

## GST and Its Versatility: The Case of Indian Micro, Small and Medium Enterprises

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**Abstract:** *The Constitution of India gives powers to both Central Government and State Governments to levy and collect taxes. Amidst several other forms of taxes the Goods and Services Tax (GST) is of major importance as it represents a major portion of government revenue. This study aims to understand whether sufficient facilitation measures have been extended to the MSMEs in regard to GST. The study also examines if connectivity issues have impacted compliance measures and if overhead cost of tax compliance has increased after implementation of GST. The study analyzes these factors through a sample group of 90 MSMEs comprising of manufacturers, service providers, wholesalers, retailers etc., located in Bengaluru and is based on tabulation of responses to questionnaire circulated to these 90 MSMEs. Data was analyzed through Garret Ranking and percentage analysis. The major findings of the study are that GST implementation has benefited the MSME, sufficient facilitation measures are provided for GST compliances, overhead cost of tax compliance has increased after implementation of GST, profits have not shown an increase and network or server connectivity issues have impacted GST compliances.*

**Keywords:** Goods and Services Tax, Micro, Small and Medium Enterprises

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### I. Introduction

Tax is the primary source of income for the Central Government and State governments. The Centre was empowered to tax goods at the production or manufacturing stage, whereas the States had the power to tax goods at distribution stage. The Centre was also empowered to levy tax on services. This structure of taxation suffered from various shortcomings with multiple taxes like Central Excise duty, Service Tax, VAT etc., multiple tax rates, laws and procedures. This caused heavy compliance burden on the taxpayers, imposition of tax-on-tax or cascading of taxes, breaking of Input tax credit chain, check posts at every inter-State border, creating bottlenecks etc. The complexities of the Pre GST regime formed the cornerstone for implementing GST and was a positive step in shifting the Indian economy from the informal to the formal economy. Goods and Services Tax, commonly known as ‘GST’ came into effect in India on the 1st of July 2017. At the stroke of midnight hour, the Hon’ble President and the Hon’ble Prime Minister pressed the symbolic button to signify the launch of GST. India had entered the era of “One Nation, One Tax, One Market”. The introduction of the Goods and Services Tax (GST) was a significant step towards making India economically competitive by ushering in higher transparency, lower transaction costs and improved compliance.

The Micro, Small and Medium Enterprises (MSME) sector contributes in a big way to the social and economic development of the country. The contribution of the MSME sector is significant to the national economy, the sector generates lot of employment opportunities, fosters entrepreneurship, skill development etc. MSMEs complement the large industries by acting as ancillary units and contribute to the inclusive industrial development of the country. The MSMEs produce variety of products and services to meet demands of domestic and global markets. There are in excess of 30 million MSME and employ around 100 million people. Consequent to the changes in Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, a Micro Enterprise is an enterprise whose annual turnover is up to ₹ 5 Crore; Small Enterprise is an enterprise whose annual turnover in in excess ₹ 5 Crore and up to ₹ 75 Crore; Medium Enterprise is an enterprise whose annual turnover exceeds ₹ 75 Crore but is not in excess of ₹ 250 Crore. This study focuses on the impact of one of the major and significant indirect taxation reforms on the sector that is one of the primary growth boosters of the Indian economy.

### II. Review of Literature

To understand certain key concepts, theories, research methods, existing research, debates etc., and present the knowledge in proper written format, books, periodicals, journals etc., were studied and reviewed. Studies published in various periodicals and journals were reviewed and these studies are grouped based on similarity and summarised below:

### **GST and Demonetisation**

Challa Madhavi and Siva Nageswara (2020) conducted research on the performance of MSMEs in the pre-GST and Post GST implementation and observed that MSMEs prior to GST implementation was a dynamic sector the contribution of which to the social and economic development in as much as it strengthened entrepreneurship and helped in generating large number of employment opportunities to the youth at lower capital cost. Next only to Agriculture, MSMEs contribute to the livelihood of millions of people. According to this study there are 63.38 million MSMEs in the country, with more than half based in the rural areas. These MSMEs had a large woman workforce too. Most of their operations were done in cash. Hence demonetization dealt a severe blow to this sector. The researchers in their pioneering study on the subject sought to examine the GST impact on the MSME sector that had seen a sudden interruption in their cash flow consequent to demonetization. GST also required maintenance of accounts in a certain way, filing of returns by small businesses, continuous flow of credit all of which required experts in GST accounting, which led to further cuts in profits of these small units.

Harendra and Garima (2018) conducted a study to examine whether the MSME sector has achieved its full potential. It was observed that consequent to demonetization, MSMEs employing contractual labour suffered loss of labour because of cash crunch and Post GST; most MSMEs were brought under the tax net which resulted in increase in their compliance and contractual costs. However according to this study most MSMEs have recovered as the Government introduced a host of measures such as reintroducing pre-GST exemptions, E-wallet scheme for exporters etc. This study concludes that the MSME were more adversely affected by GST implementation rather than demonetization due to delay in processing of refunds, leading to further cash crunch.

### **GST and COVID-19**

Arundhati and Bhusan (2020) in their work focussed on the impact of COVID and GST on the fast-emerging MSMEs. The MSMEs faced a severe cash crunch as well as labour erosion during COVID. GST implementation soon after demonetization and then the COVID almost wiped out all the profits that the MSMEs were making. Several businesses closed down. However, the Indian MSME has shown amazing resilience and has bounced back to pre-COVID times.

