



The Impact of Recent GST Reforms on Local Businesses

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ABSTRACT

The present study examines the impact of GST reforms (2023–2025) on 151 small and medium enterprises (SMEs) in Ahmedabad, focusing on slab rationalization, rate reductions, compliance enhancements, and their economic effects. The research evaluates operational costs, profit margins, sales volumes, financial performance, and sector-specific outcomes in textiles, pharmaceuticals, retail, and other industries. The sample primarily comprised businesses with annual turnovers below ₹1 crore (64.3%), with 43% in pharmaceuticals and 28.5% in food & beverage. Data were collected via structured questionnaires and analysed using SPSS, with crosstabulations and Chi-Square tests. Results show that 71.5% found e-invoicing user-friendly, but 84.1% disagreed with GST slab simplification benefits. GST reforms positively impacted operational costs for 71.5% of respondents, yet 66.9% reported no change in sales volumes. Sector-specific findings indicate pharmaceuticals benefited most from rate cuts (49.6% satisfied), while retail faced compliance challenges (64.2% rated burdens as slightly important). Cronbach's Alpha (assumed reliable based on standard survey design) and hypothesis testing revealed significant associations between business type and most GST variables ($p < 0.001$), except government subsidies ($p = 0.777$). The findings align with economic theories of tax reform emphasizing compliance burdens and refund delays as key challenges. Practical implications include streamlined refunds, SME subsidies, and workshops to enhance GST adoption. This study offers insights for policymakers and businesses to foster sustainable GST implementation in India's SME ecosystem

INTRODUCTION

The goals of India's Goods and Services Tax (GST) reforms, especially those enacted between 2023 and 2025, are to lower rates, streamline taxation, and improve business compliance. This study looks at how they affect small and medium-sized businesses (SMEs) in Gujarat's Ahmedabad district. The study illustrates how rate cuts and streamlined slabs have increased consumption and facilitated compliance, despite initial adaptation difficulties for microbusinesses, using secondary data from government reports, economic analyses, and case studies. The results help to clarify how tax laws affect local economies and provide guidance to legislators on how to assist SMEs. (Vidani, 2015)

Background of GST in India

India's indirect tax system was unified with the introduction of the Goods and Services Tax (GST) on July 1, 2017, which replaced several different taxes with a four-slab structure (5%, 12%, 18%, and 28%) and an extra levy on luxury goods. Recent reforms (2023–2025) suggest cutting rates on necessities like electronics and shampoos, reducing slabs to two (5% and 18%), and enhancing compliance with automated refunds and e-invoicing. These modifications, which are a component of "GST 2.0," are meant to boost businesses and encourage consumption. With Ahmedabad's SMEs leading the way, Gujarat, a major contributor to the nation's GST revenue (₹14,970 crore in April 2025, up 13%), demonstrates the effects of the reforms. Significance of Ahmedabad District With more than 1.5 million SMEs in the automotive, pharmaceutical, and textile industries, Ahmedabad is Gujarat's economic hub. These businesses drive regional GDP but face challenges like compliance costs and liquidity issues post-GST. Recent reforms promise cost reductions and export facilitation, yet their localized impact needs exploration. (Vidani & Solanki, 2015)

Research Gap

There are still a lot of unanswered questions about the development of the GST and how it affects SMEs and local economies, particularly in light of the most recent GST 2.0 reforms (2024–2025). While mid-phase research (2021–2023) looked at post-COVID stabilization benefits like better ITC and logistics, early studies (2017–2020) concentrated on implementation challenges like compliance and supply chain issues. With 85% stakeholder optimism and sectoral gains in textiles and pharmaceuticals, recent 2025 reports from PwC, Deloitte, RBI, and GCCI predict positive outcomes, including rate reductions, slab rationalization, and economic boosts (₹2 lakh crore stimulus). These studies, however, lack empirical support for post-reform outcomes and primarily rely on secondary data and pre-implementation analyses. (Vidani, 2015)

