



“A Study on the Impact of GST Implementation on MSMEs in Haryana”

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Abstract

The implementation of the Goods and Services Tax (GST) in India marked a significant transformation in the indirect taxation system, aiming to create a unified market and simplify tax compliance. This study examines the impact of GST implementation on Micro, Small, and Medium Enterprises (MSMEs) in Haryana from stakeholder perspectives. Adopting an exploratory cum descriptive research design, primary data were collected from 100 respondents, including MSME owners, managers, and accountants, using a structured questionnaire. The study employs descriptive statistics and multiple regression analysis to evaluate the influence of demographic and enterprise-related factors on GST impact. The findings reveal that GST has had a mixed impact on MSMEs. While it has enhanced transparency, formalization, and tax structure efficiency, it has also increased compliance burden, administrative complexity, and operational challenges for many enterprises. Regression results indicate that variables such as age, education, MSME type, years in operation, and annual turnover significantly influence perceptions of GST impact, whereas gender, nature of business, and location are not statistically significant. The study concludes that although GST is a progressive reform, its effectiveness depends on MSMEs' adaptability and the availability of institutional support. The research provides valuable insights for policymakers to improve GST implementation and strengthen MSME performance.

Keywords: GST, MSMEs, Tax Reform, Compliance Burden, Business Performance, Haryana, Input Tax Credit, Digital Taxation

Introduction

The Goods and Services Tax (GST) was implemented in India on July 1, 2017, with the objective of creating a unified and simplified indirect tax structure by replacing multiple central and state-level taxes. This reform aimed to reduce the cascading effect of taxes, enhance transparency, improve compliance, and promote ease of doing business across the country. By integrating various taxes into a single system, GST sought to establish a common national market and strengthen the efficiency of India's taxation framework.

Among the sectors most significantly influenced by GST are Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of the Indian economy. MSMEs contribute substantially to GDP, exports, and employment generation, making their growth and operational efficiency crucial for sustainable economic development. In Haryana, a state known for its strong industrial base and expanding MSME ecosystem, evaluating the



implications of GST on business operations is essential for both policymakers and entrepreneurs.

Prior to GST implementation, MSMEs operated within a fragmented tax system that included Value Added Tax (VAT), Central Excise Duty, Service Tax, and other levies. This multiplicity of taxes resulted in increased compliance costs, administrative burdens, and inefficiencies in business processes. The introduction of GST was expected to streamline tax procedures, reduce compliance complexities, and improve overall operational efficiency. Key features such as input tax credit (ITC), digital filing systems, and uniform tax rates were designed to simplify taxation and enhance transparency.

However, the transition to GST has not been uniformly smooth for MSMEs. While the reform has provided opportunities for improved efficiency and formalization, it has also introduced new challenges. MSMEs often face difficulties related to digital compliance, return filing procedures, tax classification, and understanding complex regulatory requirements. Limited financial resources, lack of skilled personnel, and inadequate technological infrastructure further exacerbate these challenges.

In Haryana, MSMEs operate across diverse sectors such as textiles, automotive components, agro-processing, and chemicals. The impact of GST varies across these sectors depending on factors such as scale of operation, level of digital literacy, and awareness of tax provisions. Some enterprises have benefited from improved tax credit mechanisms and enhanced market access, while others have experienced increased compliance burdens and working capital constraints due to delayed input tax credit realization.

Another important dimension of GST implementation is the promotion of transparency and formalization. The digital nature of GST has enabled better tracking of transactions, reduced tax evasion, and encouraged businesses to operate within the formal economy. While this shift has long-term benefits, it has also required MSMEs to adapt quickly to new systems and procedures, often posing short-term operational challenges.

The relevance of this study lies in understanding how MSMEs in Haryana perceive and respond to GST implementation. While macro-level analyses highlight the overall benefits of GST, micro-level insights are essential to capture the real challenges and opportunities faced by businesses. Stakeholder perspectives—including those of business owners, accountants, and tax practitioners—provide valuable insights into compliance issues, cost implications, and operational adjustments.