Shafique and Samiran (2021) in their work on “Effects of Demonetization, GST & Covid-19 Pandemic in the adoption of digitalization by Rural MSMEs in India” studied the effects of demonetization, GST and COVID on the digitization of MSMEs in Rural India. This study concludes that in last 5 years, MSMEs in India encountered 3 major upheavals namely Demonetization, GST and COVID. Demonetization led to severe cash crush that forced MSMEs to move out of their comfort zone of dealing in cash transactions to digital payments. COVID pushed most MSMEs and their customers on to Ecommerce platforms. GST therefore had less impact, because, while the positive aspect of GST led to boosting the growth in MSMEs, the negative aspect of digitization had little impact on MSME as they were already moving to digital platforms post demonetization which got strengthened due to COVID.

Gurave Singh and RK Singh (2022) analysed the sustainability of GST on the MSME sector in the city of Prayagraj. The study concludes that MSMEs are not performing well in Prayagraj and the double blow of Covid and demonetisation along with GST has impacted their growth further. GST is beneficial to MSMEs, but more facilitation required for GST compliances.

Mittal and Raman (2021) conclude that GST was beneficial in as much as there is a continuous flow of input tax credit and there is avoidance of double taxation. GST brings about transparency and creates a corruption free tax administration. However, the very same benefits are creating a hurdle in business operation. The tax compliance procedures have become herculean and have resulted in huge overhead costs. Coupled with delays in processing of refunds have doubled the woes of the MSME sector.

Siddiq and Satya Prasad (2017) observed that while Auto, Cement and organized retail sectors would benefit from GST, MSMEs would have a series of problems such as having to opt for digital compliance starting from Registration to filing of Returns; further it was held that GST fails to distinguish between luxury goods and normal goods thereby making it difficult for MSMEs to compete. The study also concluded that MSMEs have to change their sourcing mechanisms owing to the credit mechanism as envisaged under GST, because if the vendor from whom the MSME purchases his inputs is not registered or fails to show the sale in his returns, then the MSME cannot take input credit under GST. Further the taxation on stock transfer would also impact the MSMEs and they have to reconsider their supply chain.

Chaithra, Murthy, and Gowri Sankar (2022) analysed effect of GST on MSME with special reference to Bangalore, it was held that from an SME perspective, SMEs will benefit from GST as availing input credit would become easier and there would be a single point tax which would eliminate the state levies and the cascading tax amounts. The positive GST impact on MSMEs, according to this study, is launching a new business and its expansion is easy under GST, GST removes the cascading effect, Interstate checkpoints are removed, fee for VAT registration in each state is abolished.

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### Positive and Negative Effects of GST on MSME

Eugine and Chellammal (2018) observed that SMEs constitute about 90% of the industrial facilities. GST replaced several taxes with a single tax on value addition at each stage of supply of goods and / or services. The study was aimed at highlighting the positive and negative GST impact on MSMEs. The study concluded that GST implementation would have the following positive effect of operational costs for starting businesses across different states would reduce as there would be a single tax for the whole nation and the complexities of complying with tax rules of different states would not apply; Nullifying the effect of interstate taxes with a single tax across states, would help MSMEs expand across states and reduce their logistic overheads. The Negative effects according to this study are Cumbersome monthly returns, maintenance of separate books of accounts for each state supply etc., leading to increased cost of tax compliance and Mandatory registration for ecommerce supplies irrespective of their turnover also leads to extra overheads for an MSME.

Kritika Somani (2018) concluded that MSME is the backbone of India's economy as it accounts for 25% of employment, 45% of Industrial output and 40% of the exports. MSMEs have Manufacturing and Service sector and are further classified into Micro or Small or Medium enterprises. The study has listed both the positive and negative impact of GST. Positive Impacts of GST on MSME are GST enhances the competitiveness by offering them a level playing field, GST treats sales and services as one and the same, Complexities of separate state wise registrations is replaced with a with a centralized registration, GST offers flexibility in the flow of goods across the states, Increased threshold limits and easy regulatory mechanisms benefits start-ups and makes foreign investments easier, Electronic compliance under GST makes the system more transparent and accountable. Negative impact of GST listed in the study include, MSMEs are not sufficiently trained in electronic compliance, forcing them to rely on CAs increasing their compliance cost, GST requires all MSMEs to go digital, which increases their compliance burden, Monthly filing of returns also poses a problem, Registration is mandatory for all eCommerce operators irrespective of threshold limit.

Ms. R Lavanya Kumari (2017) defined GST as a great step towards Transformation and Transparency. Under the new regime, diverse degree of taxes is abolished making it easier to start units or for transfer of goods from between states. Single point taxation, undoing of cascading tax effect, lower logistics are positive effects of GST on the growth of MSMEs. Trading entities are finding a positive environment as GST provides for a unified market for them and increases the ease of doing business. The positive GST impact on MSME is that compliances like Registration, Refunds and Returns are done on online portals. This reduces contact with departmental officers and increases transparency. The chief challenge for MSMEs is the need to shift to digital platforms from manual taxation compliance. The study lists the positive GST effects on MSMEs as Tax burden is reducing on new businesses, improved logistics and improved ease of doing business.

