GST COMPLIANCE BURDEN AND FINANCIAL PERFORMANCE OF MSMES IN INDIA: A STUDY OF TAX RATE STRUCTURE AND BUSINESS SUSTAINABILITY

Jeena Verghese.M
Ph.D Scholar, Department of Economics
VELS Institute of Science, Technology and Advanced Studies
Chennai-117

Dr. R. Premalatha
Assistant Professor, Department of Economics
VELS Institute of Science, Technology and Advanced Studies
Chennai-117
Email ID :profprema369@gmail.com

Abstract

According to Cryderman (2016), how the burden of tax is distributed by states using different taxation instruments is determined based on the history of state efficiency, capacity, revenue availability and development. By varying tax salience levels, the chosen taxation methods affect public taxation preferences (Cryderman, 2016; Cabral & Hoxby, 2012; Finkelstein, 2009; Chetty, Looney & Kroft, 2009; Misiolek & Elder, 1988; Pommerehne & Schneider, 1978). The broad categorization of taxes is as ‘direct’ and ‘indirect’. Taxes that direct by nature are imposed directly on a person’s or corporate entity’s income, while indirect taxes are borne by individuals who purchase goods and services for personal consumption (Ramakrishnan, 2002). ‘Sales tax’ and ‘Value Added Tax’ (VAT) are two forms of modern taxes on goods. Sales taxes are levied by states when individuals purchase goods from suppliers, and the rate of tax is based on the cost and the nature of the goods (Cryderman, 2016). VAT, on the other hand, is imposed on businesses whenever value addition is made to a product, termed as the difference between sales and purchases value (Sullivan, 2011). By incorporating the tax cost into the product price, this ingenious approach incentivizes businesses to disclose their value-added, thereby allowing them to claim input tax credit on their output tax charge. Moreover, it is important for the GST administration to have an added courteous approach and strike a positive rapport with MSMEs as it helps more businesses to make better tax compliances. There have been inconsistent approaches by tax authorities at state and central levels on same issues (PwC, 2022), that need to be resolved at GST Appellate Tribunals, which remain to be established. Besides, Authorities for Advance Rulings (AARs), which operate at the state level, to provide clarifications have not been successful, as contradictory rulings have been issued on same matters in different states (PwC, 2022). The GST council has to accelerate the establishment of effective dispute resolution mechanisms to address concerns promptly and maintain trust in the GST system. As well, auxiliary dispute resolving systems, alongside virtual systems for appeals and adjudications, can help create an efficient mechanism

Key words: Taxation, GST perspective, Financial sustainability, structure of GST and etc.,

GST Compliance Burden and Financial Performance of MSMEs in India: A Study of Tax Rate Structure and Business Sustainability

Introduction

"Taxation," evolves from the term "Tax", meaning an "estimate". Taxes are age-old and widespread. Some 2000 years ago, an edict was passed by Caesar Augustus, ordering that all the world should be made liable to taxation. In historical Germany, Greece and the Roman Imperium, taxes were collected, occasionally on sales and occasionally on occupations. For a number of centuries, the Monarch received the tax on income. Taxes were extracted on land and portable things, like the Saladin title in 1188 in northern England. Over time, these taxes were accompanied by the initiation of canvas tax and trade tax called "Ancient Customs," which were associated with hides, leather, and wool. In order to meet the fiscal needs for civil and military expenditure and to serve the common requirements of the citizens the tax charge in different forms were imposed by the government on various goods and occupations (incometaxindia.gov.in, 2023). In India, both Arthasasthra and Manu Smrithi refer to varied tax levy measures. The ancient savant and lawgiver, Manu, mentioned the king could collect taxes. But, he advised against inordinate taxation, accenting the obligation to avoid both the lack of taxes and very high taxation. Arthasastra, a renowned exposition on statecraft authored around 300 B.C. during the flourishing Empire of Mauryans, is truly remarkable. Kautilya, the author, of Arthashasthra devotes a major part of it to fiscal matters, including administration of finance (incometaxindia.gov.in, 2023).

Kautilya states, the strength of the government's exchequer is the basis for the government's power. He puts forth – The government's power comes in from the treasury (incometaxindia.gov.in, 2023). Nonetheless, Kautilya considered tax income as the earnings of the ruler for the services that were to be forwarded to the people by him, assuring their protection, and upholding law and orderliness (incometaxindia.gov.in, 2023).

Tax Perspectives

Different people have different perspectives on taxes (Cryderman, 2016). Neo-liberals, like Margaret Thatcher and Ronald Reagan, assert - taxes are the resources by which the state promotes dependence and weakens the free market by supporting a welfare state. (Cryderman, 2016; Friedman, 2013; Reagan, 1981; Thatcher, 1968). People, such as Oliver Wendell Holmes Jr. in a 1927 court decree state that, taxes are the charge we pay for a developed civilization. (Cryderman, 2016). Tariffs as such come about as "quasi-voluntary," or "to fund the state's works and to maintain itself, these are self-declared enforced payments made by the community (Levi, 1988). Tax revenues are the primary source of income for any government or public authority. In addition, regardless of who benefits from the public services, taxes are imposed on the society as a whole (Cryderman, 2016; Holmes and Sunstein, 1999: 20). Frank William Taussig, a well-known American economist says, taxes are different from other charges and need not directly bring benefits for the tax payer. It is clear that, a taxpayer cannot anticipate something directly is return for the amount of tax given (Raman, 1986). Taxes are varied.

