

# A Study on the Impact of GST on Small Businesses in Saharanpur District

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<https://doi.org/10.55041/ijstmt.v2i5.435>

**Cite this Article:** Tomar, N. (2026). A Study on the Impact of GST on Small Businesses in Saharanpur District. International Journal of Science, Strategic Management and Technology, 02(05). <https://doi.org/10.55041/ijstmt.v2i5.435>

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## Abstract

The introduction of the Goods and Services Tax (GST) in India has brought significant changes to the country's taxation system by replacing multiple indirect taxes with a unified tax structure. This study examines the impact of GST on small businesses and analyzes how the new tax regime has influenced their operations, profitability, compliance procedures, and overall business performance. The research focuses on understanding both the positive and negative effects of GST on small enterprises, including changes in tax compliance, digital record-keeping, pricing strategies, and market competitiveness.

The study is based on both primary and secondary data. Primary data has been collected through questionnaires and surveys conducted among small business owners, while secondary data has been gathered from research journals, government reports, articles, and online sources. The findings indicate that GST has improved transparency and reduced the cascading effect of taxes; however, many small businesses continue to face challenges related to technical compliance, increased documentation, and lack of awareness regarding GST procedures. The research further highlights that digitalization and simplified tax systems have encouraged better business practices and improved tax administration in the long run.

The study concludes that although GST has created initial difficulties for small businesses, it has also provided opportunities for growth, formalization, and expansion in the organized market. Proper training, awareness programs, and simplified compliance procedures can help small businesses adapt more effectively to the GST framework and achieve sustainable development.

**Keywords:** GST, Goods and Services Tax, Small Businesses, Taxation System, Business Performance, Tax Compliance, Digitalization, Indian Economy, Indirect Tax Reform, Financial Management, Business Growth, Market Competitiveness, MSMEs, Economic Development

## Introduction

The Goods and Services Tax (GST) is considered one of the most important indirect tax reforms introduced in India. Implemented on 1 July 2017, GST replaced multiple indirect taxes such as Value Added Tax (VAT), excise duty, service tax, and entry tax with a single unified taxation system. The main objective of GST was to simplify the taxation structure, increase transparency, reduce the cascading effect of taxes, and improve the efficiency of the Indian economy (Guna & Anuradha, 2021).

Small businesses and Micro, Small, and Medium Enterprises (MSMEs) play a major role in India's economic growth by generating employment opportunities, contributing to GDP, and supporting exports. The introduction of GST has significantly affected the functioning of these businesses. GST has helped in creating a common national market, improving tax transparency, and encouraging digital transactions. At the same time, small businesses have faced several challenges such as complex return filing procedures, increased compliance costs, lack of technical knowledge, and difficulties in adapting to digital tax systems (Harishekar et al., 2021).

Researchers have observed that GST has both positive and negative impacts on small businesses. On the positive side, GST has reduced tax evasion, improved tax administration, and promoted the formalization of businesses. It has also simplified interstate trade and reduced the burden of multiple taxes. However, many small business owners continue to face issues related to cash flow management, frequent changes in GST rules, and technical problems associated with the GST portal (Kashyap, 2025).

Recent studies further indicate that the effectiveness of GST largely depends on the awareness level and adaptability of small business owners. Businesses that adopted digital accounting systems and proper tax planning experienced better operational efficiency under GST. In contrast, smaller enterprises with limited financial and technological resources found it difficult to comply with GST regulations (Nagoor, 2025).

The Government of India has introduced several amendments and reforms in the GST system to make compliance easier and improve the ease of doing business. These reforms aim to reduce the burden on small businesses and encourage greater participation in the formal economy. GST continues to influence the growth, profitability, and operational practices of small enterprises in India (Hijas & Suganthiya, 2025).

Therefore, this study aims to examine the impact of GST on small businesses by analyzing its effects on business operations, tax compliance, profitability, and growth opportunities. The study also seeks to identify the major challenges faced by small businesses under the GST regime and suggest measures to improve the effectiveness of the taxation system for small enterprises.

## Literature Review

The introduction of the Goods and Services Tax (GST) in India has been one of the most significant tax reforms in the country's economic history. It replaced multiple indirect taxes such as VAT, service tax, excise duty, and others with a single unified tax system. Since its implementation in 2017, GST has attracted considerable attention from researchers, policymakers, and business communities. Many studies have tried to examine its impact, especially on small businesses, which form the backbone of the Indian economy.

