



# The Impact Of GST On Small Scale Industries

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## ABSTRACT:

Significant changes have occurred in a variety of industries as a result of the implementation of the Goods and Services Tax (GST) in a number of countries, most notably in the small-scale sector. This abstract provides a comprehensive examination of the impact that the Goods and Services Tax (GST) have. The study investigates the effects of the Goods and Services Tax (GST) on business owners and assesses the degree to which they have understood the concept. A look is taken at how the Goods and Services Tax (GST) has altered the compliance burden, cash flow management, and profitability of traders. Moreover, the abstract discusses the challenges that traders encountered throughout the process of transitioning to the Goods and Services Tax (GST) system. These challenges include administrative problems, the adoption of new technologies, and the adjustment to new tax arrangements. The research, which is based on empirical data and theoretical frameworks, provides insights into the strategies that small-scale sector utilize in order to overcome the challenges posed by the introduction of the Goods and Services Tax (GST) and to take advantage of its potential benefits. In addition to this, it demonstrates the significant connection that exists between the educational status, the amount of knowledge about the GST, and the sources of information on the GST. In general, the study makes a significant contribution to a deeper understanding of the transformative effects that the Goods and Services Tax (GST) has had on the small-scale sector and provides vital insights for the creation of future research and policy.

**Keywords:** GST, Small Scale Industries, Cash Flow Management, Profitability.

## 1. INTRODUCTION

Not only did the introduction of the Goods and Services Tax (GST) mark a key turning point in the fiscal landscape, but it also had a substantial impact on the retail industry in particular. For the purpose of simplifying and harmonizing the tax system, the implementation of the Goods and Services Tax (GST), which was a comprehensive overhaul of indirect taxes, was undertaken. This was accomplished by

eliminating the domino effect of various indirect taxes. Since it entered into force, the Goods and Services Tax (GST) has had an influence on a number of different sectors of the economy; nevertheless, the retail sector has seen the greatest amount of disruption. Stores will be impacted in a variety of ways as a result of the Goods and Services Tax (GST), including changes in pricing strategies, operational alterations, and consumer behaviors. In response to the adoption of the Goods and Services Tax (GST), retailers have reexamined their pricing strategy, supplier networks, and compliance duties.

In addition, significant investments have been made in both technology and training in order to assist the transition to the GST, as well as to assure efficiency and fulfill compliance requirements.

Goods and services tax, sometimes known as GST, may take several different forms. In the first place, there is the central goods and services tax, often known as the CGST. This tax is levied by the federal government on all goods and services that are delivered inside a state. All of the money that is collected from the CGST is sent to the federal government.

The state goods and services tax (SGST), which is a component of the goods and services tax (GST) that is imposed by state governments, applies to the provision of products and services that are provided inside the state. The monies that are collected from the SGST are distributed to the state governments. The Integrated Goods and Services Tax, often known as the IGST, is a federal tax that is collected from the states on goods and services that are being provided over state boundaries. This newly implemented tax will take the place of the Central Sales Tax (CST) that was previously in force when goods and services are transported from one state to another states. One of these taxes is known as the Union Territory Goods and Services Tax (UTGST), which is similar to the State Goods and Services Tax (SGST), but it is only applicable to the Indian Union Territories that do not have their own legislature. All of the monies that are obtained from the UTGST are distributed to the government of the Union Territory. With the aim of creating a unified national market via the convergence of multiple taxes charged by the Central government and separate states, the Goods and Services Tax (GST) in India marks a significant breakthrough in the country's efforts to overhaul its indirect tax system. This would not only make Indian goods more competitive on home as well as foreign markets, but it would also reduce the entire tax burden that is placed on products. When it comes to the classification of a company as a retailer, the legal laws state that at least eighty percent of the sales must be made to end customers. To put it another way, this indicates that shops sell their goods or services directly to end users. The following sectors are investigated in this study: fast-moving consumer goods (FMCG), textiles, hotels, medical shops, and jewelry. The research focuses on the perspectives, knowledge, and effects of traders on the implementation of the Goods and Services Tax (GST).