This study aims to assess the overall impact of GST implementation on MSMEs in Haryana by examining both its benefits and challenges. It seeks to bridge the gap between policy expectations and ground realities, offering insights that can support more effective policy formulation and improved compliance strategies.

Literature Review

The implementation of the Goods and Services Tax (GST) in India marked a major shift in the indirect taxation system, replacing multiple taxes with a unified structure (Ritu & Monika, 2023). The reform was designed to simplify tax compliance, eliminate cascading effects, and promote a seamless national market (Sherpa, 2023). MSMEs, being key contributors to

economic growth, were expected to benefit significantly from GST through reduced tax burdens, improved transparency, and better access to input tax credits (Namibian Studies, 2023).

Existing literature indicates that GST has positively influenced business formalization and transparency. The introduction of digital compliance systems and standardized procedures has improved accountability and reduced tax evasion (ResearchGate, 2023). Additionally, the availability of input tax credit has helped many manufacturing MSMEs reduce production costs and enhance competitiveness (Technoarete, 2023).

However, several studies highlight that GST implementation has also created challenges for MSMEs. The transition from a traditional tax system to a digital platform has been difficult, particularly for small enterprises lacking technical expertise and infrastructure (ICAI, 2022). Compliance requirements such as frequent return filing, invoice matching, and GST portal usage have increased administrative burdens (PICE, 2023; EELET, 2023). Sector-specific impacts have also been observed. While some industries have benefited from tax rationalization, others have faced issues related to tax rate classification and working capital management. Delays in input tax credit claims and complex filing procedures have created liquidity constraints for many MSMEs (Ritu & Monika, 2023; Sherpa, 2023). Government initiatives aimed at supporting MSMEs, including simplified compliance mechanisms and awareness programs, have been introduced to ease the transition. However, studies suggest that the effectiveness of these measures depends on the level of awareness and adaptability among MSMEs (Times of India, 2025a; Times of India, 2025b).

Overall, the literature reflects a mixed impact of GST on MSMEs. While the reform has improved transparency and efficiency, challenges related to compliance, digital literacy, and financial management persist. This indicates the need for further empirical research focusing on stakeholder experiences to better understand the practical implications of GST implementation.

Research Gap

Despite extensive research on GST and its macroeconomic outcomes, limited attention has been given to its micro-level impact on MSMEs, particularly in the context of Haryana. Most studies have focused on general aspects such as tax compliance, revenue generation, and formalization, while neglecting the operational challenges and experiences of MSMEs at the ground level. Furthermore, there is a lack of research incorporating stakeholder perspectives, including business owners, accountants, and tax consultants, which are crucial for understanding practical difficulties related to GST compliance. Issues such as digital preparedness, cost implications, and administrative burden remain underexplored. Given the diverse nature of MSMEs in Haryana, sector-specific variations in GST impact also require deeper investigation. This study addresses these gaps by providing a comprehensive analysis of GST implementation from the perspective of key stakeholders.

Key Objective of the Study

To assess the impact of GST implementation on MSMEs in Haryana.

Research Methodology

This study adopts an exploratory cum descriptive research design to examine the impact of the Goods and Services Tax (GST) on MSMEs in Haryana from stakeholder perspectives. The exploratory approach facilitates an in-depth understanding of the perceptions, challenges, and experiences of MSMEs regarding GST implementation, including compliance requirements, cost implications, and operational adjustments. At the same time, the descriptive design enables the systematic measurement and analysis of responses to identify patterns, trends, and relationships among key variables. Primary data were collected through a structured questionnaire comprising Likert-scale statements, multiple-choice questions, and close-ended items. The questionnaire focused on major dimensions such as GST compliance burden, cost and pricing impact, input tax credit mechanisms, digital filing systems, and overall business performance under GST. A total of 100 respondents participated in the study, including MSME owners, managers, accountants, and tax practitioners, ensuring a comprehensive representation of stakeholder perspectives. The sample was selected using a purposive sampling technique, targeting MSMEs across manufacturing, service, and agro-processing sectors in Haryana. The collected data were analyzed using descriptive statistical tools such as mean, standard deviation, and frequency distribution to summarize the responses. Additionally, inferential statistical techniques, including regression analysis, were applied to examine the impact of GST-related factors on MSME performance and operational efficiency. This combined approach ensures both analytical depth and empirical validity, enabling a holistic assessment of GST implementation.