Kumar (2017) stated that GST has helped in creating a more organized tax system by integrating various taxes into one. This has reduced the complexity of the tax structure and made it easier for businesses to understand and comply with tax regulations. However, the study also highlighted that the initial phase of GST implementation created confusion among small business owners due to lack of awareness and technical knowledge.

Several studies have focused on the impact of GST on small businesses. Sharma (2018) observed that while GST has long-term benefits such as transparency and efficiency, it has also increased compliance requirements for small businesses. The need for regular return filing, digital record-keeping, and adherence to new procedures has made it challenging for small enterprises, especially those with limited technological capabilities. Another important aspect discussed in the literature is the impact of GST on business costs. According to Purohit (2017), GST has led to an increase in compliance costs for small businesses due to the need for professional assistance, software, and training. Many small business owners have to hire Chartered Accountants (CAs) to manage GST-related work, which adds to their expenses. This is particularly challenging for micro and small enterprises that operate with limited financial resources.

At the same time, some researchers have highlighted the positive effects of GST. Mukherjee (2021) pointed out that GST has improved transparency in the tax system and reduced tax evasion. The digital nature of GST, including online registration and return filing, has made the process more efficient and easier to monitor. This has helped in creating a more formal business environment and increased government revenue.

### Objectives of the Study

The primary objective of this study is to analyze the impact of the Goods and Services Tax (GST) on small businesses. The study aims to understand how GST has influenced various aspects such as business operations, cost structure, pricing, and profitability. It also seeks to examine the level of awareness and understanding of GST provisions among small business owners. The research focuses on identifying the challenges and difficulties faced by these businesses after the implementation of GST.

The main objectives of this study are:

- 1 To analyze the impact of GST on small businesses in Saharanpur District.
- 2 To study the advantages and challenges faced by small enterprises in Saharanpur District.
- 3 To evaluate whether GST has improved business efficiency in Saharanpur District.

### Research Methodology

Research methodology refers to the systematic process of collecting, analyzing, and interpreting data to achieve the objectives of a study. It provides a structured framework that helps in ensuring accuracy, reliability, and validity of the research findings. According to Kothari (2004), research methodology is a way to systematically solve the research problem through logical reasoning and scientific methods.

### Research Design

Research design is the blueprint of the study that guides the collection and analysis of data. In this study, a **descriptive research design** has been used, as it helps in understanding the impact of GST on small businesses by describing their experiences

and perceptions. Descriptive research is suitable when the objective is to analyze facts without manipulating variables (Kothari, 2004).

### Type and Sources of Data

The study is based on both **primary and secondary data**.

- **Primary Data:** Collected directly from respondents (small business owners) using structured questionnaires.
- **Secondary Data:** Collected from journals, research papers, government reports, and websites related to GST.

Primary data provides first-hand information, while secondary data helps in building a theoretical foundation for the study (Malhotra, 2017).

## Sampling Design

Sampling refers to selecting a subset of the population for the study. In this research:



- **Sampling Technique:** Convenience sampling
- **Sample Size:** 215 Respondents
- **Sampling Unit:** Small business owners in Saharanpur

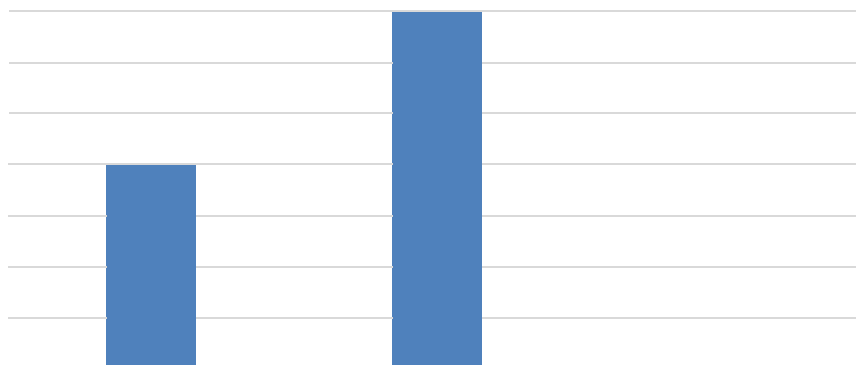
Convenience sampling is used due to time and accessibility constraints, allowing the researcher to collect data from easily available respondents (Malhotra, 2017).

