

# A Study on Impact of GST on Small Scale Industries in Coimbatore City

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## Abstract

Since the implementation of GST in 2017, the indirect tax structure in India has undergone a dramatic shift, as multiple taxes have been replaced by a single tax structure. GST has proved to be both an opportunity and a challenge for small businesses, which are essential for the economic development of the country. Although GST has eliminated the problem of tax cascading and clarified certain procedures, it has also introduced new problems for small businesses.

**Keywords:** Goods and Service Tax, Small Scale Industries, Impact of GST, Challenges Faced, GST procedure.

## Introduction

Goods and Services Tax (GST) is one of the most significant tax reforms that were brought into India on 1st July 2017. It replaced many old taxes like Value Added Tax (VAT), excise duty, service tax, and many more, and brought all of them under one single taxation system. The primary objective of GST is to make the taxation system simple, transparent, and uniform all over the country. Small-scale industries are very essential for the economy of India. They provide employment opportunities, products, and help in the growth of exports. These industries are classified as micro, small, and medium-scale enterprises (MSMEs) that function with limited capital, labor, and resources. The GST system has caused benefits as well as problems for small industries. The benefits include the removal of different taxes, ease of doing business, and better input tax credit in GST. However, problems for small industries include more paperwork, technical issues, higher working capital requirements, and a lack of awareness about GST laws and procedures. The aim of this study is to examine the impact of GST on small-scale industries, the benefits and drawbacks of GST, and its impact on the growth of business, profits, and efficiency.

## Statement of the problem

Small industries play a crucial role in the Indian economy. It not only provides employment, rural development, and growth of industry, but also contributes to the growth of the economy. Goods and Services Tax (GST) was introduced in India, which aimed at incorporating simplicity in taxation,

removing tax on tax. GST was introduced in India, which aimed at incorporating simplicity into taxation. GST also created some challenges for small industries. The challenges faced by small industries were challenges in compliance work, in filing the GST online, and lack of understanding of GST. It may affect the small businesses. Small businesses play a significant role in the Indian economy. It might affect the growth of small businesses. The aim of this research is to identify the impact of GST on small industries, the challenges faced by small industries, and how to address the challenges faced by small industries.

## Scope of study

1. The major area of concern for this research study is to understand and identify the effect of Goods and Services Tax (GST) on small business units.
2. The study examines the impact of the GST system on the expenses, receipts, and cash flow of SMEs.
3. Issues faced by small businesses in preparing returns and following the GST system have also been identified in the project.
4. The objective of this paper will be to evaluate the overall attitude of small businesses regarding the GST system, apart from gauging their level of satisfaction regarding this system.
5. Recommendations for improvement of the GST system for small business are discussed in this research.

## Objectives

1. To study how small businesses are impacted by GST.

2. To study the challenges faced by small businesses.
3. To study small businesses' knowledge of GST.
4. To study the impact of GST on the cash flow of small businesses.
5. To study the GST system from the perspective of small businesses.

## RESEARCH METHODOLOGY:

### 1. Source of Data

This report uses both primary data as well as secondary data.

Primary data: Data gathered from participants in response to direct questioning related to the study.

Secondary data: Data obtained from existing sources like books, periodicals, websites, research papers, reports, and business records.

### 2. Data Collection Method

Primary Data

Secondary Data

### 3. Area of the Study

The area of study is restricted to Coimbatore city only. The respondents in the area of study are exclusively taken into consideration in this study.

### 4. Sampling Technique and Sample Size

Sampling Technique

The study adopted Non-Probability Sampling Technique, specifically:

Sample Size: 50 respondents

Respondents were selected from the chosen area of study.

### 5. Period of study

The period of study was conducted from November 2025 to March 2026.

### 6. Statistical Tools of the study

- Simple percentage
- Chi-Square

### Review of literature

**Impact of Goods and Services Tax on Small and Medium Enterprises, Aman Lohani, 2025,** explained that GST has helped small and medium businesses because it replaced all the old taxes with

one tax system. It simplified the rules and regulations for the businesses, and the businesses can sell their products without any difficulties in the various states. However, some businesses have also reported difficulties during the initial stages of GST." The businesses had to pay more money in the initial stages, and moreover, they needed more money to handle their daily activities.