Jojo K Joseph (2020) also studied the GST impact on the MSME sector. While GST remains the biggest tax reform it has positively affected the MSMEs and also posed them some challenges, which is the subject matter of this study. The difficulties faced by MSMEs in the new regime have been listed as digitization,

reduced working capital, multiple rate structures and increased compliance costs. The study lists out the positive effects of GST on MSMEs as Ease of doing business, Easy compliance, Removal of state wise registrations and therefore an expanded market, less expenses on logistics, Easy to start a new venture, No distinction between goods and services.

Dattatraya Puri conducted an empirical study on “GST impact on Small and Medium Businesses in Aurangabad”. The study marked the high compliance costs as a big hurdle to effective GST implementation in the MSME sector. The positive effect of GST on MSME sector include starting a new business under GST has now become easy, a single market in the entire country, cascading effect if state wise taxation now stands abolished, increased consumer access, transparency.

### Challenges Faced by MSMEs after GST Implementation

Mohan and Salman, (2018) conducted a study of “Assessment of the Implications of GST rollout on Indian MSMEs”. The study comprised of a series of qualitative face-to-face interviews and surveys with Indian MSME owners to provide for a multi-dimensional understanding for the gaps between what was expected and what the existing GST regime provides to the MSMEs and their tax compliance pre and post GST. The interviews showed that the major challenges mentioned by MSMEs owners in the adoption of GST include Record keeping requirements resulted in high compliance cost eroding their profitability margins, not an efficient computer/ software system. Too many glitches while filing returns, Connectivity issues in rural areas, no feedback mechanism in place, No technical support in place, Not sufficiently trained GST officers, Composition levy has no reverse benefits for large businesses, Not enough clarity on ITC. Major findings from the survey indicate that there is gap in formulation and implementation of GST; that enhanced Government commitment for arranging requisite training programs is needed. The findings pointed out many structural deficiencies and operational issues over GST implementation which needed attention at the institutional level. They reemphasized the need for training the MSMEs and increasing their awareness as regards GST which would result in turn in better tax compliance and better revenue generation.

Seema Shirish (2017) in her work on “GST- Opportunities and Challenges for Indian MSMEs” listed out the challenges faced by MSMEs consequent to implementation of GST and is summed up as follows; Lowered exemption threshold limit, Increased cost for B to C businesses, High tax compliance cost, Increased cost due to levy on stock transfers, Decrease in ease of doing business between a registered MSME and an unregistered Vendor, Hiccups on account of software and server issues.

Viswanatha and Gurudath (2021) published their work on “GST impact on MSME - A Study”. MSMEs contribute in a significant manner to India’s economy especially by encouraging entrepreneurship and creating large employment opportunities. Under GST, these MSMEs are facing many challenges because of the ever changing nuances of the new tax law. Despite the trading regulations to ensure that the benefits derived from GST are passed on to end users, no guidelines are there for the evaluation of profiteering. Litigations have increased and each state is giving a different interpretation to the GST law.

Sanjeev Sharma (2017) in his critical analysis of “GST impact on the MSME sector” opined that there was a need to redefine MSME sector. Policies to reduce cost overheads for the MSME Exporters are to be provided. Organized training sessions at the governmental level for MSMEs was crucial so as to ensure that the MSMEs did not have to cut their profits to employ GST literate accountants. It was also observed that the one nation One tax principle underlying GST would create a healthy tax environment in the country, which would have a positive effect on the MSME sector as well. The federal redistribution of taxes would lead to a balanced overall growth which would encourage start-ups, generate more employment and pave a way for the robust growth of MSMEs.

### III. Statement of the Problem

The structure of taxation prior to GST implementation suffered from various shortcomings with multiple taxes like Central Excise, Service Tax, VAT etc., multiple tax rates, laws and procedures. This caused heavy compliance burden on the taxpayers, imposition of tax-on-tax or cascading of taxes, breaking of credit chain, check posts at every inter-State border, creating bottlenecks etc. The introduction of the GST was a significant step towards making India economically competitive by ushering in higher transparency, lower transaction costs and improved compliance. More than 17 taxes were subsumed into a single GST. MSMEs

are regarded as the mainstream and primary growth booster of the Indian Economy. More than 50% of Industrial Output and almost 42% of net Export comes from the 3 million MSMEs in India. Agriculture + MSMEs contribute to more than 85% of the entire workforce of this country. The study aims to understand whether sufficient facilitation measures have been extended to the MSME as regards GST, if there is a gap in formulation and GST implementation as regards MSMEs, if connectivity issues have impacted compliance measures and if overhead cost of tax compliance has increased after GST implementation.

#### IV. Objectives of the Study

- To understand and evaluate the concept of GST.
- To examine if GST implementation has benefited the MSMEs.
- To understand if sufficient training and facilitation measures as regards GST have been extended to the MSMEs.
- To evaluate if there exists any gap in formulation and GST implementation as regards MSMEs.
- To analyze whether connectivity issues impact GST compliance measures.
- To evaluate whether overhead cost of tax compliance has increased after GST implementation.