## Data Analysis and Interpretation

The data for this study was collected through a structured Google Form questionnaire distributed among a diverse group of respondents, including working professionals, and adults.

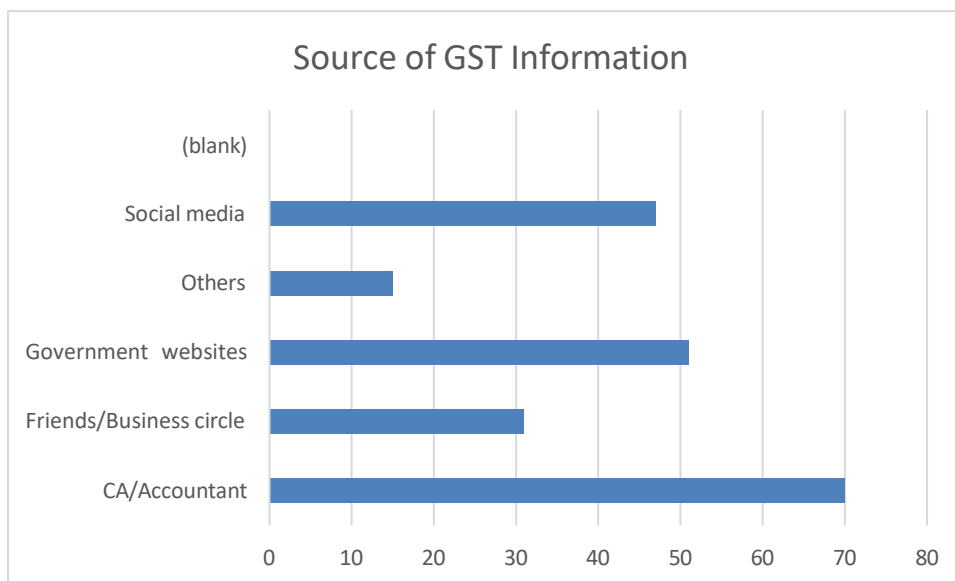
Below is the **Analysis and interpretation**

based on the questionnaire:



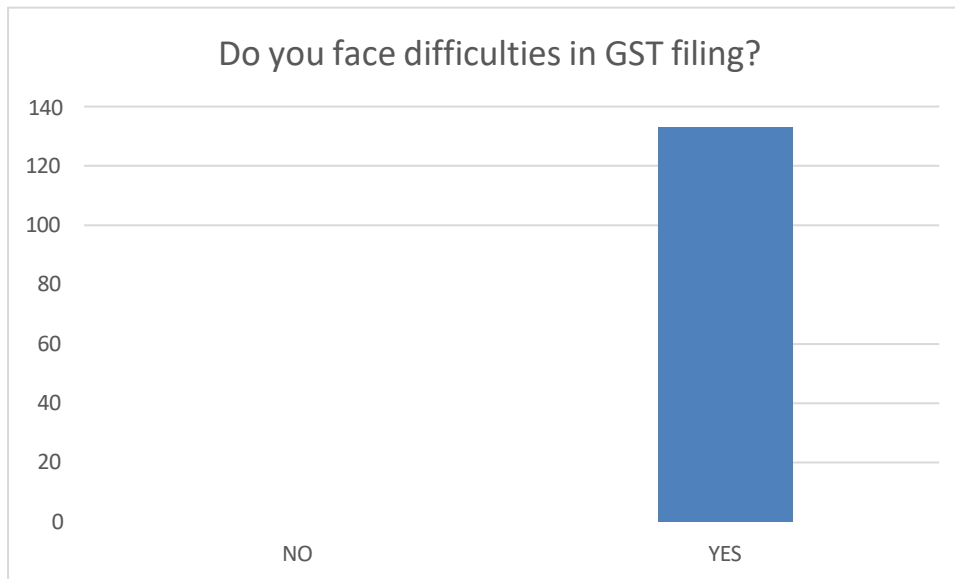
Have you registered your business under GST?	Have you registered your business under GST?
No	76
Yes	138
Yes	1

Most businesses are registered under GST, showing compliance with legal requirements. A smaller portion remains unregistered, possibly due to lack of awareness or business size limitations. This reflects a generally positive adoption of GST among businesses. Registration indicates acceptance of the new tax system.