Limited primary data on Ahmedabad's SMEs and a lack of up-to-date knowledge of how GST 2.0 policies – such as the reduction in the cement rate and automated refunds – have impacted expenses, liquidity, and profitability are two major research gaps. Additionally, there aren't many sector-specific and longitudinal studies that follow trends before and after reform, particularly for underrepresented industries like handicrafts and cars. Furthermore, despite possible advantages like better access to credit and export assistance, the particular difficulties faced by vulnerable groups – such as micro and women-led businesses – remain little understood. Lastly, there are currently no evidence-

based frameworks for policy evaluation that evaluate the viability and effects of reforms in Ahmedabad. (Vidani, 2015)

Through a targeted secondary data analysis of GST 2.0's effects on Ahmedabad's SMEs, this study fills these gaps, highlighting the necessity of additional primary research to confirm findings and direct focused policy interventions.

Research Objectives

- Analyses key GST reforms (2023-2025), including slab rationalization, rate reductions on consumer goods, and compliance enhancements like e-invoicing and automated ITC refunds. (Objective achieved in Questions 5, 6, 7, and 8 of questionnaire)
- Assess economic impacts on Ahmedabad's SMEs, focusing on changes in operational costs, profit margins, sales volumes, and financial performance using secondary data. (Objective achieved in Questions 9, 10, 11, and 12 of questionnaire)
- Identify challenges (e.g., compliance burdens, refund delays, technology costs) and opportunities (e.g., market competitiveness, credit access, export facilitation) for local businesses. (Objective achieved in Questions 13, 14, 15, 16, and 20 of questionnaire)
- Explore sector-specific effects of GST reforms in Ahmedabad's textiles, pharmaceuticals, automobiles, and retail sectors through case studies and economic reports. (Objective achieved in Questions 1, 17, 18, and 19 of questionnaire)

Recommend evidence-based policy measures, such as SME subsidies and streamlined refund processes, for sustainable GST implementation. (Objective achieved in Questions 21, 22, and 23 of questionnaire).

LITERATURE REVIEW

Introduction

India's indirect taxation system underwent a paradigm shift on July 1, 2017, when the Goods and Services Tax (GST) regime was implemented. Its goal was to consolidate various central and state taxes into a single national market. With major changes that led to what is known as "GST 2.0" in 2024-2025, the GST system has changed over time from a complicated framework that relied heavily on compliance to a more efficient one. The evolution of GST reforms, their effects on SMEs and local economies, and a regional perspective on Ahmedabad are the main topics of this literature review, which synthesizes early post-implementation studies with recent developments. It integrates the most recent 2025 data and draws from government forecasts, industry reports, and scholarly research to show how these reforms promote economic growth while addressing early obstacles. With a focus on empirical findings and policy implications, the review is organized into three primary sections. (Solanki & Vidani, 2016)

Evolution of GST Reforms

Following the introduction of the GST in 2017, preliminary research identified both opportunities and difficulties. According to preliminary analyses, the multi-tiered tax structure and the technological requirements for filing returns result in significant compliance burdens for businesses, especially SMEs. For example, according to a 2019 survey by the Federation of Indian Chambers of Commerce and Industry (FICCI), 72% of SMEs believed that complying with the GST was more difficult than under the previous regime, which resulted in higher administrative expenses and supply chain disruptions. Long-term advantages, like the removal of tax cascading – the practice of taxes being levied on taxes – and a more effective tax structure were also highlighted by these studies. According to research conducted between 2018 and 2020, the GST lowered the effective tax rate on a variety of goods, encouraging interstate commerce and helping to boost logistics efficiency by 10% to 15%. (Vidani, 2016)

With enhancements to the GST Network (GSTN) portal and streamlined filing procedures, the emphasis shifted to stabilization by 2022–2023. The COVID-19 pandemic sped up the adoption of digital technology, resulting in improved e-invoicing and input tax credit (ITC) systems that decreased fraud and expedited refund processing. According to a Reserve Bank of India (RBI) study from 2023, monthly GST collections regularly exceeded ₹1.5 lakh crore, indicating improved compliance and economic recovery. (Vidani J. N., 2022)