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#### V. Methodology

The study aims to understand whether sufficient facilitation measures have been extended to the MSME as regards GST, if there is a gap in formulation and implementation, if connectivity issues have impacted compliance measures and if overhead cost of tax compliance has increased after implementation of GST. This study is based on data collected from primary as well as secondary resources. Data was collected primarily through personal interviews with certain MSMEs in order to prepare a proper and well documented questionnaire. The questionnaire was circulated to a sample group of 90 MSMEs comprising of manufacturers, service providers, wholesalers, retailers etc., and whose constitution of business include Proprietorship, partnership, HUF, private / public companies etc., located in Bengaluru. The data in the questionnaires were tabulated in Microsoft Excel, a pivot of the tabulated data was created and analyzed on factors like constitution of the business, nature of business activity, investment in plant and machinery, annual turnover etc. Statistical Package for Social Sciences (SPSS) software was also used for analysis and Garret Ranking and percentage analysis. Websites, compliance details from certain MSMEs, academic papers, websites, journal, e-magazines etc., available on the internet were sources for secondary data. The secondary data sourced in this study are principally taken after GST implementation in July 2017.

The following research hypotheses are formulated for further investigation in this study, and this is based on extensive analysis and review of literature.

H<sub>1</sub>: Implementation of GST has benefited MSMEs.

H<sub>2</sub>: Sufficient training and facilitation measures as regards GST have been extended to the MSME

H<sub>3</sub>: There exists no gap in formulation and implementation of GST as regards MSMEs

H<sub>4</sub>: Connectivity issues impact GST compliance measures.

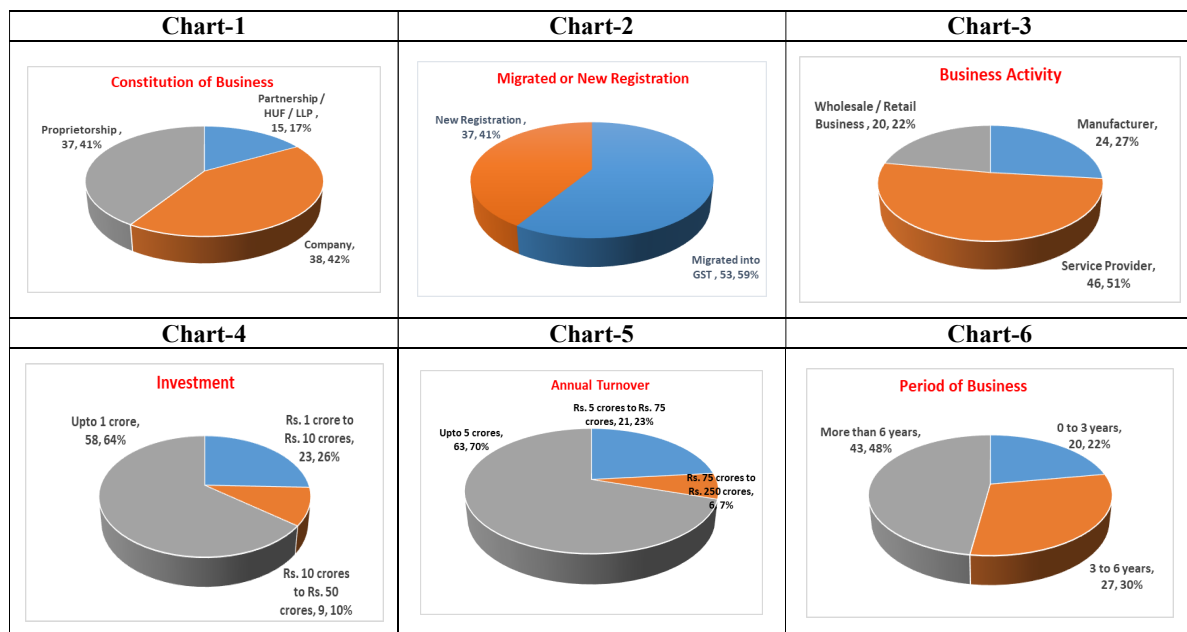
H<sub>5</sub>: Overhead cost of tax compliance has increased after implementation of GST.

#### VI. Results and Discussion

All the tables compiled and placed as Appendix to this report.

##### Demographic Analysis of Respondents

The charts below (Chart No.1-6) provide information regarding constitution of business, nature of business activity, investment in plant and machinery, annual turnover, number of years since business commenced and is based on tabulation of the responses received from 90 MSMEs. The charts are based on data presented in Table-1.

