



# GST's IMPACT ON EASE OF DOING BUSINESS IN RAJASTHAN

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**Abstract:** The introduction of the Goods and Services Tax (GST) in India in 2017 marked a major structural reform aimed at creating a unified indirect tax system. India's GST structure is a unified, multi-tiered indirect tax system designed to simplify and harmonize taxation across the country. This article examines the impact of GST on the Ease of Doing Business (EoDB) in Rajasthan, focusing on key dimensions such as tax simplification, compliance burden, digitalization, and business competitiveness. While GST has contributed to formalization, transparency, and efficiency, challenges remain, particularly for micro, small, and medium enterprises (MSMEs). The study concludes that GST has had a mixed but progressively positive impact on EoDB in Rajasthan.

**Index Terms** - GST, one nation one tax, category, compliance, EoDB.

## I. INTRODUCTION

Ease of Doing Business (EoDB) refers to the regulatory and institutional environment that facilitates business operations, including starting, operating, and expanding enterprises. In India, EoDB has emerged as a central pillar of economic reform, focusing on reducing compliance burden, enhancing transparency, and improving investor confidence.

Rajasthan, as an emerging industrial state, has actively implemented reforms such as single-window clearances and digital governance systems to improve its business ecosystem. The implementation of GST has played a critical role in shaping these reforms.

The main objective of this paper is to examine the Goods and Services Tax Act as regard to its structure and administration mechanism for facilitating Ease of Doing Business (EoDB) specially in Rajasthan.

- **Dual GST Model:** India follows a *dual GST structure* where both the Central and State governments levy taxes. It includes:
  - **CGST (Central GST):** Levied by the Central Government on intra-state supplies.
  - **SGST (State GST):** Levied by State Governments on intra-state supplies.
  - **IGST (Integrated GST):** Levied by the Central Government on inter-state supplies and imports. Revenue is shared between Centre and States.
- **One Nation, One Tax:** GST replaces multiple indirect taxes like VAT, service tax, excise duty, creating a *single unified tax system* across India.
- **Comprehensive Tax Base:** GST applies to *all goods and services*, except for a few exempted items like alcohol and petroleum products (which are taxed separately by states).

## II. REVIEW OF LITERATURE

The relationship between the **Goods and Services Tax (GST)** and **Ease of Doing Business (EoDB)** has attracted significant scholarly attention in recent years. Existing studies highlight both efficiency gains and transitional challenges.

Early research by Arvind Subramanian (2017) conceptualized GST as a structural reform capable of transforming India into a unified market, thereby improving business efficiency and reducing transaction costs. The study emphasized the removal of cascading taxes as a major driver of productivity.

According to National Council of Applied Economic Research (2018), GST has positively influenced logistics efficiency by reducing interstate barriers and transportation delays. This has been particularly beneficial for manufacturing and trading states like Rajasthan.

A study by Reserve Bank of India (2019) observed that GST contributed to formalization of the economy and improved tax compliance, thereby enhancing transparency—an essential component of EoDB. However, it also noted short-term disruptions in small business operations.

Empirical research focusing on MSMEs by Pankaj Kumar (2021) revealed that while GST improved long-term efficiency, it increased compliance costs and required technological adaptation, posing challenges for smaller firms.

Region-specific studies on Rajasthan indicate mixed outcomes. A recent assessment (2023) found that GST has improved tax transparency and digital compliance in Rajasthan but also increased administrative burdens for small traders due to frequent filing requirements and system complexities.

Furthermore, global institutional reports by World Bank link simplified tax systems with higher EoDB rankings, suggesting that GST-like reforms contribute positively when supported by strong digital infrastructure and policy stability.

### Research Gap

Despite extensive national-level studies, there is limited empirical research specifically examining:

- The state-level impact of GST on EoDB in Rajasthan.
- The differential impact on MSMEs vs large enterprises.
- The role of digital infrastructure in mediating GST outcomes.

This study attempts to bridge these gaps by focusing on Rajasthan's business ecosystem.

## III. GST: CONCEPT AND OBJECTIVES

GST is a comprehensive indirect tax that replaced multiple taxes such as VAT, excise duty, and service tax. Its key objectives include:

- “One Nation, One Tax” system
- Elimination of cascading taxation
- Improved tax compliance
- Promotion of a common national market

The reform was intended to simplify taxation and enhance business efficiency across states, including Rajasthan.

**Effective from 22 September 2025, India's GST structure has been simplified into three main tax slabs: 5%, 18%, and 40%.** This reform, known as GST 2.0, aims to streamline compliance and align taxation with economic priorities.

Table 1: New GST Tax Slabs (Post 22 September 2025)

| GST Rate | Category  |
|----------|---|
| 5%       | Essential goods and services, including basic food items, public transport, and select healthcare services. |
| 18%      | Standard goods and services, covering most consumer products, electronics, and professional services.       |
| 40%      | Luxury and sin goods, such as high-end automobiles, tobacco products, and select luxury services.           |

Source: GST Council Website: [www.gstcouncil.gov.in](http://www.gstcouncil.gov.in)

### Key Changes Introduced:

- **Compensation Cess Removed:** Previously applied to luxury and sin goods, this has now been merged into the 40% slab.
- **Rationalization of Categories:** Many items previously taxed at 12% or 28% have been reclassified into the 18% or 40% slabs for simplicity.
- **Uniformity Across States:** The reform promotes consistent tax treatment nationwide, reducing classification disputes.
- **Compliance Boost:** Fewer slabs mean easier invoicing, filing, and audit processes for businesses.