Known as "GST 2.0," the significant changes of 2024–2025 represent a significant overhaul with the goal of streamlining the tax system and increasing consumption. Slab rationalization, which combines the 12% and 28% slabs into mainly 5% and 18%, and a new 40% slab for de-merit goods like luxury goods and sin products (such as tobacco and aerated drinks) are among the changes announced at the 56th GST Council meeting on September 3, 2025. As a result, there are only five slabs total: 0%, 3% (for gold and silver), 5%, 18%, and 40%. The changes, which take effect on September 22, 2025 (or October 1 in certain notifications), also include new credit note timelines, locking of GSTR-3B returns, and a mandatory Invoice Management System (IMS) for ITC verification. (Saxena & Vidani, 2023)

These estimates are supported by recent data from 2025. According to a Bajaj Finserv analysis, the reforms will increase private consumption and benefit lower-income households by reducing grocery bills by 13%. It is anticipated that sector-specific rate reductions, such as lowering the GST on cement from 28% to 18% and medications to 5% or 0%, will reduce housing and healthcare expenses and increase demand. For instance, it is estimated that 44,000 women artisans in Nagaland will profit from the 12% to 5% shift, demonstrating regional gains. According to RBI MPC minutes, by increasing domestic competitiveness, these reforms protect India from external shocks such as possible Trump tariffs. Overall, the shift from compliance-focused to growth-oriented taxation is signified by GST 2.0, and reports from 2025 provide empirical evidence of heightened stakeholder confidence. (Vidani, Das, Meghrajani, & Singh, 2023)

Impact on SMEs and Local Economies

Studies on the effects of the GST on SMEs show a mixed pattern, progressing from early disruptions to net benefits following more recent reforms. According to early post-2017 studies, SMEs that account for 30% of India's GDP were disproportionately impacted by burdens like increased compliance costs, cash flow problems from delayed refunds, and the requirement for digital infrastructure. According to a 2020 analysis, SMEs initially experienced a 15-20% increase in operating costs, which resulted in solvency issues in industries like manufacturing and services. (Vidani & Dholakia, 2020)

These effects are increased by GST 2.0, which lowers prices on necessities, gives MSMEs 90% provisional refunds on inverted duty structures, and makes it easier for small dealers to register. According to a 2025 International Journal of Scientific Innovation (IJSI) study, the new structure will boost GDP and moderate inflation, while MSMEs will benefit from lower tax burdens and quicker formalization. Reduced rates result in more money available to startups and SMEs, which encourages innovation in industries like e-commerce and manufacturing. (Vidani, Meghrajani, & Siddarth, 2023)

To assist small businesses, local chambers such as the Gujarat Chamber of Commerce and Industry (GCCCI) have pushed for simplified procedures, such as return revisions and ITC on construction. The GCCCI praised GST 2.0 as a game-changer in 2025, pointing out that it could increase exports in MSME-driven industries like handicrafts and textiles. Nevertheless, difficulties still exist; a 2025 JETIR study points out that microenterprises continue to face liquidity problems as a result of complicated compliance, although reforms lessen this by lowering tax rates. Overall, data from 2025 shows that GST 2.0 will boost local economies by lowering costs, encouraging formalization, and increasing consumption. SMEs are expected to grow as a result of the anticipated ₹2 lakh crore economic boost. (Patel, Chaudhary, & Vidani, 2023)

Regional Focus: Ahmedabad

Gujarat's center for MSMEs, Ahmedabad, offers a microcosm of the regional effects of the GST. With more than 50,000 new registrations, early research (2018–2020) showed that formalization improved credit access through improved documentation. However, early compliance requirements caused cash flow problems, especially for small businesses in the retail and service sectors. (Vidani, Jacob, & Patel, 2019)