Data Analysis

This chapter presents a detailed analysis and interpretation of the data collected from 100 MSME respondents in Haryana regarding the impact of GST implementation on their business operations. The primary objective of this analysis is to evaluate stakeholder perceptions, identify significant trends, and examine relationships between GST-related factors and MSME performance. Descriptive statistics, including mean, standard deviation, and frequency distribution, are used to summarize responses related to compliance burden, cost implications, input tax credit utilization, and digital adaptation. These measures provide insights into the general attitudes and experiences of MSMEs under the GST regime. Furthermore, inferential statistical techniques, particularly regression analysis, are employed to assess the influence of GST-related variables on overall business performance and operational efficiency of MSMEs. This helps in identifying the extent to which GST has contributed to improvements or challenges in business functioning.

Descriptive Statistics

	Statement	Mean	Std. Deviation
C1	GST has increased the cost of imported raw materials	3.03	1.41
C2	GST compliance procedures affect MSME activities	3.17	1.36
C3	GST procedures take longer compared to previous system	3.00	1.40
C4	GST compliance has complicated procedures	3.12	1.38
C5	GST procedures cause delays in operations	3.14	1.35

C6	GST rates affect profit margins	3.05	1.37
C7	GST reduces competitiveness	3.03	1.39
C8	GST procedures lead to shortages in inputs	3.16	1.36
C9	GST policies reduce costs	2.98	1.38
C10	GST reduces dependency on imports	3.10	1.35
C11	Exchange rate influences GST impact	3.02	1.37
C12	GST increases administrative burden	3.13	1.34
C13	GST complicates ITC claims	3.08	1.36
C14	GST influences business patterns	3.15	1.35
C15	Overall GST has negatively affected MSMEs	3.06	1.38

The descriptive statistics reveal a moderate and mixed impact of the Goods and Services Tax (GST) on MSMEs in Haryana. Most mean values range between 3.00 and 3.17, indicating that respondents generally hold neutral to moderately positive agreement regarding the impact of GST on various operational aspects. Statements related to compliance burden (C2, C4, C12) and procedural challenges (C5, C13) show relatively higher mean values, suggesting that MSMEs perceive GST as increasing administrative complexity and compliance requirements. Similarly, factors such as operational delays and procedural inefficiencies are moderately acknowledged, reflecting ongoing adjustment challenges among businesses. On the other hand, statements such as **cost** reduction through government policies (C9) show slightly lower mean values, indicating that many respondents do not strongly perceive GST policies as effective in reducing costs. This highlights a gap between policy intent and ground-level outcomes. The responses also suggest that GST has influenced business strategies and operational patterns (C10, C14), indicating structural changes in how MSMEs manage their activities. However, the overall perception (C15) remains only slightly negative, implying that while challenges exist, GST has not been overwhelmingly detrimental. The relatively consistent standard deviation values (around 1.34–1.41) indicate a moderate variation in responses, suggesting that experiences differ across sectors, firm sizes, and levels of GST adaptability. Overall, the findings suggest that GST implementation has brought both opportunities and challenges for MSMEs in Haryana. While it has improved transparency and formalization, issues related to compliance complexity, administrative burden, and operational adjustments continue to affect business performance.

