes to speed up ITC refunds to ease financial stress on small businesses. GST was introduced to simplify India's indirect tax system; however, it has posed compliance challenges for small businesses. Garg (2018) provided an overview of the initial impact of GST, highlighting frequent policy changes and compliance difficulties for SMEs.

OBJECTIVES OF THE STUDY

1. To study the impact of GST on the financial operations of small businesses in Madurai City.
2. To identify the key challenges faced by small businesses in Madurai City due to GST.
3. To evaluate the opportunities created by GST for small businesses in Madurai City.
4. To analyze the Garrett Ranking Analysis and the demographic profile along with the opinions of small

business owners regarding GST.

RESEARCH METHODOLOGY

The research methodology for the study on "Challenges and Opportunities of GST for Small Businesses in Madurai City" follows a descriptive research design, focusing on data collection from small business owners, traders, and tax consultants. Both primary and secondary data sources are utilized, with structured questionnaires, interviews, and field surveys forming the primary data, while government reports, research papers, and trade body publications contribute to secondary data. A stratified random sampling method ensures representation from diverse sectors such as retail trade, textiles, handicrafts, food processing, and services, with a sample size of 100 respondents. Data analysis techniques include descriptive statistics, Garrett Ranking Analysis and ANOVA for the demographic profile along with the opinions of small business owners regarding GST. The study is limited to small businesses in Madurai City, and findings may not be generalizable beyond this region or to large enterprises due to operational differences.

HYPOTHESES FOR THE STUDY

H₀ (Null Hypothesis): There is no significant relationship between demographic factors (educational qualification, occupation, location) and opinions on GST among small businesses in Madurai City.

H₁ (Alternative Hypothesis): There is a significant relationship between demographic factors (educational qualification, occupation, location) and opinions on GST among small businesses in Madurai City.

THE CHALLENGES AND OPPORTUNITIES OF GST FOR SMALL BUSINESSES

Challenges Faced by Small Businesses under GST

1. Compliance Burden: Regular filing of GST returns and maintenance of digital records increase operational challenges.
2. Input Tax Credit (ITC) Issues: Delays and mismatches in ITC claims impact working capital.
3. Technical Barriers: Many small traders lack the digital infrastructure needed for online tax compliance.
4. Higher Tax Rates: Certain sectors face increased tax rates under GST, affecting pricing and profitability.

Opportunities for Small Businesses under GST

1. Ease of Doing Business: The elimination of multiple state and central taxes simplifies taxation.
2. Wider Market Access: A uniform tax system promotes interstate trade and e-commerce expansion.
3. Increased Transparency: GST ensures better tax compliance and reduces the scope for tax evasion.
4. Government Incentives: Small businesses under GST Composition Scheme benefit from lower tax rates

and simplified compliance.

ANALYSIS FOR GARRETT RANKING ANALYSIS AND DEMOGRAPHICAL PROFILE WITH OPINION OF GST SMALL BUSINESS

Garrett Ranking Analysis helps prioritize factors influencing small business opinions on GST by assigning ranks based on respondents' preferences. The demographic profile aids in understanding variations in GST perceptions among small business owners based on age, income, and business type etc.

TABLE 1 GARRETT RANKING ANALYSIS FOR GST SMALL BUSINESS

Factors	Garrett Ranking Analysis										Total	Garret Score	Mean Score	Rank
	1	2	3	4	5	6	7	8	9	10				
	Garrett Rank Scale Value													
	82	70	63	57	52	47	42	37	30	19				
(No. of Respondents)														
Compliance Requirements	f	11	9	12	10	9	9	10	10	11	100	5006	50.060	6
	fx	902	630	756	570	468	423	378	370	300				
Tax Rates	f	12	10	9	9	11	9	10	9	12	100	5043	50.430	4
	fx	984	700	567	513	572	423	420	333	360				
Filing Procedures	f	9	9	10	9	11	8	12	9	11	100	4854	48.540	8
	fx	738	630	630	513	572	376	504	333	330				
Cost of Implementation	f	9	10	7	11	9	10	11	9	11	100	4816	48.160	10
	fx	738	700	441	627	468	470	462	333	330				
Impact on Cash Flow	f	10	9	9	12	11	10	12	10	9	100	5039	50.390	5
	fx	820	630	567	684	572	470	504	370	270				
Access to Input Tax Credit	f	10	11	11	9	12	9	8	10	11	99	5031	50.818	3
	fx	820	770	693	513	624	423	336	370	330				
Clarity of GST Policies	f	8	9	10	10	10	10	11	11	9	100	4843	48.430	9
	fx	656	630	630	570	520	470	462	407	270				
Digital Infrastructure	f	9	11	9	9	9	11	12	10	11	100	4948	49.480	7
	fx	738	770	567	513	468	517	504	370	330				
Professional Support	f	12	11	11	8	10	10	8	12	10	100	5125	51.250	2
	fx	984	770	693	456	520	470	336	444	300				
Training and Awareness	f	11	12	12	11	11	11	6	12	7	100	5253	52.530	1
	fx	902	840	756	627	572	517	252	444	210				