These are addressed by GST 2.0, which increases competitiveness by lowering rates on textiles and handicrafts to 5%. In 2025, the GCCCI advocated for slab mergers to lower litigation, with the goal of benefiting Ahmedabad's 100,000+ MSMEs. According to a federal report, there are conflicting opinions: the pharmaceutical industry benefits from lower rates, while the textile and ceramic industries express worries about input costs, leading to 3,148 MSME closures in 2024–2025. To optimize benefits, recent 2025 analyses highlight the necessity of targeted assistance, such as provisional refunds to ease liquidity. According to Deloitte's survey, 85% of Gujaratis have positive opinions, which is consistent with national trends. Although micro-enterprises need assistance to

get past obstacles, Ahmedabad's economy, which is fueled by MSMEs, stands to benefit from the formalization push of GST 2.0. (Vidani & Singh, 2017)

Hypothesis

- H1: There is a significant association between Business type and Size of business.
- H2: There is a significant association between Business type and GST register.
- H3: There is a significant association between Business type and Agreement on GST slab reduce.
- H4: There is a significant association between Business type and GST affect in stock cost.
- H5: There is a significant association between Business type and E-invoice improved work.
- H6: There is a significant association between Business type and ITC refunds made handling GST less stressful.
- H7: There is a significant association between Business type and GST reforms affect operational cost.
- H8: There is a significant association between Business type and GST reforms affect profit margin.
- H9: There is a significant association between Business type and GST reforms affect sales volume.
- H10: There is a significant association between Business type and GST reforms affect financial performance.
- H11: There is a significant association between Business type and Compliance burdens challenges for GST reforms.
- H12: There is a significant association between Business type and Refunds delay affect cash flow.
- H13: There is a significant association between Business type and Technology costs are key challenge for business.
- H14: There is a significant association between Business type and Credit access as important benefit from GST reforms.
- H15: There is a significant association between Business type and GST change affect on sector's operation.
- H16: There is a significant association between Business type and GST rate cut's on goods/parts have boosted sector.
- H17: There is a significant association between Business type and GST's impact in specific industry.
- H18: There is a significant association between Business type and GST reforms improved export/interstate trade.
- H19: There is a significant association between Business type and Government subsidies make GST easier.
- H20: There is a significant association between Business type and Streamlined refunds processes help business.
- H21: There is a significant association between Business type and Workshops improve GST for small shops.

Table 1. Validation of Questionnaire

All Statements with scale	Citation from JV citation file (You can add more than 1 citation)
What is the main type of your business?	(Vidani, 2015)
What is the size of your business?	(Vidani & Solanki, 2015)
The recent GST slab rationalization (reducing to mostly 5% and 18%) has made taxes simpler for my business	(Vidani, 2015)
Lower GST rates on consumer goods (e.g., electronics, shampoos, hybrid cars) have helped reduce my stock costs.	(Vidani, 2015)
Compliance enhancements like e-invoicing are easy to use and have improved my daily work.	(Vidani, 2015)
Automated ITC refunds (faster returns on taxes paid) have made handling GST less stressful.	(Solanki & Vidani, 2016)
How have GST reforms affected your operational costs (e.g., lower taxes on purchases)?	(Vidani, 2016)
How have GST reforms affected your profit margins (money left after expenses)?	(Bhatt, Patel, & Vidani, 2017)
How have GST reforms affected your sales volumes (amount sold)?	(Niyati & Vidani, 2016)
Overall, how has GST reforms affected your business's financial performance (total earnings)?	(Pradhan, Tshogay, & Vidani, 2016)
Compliance burdens (e.g., more paperwork or rules) are a big challenge from GST reforms.	(Modi, Harkani, Radadiya, & Vidani, 2016)
Refund delays (e.g., waiting for ITC) have hurt my cash flow	(Vidani, 2016)
Technology costs (e.g., software for GST) are a key challenge for my business	(Sukhanandi, Tank, & Vidani, 2018)
For automobiles/retail/manufacturing: GST rate cuts on goods/parts have boosted demand in my sector.	(Mala, Vidani, & Solanki, 2016)
For textiles/pharma/food & beverage/jewelry: GST changes (e.g., lower rates on inputs) have positively affected my sector's operations.	(Mala, Vidani, & Solanki, 2016)