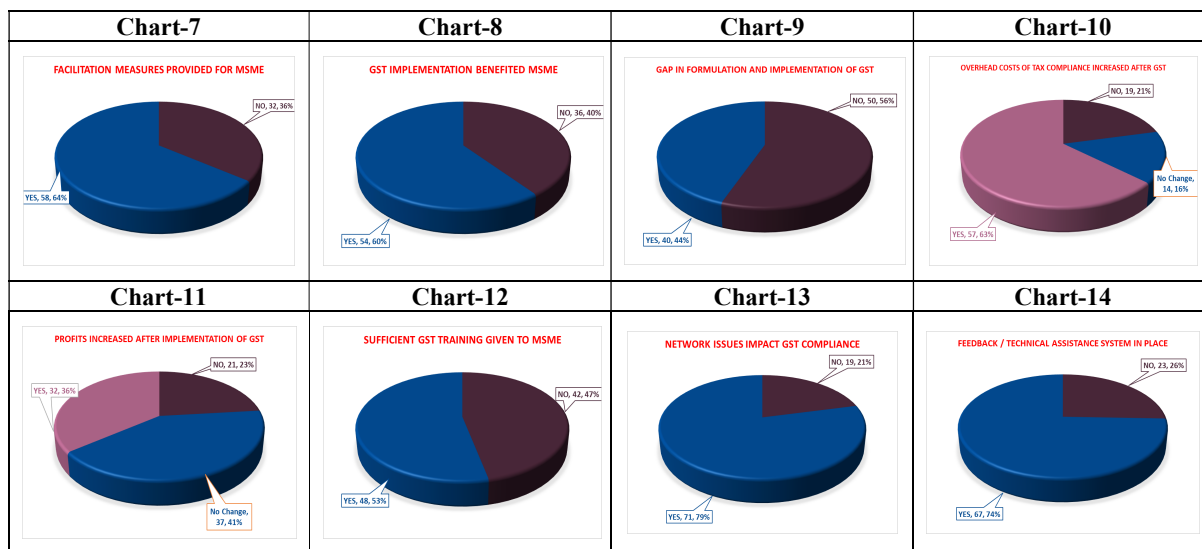


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The charts give us a clear understanding as to whether GST implementation and the various GST compliances have benefited the MSMEs, if there is a gap in the formulation and implementation of GST as regards MSMEs, if overhead costs of tax compliance / profits have increased, if network / server connectivity issues play a role, the best measures taken for the benefit of MSMEs, the major expectations of MSMEs as regards GST for the future etc.

### Responses regarding GST implementation and compliances by the Respondents

The Questionnaire required the respondents to give the appropriate response regarding GST implementation and compliances. The responses were tabulated and presented in Annexure (Table 2). The below presented charts depicts the responses as a whole.



The Charts 7 to 14 clearly shows the following:

- The MSMEs in India face a number of problems like technological obsolescence, fund shortages, supply chain issues, increasing domestic etc., with the added requirement of transitioning to online compliances in GST. To the question, “Have sufficient facilitation measures been provided for MSMEs as regards GST compliance?”, 64% of the MSMEs (Chart – 7) have replied that sufficient facilitation measures “have been provided” for MSMEs as regards GST compliance.

- Next, as regards the question, “Has implementation of GST benefited MSMEs?”, 60% of the MSMEs (Chart – 8) have opined that implementation of GST “has benefited” MSMEs.
- Further, 56% of the MSMEs (Chart – 9) feel that there is “no gap” in formulation and implementation of GST w.r.t MSMEs.
- One of the biggest concerns of MSMEs is funds and working capital requirements. Thus, increase in costs is an area of concern and to the question, “Have the overhead costs of tax compliance increased after implementation of GST?”, 63% of the MSMEs (Chart – 10) have responded that overhead costs of tax compliance “has increased” after implementation of GST with 21% stating that overhead costs “has not increased” and 16% opining that there is “no change” in the overhead costs.
- Most businesses primary concern is to ensure that costs do not increase, and the primary expectation is to ensure an increase in profits. To the question, “Have profits increased after implementation GST?”, 41% of the MSMEs (Chart – 11) have felt that there is “No Change” in profits after implementation GST, 36% stated that profits “have increased” and 23% responded that profits “have not increased”.
- A new taxation system requires training and support, especially for MSMEs. To the question, “Whether the training provided by the government for MSMEs w.r.t GST was sufficient?”, 53% of the respondents (Chart – 12) have stated that the training provided by the government for MSMEs w.r.t GST “was sufficient”.
- GST was structured to be technology driven and one big concern after GST was implemented was, “whether network /server connectivity issues impact GST compliance”. 79% of the MSMEs (Chart – 13) have stated “Yes, network /server connectivity issues have impacted GST compliance”.
- A robust grievance redressal and feedback system will ensure smooth resolving of issues and concerns. 74% of the respondents (Chart – 14) have responded “Yes, feedback Mechanism / Technical assistance system is in place”.

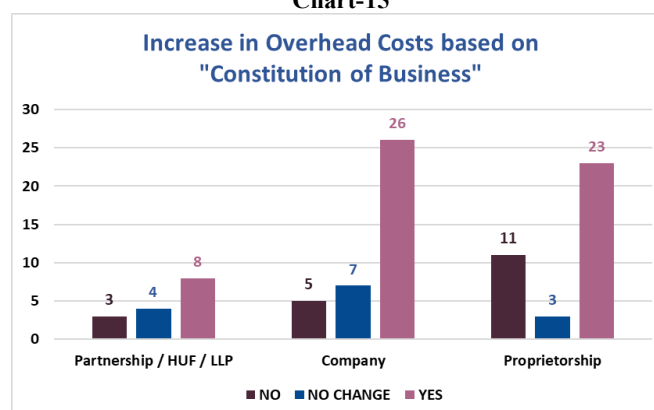
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From the analysis of the responses, it is concluded that sufficient facilitation measures “have been provided” for MSMEs as regards GST compliance; implementation of GST “has benefited” MSMEs; there is “no gap” in formulation and implementation of GST w.r.t MSMEs; overhead costs of tax compliance “has increased” after implementation of GST; there is “No Change” in profits after implementation GST; the training provided by the government for MSMEs w.r.t GST “was sufficient”; network /server connectivity issues “have impacted” GST compliance and there is a feedback Mechanism/ Technical assistance system “in place”. Notwithstanding the conclusion that the overhead costs have increased after implementation of GST and network /server connectivity issues have impacted GST compliance, a large percentage of the respondents have stated that GST has benefitted the MSMEs.