### IV. ADMINISTRATIVE MECHANISM

#### Implementation:

- Administered jointly by **Central and State Tax Authorities**.
- **GSTN (Goods and Services Tax Network):** IT backbone providing taxpayer services.
- **e-Invoicing and e-Way Bills:** Digitized compliance systems to reduce human interface and increase transparency.

#### Reforms that Boost EoDB:

- **Single Tax Platform** replacing multiple taxes.
- **GST Registration and Returns Filing:** Fully online process.
- **Simplified Tax Compliance:** Monthly/quarterly returns, composition schemes for small businesses.
- **Auto-generated input credit and returns** through GSTR-2A/2B and GSTR-3B.

#### Key Reports:

- **World Bank's "Doing Business" Report:** India's ranking improved significantly post-GST.
- **NITI Aayog Policy Papers**
- **Ministry of Finance Annual Reports**

## V. STATISTICAL DATA SUPPORTING GST'S ROLE IN EoDB

Table 2: GST's role in EoDB

| Metric                                   | Pre-GST                       | Post-GST Impact                                  |
|--|-------------------------------|--|
| Number of indirect tax registrations     | Multiple                      | Unified GSTIN                                    |
| Time taken for tax compliance (per year) | ~241 hours (World Bank, 2017) | Reduced significantly                            |
| Logistics cost as % of GDP               | ~14%                          | Reduced due to uniform tax and fewer checkpoints |
| Number of returns filed                  | Manual across states          | Online centralized portal                        |

Source: GST Council Website: [www.gstcouncil.gov.in](http://www.gstcouncil.gov.in)

## VI. POSITIVE IMPACT OF GST ON EoDB IN RAJASTHAN

**Tax Simplification and Uniformity:** GST replaced a complex web of state and central taxes, reducing multiplicity and ambiguity. This uniform tax structure has facilitated interstate trade and reduced compliance complexities for businesses operating across Rajasthan and other states.

**Digitalization and Transparency:** GST introduced an online tax system involving registration, return filing, and tax payments. This digital framework has:

- Reduced physical interaction with tax authorities
- Increased transparency and accountability
- Lowered the scope for corruption

Such digitization aligns with broader EoDB reforms aimed at trust-based governance and reduced bureaucratic hurdles.

**Expansion of Tax Base and Formalization:** The GST regime has significantly expanded the taxpayer base in India, increasing from around 60 lakh in 2017 to over 1.5 crore by 2025.

In Rajasthan, this has led to:

- Increased formalization of businesses
- Better access to credit and financial systems
- Improved regulatory compliance

**Reduction in Logistics and Transaction Costs:** By eliminating interstate barriers such as check posts and multiple tax filings, GST has reduced transportation delays and logistics costs, benefiting industries in Rajasthan, particularly manufacturing and trade sectors.

**Improved Competitiveness:** GST rationalization of tax rates and removal of cascading effects have reduced production costs, making businesses in Rajasthan more competitive both domestically and globally.

## VII. NEGATIVE IMPACT AND CHALLENGES

**Increased Compliance Burden for MSMEs:** Studies on Rajasthan indicate that GST has increased compliance costs for MSMEs due to:

- Frequent return filing requirements
- Need for digital literacy
- Dependence on professional services

This has adversely affected profitability and ease of operations for small businesses.

**Cash Flow Issues:** The input tax credit (ITC) mechanism often results in delays in refunds, leading to working capital constraints, especially for small enterprises.

**Complexity in GST Structure:** Despite the aim of simplification, multiple tax slabs and frequent policy changes have created confusion and compliance challenges.

**Technological Challenges:** Initial issues with the GST portal and system glitches created operational difficulties for businesses, particularly in semi-urban and rural areas of Rajasthan.

## VIII. GST AND RAJASTHAN'S EoDB PERFORMANCE

Rajasthan has been recognized as a "Top Achiever" in national Ease of Doing Business rankings due to its reform-driven governance and streamlined procedures. GST has complemented these reforms by:

- Supporting digital governance initiatives
- Enhancing tax transparency
- Facilitating business entry and expansion

However, industry stakeholders still highlight issues such as high compliance costs, licensing burdens, and regulatory delays that need further improvement

## IX. POLICY RECOMMENDATIONS

To enhance the positive impact of GST on EoDB in Rajasthan, the following measures are suggested:

### [1] Simplification of GST Structure

Reduction in tax slabs and stabilization of policies.

### [2] Support for MSMEs

- a. Simplified return filing
- b. Capacity-building programs
- c. Financial assistance for compliance costs

### [3] Faster ITC Refund Mechanism

To improve liquidity and working capital management.

### [4] Technological Strengthening

Improving GST portal efficiency and accessibility in rural areas.

### [5] Integration with State EoDB Reforms

Align GST processes with Rajasthan's single-window and digital initiatives.

## X. CONCLUSION

GST has significantly transformed the business environment in Rajasthan by promoting transparency, formalization, and efficiency. While it has improved key aspects of Ease of Doing Business, particularly for large and organized sectors, challenges persist for MSMEs due to compliance complexity and financial constraints.

Overall, GST's impact on EoDB in Rajasthan can be characterized as **evolving and progressively positive**, with the potential for further improvement through policy refinement and targeted support measures.

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