

## IMPACT OF GST ON PRICING AND COMPLIANCE SMALL BUSINESS

Author name:- Anjali Vinod Sharma

Guide name :-DR..Kirti Varma

College name:- Changu Kana Thakur (CKT) arts, commerce & science College, New Panvel

### INTRODUCTION

The Indian economy is one of the fastest growing in the world, with small and medium-sized enterprises (SMEs) playing a vital role in driving growth, employment, and innovation. Among the many reforms introduced to strengthen the economy, the implementation of the Goods and Services Tax (GST) on 1st July 2017 has been one of the most transformative. GST was not merely a tax reform; it was a structural reform aimed at bringing about uniformity, transparency, and efficiency in the indirect taxation system of India.

Before GST, the Indian taxation system was extremely complicated. Both the Central and State governments imposed a variety of indirect taxes such as excise duty, service tax, value-added tax (VAT), central sales tax (CST), entry tax, and octroi. Each tax had its own set of rules, rates, and compliances, which created confusion for businesses operating across different states. This fragmented system led to a cascading effect of taxes, commonly referred to as the “tax on tax” problem. For example, excise duty was levied by the central government on the manufacture of goods, and then VAT was levied by the states on the sale of those goods, without allowing full input credit. This resulted in increased costs, higher prices for consumers, and lower competitiveness of Indian businesses in the global market.

### **Abstract:**

The implementation of the Goods and Services Tax (GST) in India marked a significant reform in the country’s indirect taxation system. Introduced with the objective of simplifying the tax structure, ensuring transparency, and reducing the cascading effect of multiple taxes, GST has had a profound impact on small businesses. This study focuses on understanding the influence of GST on pricing strategies and compliance requirements of small enterprises.

For small businesses, pricing is a critical determinant of competitiveness and profitability. With the introduction of GST, businesses are required to adjust their cost structures in line with the tax credits available under the input tax credit mechanism. While GST has eliminated several indirect taxes, reduced tax-on-tax, and made goods relatively more affordable, small businesses often face challenges in adjusting their pricing models due to fluctuations in compliance costs, registration thresholds, and sector-specific tax rates. These changes have had both positive and negative effects on consumer prices and profit margins of small businesses.

### **OBJECTIVES OF THE FIELD PROJECT:**

1. To study the concept and framework of Goods and Services Tax (GST) in India.
2. To analyze the impact of GST on the pricing strategies of small businesses.
3. To evaluate the effect of GST on the compliance burden of small enterprises.
4. To examine the benefits of GST such as transparency and elimination of cascading taxes.
5. To identify the challenges faced by small businesses in adapting to GST requirements.
6. To assess the awareness level of small business owners regarding GST provisions and procedures.
7. To study the role of digitalization and technology in GST compliance for small enterprises.
8. To provide suggestions and recommendations for improving GST implementation and reducing difficulties faced by small businesses.

### **LITREATURE (REVIEW)**

#### 1. Niti Aayog Report (2017)

According to the Niti Aayog's policy paper on the introduction of GST, the reform was expected to create a unified tax regime that would eliminate multiple taxation layers. The report emphasized that GST would reduce the cascading effect of taxes and bring about efficiency in the supply chain. For small businesses, it noted that GST would enhance competitiveness by lowering overall costs and allowing access to input tax credit.

#### 2. Mukherjee, S. (2018) – National Institute of Public Finance and Policy (NIPFP)

In his working paper, Mukherjee analyzed the revenue implications of GST and its impact on business compliance. The study revealed that while GST collections showed potential for long-term growth, the short-term challenges were evident. Small traders and service providers found it difficult to cope with multiple return filings and invoice-matching systems. The paper concluded that compliance costs under GST were relatively high for small businesses compared to larger firms.

### **METHODOLOGY:**

#### Research Methodology

The research methodology defines the systematic way in which the study has been conducted. It ensures that the findings of the project are based on reliable data, logical analysis, and objective conclusions. For this project on the Impact of GST on Pricing and Compliance in Small Businesses, a combination of primary and secondary research methods has been adopted.

## 1. Sources of Data

### a) Primary Data

Primary data has been collected directly from small business owners, traders, and service providers. A structured questionnaire was prepared to gather information on:

Their experience with GST registration and compliance.

The effect of GST on the pricing of their goods or services.

Challenges faced in filing returns, maintaining records, and dealing with consultants.

### b) Secondary Data

Secondary data has been collected from:

Government reports and publications (GST Council, Ministry of Finance).

Research papers and articles published in journals.

Reports by industry associations such as CII, FICCI, and ASSOCHAM.

This secondary data provided background knowledge, statistical figures, and insights into GST implementation at the national level.

## **Observation and Analysis**

The introduction of GST has created mixed reactions among small businesses in India. Based on the survey conducted among small traders, service providers, and manufacturers (sample size: 05-06 businesses), and supported by secondary sources, the following observations and analyses have been made

### 1. GST Registration

: A majority of respondents confirmed that GST registration has formalized their business and made them more visible in the national market. However, many small traders felt registration was a complicated process requiring professional assistance.

### 2. Pricing of Goods and Services

: About 60% of respondents stated that GST initially increased the cost of their products due to confusion over rates, compliance fees, and consultant charges. However, some manufacturers reported cost savings in the long run because of input tax credit benefits.

### 3. Compliance Burden

: Nearly 70% of respondents found the requirement of filing multiple returns and maintaining digital records to be challenging. Many small businesses rely on chartered accountants for return filing.

### 4. Input Tax Credit (ITC)

: Respondents in the manufacturing sector appreciated ITC as it reduced their overall tax liability. However, traders dealing with unregistered suppliers faced issues in availing ITC, reducing its effectiveness.

### **CONCLUSION**

The Goods and Services Tax (GST) has emerged as one of the most significant reforms in India's indirect tax system, aiming to unify the market and bring transparency. For small businesses, its impact has been both positive and challenging. On the positive side, GST has eliminated multiple indirect taxes, reduced the cascading effect, and introduced input tax credit, which has helped many enterprises in pricing their products more competitively. It has also encouraged formalization of small businesses, improved accountability, and created opportunities for easier access to credit due to transparent tax records.

However, GST has also increased the compliance burden for small enterprises. The requirements of digital record-keeping, monthly or quarterly return filing, and adapting to continuous changes in tax provisions have created difficulties, particularly for businesses with limited resources and technical knowledge. The additional cost of hiring professionals or investing in technology often affects profitability.