### Analysis of demographic factors on increase in overhead costs after GST implementation

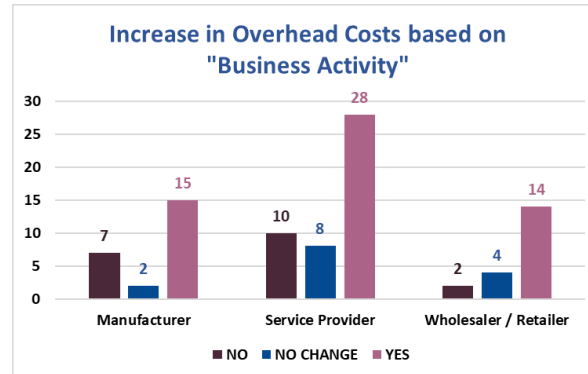
The Chart 10 clearly shows that 63% of the MSMEs (Chart – 10) have stated that overhead costs of tax compliance “has increased” after implementation of GST. The increase in cost is a major concern of all business and an analysis is done based on demographic factors viz., “Constitution of Business” and “Business Activity” on the increase in overhead costs after GST implementation. The responses were tabulated and presented in Annexure (Table 3) and below charts.

Chart-15



The chart clearly shows that irrespective of whether the business is a Proprietorship concern (23 out of 37), Partnership / HUF / LLP (8 out of 15) or a Company (26 out of 38), the conclusion is that overhead costs have increased after implementation of GST.

Chart-16



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Manufacturers, Service Providers and wholesale / retail businesses have all responded that overhead costs have increased after implementation of GST.

#### Choice of Measures taken for benefit of MSME –Garrett’s Ranking Method

To identify the best and least preferred measures taken for the benefit of MSME, the Garret’s Ranking method is used. The responses were analyzed systematically and presented in Table 4 - 9.

Table – 9: Garrets Rank

Factors	Choice of Measures taken for benefit of MSME	Average Score	Rank
In1	Exemption from CA audit up to Rs. 2 crores	57.17	3
In2	Filing NIL returns by SMS	57.30	2
In3	Increase in threshold limit for registration goods to Rs. 40 lakhs	60.18	1
In4	Increase in upper limit to Rs. 1.5 crore for Composition Levy	50.68	6
In5	Low rates for goods made / used by MSME	46.56	9
In6	Measures taken during Covid period	51.90	5
In7	Quarterly Returns Monthly Payment Scheme	50.56	7
In8	Reduction in Late fee for GSTR-3B	56.89	4
In9	Supply of Services allowed in Composition Levy	48.78	8
In10	Others	18.00	10

From the Garrett’s Ranking analysis, it is concluded that ‘Increase in threshold limit for registration goods to Rs. 40 lakhs’ is the first choice of measures taken for benefit of MSME amongst the 90 respondents and stood in the first place, and ‘Filing NIL returns by SMS’ is the second most preferable measures taken for benefit of MSME.

#### Choice of GST expectations of MSME for Future– Garrett’s Ranking Method

To identify the highly and least preferred of the measures taken for benefit of MSME, the Garret’s Ranking method is used. The responses were analyzed systematically and presented in Table 10 - 15.

Table –15: Garrets Rank

Factors	Choice of GST expectations of MSME for Future	Average Score	Rank
In1	Exemption from the filing of Annual returns	47.69	9
In2	Exemption from pre-deposit for appeals	50.42	7
In3	Increase in basic threshold limit for registration	54.44	4
In4	Increase in E-way Bills limit	52.38	5
In5	Increase threshold limit for Composition levy	50.13	8



In6	Payment of taxes on quarterly / half yearly basis	50.53	6
In7	Payment of taxes only on receipt of consideration	60.96	1
In8	Reduction in Interest rate for delay in payments	56.43	3
In9	Relaxation in conditions for availing ITC	57.01	2
In10	Others	18.00	10

From the Garrett's Ranking analysis, it can be concluded that 'Payment of taxes only on receipt of consideration' is the primary choice of GST expectations of MSME for Future amongst the 90 respondents and stood in the first place, and 'Relaxation in conditions for availing ITC' is the second most sought for expectation of MSME as regards GST.

From the rigorous analysis of data, it can be concluded that GST implementation has benefitted the MSMEs despite the view that overhead costs have increased after implementation of GST and network /server connectivity issues have impacted GST compliance. Further, the study found that increase in threshold limit for registration goods to Rs. 40 lakhs is the best measure taken till date for benefit of MSMEs. Though considerable measures were taken for the benefit of MSMEs the expectations are many and payment of taxes only on receipt of consideration is the most eagerly awaited expectation of the MSMEs. Finally, it is to suggest that the MSME being one of the most important sectors, it is in the interest of all to examine the expectations of the MSME and provide more facilitation measures.