Source of GST Information	Source of GST Information
CA/Accountant	70
Friends/Business circle	31
Government websites	51
Others	15
Social media	48

Most respondents rely on CAs/accountants for GST-related information, followed by government websites and social media. This indicates that professional guidance plays a major role in GST compliance. Informal sources like friends also contribute to awareness. It shows dependence on experts for understanding complex tax systems.



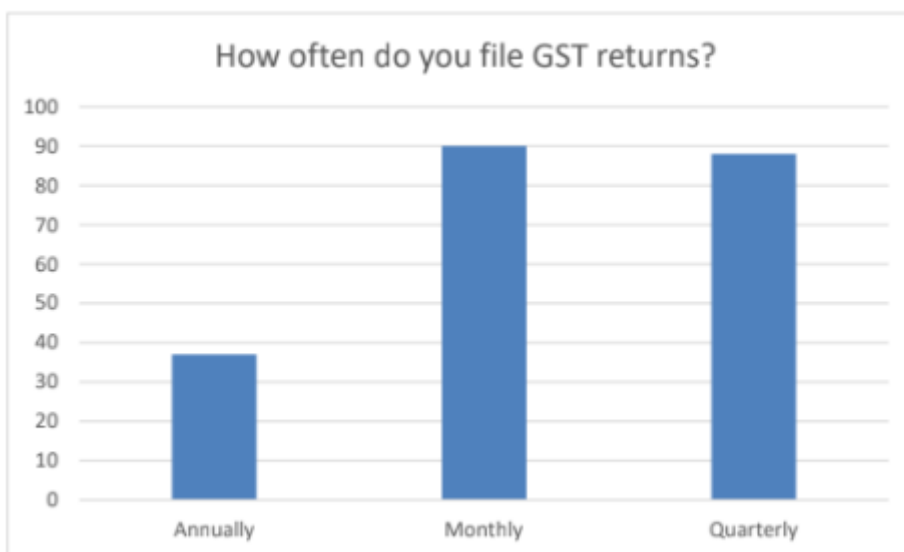
Do you face difficulties in GST filing?	Do you face difficulties in GST filing?
NO	82
YES	133

A large number of respondents face difficulties in GST filing, indicating complexity in the process. Although some find it manageable, challenges still exist. This highlights issues such as technical knowledge and procedural complexity. It suggests that GST compliance can be difficult for small businesses.



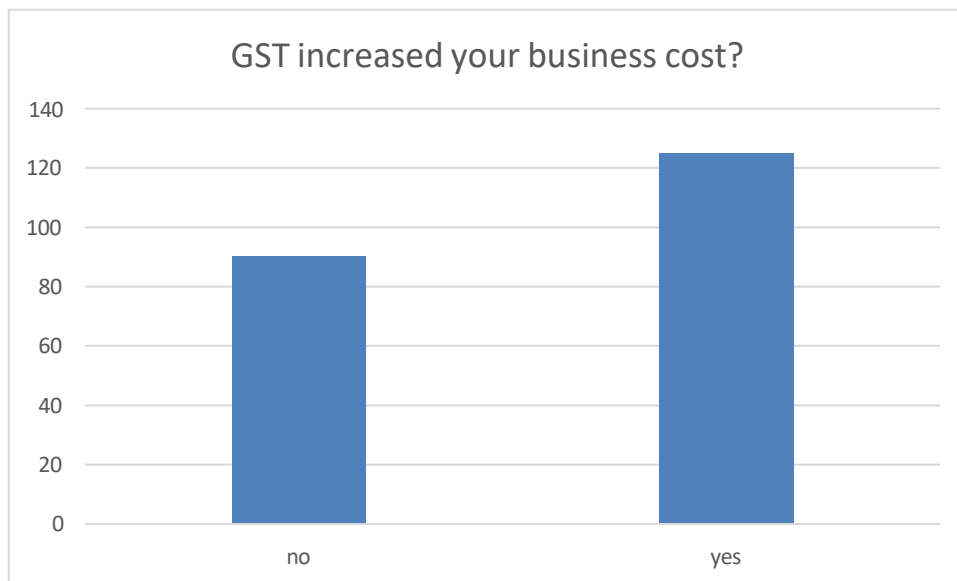
Do you hire a professional (CA) for GST compliance?	Do you hire a professional (CA) for GST compliance?
NO	98
YES	117