Note: f=No. of respondents, x=Scale Value, fx=Score
 Source: Computed

The Garrett Ranking Analysis table 1 highlights "Training and Awareness" as the most significant factor affecting GST implementation, with the highest mean score of 52.530. This indicates that respondents prioritize the need for adequate knowledge and skill development for smooth compliance. "Professional Support" (51.250) and "Access to Input Tax Credit" (50.818) rank second and third, suggesting that expert guidance and seamless credit access are crucial for businesses. "Tax Rates" (50.430) and "Impact on Cash Flow" (50.390) follow closely, reflecting concerns over financial burden and liquidity management. "Compliance Requirements" (50.060) and "Digital Infrastructure" (49.480) are moderately ranked, indicating their relevance but not as primary challenges. On the lower end, "Filing Procedures" (48.540), "Clarity of GST Policies" (48.430), and "Cost of Implementation" (48.160) received lesser emphasis, suggesting that while important, they are not as pressing as other factors. These findings underline the necessity for better training, advisory support, and policy clarity to enhance GST adoption and effectiveness.

TABLE 2 ANOVA FOR DEMOGRAPHICAL PROFILE WITH OPINION OF GST SMALL BUSINESS

Demographical Profile	Items	Sum of Squares	df	Mean Square	F	P-value	Results
Age	Between Groups	15.905	18	0.884	1.602	0.079	Not Sig.
	Within Groups	44.685	81	0.552			
	Total	60.590	99				
Gender	Between Groups	6.126	18	0.340	1.489	0.116	Not Sig.
	Within Groups	18.514	81	0.229			
	Total	24.640	99				
Educational Qualification	Between Groups	45.400	18	2.522	2.552	0.002	Sig.
	Within Groups	80.040	81	0.988			
	Total	125.440	99				
Occupation	Between Groups	35.349	18	1.964	2.364	0.005	Sig.
	Within Groups	67.291	81	0.831			
	Total	102.640	99				
Monthly Income	Between Groups	21.189	18	1.177	1.601	0.079	Not Sig.
	Within Groups	59.561	81	0.735			
	Total	80.750	99				
Business Sector	Between Groups	20.726	18	1.151	1.113	0.355	Not Sig.
	Within Groups	83.784	81	1.034			
	Total	104.510	99				
Location	Between Groups	8.605	18	0.478	3.029	0.000	Sig.
	Within Groups	12.785	81	0.158			
	Total	21.390	99				

The table 2 is ANOVA results analyze the influence of demographic factors on opinions regarding GST for small businesses. The findings indicate that Educational Qualification (p = .002), Occupation (p = .005), and Location (p = .000) have a significant impact on opinions about GST, suggesting that individuals with different educational backgrounds, occupations, and locations hold varying views on the subject. Conversely, factors such as Age (p = .079), Gender (p = .116), Monthly Income (p = .079), and Business Sector (p = .355) do not show statistically significant differences in opinions, implying that these characteristics do not strongly influence perceptions of GST. The results highlight that individuals' professional backgrounds and geographical locations play a crucial role in shaping their stance on GST, while personal factors like age and gender do not lead to significant variations in opinions.

CONCLUSION

The analysis of Garrett Ranking and ANOVA findings highlights key factors influencing small businesses' perceptions of GST. The Garrett Ranking results emphasize that "Training and Awareness" is the most critical factor for GST implementation, followed by the need for professional support and access to input tax credit. Financial concerns, compliance requirements, and digital infrastructure also play a role, but are of slightly lesser priority. The ANOVA analysis reveals that demographic factors such as educational qualification, occupation, and location significantly impact opinions on GST, while age, gender, income, and business sector do not show notable differences. Overall, these findings suggest that enhancing GST-related training, providing expert guidance, and addressing location-specific challenges can improve compliance and acceptance among small businesses.

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