## VII. Conclusion

The last 7 years has seen an exponential growth in startups in India. As per the data released by the Government, the number of startups has increased from 445 in 2016 to 86713 in 2022. The Government has in fact taken many measures to encourage and promote innovation and entrepreneurship. It is the need of the hour that the most important indirect tax reform in independent India, being GST implementation, should facilitate not only these startups but across the MSME sector. It can be concluded from the present study that in the five years since GST implementation, the Government has taken substantial facilitation measures to ease the burden of GST compliances as regards MSMEs. However, the Government should provide more facilitation measures in the interest of the MSMEs, who contribute to a large extent to the growth of India's economy and provide employment opportunities to many Indians.

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APPENDIX

Table 1: Demographic profile of the participants (n=90)

Variables	Frequency (%)
<b>Constitution of Business</b>	
Private / Public Company	38 (42.0)
Partnership Concern	15 (17.0)
Proprietorship	37 (41.0)
<b>Migrated or New Registration</b>	
Migrated into GST	53 (59.0)
New Registration	37 (41.0)
<b>Business Activity</b>	
Manufacturer	24 (27.0)
Service Provider	46 (51.0)
Wholesale / Retail Business	20 (22.0)
<b>Investment in Plant and Machinery</b>	
Upto 1 crore	58 (64.0)
Rs. 1 crore to Rs. 10 crores	23 (26.0)
Rs. 10 crores to Rs. 50 crores	9 (10.0)
<b>Annual Turnover in 2021-22</b>	
Upto 5 crores	63 (70.0)
Rs. 5 crores to Rs. 75 crores	21 (23.0)
Rs. 75 crores to Rs. 250 crores	6 (7.0)
<b>Period of Business</b>	
0 to 3 years	20 (22.0)
3 to 6 years	27 (30.0)
More than 6 years	43 (48.0)

Note: Percentage is rounded off

Table 2:

Objective	NO	NO CHANGE	YES
Facilitation Measures provided for MSME	32	0	58
GST implementation has benefited MSME	36	0	54
Gap in formulation and implementation of GST	50	0	40
Overhead costs of tax compliance increased after GST	19	14	57
Profits increased after implementation of GST	31	37	32
Sufficient GST training given to MSME	42	0	48
Network issues impact GST compliance	19	0	71
Feedback / technical assistance system in place	23	0	67

Table 3:

Objective	NO	NO CHANGE	YES
Manufacturer	7	2	15
Service Provider	10	8	28
Wholesale / Retail Business	2	4	14
Partnership / LLP / HUF	3	4	8
Proprietorship	11	3	23
Private / Public Company	5	7	26

Table -4: Choice of Measures taken for benefit of MSME

Factor No.	Choice of Measures taken for benefit of MSME
In1	Exemption from CA audit upto Rs. 2 crores
In2	Filing NIL returns by SMS
In3	Increase in threshold limit for registration goods to Rs. 40 lakhs
In4	Increase in upper limit to Rs. 1.5 crore for Composition Levy
In5	Low rates for goods made / used by MSME
In6	Measures taken during Covid period
In7	Quarterly Returns Monthly Payment Scheme
In8	Reduction in Late fee for GSTR-3B
In9	Supply of Services allowed in Composition Levy
In10	Others

**Table -5: Respondents choice of Measures taken for benefit of MSME**

Factor No.	Choice of Measures	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
In1	Exemption from CA audit upto Rs. 2 crores	12	16	12	12	8	9	8	4	9	0	90
In2	Filing NIL returns by SMS	19	8	17	4	7	12	4	11	8	0	90
In3	Increase in threshold limit for registration goods to Rs. 40 lakhs	21	14	11	8	9	9	5	10	3	0	90
In4	Increase in upper limit to Rs. 1.5 crore for Composition Levy	3	8	8	16	14	5	18	11	7	0	90
In5	Low rates for goods made / used by MSME	5	12	5	9	4	7	8	9	31	0	90
In6	Measures taken during Covid period	4	9	11	11	14	13	13	7	8	0	90
In7	Quarterly Returns Monthly Payment Scheme	7	11	5	6	14	10	11	17	9	0	90
In8	Reduction in Late fee for GSTR-3B	19	8	10	10	5	9	14	11	4	0	90
In9	Supply of Services in Composition Levy	0	4	11	14	15	16	9	10	11	0	90
In10	Others	0	0	0	0	0	0	0	0	0	0	90
	Total	90	90	90	90	90	90	90	90	90	90	90

**Table -6: Percent position and Garret Value**

Rank	$100(R_{ij}-0.5)/N_j$	Percent Position	Garret Value
1	$100*(1-0.5)/10$	5	82
2	$100*(2-0.5)/10$	15	70
3	$100*(3-0.5)/10$	25	63
4	$100*(4-0.5)/10$	35	58
5	$100*(5-0.5)/10$	45	52
6	$100*(6-0.5)/10$	55	48
7	$100*(7-0.5)/10$	65	42
8	$100*(8-0.5)/10$	75	36
9	$100*(9-0.5)/10$	85	29
10	$100*(10-0.5)/10$	95	18

