

# A Study on Impact of GST on MSMEs in Ulhasnagar

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## ABSTRACT

*GST, the biggest indirect tax reform was introduced on 1<sup>st</sup> July, 2017 and impacted the economy differently. It has positive and negative impact on MSME. The research attempts to study impact of GST on MSMEs in Ulhasnagar with the help of survey method comprising of face to face interview and structured questionnaire. It identifies the gap and problems faced by the small enterprises in implementing GST on the basis of feedback given by businessman. The paper also discusses the opinion of the businessman for further improvement in implementation of GST. There is a scope to probe the means to enable the effective deployment of GST based on the findings of this study. The findings can also be used to develop guidelines for suitable implementation of the GST regime for the MSMEs operating in different sectors.*

*Keywords: GST (Goods & Service Tax), MSME (Micro, Small and Medium Enterprise), implementation.*

## INTRODUCTION

MSME (Micro, Small and Medium Enterprise) has played a crucial role in the economic development of India. Their contribution to the form of manufacturing output and generation of employment opportunities cannot be ignored. They play a pivotal role in promoting balanced economic growth, increasing foreign exchange earnings and exports. As on 2018, about 80 million employment opportunities are being generated by 36 million MSMEs, contributing to about 8% of the GDP (Gross Domestic Product) and 33% of the total manufacturing output. The increasing imports from China had affected MSMEs badly and are under pressure to reduce cost through improved technology and quality of the product. It is at this point were already MSME were already struggling for their existence when government rolled out new tax system in the form of GST.

GST had been implemented across the world in about 160 countries and small and medium enterprises had faced several challenges in the course of implementation. Scholars have attempted through their research to understand the problems faced by MSMEs during the phase of implementation of GST. GST has been viewed as a revolutionary reform in the taxation system in India. GST is the prominent factor in defining and altering the way business is conducted in India. The introduction of GST has influenced the internal business process of an organisation as well as its functioning in the Indian market. The compliance of GST has induced MSMEs to restructure its infrastructure and resources, in terms of the information technology systems, value chain, pricing etc.

## OBJECTIVES OF THE STUDY

The study aims to achieve the following objectives:

- To study the impact of GST on MSMEs in Ulhasnagar.
- To suggest measures for making it user friendly..

## RESEARCH METHODOLOGY

The research aims at studying the views of traders of MSMEs on GST. The research is based on primary data collected through structured questionnaire and personal interviews from 30 respondents. The secondary data is collected from newspaper, journals, reports and books.

### AREA OF STUDY

The study was conducted in the area of Ulhasnagar known for micro and small enterprises. It is a manufacturing centre with many units manufacturing Jeans and other apparels. It is also the centre of trade of women outfits. The respondents were Manufacturers, Traders and Accountants.

### SIGNIFICANCE OF THE STUDY

The study aims at highlighting the positive and negative effect of GST on MSMEs. The study would also highlight the problem faced by small enterprises in implementation of GST. This would help the policy makers to design measures to ease the work of MSMEs in implementation process.

### REVIEW OF LITERATURE

There is intensive study done on GST nationally and internationally. Some of the papers on GST are reviewed to get the understanding of the overall scenario in regime of GST implementation.

**ArpitaShailesh&Dr.Taruna (2016);** in their paper has studied implementation of GST in nations worldwide. The research also highlights the impact of GST on various sectors.

**Ms. Rani Jacob (2017);** has study positive and negative impact of GST on MSMEs. The paper also deals with implication of GST on small enterprises.

**SaurabhSuman (2017);** in his paper has taken a survey on implementation of GST by SMEs and the problems associated with GST were discussed. The paper concluded saying that problems will get resolved over a period of time and GST will prove profitable to all businessmen.

**Dr.V.R.Nedunchezian and others (2018);**highlights the problems faced by MSMEs in implementing issues. The survey was conducted to get the responses. It was pointed that the responses were neither too negative nor too positive and was in a balanced condition. The adoption of GST would become easy if teething issues are addressed by the policy makes immediately.

**Vidit Mohan &Salman Ali (2018);** in their study provides multi-dimensional understanding of the gaps between the effect of anticipated and existing GST regime for the MSMEs and the associated tax compliance. It identifies the issues that are involved in GST implementation.