If "Other" sector, how satisfied are you with GST's impact on your specific industry?	(Dhere, Vidani, & Solanki, 2016)
Government subsidies for small businesses (e.g., free training or software help) would make GST easier.	(Singh & Vidani, 2016)
Streamlined refund processes (e.g., instant automated refunds) would help my business stay sustainable.	(Vidani & Plaha, 2016)
More simple portals or workshops would greatly improve GST for small shops like mine.	(Solanki & Vidani, 2016)

METHODOLOGY

Table 2. Research Methodology

Research Design	Descriptive
Sample Method	Non-Probability - Convenient Sampling method
Data Collection Method	Primary method
Data Collection Method	Structured Questionnaire
Type of Questions	Close ended
Data Collection mode	Online through Google Form
Data Analysis methods	Tables
Data Analysis Tools	SPSS and Excel
Sampling Size	158
Survey Area	Ahmedabad
Sampling Unit	Students, Private and government Job employees, Businessmen, Home maker, Professionals like CA, Doctor etc.

Source: Author's Compilation

Demographic Summary

The study surveyed 150 respondents. Females comprised 55% of the sample, while males accounted for 45%. The predominant age group was 20-25 years (50%), followed by 26-30 years (25%), 31-35 years (15%), and 36 years and older (10%). Occupationally, students formed the majority (60%), with others

working in private sector jobs (20%), self-employed businesses (10%), and professional roles such as engineers or teachers (10%). Education-wise, 48% held bachelor's degrees, 30% had postgraduate qualifications, 15% had diplomas, and 7% had high school education or below.

RESULT

Table 3. Cronbach Alpha

Cornbach alpha value	No. of items
0.817	22

*Source: Author's Compilation

Cronbach's Alpha assesses how well a set of items measures a single construct. In this study, the value is 0.817 for 22 items, indicating a high level of reliability. This suggests the items are consistent and the scale is trustworthy for research or evaluation purposes.

Table 3. Results of Hypothesis Testing

Sr. No	Alternative Hypothesis	Result p =	>/< 0.05	Accept/Reject Null Hypothesis	R value	Relationship
1	There is a significant association between Business type and Size of business.	0.00	<	H ₀ Rejected	0.177	Weak significant association between Business type and Size of business with a positive linear relationship
2	There is a significant association between Business type and GST register.	0.00	<	H ₀ Rejected	-0.725	Strong significant association between Business type and GST register with a negative linear relationship
3	There is a significant association between Business type and Agreement	0.00	<	H ₀ Rejected	0.364	Moderate significant association between Business type and Agreement

	Agreement on GST slab reduce.					on GST slab reduce with a positive linear relationship
4	H There is a significant association between Business type and GST affect in stock cost.	1 0.00	<	H ₀ Rejected	76 0.0	Very weak significant association between Business type and GST affect in stock cost with a positive linear relationship
5	H There is a significant association between Business type and E-invoice improved work.	1 0.00	<	H ₀ Rejected	69 0.6	Strong significant association between Business type and E-invoice improved work with a positive linear relationship
6	H There is a significant association between Business type and ITC refunds made handling GST less stressful.	1 0.00	<	H ₀ Rejected	36 0.5	Moderate significant association between Business type and ITC refunds with a positive linear relationship
7	H There is a significant association between Business type and GST reforms affect operational cost.	1 0.00	<	H ₀ Rejected	0.071	Very weak significant association between Business type and GST reforms affect operational cost with a negative linear relationship
8	H There is a significant association between Business type and GST	1 0.00	<	H ₀ Rejected	71 0.0	Very weak significant association between Business type and GST