**Table -7: Sum of Garrets Value**

Factors	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
In1	984	1120	756	696	416	432	336	144	261	0	5145
In2	1558	560	1071	232	364	576	168	396	232	0	5157
In3	1722	980	693	464	468	432	210	360	87	0	5416
In4	246	560	504	928	728	240	756	396	203	0	4561
In5	410	840	315	522	208	336	336	324	899	0	4190
In6	328	630	693	638	728	624	546	252	232	0	4671
In7	574	770	315	348	728	480	462	612	261	0	4550
In8	1558	560	630	580	260	432	588	396	116	0	5120
In9	0	280	693	812	780	768	378	360	319	0	4390
In10	0	0	0	0	0	0	0	0	0	1620	1620

**Table - 8: Average score**

Factors	Choice of Measures taken for benefit of MSME	Total	Average Score (Total / No. of Respondents)
In1	Exemption from CA audit upto Rs. 2 crores	5145	57.17
In2	Filing NIL returns by SMS	5157	57.30
In3	Increase in threshold limit for registration goods to Rs. 40 lakhs	5416	60.18
In4	Increase in upper limit to Rs. 1.5 crore for Composition Levy	4561	50.68
In5	Low rates for goods made / used by MSME	4190	46.56
In6	Measures taken during Covid period	4671	51.90
In7	Quarterly Returns Monthly Payment Scheme	4550	50.56
In8	Reduction in Late fee for GSTR-3B	5120	56.89
In9	Supply of Services in Composition Levy	4390	48.78
In10	Others	1620	18.00

**Table - 10: Choice of major GST expectations of MSME for Future**

Factor No.	Choice of major GST expectations of MSME for Future
In1	Exemption from filing Annual returns
In2	Exemption from pre-deposit in the case of appeals
In3	Increase in basic threshold limit for registration
In4	Increase in E-way Bills limit
In5	Increase threshold limit for Composition levy
In6	Payment of taxes on quarterly / half yearly basis
In7	Payment of taxes only on receipt of consideration

In8	Reduction in Interest rate for delayed payments
In9	Relaxation in conditions for availing ITC
In10	Others

**Table - 11: Respondents choice of major GST expectations of MSME for Future**

Factor No.	Choice of Expectation	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
In1	Exemption from filing Annual returns	4	4	11	6	8	16	10	20	11	0	90
In2	Exemption from pre-deposit in the case of appeals	3	16	6	10	4	16	8	17	10	0	90
In3	Increase in basic threshold limit for registration	13	8	6	16	8	8	18	5	8	0	90
In4	Increase in E-way Bills limit	4	10	12	13	12	13	8	10	8	0	90
In5	Increase threshold limit for Composition levy	3	10	17	3	10	8	15	13	11	0	90
In6	Payment of taxes on quarterly / half yearly basis	12	4	10	5	14	9	8	8	20	0	90
In7	Payment of taxes only on receipt of consideration	25	9	9	15	9	6	6	6	5	0	90
In8	Reduction in Interest rate for delayed payments	10	15	9	13	21	4	2	8	8	0	90
In9	Relaxation in conditions for availing ITC	16	14	10	9	4	10	15	3	9	0	90
In10	Others	0	0	0	0	0	0	0	0	0	90	90
	Total	90	90	90	90	90	90	90	90	90	90	

**Table - 12: Percent position and Garret Value**

Rank	$100*(R_{ij}-0.5)/N_j$	Percent Position	Garret Value
1	$100*(1-0.5)/10$	5	82
2	$100*(2-0.5)/10$	15	70
3	$100*(3-0.5)/10$	25	63
4	$100*(4-0.5)/10$	35	58
5	$100*(5-0.5)/10$	45	52
6	$100*(6-0.5)/10$	55	48
7	$100*(7-0.5)/10$	65	42
8	$100*(8-0.5)/10$	75	36
9	$100*(9-0.5)/10$	85	29
10	$100*(10-0.5)/10$	95	18

**Table - 13: Sum of Garrets Value**

Factors	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
In1	328	280	693	348	416	768	420	720	319	0	4292
In2	246	1120	378	580	208	768	336	612	290	0	4538
In3	1066	560	378	928	416	384	756	180	232	0	4900
In4	328	700	756	754	624	624	336	360	232	0	4714
In5	246	700	1071	174	520	384	630	468	319	0	4512
In6	984	280	630	290	728	432	336	288	580	0	4548
In7	2050	630	567	870	468	288	252	216	145	0	5486
In8	820	1050	567	754	1092	192	84	288	232	0	5079
In9	1312	980	630	522	208	480	630	108	261	0	5131
In10	0	0	0	0	0	0	0	0	0	1620	1620

**Table - 14: Average score**

Factors	Choice of major GST expectations of MSME for future	Total	Average Score (Total / No. of Respondents)
In1	Exemption from filing Annual returns	4292	47.69
In2	Exemption from pre-deposit in the case of appeals	4538	50.42
In3	Increase in basic threshold limit for registration	4900	54.44
In4	Increase in E-way Bills limit	4714	52.38
In5	Increase threshold limit for Composition levy	4512	50.13
In6	Payment of taxes on quarterly / half yearly basis	4548	50.53
In7	Payment of taxes only on receipt of consideration	5486	60.96
In8	Reduction in Interest rate for delayed payments	5079	56.43
In9	Relaxation in conditions for availing ITC	5131	57.01
In10	Others	1620	18.00