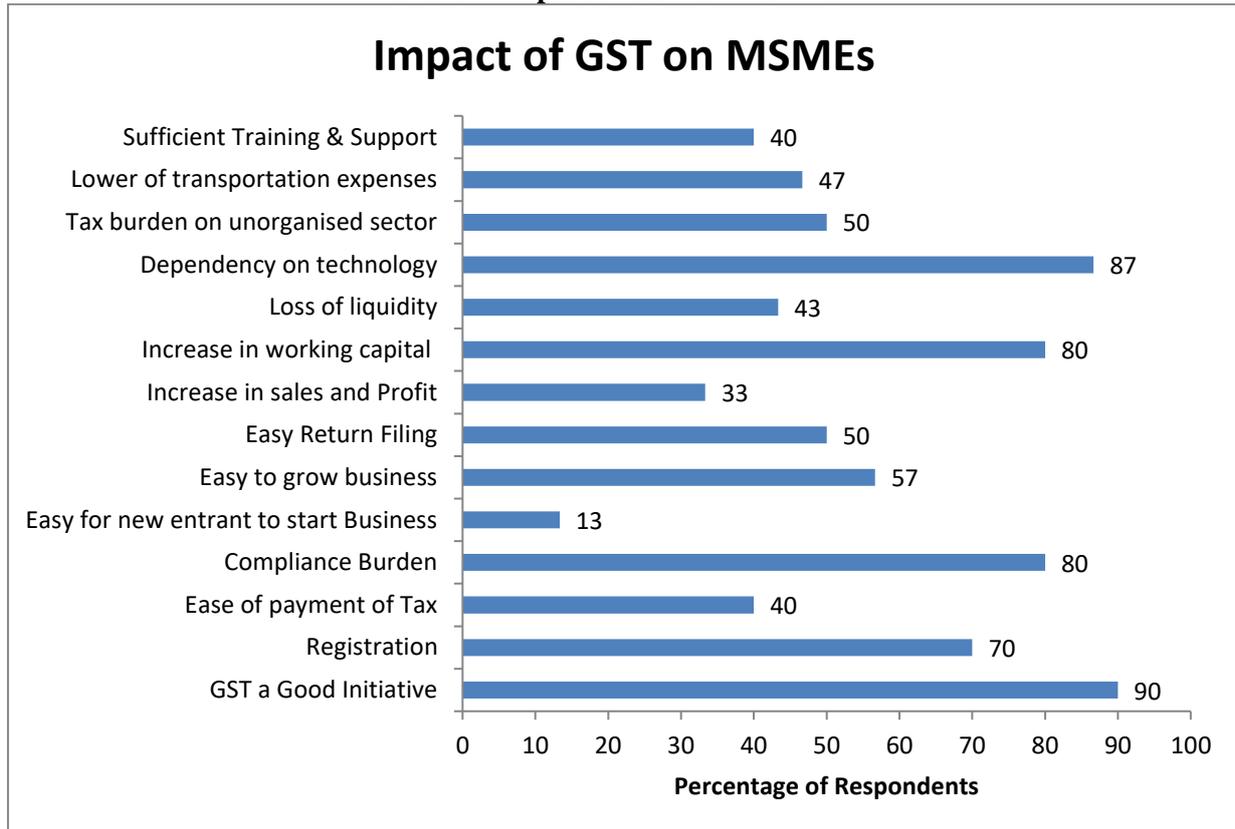
**Dr.Ankita and others (2018);** has studied the problems faced by MSME, their feedback on GST and still how the businessman are managing the business after a year of GST implementation.

### FINDINGS OF THE STUDY

The structured questionnaire was prepared with the responses as yes or no. 30 respondent filled the questionnaire. The responses were analysed using percentage. Here 90% of the enterprises agreed that GST implementation was a good step by the Government. This has reduced the compliance under various law and now the enterprises are required to follow one law. The online registration process was simple for 70% of the respondents. 40% mentioned that GST has made the tax payment easy for their business. They are required not to go personally for payment of tax. Online payment can be made. 80% believes that being everything online the compliance burden has increased and moreover the site does not support at the peak periods. Non-compliance leads to heavy fines and penalties. Only 13% stated that GST will help in the growth of new enterprises, 57% stated that after implementation of GST there was growth in business transaction, 50% says that because of online system of return filing there is ease in return filing. 33% agreed that after GST there was increase in sales and profit whereas majority believed that implementation of GST has hampered their business. Others stated that after GST they were unable to purchase from registered dealer if the purchaser is unregistered. 80% stated that after GST the working capital requirement increase in the GST regime as they have to pay GST without recovering from the customer. Levy is at the point of supply. This has raised the requirement of working capital. 43% stated that there is loss of liquidity because you are required to pay tax immediately

87% agreed that being everything online the dependency on technology has increased. The respondents who were not technosavy felt handicapped and were required to depend on professionals for every small thing. 50% felt that it has increased the tax burden with lower turnover. 47% said that it has lowered their transportation expenses. Only 40% agreed that sufficient training was provided to cope up with new reforms under GST.

Chart 1 Impact of GST on MSMEs



### SUGGESTIONS

1. The respondents suggested that professional institutes should be involved in training the owners so that their dependency on professionals is reduced. They also suggested that it should be the regular feature.
2. They were of the opinion that the time extensions for filing return was made at very last movements which should be announced in advance to reduce stress to the owners.
3. They suggested that a mechanism for immediate credit should be developed which will help MSMEs in regulating their cahflow and monitor their working capital.
4. The major suggestion was relating the site which creates problem during return filing dates. It should be develop in a manner that it reduces compliance timings.
5. Since GST is still under the improvisation mode, care should be taken that MSMEs representation should be considered while making amendments.

### CONCLUSION

GST is one of the biggest tax reforms since independence. It has combined various indirect tax under one act with a view of bringing uniformity in the form of "One Nation One Tax". However to make it acceptable to everyone it is important that everyone's representation is considered. It should consider the problems of MSMEs and make it convenient for them to accept it as the regular business feature rather than a compulsion on compliance. It is necessary that GST's effect on economy to be scrutinized in totality to reach a widely accepted conclusion.

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