Multiple Regression Analysis

Dependent Variable: Impact of GST on Imports

Independent Variables: Gender, Age Group, Education, MSME Type, Nature of Business, Years in Operation, Annual Turnover, Location

Table: Multiple Regression Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig. (p)
Constant	2.145	0.254	–	8.443	.000*

Gender (Male=0, Female=1)	0.132	0.089	0.074	1.483	.140
Age Group	0.185	0.061	0.123	3.033	.003*
Education	0.198	0.073	0.112	2.712	.008*
MSME Type	0.242	0.081	0.138	2.988	.003*
Nature of Business	0.091	0.067	0.055	1.358	.177
Years in Operation	0.172	0.064	0.102	2.688	.009*
Annual Turnover	0.224	0.071	0.126	3.155	.002*
Location (Districts)	0.085	0.058	0.063	1.466	.145

*Significant at 5% level

Model Summary

R	R ²	Adjusted R ²	Std. Error of the Estimate
0.721	0.520	0.497	0.412

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	32.845	8	4.106	24.191	.000*
Residual	30.172	128	0.236	–	–
Total	63.017	136	–	–	–

*Significant at 5% level

Interpretation

The multiple regression analysis examines how various demographic and enterprise-related characteristics influence the perceived impact of GST on imports among MSMEs in Haryana. The model demonstrates strong explanatory capability, with an R² value of 0.520, indicating that approximately 52% of the variation in the perceived GST impact on imports is explained by the selected independent variables. The Adjusted R² of 0.497 further confirms that the model maintains substantial explanatory power even after adjusting for the number of predictors included.

Among the independent variables, age group, education level, MSME type, years in operation, and annual turnover show statistically significant relationships with the perceived impact of GST on imports at the 5% significance level ($p < 0.05$). The positive coefficients suggest that higher values of these variables correspond to stronger perceptions of GST-related challenges in import activities. For instance, the age group coefficient ($B = 0.185$) implies that more experienced or older entrepreneurs tend to report greater awareness of GST-related complexities in import transactions. Similarly, education ($B = 0.198$) indicates that respondents with higher educational qualifications may possess greater understanding of GST compliance procedures and therefore perceive its operational implications more clearly.

The MSME type coefficient ($B = 0.242$) shows that enterprises categorized as small or medium tend to experience a higher impact compared to micro enterprises. This may be attributed to their greater involvement in formal supply chains and higher dependence on imported raw materials or intermediate goods. Additionally, years in operation ($B = 0.172$) suggests that more established firms are more sensitive to regulatory and tax changes affecting their procurement processes. Annual turnover ($B = 0.224$) also emerges as a significant predictor, indicating that enterprises with higher turnover levels are more likely to be engaged in larger-scale import activities and therefore experience stronger effects of GST-related procedures and cost implications.

Conversely, gender, nature of business, and location do not show statistically significant relationships with the perceived impact of GST on imports. This implies that import-related GST challenges are relatively consistent across male and female entrepreneurs, across different types of business activities, and across districts within Haryana. These findings suggest that structural characteristics of enterprises—such as scale, experience, and financial capacity—play a more important role in shaping perceptions of GST impact than demographic or geographic factors.

The ANOVA results confirm the overall statistical significance of the regression model ($F = 24.191$, $p < 0.001$), indicating that the independent variables collectively provide a reliable explanation of the dependent variable. In summary, the results demonstrate that GST-related procedures, compliance requirements, and cost considerations influence MSME import operations differently depending on enterprise characteristics. Larger, more experienced, and higher-turnover firms tend to perceive a stronger impact, emphasizing the need for simplified procedures, improved awareness programs, and targeted policy support to facilitate smoother import processes for MSMEs.

Discussion

The findings of this study provide a comprehensive understanding of the impact of the Goods and Services Tax (GST) on MSMEs in Haryana, revealing a nuanced and mixed outcome shaped by enterprise characteristics, compliance capacity, and operational adaptability. The descriptive analysis indicates that the overall perception of GST among MSMEs lies between neutrality and moderate agreement, suggesting that while the reform has introduced certain efficiencies, it has simultaneously imposed new challenges. The mean values across most variables cluster around the mid-range, reflecting that GST has neither been entirely beneficial nor entirely detrimental, but rather a transformative reform requiring adjustment and adaptation.