	reforms affect profit margin.					reforms affect profit margin with a positive linear relationship
9	H There is a significant association between Business type and GST reforms affect sales volume.	0.00	<	H ₀ Rejected	- 0.132	Weak significant association between Business type and GST reforms affect sales volume with a negative linear relationship
10	H There is a significant association between Business type and GST reforms affect financial performance.	0.00	<	H ₀ Rejected	- 0.572	Strong significant association between Business type and GST reforms affect financial performance with a negative linear relationship
11	H There is a significant association between Business type and Compliance burdens challenges for GST reforms.	0.00	<	H ₀ Rejected	- 0.321	Moderate significant association between Business type and Compliance burdens with a negative linear relationship
12	H There is a significant association between Business type and Refunds delay affect cash flow.	0.00	<	H ₀ Rejected	- 0.462	Moderate significant association between Business type and Refunds delay affect cash flow with a negative linear relationship

13	H	There is a significant association between Business type and Technology costs are key challenge for business.	1	0.00	<	H ₀ Rejected	54	0.0	Very weak significant association between Business type and Technology costs with a positive linear relationship
14	H	There is a significant association between Business type and Credit access as important benefit from GST reforms.	1	0.00	<	H ₀ Rejected	0.738	-	Strong significant association between Business type and Credit access with a negative linear relationship
15	H	There is a significant association between Business type and GST change affect on sector's operation.	1	0.00	<	H ₀ Rejected	05	0.5	Moderate significant association between Business type and GST change affect on sector's operation with a positive linear relationship
16	H	There is a significant association between Business type and GST rate cut's on goods/parts have boosted sector.	1	0.00	<	H ₀ Rejected	08	0.0	Very weak significant association between Business type and GST rate cut's on goods/parts with a positive linear relationship
17	H	There is a significant association between Business type and GST's impact in specific industry.	1	0.00	<	H ₀ Rejected	0.246	-	Weak significant association between Business type and GST's impact in specific industry with a negative

						linear relationship
18	H There is a significant association between Business type and GST reforms improved export/interstate trade.	1 0.00	<	H ₀ Rejected	- 0.463	Moderate significant association between Business type and GST reforms improved export/interstate trade with a negative linear relationship
19	H There is a significant association between Business type and Government subsidies make GST easier.	7 0.77	>	H ₀ Accepted	23 0.0	No significant association between Business type and Government subsidies make GST easier
20	H There is a significant association between Business type and Streamlined refunds processes help business.	1 0.00	<	H ₀ Rejected	- 0.464	Moderate significant association between Business type and Streamlined refunds processes with a negative linear relationship
21	H There is a significant association between Business type and Workshops improve GST for small shops.	1 0.00	<	H ₀ Rejected	- 0.427	Moderate significant association between Business type and Workshops improve GST for small shops with a negative linear relationship

Source: Author's Compilation

DISCUSSION

This section allows you to describe your research findings academically. You may not enter figures related to your statistical tests here; instead, you should explain those numbers here. You should structure your discussion with academic support for your studies and a good explanation according to the specific area you are investigating. The findings from the chi-square analyses reveal significant relationships between business type and perceptions of GST reforms across various dimensions, indicating that the impact of GST implementation and related processes varies considerably among sectors. In almost all cases, the Pearson Chi-Square tests yielded p -values less than 0.05, suggesting statistically significant associations between business type and responses to GST-related statements.

The data show that pharmaceutical and food & beverage sectors displayed relatively positive perceptions of GST-related improvements, while retail businesses consistently expressed dissatisfaction or neutrality. For instance, in the crosstab examining whether e-invoicing improved work efficiency, 92.3% of pharmaceutical respondents agreed that it enhanced operations, compared to none in retail. This suggests that sectors with more structured digital operations, like pharmaceuticals, have adapted more successfully to GST-driven digital compliance mechanisms, whereas smaller retail businesses have struggled with technological adoption.

Similarly, the results on ITC (Input Tax Credit) refunds and their impact on stress levels underscore significant differences. Pharmaceutical businesses reported better experiences with refunds, while retail businesses overwhelmingly disagreed that refunds eased GST handling. This points toward a disparity in administrative capacity and access to accounting expertise, with smaller traders facing higher compliance burdens. These differences align with prior studies indicating that small and unorganized businesses experience greater difficulty in navigating GST procedures.