**The Impact of GST on Small Enterprises in Chennai City, Dr. J. Rani and Anitha, 2023,** the researchers have focused on the study of the small business owners of Chennai city. According to the results found by the researchers, most of the business owners in the city are aware of the GST mechanism and the rate of tax applicable in the system. Further, most of the business owners have the opinion that the income of the business has been enhanced due to the GST. In addition, the business owners have saved time as the tax return filing is done online. Further, the paperwork has been reduced, and the rate of corruption also decreased. The business owners have appreciated the GST system, as it is fair.

**The Impact of GST on Women-Owned Small and Medium Enterprises, by Mamta Jaisiyan, 2023.** This topic can be regarded as specific in nature as it is discussing businesses that are owned by women. In this article, it was noted that the taxpayer system had been made simple by introducing GST, as all taxes were being paid at one place. However, there were more barriers for women to overcome regarding their businesses.

### Limitations

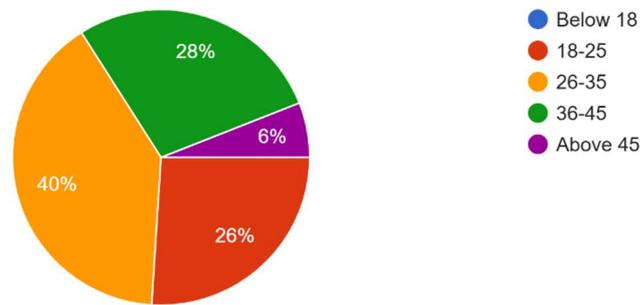
- The study is limited to 50 respondents, which may not represent the entire population.
- The research is confined to a specific geographical area.
- Due to time constraints, an in-depth analysis could not be carried out.
- The study is based mainly on questionnaire method, which may involve personal bias.
- The accuracy of the study depends on the honesty and cooperation of the respondents.

**Data analysis and interpretation**

**Table 1.1 AGE CATEGORY**

Age	No. of Responses	Percentage
Below 18	0	0
18-25	13	26
26-35	20	40
36-45	14	28
Above 45	3	6
Total	50	100

**Table 1.2**



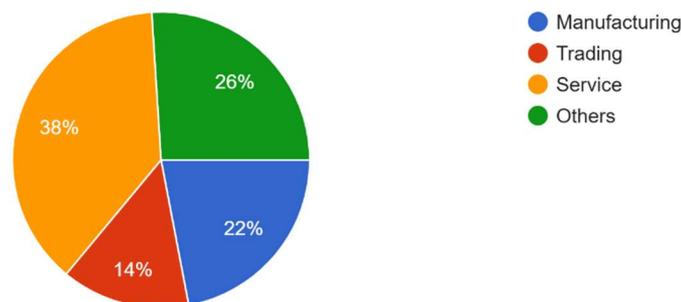
**Interpretation**

As per the above table, most of the respondents are aged 26-35 (40%), followed by respondents who are aged 36-45 (28%) and respondents aged 18-22 (26%). Only 6% of respondents are above 45 years.

**Table 2.1 TYPE OF INDUSTRY**

Type of industry	Responses	Percentage
Manufacturing	11	22
Trading	7	14
Service	19	38
Others	13	26
Total	50	100

**Table 2.2**



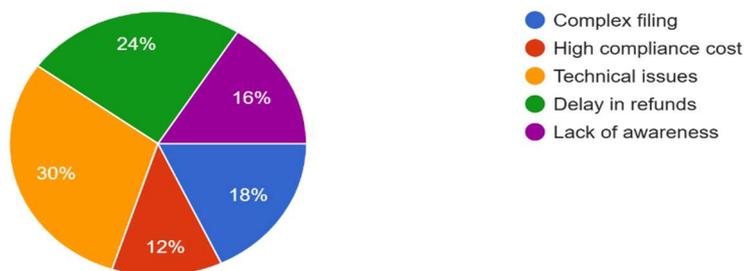
**Interpretation**

As per the above table, most respondents belong to the service sector (38%). This is followed by other type of industries (26%) and manufacturing industries (22%). Only 14% of respondents belong to the trading sector.