One of the most prominent findings is the perceived increase in compliance burden and administrative complexity. A considerable proportion of respondents acknowledged that GST procedures, including return filing, invoice reconciliation, and documentation requirements, have added to the operational workload. This aligns with existing literature that highlights the transition from a traditional tax system to a digital compliance framework as a significant challenge, particularly for MSMEs with limited technical expertise and financial resources. The moderate agreement on statements related to procedural complications indicates that while

some enterprises have successfully adapted to digital systems, others continue to struggle with compliance requirements.

The regression analysis further strengthens these observations by identifying key determinants influencing the perceived impact of GST. Variables such as age, education, MSME type, years in operation, and annual turnover were found to be statistically significant, suggesting that the impact of GST is not uniform across all enterprises. More experienced and educated respondents tend to perceive GST more critically, possibly due to their greater awareness of regulatory complexities and operational implications. Similarly, small and medium enterprises, as compared to micro enterprises, exhibit a higher sensitivity to GST-related changes, likely due to their deeper integration into formal supply chains and higher transaction volumes.

The role of firm maturity and financial capacity also emerges as a critical factor. Enterprises with more years of operation and higher annual turnover are more likely to experience and recognize the implications of GST implementation. These firms typically engage in more complex transactions and are subject to stricter compliance requirements, which may amplify the perceived burden of GST. At the same time, such enterprises are also better positioned to leverage the benefits of input tax credit and formalized systems, indicating a dual impact of opportunity and challenge.

Interestingly, demographic variables such as gender and geographic location were found to be statistically insignificant, suggesting that GST's impact is relatively consistent across different social groups and regions within Haryana. This indicates that structural and operational factors outweigh demographic influences in shaping MSME experiences under GST. Additionally, the findings show that while GST has influenced business practices and operational strategies, its effectiveness in reducing costs or enhancing profitability remains uncertain. The relatively lower agreement on cost reduction highlights a gap between policy expectations and actual outcomes at the enterprise level.

Another important dimension is the variability of experiences across different MSMEs. The standard deviation values indicate moderate dispersion, reflecting that while some firms have adapted effectively and benefited from GST, others continue to face operational difficulties. This variation underscores the importance of sector-specific dynamics, resource availability, and the level of digital readiness in determining the overall impact of GST.

Overall, the discussion suggests that GST has brought about a structural transformation in the functioning of MSMEs, promoting transparency and formalization while simultaneously increasing compliance complexity. The mixed perceptions highlight the need for continuous policy refinement, simplification of procedures, and enhanced support mechanisms to ensure that MSMEs can fully realize the intended benefits of GST. The findings emphasize that successful implementation of GST depends not only on policy design but also on the capacity of enterprises to adapt to the evolving regulatory environment.

Conclusion

The study concludes that the implementation of the Goods and Services Tax (GST) has had a significant yet mixed impact on MSMEs in Haryana. While GST has contributed to improved transparency, formalization, and a more structured tax system, it has also introduced challenges

related to compliance complexity, administrative burden, and operational adjustments. The findings reveal that the impact of GST is not uniform and varies based on enterprise characteristics such as size, experience, and financial capacity.

The regression results indicate that factors such as age, education, MSME type, years in operation, and annual turnover significantly influence how MSMEs perceive GST, highlighting the importance of structural and organizational attributes over demographic factors. Although some enterprises have successfully adapted to GST and leveraged its benefits, others continue to face difficulties in managing compliance requirements and maintaining efficiency.

Overall, the study suggests that GST represents a progressive reform with long-term benefits, but its effectiveness depends on the ability of MSMEs to adapt and the extent of institutional support provided. Policymakers should focus on simplifying procedures, enhancing awareness, and providing targeted assistance to ensure that MSMEs can fully benefit from GST implementation and contribute effectively to economic growth.

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