## 2. REVIEW OF LITERATURE

A June 2020 article by Chandana S. Poojary and Babitha, titled "RETAILERS PERCEPTION TOWS GST: A STUDY WITH REFERENCE TO SMALL SCALE INDUSTRIES," indicates that the implementation of GST has little impact on retailers' operations. Only industrial traders are impacted. Notwithstanding some conflicting opinions, the predominant consensus among traders is that GST will eventually provide a beneficial impact. In her 2020 work "IMPACT OF GST ON RETAIL SECTOR - A STUDY OF GUNDLUPET TOWN," Dr. Mahesha M.B. analyzed retailers' awareness of GST and its

implications for them. The study examined the recognition of GST and its impact on retail establishments in Gundlupet town; it is only in recent years that the whole country has acknowledged the significant economic effect of GST. Ms. Shabana Malled's (2020) research paper, "Impact of Goods and Services Tax (GST) on Retail Sale: A Study of Textile Market in Vijayapura District of Karnataka State," indicates that the textile industry in Vijayapura district has encountered several challenges following the implementation of the Goods and Services Tax (GST) in India. In his December 2019 paper, "Impact Of GST With Special Reference To Food Retail Market," Pradeesh G. concludes that the Goods and Services Tax (GST) will positively influence the food retail sector concerning taxation and operations, leading to increased business growth and overall economic advancement in India. It will optimize input tax credit, enhance supply chain efficiency, and reduce indirect taxes. Dr. Usha C. (2024) analyzes the progression of India's retail sector and its various organizational frameworks, along with the impact of Goods and Services Tax (GST) on customer buying behaviors concerning physical retail establishments. This study concludes that the Goods and Services Tax (GST), due to its regressive character and dependence on spending, disproportionately impacts customers with middle- and lower-incomes. All public sectors disdain this system, and uninformed customers adversely affect the economy.

### 3. OBJECTIVES

To determine the level of information that the small-scale industry has about the GST, with the purpose of analyzing the effects that the installation of GST has had on small-scale enterprises.

### 4. RESEARCH METHODOLOGY

**Data type:** The basic data collection is derived from survey answers of small-scale industrial traders. Secondary data is obtained from public sources, including scholarly publications, websites, and books. Karnataka, India: That is the subject of our investigation. We will choose 50 retailers from small-scale companies as our sample size. The Method of Convenience Sampling.

**Data Gathering Instruments:** Surveys and Questionnaires The statistical tools employed in the study included the weighted average technique, chi-square table, and charts.

**Disadvantages:** Respondents may exhibit biases when providing information; therefore, research and data collection may require additional time. Analysis and interpretation of data.

Table 1: Distribution based on demographics variables of samples

Sl.No	Age	Responses	Percentage%
1	<b>Below 25</b>	20	40
	<b>25-45</b>	15	30
	<b>45-55</b>	11	22
	<b>Above 55</b>	4	8
	<b>Total</b>	50	100
2	<b>Gender</b>	<b>Responses</b>	<b>Percentage%</b>
	<b>Male</b>	37	74
	<b>Female</b>	13	26
	<b>Other</b>	0	0
	<b>Total</b>	50	100
3	<b>Working Area</b>	<b>Responses</b>	<b>Percentage%</b>
3	<b>Departmental Stores</b>	12	24
	<b>Textile</b>	11	22
	<b>Medical Shop</b>	3	6
	<b>Food</b>	8	16
	<b>Other</b>	16	32
	<b>Total</b>	50	100
4	<b>Educational Status</b>	<b>Responses</b>	<b>Percentage%</b>
	<b>Below 10th</b>	1	2
	<b>10th Pass</b>	6	12
	<b>12th Pass</b>	13	26
	<b>UG</b>	25	50
	<b>PG</b>	5	10
	<b>Total</b>	50	100

## 5. INTERPRETATION

Age, gender, work location, and educational attainment all influence small-scale enterprises. Forty percent are under 25 years old, thirty percent are between 25 and 45 years old, twenty-two percent are between 45 and 55 years old, and eight percent are beyond 55 years old. Men constitute 74% and women 26%. The majority own department shops, apparel boutiques, pharmacies, grocery stores, and many other retail companies. Regarding educational achievement, 2% have not completed the tenth grade, 12% have completed it, 26% have finished the twelfth grade, 50% have obtained an undergraduate degree, and 10% have achieved a graduate degree.

Table 2: Distribution based on awareness level about GST

Awareness Level of GST	Highly Aware	Aware	Moderate	Unaware	Highly Unaware	Total
<b>Responses</b>	19	21	9	1	0	50

The results show that out of 21 traders, 19 have a good understanding of GST, 9 have a mediocre understanding, and 1 have no idea what it is.