**Table 3.1 MAJOR CHALLENGES FACED DUE TO GST**

Challenges faced	Responses	Percentage
Complex filing	9	18
High compliance cost	6	12
Technical issues	15	30
Delay in refunds	12	24
Lack of awareness	8	16
Total	50	100

**Table 3.2**



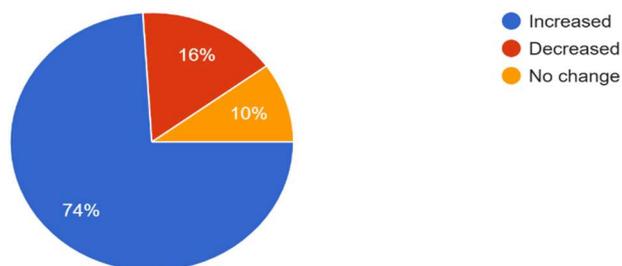
**Interpretation**

As per the above table, most of the respondents faced technical issues (30%). This is followed by delay in refunds (24%) and complex filing procedures (18%). Other challenges also include lack of awareness (16%) and high compliance cost (12%).

**Table 4.1 GST HAS AFFECTED THE COST OF RAW MATERIALS**

Cost of raw materials	Responses	Percentage
Increased	37	74
Decreased	8	16
No change	5	10
Total	50	100

**Table 4.2**



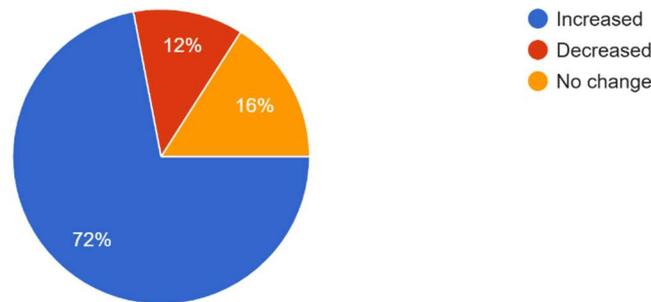
**Interpretation**

As per the above table, most of the respondents (74%) states that GST has increased the cost of raw materials. 16% of respondents state that the cost of raw material has decreased. And 10% of respondents state that there is no changes in the cost of raw materials.

**Table 5.1 GST HAS AFFECTED THE SELLING PRICE OF YOUR PRODUCTS/SERVICES**

Selling price	Responses	Percentage
Increased	36	72
Decreased	6	12
No change	8	16
Total	50	100

**Table 5.2**



**Interpretation**

As per the above table, majority of the respondents (72%) states that GST has increased the selling price of their products/services. 16% of respondents state that there is no changes in selling price of the products. And 12% of respondent states that the selling price of the products has decreased.

**Chi-Square test**

**Relationship between Challenges faced due to GST and selling price**

**Table 6.1 Chi-square**

Challenges faced	Increased	Decreased	No change	Total
Complex filing	6	1	2	9
High compliance cost	4	1	1	6
Technical issues	12	1	2	15
Delay in refunds	9	1	2	12
Lack of awareness	5	2	1	8
<b>Total</b>	36	6	8	50
<b>Calculated value</b>	<b>Table value</b>	<b>Degree of freedom</b>	<b>Null-Hypothesis</b>	<b>Result</b>
3.14	15.51	8	Accepted	Not significant

### Interpretation:

Chi-square value is utilized to check if the challenges of implementing GST and the selling price of the goods/services are significantly related. The calculated value of the chi-square test is 3.14, which is less than the table value of 15.51 when the level of significance is 0.05 and the degrees of freedom is 8. The null hypothesis is generally recognized. Thus, it suggests that there is no link between the changes in selling price and challenges for businesses from introducing GST.