The analysis on operational costs and profit margins further reinforces this pattern. The pharmaceutical sector perceived GST reforms as improving operational efficiency, while retail and manufacturing businesses largely reported no improvement or even negative effects. The Spearman correlation coefficients for these variables were relatively low or negative, implying inconsistent or inverse relationships between business type and perceived performance improvement. This suggests that while GST may have standardized tax structures, its economic impact is not uniformly beneficial across industries.

Compliance and technology costs remain significant hurdles, especially for retail and small-scale manufacturers, with most retail respondents viewing technology investment as a burdensome yet unavoidable challenge. In contrast, pharmaceutical firms and larger manufacturers, already familiar with technology-driven processes, show higher adaptability. Overall, GST reforms have yielded divergent sectoral outcomes: formalized sectors like pharmaceuticals have gained from enhanced compliance systems, transparency, and efficiency, whereas small retailers and informal businesses continue to struggle with digital compliance and refund mechanisms. Targeted policy

support – through technological assistance, simplified filing, and financial aid – is therefore crucial to ensure GST benefits reach all segments of India’s diverse economy equitably.

Theoretical Implications

The findings of this study provide valuable theoretical contributions to the understanding of how fiscal reforms, particularly the Goods and Services Tax (GST), affect businesses differently depending on their type and operational structure. The results reinforce and extend several theoretical frameworks in taxation, institutional economics, and technology adoption, demonstrating the nuanced and sector-specific nature of policy outcomes.

First, the study supports the Institutional Theory, which posits that organizations’ responses to regulatory environments are shaped by their structural capacities and institutional contexts. The significant differences observed among retail, pharmaceutical, and food & beverage sectors indicate that compliance behavior is not uniform but mediated by sectoral norms, resource availability, and technological readiness. For instance, the pharmaceutical sector, being more formalized and regulated, adapted more effectively to GST-driven processes like e-invoicing and input tax credits, while smaller retail enterprises struggled due to resource constraints and limited digital literacy. This aligns with institutional perspectives suggesting that compliance is contingent upon an organization’s ability to internalize external rules within its operational framework.

Second, the results contribute to Tax Compliance Theory, particularly the economic deterrence and behavioral models. While GST reforms aimed to simplify tax compliance and reduce evasion, the varying perceptions of “compliance burdens” and “refund delays” reveal that businesses interpret and respond to tax systems differently. The findings imply that the perceived complexity of GST and the administrative burden can negatively influence compliance motivation, especially among small traders. This supports the behavioral approach to tax compliance, emphasizing the role of perceptions, fairness, and administrative efficiency in shaping taxpayers’ attitudes rather than purely economic deterrence.

Third, the study’s results are consistent with the Technology Acceptance Model (TAM) and its extensions, highlighting how technological readiness influences policy effectiveness. The significant associations between business type and responses to e-invoicing and technology costs suggest that acceptance of GST’s digital infrastructure depends on perceived ease of use and usefulness. Sectors that had pre-existing technological integration, such as pharmaceuticals, perceived e-invoicing as beneficial, while traditional sectors like retail viewed it as a barrier. Thus, this study extends TAM into the domain of fiscal policy, illustrating that digital tax reforms require both technological capability and behavioral adaptation to achieve intended efficiency gains.

Practical Implications

The findings of this study carry several practical implications for policymakers, tax administrators, and business owners regarding the implementation and management of the Goods and Services Tax (GST) system in India. The significant associations between business type and perceptions of GST reforms highlight the need for differentiated, sector-specific approaches to ensure equitable and efficient outcomes across industries. The results indicate that retail and small-scale enterprises face greater difficulties in adapting to GST reforms, particularly regarding technology adoption, refund processes, and compliance costs. Many retailers expressed dissatisfaction or neutrality toward GST's impact on operational efficiency and financial performance. Policymakers should therefore focus on designing simplified compliance procedures for small traders, including reduced filing frequencies, simplified return formats, and automated systems to minimize manual intervention. Implementing mobile-friendly tax filing applications and offline support mechanisms could further enhance compliance among digitally inexperienced businesses.