Many respondents hire professionals like CAs for GST compliance, while a considerable number do not. This shows that businesses often rely on expert assistance to manage GST processes. It also indicates additional costs involved in compliance. Hiring professionals helps reduce errors and complexity.



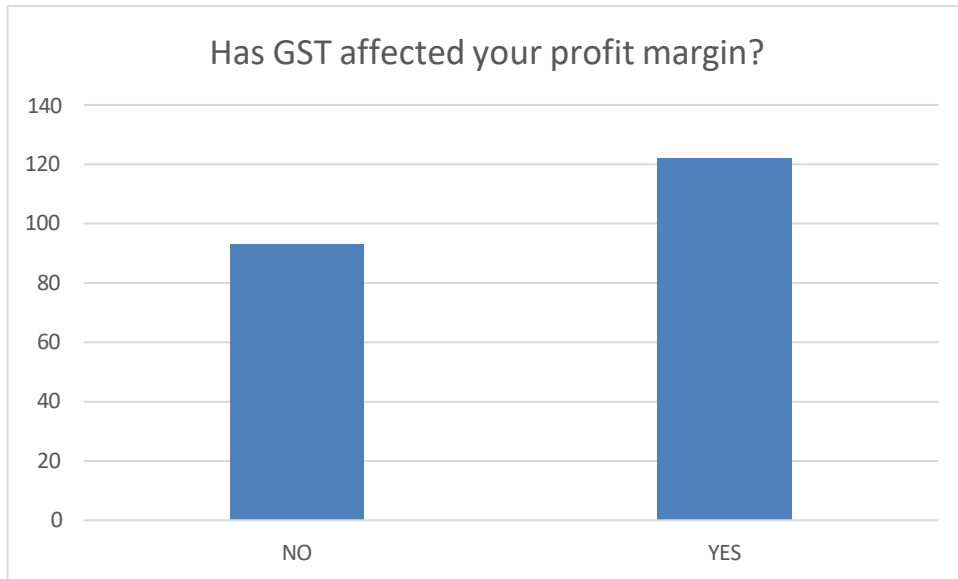
How often do you file GST returns?	How often do you file GST returns?
Annually	37
Monthly	90
Quarterly	88

Most businesses file GST returns either monthly or quarterly, showing regular compliance with tax requirements. Annual filing is less common. This reflects the structured nature of GST reporting. Frequent filing ensures continuous monitoring of business transactions.



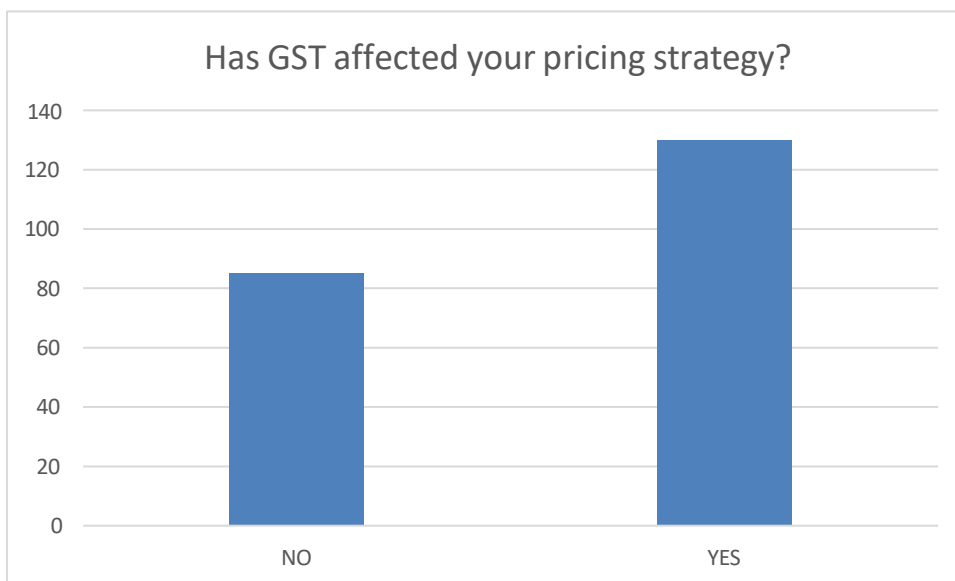
Has GST increased your business cost?	Has GST increased your business cost?
no	90
yes	125