Table 3: Chi-square test between educational status and awareness level of GST

Particulars	Highly Aware	Aware	Moderate	Unaware	Highly Unaware	Total
<b>Below 10th</b>	0	1	0	0	0	1
<b>10th Pass</b>	0	5	0	1	0	6
<b>12th Pass</b>	4	3	6	0	0	13
<b>UG</b>	11	12	2	0	0	25
<b>PG</b>	4	0	1	0	0	5
<b>Total</b>	19	21	9	1	0	50
<b>Calculated Value</b>		<b>Degree of Freedom</b>		<b>Null Hypothesis</b>		<b>Result</b>
27.78	26.30	16		Rejected		Significant

With a computed value of 27.78, which is higher than the table value of 26.30, the findings demonstrated a significant association. Therefore, we can reject the null hypothesis and conclude that education significantly impacts the degree of GST awareness.

Table 4: Distribution based on source of getting knowledge about GST

Sources	1	2	3	4	5	Score	Rank	Weighted average
<b>Trade Union</b>	14	20	48	24	20	126	5	2.52
<b>Professionals</b>	10	12	42	56	30	150	4	3
<b>Friend &amp; relatives</b>	5	12	51	56	40	164	2	3.28
<b>Mass media</b>	9	12	36	64	35	156	3	3.12
<b>Online Sources</b>	4	20	39	52	50	165	1	3.3
<b>Others</b>	19	10	57	20	10	116	6	2.32

## 6. FINDINGS

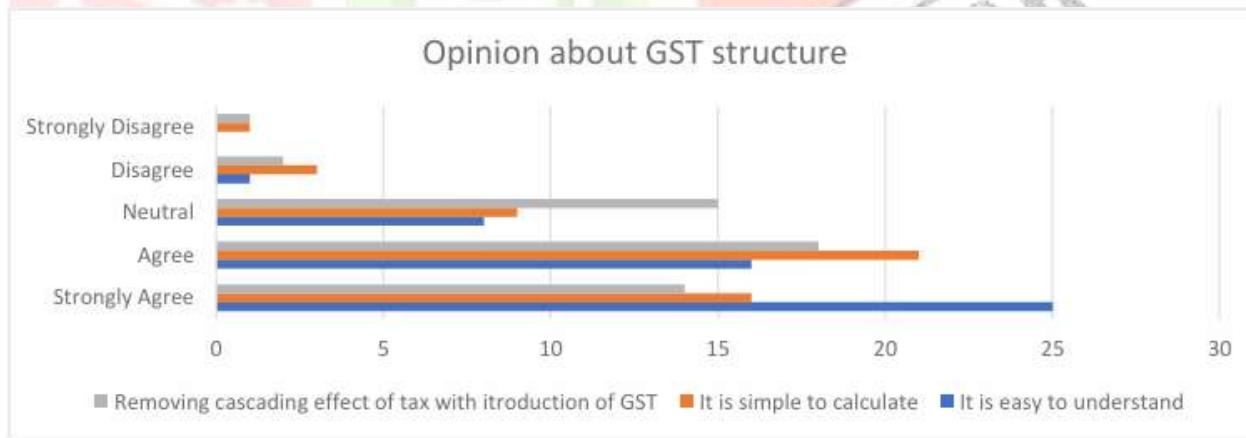


Figure 5: Opinion about GST structure

There is a substantial association between educational level and GST awareness, according to the results of the study, which reveals that the majority of small-scale industries are aware of the Goods and Services Tax (GST). On the other hand, stores awarded online sources the highest grade, and 54 percent of them enrolled with the GST composition program. This indicates that online sources are the most important. The vast majority of industries were of the opinion that the Goods and Services Tax (GST) offered greater benefits than the Value-Added Tax (VAT).

A total of seventy-six percent of industries expressed their support for the implementation of the Goods

and Services Tax (GST), and fifty-six percent of them agreed with the statement. The structure of the Goods and Services Tax (GST) was seen to be easy to understand, and the increase in profit level that happened after the GST was adopted was a significant factor.

## 7. CONCLUSIONS

In conclusion, the study's results highlight the need of understand all the factors that impact small-scale industry traders' GST understanding and implementation. A large proportion of small-scale businesses are familiar with the Goods and Services Tax (GST), and the poll found that people's understanding of the GST increased significantly as their education level did. Online sources were deemed the most informative by the majority of respondents, and 54% of industries were enrolled with the GST composition program. The vast majority of small-scale industries thought the GST had better benefits than the VAT. Sixty percent of participants reported no problems with the GST procedures, while forty percent reported some difficulties. A quarter of industries thought the Goods and Services Tax (GST) implementation was excellent, 48% thought it was okay, 22% thought it was moderate, 8% thought it was awful, and 1 industries thought it was very bad for their business. The majority of industries (76%) were in support of the Goods and Services Tax (GST) because its structure was easy to understand and looked favorably upon. The increase in profit level that happened after GST was put in place was also an important component.

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