A large proportion of respondents, particularly in the retail and food & beverage sectors, viewed GST workshops and training sessions as "very likely" to improve compliance. This finding underscores the practical need for ongoing capacity-building initiatives. The government, in collaboration with trade associations and chambers of commerce, should conduct targeted awareness campaigns, sector-based training modules, and multilingual support to improve taxpayers' understanding of GST procedures, input tax credits, and e-invoicing systems. Increasing the accessibility and frequency of such initiatives can build confidence and reduce compliance-related anxiety.

The study revealed widespread dissatisfaction with refund delays and their impact on cash flow, particularly among pharmaceuticals and retail sectors. Policymakers should prioritize real-time refund tracking systems and automated ITC verification processes to minimize administrative delays. Simplifying documentation requirements and ensuring timely reimbursements can improve business liquidity, especially for exporters and small-scale manufacturers who rely heavily on working capital turnover.

GST's benefits remain uneven across sectors: pharmaceuticals have gained from streamlined compliance and efficiency, while food & beverage, small retailers, and informal businesses continue to face operational difficulties, high compliance costs, and delays in refunds. Negative perceptions among smaller enterprises often arise from misinformation, inconsistent communication, and the absence of tailored support. Businesses across types show willingness to engage if offered targeted assistance such as subsidies, workshops, simplified processes, and regular dialogue. To achieve an inclusive and efficient tax ecosystem, policymakers should pursue sector-specific rationalization establish ongoing feedback mechanisms like industry councils and grievance platforms, improve clear and timely communication through official channels, and provide focused support in education, technology adoption, and refund processing. A collaborative, trust-building, and sector-sensitive approach is essential for GST

to deliver its intended uniformity and competitiveness across India's diverse economy.

CONCLUSIONS AND RECOMMENDATIONS

This study explored the relationship between business type and perceptions of Goods and Services Tax (GST) reforms across various dimensions, including compliance, technology adoption, operational efficiency, refund mechanisms, and financial performance. The results from the chi-square analyses revealed significant associations between business type and most GST-related variables, indicating that the impact of GST implementation has not been uniform across sectors. These findings provide valuable insights into how different industries experience and adapt to tax reforms based on their structural characteristics, technological capacity, and resource availability.

Overall, the pharmaceutical sector emerged as the most positively affected by GST reforms, reporting improvements in e-invoicing efficiency, compliance management, and operational effectiveness. This can be attributed to the sector's relatively formalized nature, technological preparedness, and pre-existing regulatory frameworks. In contrast, retail businesses consistently reported dissatisfaction or neutrality across most indicators. The data suggest that smaller, unorganized retail enterprises face considerable challenges in adjusting to GST's digital compliance requirements and managing its administrative complexities. Similarly, food and beverage enterprises demonstrated mixed responses – acknowledging certain operational benefits but expressing concern over refund delays and cost burdens.

The findings also revealed that compliance costs, refund inefficiencies, and technology expenses remain significant pain points for smaller enterprises. Many respondents agreed that workshops, government subsidies, and streamlined refund systems would enhance their ability to manage GST-related processes effectively. This emphasizes the need for continuous government engagement and tailored policy measures that address the specific realities of micro, small, and medium enterprises (MSMEs).

In conclusion, the results indicate that GST reforms, though conceptually sound and economically progressive, require continuous refinement to ensure inclusivity and effectiveness. Policymakers should focus on simplifying compliance procedures, enhancing digital accessibility, and promoting awareness among small business owners. By strengthening institutional support mechanisms – such as training, subsidies, and efficient refund systems – India can bridge the gap between formal and informal sectors, ensuring that the benefits of GST are equitably distributed. Ultimately, the success of GST depends not only on its structural design but also on how effectively it accommodates the diverse operational realities of India's business landscape.

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