A majority of respondents believe that GST has increased their business costs. This may be due to compliance costs, professional fees, and tax burden. However, some respondents do not see a cost increase. Overall, GST has financial implications for small businesses.



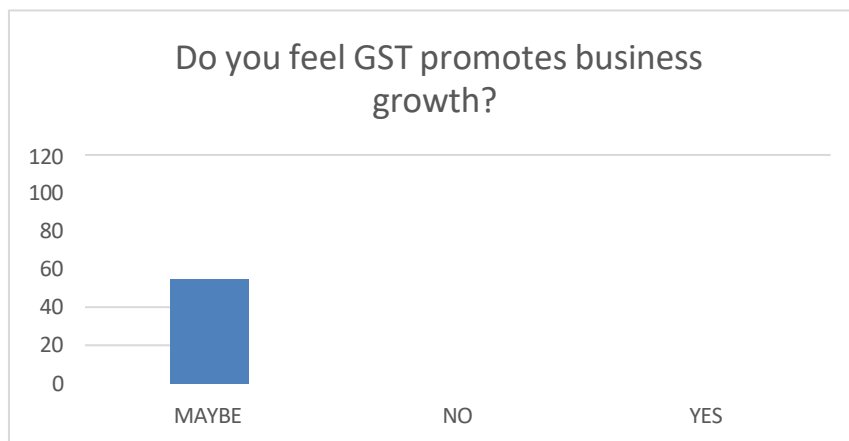
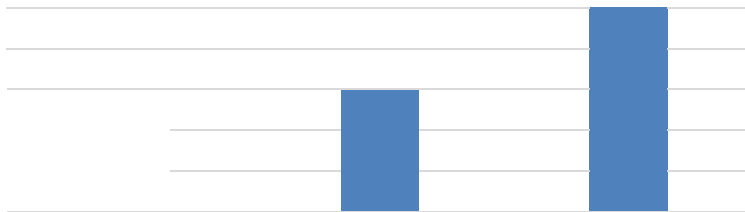
Has GST affected your profit margin?	Has GST affected your profit margin?
NO	93
YES	122

Most respondents reported that GST has affected their profit margins. This indicates that tax changes influence overall profitability. A smaller portion reported no impact. The results suggest that GST has both positive and negative effects on business earnings.



Has GST affected your pricing strategy?	Has GST affected your pricing strategy?
NO	85
YES	130

A large number of respondents stated that GST has influenced their pricing strategy. Businesses may adjust prices to accommodate tax rates. Some respondents reported no change, indicating adaptability. Overall, GST plays a role in determining product pricing.



Do you feel GST promotes business growth?	Do you feel GST promotes business growth?
MAYBE	55
NO	58
YES	102

Most respondents believe that GST promotes business growth, while some are uncertain or disagree. This shows mixed opinions regarding GST’s long-term benefits. While it simplifies taxation, challenges still exist. Overall, GST is seen as a positive reform with some limitations.

## Findings

### 1. Young Entrepreneurs Dominate Small Businesses

The study found that most respondents belong to the age group of 20–30 years. This indicates that young individuals are actively participating in business activities and adapting to modern taxation systems like GST. It also reflects the growing involvement of the younger generation in entrepreneurship and business management.

### 2. Retail and Wholesale Sector Has Higher GST Impact

The majority of respondents were engaged in retail and wholesale businesses, followed by manufacturing and service sectors. Since these businesses deal directly with goods and taxation processes, GST has a greater impact on their daily operations, pricing, and compliance activities.