### Findings

The result of this study showed that there are both good and bad effects of GST on small-scale industries in Coimbatore. Most of the business owners are between 26 and 35 years of age. Most of them are from the service sector. While introducing GST, many problems have been faced by small-scale industries. First of all, most of them face difficulty in solving the technical problems during filing returns. Also, some face a problem in terms of delayed refunds. However, some face a difficulty in understanding such a mechanism. They feel that with such a mechanism in GST, a rise has been faced in terms of the cost of raw material as well as selling price. However, from such a study, it has been marked out that the chi-square test cannot be used in terms of impact on selling price with the implementation of GST.

### Conclusion

The study concludes that GST has modified the tax structure in India. It has eliminated many types of

different tax systems, making a single tax system implemented in the whole country. Thus, it has made the Indian tax structure easier. Small industries are facing difficulties in dealing with the technical issues, too many GST returns, and lack of knowledge. The cost of raw materials has, in turn, increased, making the selling price higher, which is a big challenge to the small businesses, as they don't have more funds. Despite the difficulties, it has been observed that the major segment of the businesses is adapting to the GST in India. The study has clearly shown that the GST difficulties do not impact the cost of the products. If the government provides proper knowledge, awareness, it can benefit the growth of the small industries in the coming years.

### References

1. <https://www.scribd.com/document/843233886/GST-impact-on-small-business>
2. <https://www.ignited.in>
3. <https://www.ijrpr.com>
4. <https://www.tijer.org>

### Questionnaire

1. Name of the owner:
2. Name of the enterprise
3. Age
  - Below 18
  - 18-25
  - 26-35
  - 36-45
  - Above 45
4. Gender
  - Female
  - Male
5. Type of industry:
  - Manufacturing
  - Trading
  - Service
  - Others
6. Nature of business
  - Sole trader
  - Partnership

7. Number of employees

- 10-15 employees
- 15-25 employees
- 25-35 employees
- 35 or above

8. Annual turnover:

- Below ₹20 lakhs
- ₹20–40 lakhs
- ₹40 lakhs–₹1 crore
- Above ₹1 crore

9. Are you registered under GST?

- Yes
- No

10. What was your primary source of information about GST?

- Government websites or campaigns
- Tax consultants/ professionals
- Media
- Industry associations

11. Is GST a fair tax system?

- Yes
- No
- May Be

12. Major challenges faced due to GST

- Complex filing
- High compliance cost
- Technical issues
- Delay in refunds
- Lack of awareness

13. Do you think GST is beneficial for small industries in the long run?

- Yes
- No
- May be

14. GST has affected the cost of raw materials:

- Increased
- Decreased
- No change

15. GST has affected your working capital position

- Positively
- Negatively
- No impact

16. GST has affected the selling price of your products/services:

- Increased
- Decreased
- No change

17. GST compliance procedures are:

- Very Simple
- Simple
- Moderate
- Complicated

- Very Complicated
18. Frequency of GST return filing has increased workload:
- Strongly Agree
  - Agree
  - Neutral
  - Disagree
  - Strongly disagree
19. GST has affected your cash flow:
- Positively
  - Negatively
  - No impact
20. After GST implementation, your business profitability has:
- Increased
  - Decreased
  - Remained the same
21. Filing GST returns online is convenient:
- Strongly Agree
  - Agree
  - Neutral
  - Disagree
  - Strongly Disagree
22. GST has created a level playing field between small and large businesses:
- Strongly Agree
  - Agree
  - Neutral
  - Disagree
  - Strongly Disagree
23. GST has reduced tax evasion in your industry:
- Strongly Agree
  - Agree
  - Neutral
  - Disagree
  - Strongly disagree
24. Business between states has become easier after GST:
- Yes
  - No
  - No change
25. E-Way bill is beneficial for business
- Highly Agreed
  - Agreed
  - Neutral
  - Disagree
  - Strongly disagree