### 3. Majority of Businesses are Micro and Small Enterprises

The study revealed that most businesses fall under the micro and small business category. These businesses generally have limited financial and technical resources, making them more vulnerable to policy and taxation changes. GST compliance becomes more difficult for them due to lack of expertise and infrastructure (Malhotra, 2017).

### 4. High Awareness About GST Among Respondents

Most respondents were aware of the GST system, which shows that government initiatives and awareness campaigns have been effective in spreading information regarding GST implementation among business owners.

### 5. Limited Technical Understanding of GST

Although awareness regarding GST is high, many respondents rated their understanding of GST procedures as average. This finding indicates that small business owners may know about GST but still struggle with technical aspects such as filing returns, tax calculations, and compliance requirements (Saunders et al., 2019).

### 6. Increase in GST Registration and Compliance

The study found that a large number of businesses are registered under GST. This reflects an improvement in tax compliance and formalization of businesses under the new taxation system.

### 7. Difficulties in GST Filing Procedures

Many respondents reported facing challenges while filing GST returns and maintaining online compliance. Technical errors, complicated procedures, and lack of digital skills were some common issues experienced by small business owners.

## Limitations

Every research study has certain limitations, and this study on the impact of GST on small businesses is no exception. While the research provides useful insights, there are some factors that may have affected the accuracy and generalization of the results.

**1. Limited Sample Size:** One of the main limitations of this study is the **limited sample size**. The research is based on responses collected from 215 participants, which may not fully represent the entire population of small businesses in

India. Since India has a very large and diverse business environment, the results may not be applicable to all regions or industries. Therefore, the findings should be interpreted with some level of caution (Kothari, 2004).

**2. Convenience Sampling:** Another important limitation is the use of **convenience sampling**. Respondents were selected based on their availability and willingness to participate, rather than using a random sampling method. This can lead to sampling bias, as the selected respondents may not accurately represent the broader population of small business owners. As a result, the findings may reflect only the opinions of a specific group rather than the entire business community (Malhotra, 2017).

**3. Geographically Limited:** The study is also **geographically limited**, as it focuses mainly on small businesses in a specific area (such as Saharanpur). Business environments can vary significantly across different regions in India due to differences in infrastructure, awareness, and economic conditions. Therefore, the results of this study may not be generalized to other cities or states (Saunders et al., 2019).

**4. Data Collection Method:** The study relies on a structured questionnaire, which may not capture deeper insights into the experiences of business owners. Respondents may have provided answers based on their personal perceptions, which can sometimes be biased or inaccurate. In addition, some respondents may not have fully understood certain questions, which could affect the reliability of the data.

**5. Limited Time:** Time constraint is also a factor that affected the study. Due to limited time, the research could not include a larger sample or more detailed analysis. A longer research period could have allowed for better data collection and more accurate findings.

**6. Short-Term Effects:** The study mainly focuses on **short-term effects of GST** rather than long-term impacts. Since GST is still evolving, its full impact on small businesses may not yet be completely visible. Future studies could provide a better understanding by analyzing long-term trends and outcomes.

**7. Lack of Comparison with Pre-GST data:** While the study examines the current impact of GST, it does not include detailed quantitative comparisons with the pre-GST period. This makes it slightly difficult to measure the exact level of change caused by GST.

## Conclusion

Based on the overall analysis and findings of the study, it can be concluded that GST has brought a significant transformation in the Indian taxation system and has had a noticeable impact on small businesses.

One of the most important conclusions is that GST has **simplified the tax structure** by replacing multiple indirect taxes with a single unified system. This has improved transparency and reduced confusion among businesses. The introduction of GST has also helped in eliminating the cascading effect of taxes, which was a major issue in the pre-GST era.

However, the study also shows that GST has **increased the compliance burden** for small businesses. Many business owners find it difficult to understand and follow GST procedures, especially filing returns and maintaining records. This has led to increased dependence on professionals like CAs, which adds to the cost of business operations (Malhotra, 2017).

Another important conclusion is that GST has **affected the cost and profitability of businesses**. Many respondents reported an increase in operational costs and a decrease in profit margins. This indicates that while GST has structural benefits, it also creates financial pressure on small businesses in the short term.

The study also concludes that GST has **influenced pricing decisions**, as businesses adjust their prices to accommodate tax rates. This shows that GST plays a key role in determining market dynamics and competitiveness.

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