According to Cryderman (2016), how the burden of tax is distributed by states using different taxation instruments is determined based on the history of state efficiency, capacity, revenue availability and development. By varying tax salience levels, the chosen taxation methods affect public taxation preferences (Cryderman, 2016; Cabral & Hoxby, 2012; Finkelstein, 2009; Chetty, Looney & Kroft, 2009; Misiolek & Elder, 1988; Pommerehne & Schneider, 1978). The broad categorization of taxes is as 'direct' and 'indirect'.

Taxes that direct by nature are imposed directly on a person's or corporate entity's income, while indirect taxes are borne by individuals who purchase goods and services for personal consumption (Ramakrishnan, 2002). ‘Sales tax’ and ‘Value Added Tax’ (VAT) are two forms of modern taxes on goods. Sales taxes are levied by states when individuals purchase goods from suppliers, and the rate of tax is based on the cost and the nature of the goods (Cryderman, 2016). VAT, on the other hand, is imposed on businesses whenever value addition is made to a product, termed as the difference between sales and purchases value (Sullivan, 2011). By incorporating the tax cost into the product price, this ingenious approach incentivizes businesses to disclose their value-added, thereby allowing them to claim input tax credit on their output tax charge (Cryderman 2016).

Evolution of “goods and services tax”

The origin of GST/VAT can be traced back to the 1920s when a German businessman named Dr Wilhelm von Siemens is credited with conceptualizing it. According to Ebril (2001), The France Tax Authority, Joint Director, Maurice Laure, further developed the idea of GST/VAT and implemented it for the first time in France on April 10, 1954. Subsequently, VATs at the level of manufacture were introduced in Senegal and Cote d'Ivoire in the 1960s. Ebril (2001), also mentions that Brazil adopted a traditional VAT system in 1965, which applied to all stages of production, as part of their fiscal reform.

Definition of Goods and Services Tax (GST)

According to Article 366(12A), GST connotes any tax on supply of Goods, Services or both excluding taxes on supply of alcoholic beverages (cbic.gov.in, 2022). Where, Goods, as per Article 366(12) contains “all materials, commodities and articles” (cbic.gov.in, 2022). Service, as per Article 366(26A) comprises “anything other than Goods” (cbic.gov.in, 2022).

GST / VAT worldwide

VAT otherwise known commonly as Goods and Services Tax (GST), is a levy borne on final utilization of taxable goods and or taxable services. According to Deloitte (2017), GST/VAT is designed to tax value added at the respective level of the supply chain and the set-off of purchase tax paid by each supplier in the distribution chain, ensures tax neutrality. The sweep of GST/VAT has surely been an important advancement in taxation over the last few decades. Until 1960, the expansion of GST/VAT had been limited to fewer than 10 countries, and retail sales tax was the predominant form of consumption tax (Buydens, 2008; Bird & Gendron, 2007; OECD, 2007). In the mid-1980s, GST/VAT began to gain popularity as a consumption tax, both in terms of generating revenue and its geographical coverage (OECD, 2014). By 1989, 48 countries, primarily in Latin America, Western Europe, and a few developing nations, had VAT being implemented (OECD, 2014). As of January 1, 2016, the GST/VAT system of taxation was implemented in 167 countries (OECD, 2016). Since the introduction of Value Added Tax in France in 1954, it is now an important source of revenue in 175 countries globally, promoting a more efficient and equitable tax system (Asquith, 2023; vatcalc.com, 2023; OECD, 2022).

Tax payer

Back to a noteworthy happening in history, on the 16th of December 1773, three ships were anchored in the harbours of Boston, with huge containers of tea powder. The issue was a remonstrance raised to the tax decreed by the British parliament on the sale of tea merchandise in the colonies. More than 180 people who had converged there dumped 342 chests of tea into the ocean and celebrated. This became history, as the famous “Boston Tea Party”. This is an event in history which revolted against taxation from the British parliament and refused to accept the crown rule on American colonies. The incident sent one message very clearly “No Taxation without representation”. i.e., Tax cannot be levied on land which has no representation in the legislature. Article 265 from the Constitution of India, defends the declaration “No Taxation without representation”. This signifies that all laws concerning taxes should be ratified by the house of people representatives. India was an economic system of fragmented markets with their own tax structures and tax rates.

To integrate the central and state taxation formats, Constitutional adjustments were needed. In Lok Sabha the Constitution’s 122nd Amendment bill was introduced (the lower house of the Indian Parliament) by Mr. Jaitley, the then minister of Finance, on 19th December 2014. In Rajya Sabha (the upper house), this bill was passed on 3rd August 2016 and subsequently on 8th August 2016 by Lok Sabha. Further, the bill after ratification by more than half of the state assemblies with Assam being the first state and Jammu & Kashmir being the last state to validate, received assent from the then President of India, Shri. Pranab Mukherjee on September 8th 2016, becoming the “101st Amendment Act 2016”.

Thus, India's GST is the result of a political process in which 7 union territories and 29 states consented to give up their right to levy a sales tax on products (VAT), and the Centre decided to give up its right to collect excise and service taxes. In the federal arrangement that was amended, ten articles were revised in the Indian Constitution: 248; 249; 250; 268; 269; 270; 271; 286; 366 & 368 together with the 6th and the 7th Schedule.

In addition, three new articles were inserted: 246A, which grants both the parliament and legislatures of states simultaneous powers to make laws under GST. 269 A, which pertains to trade across inter-states where, tax is levied and collected by the Centre and shall be shared between the States and the Centre as per the recommendations of the GST council and article 279A that provides for the constitution of the Council of GST (cbic.gov.in, 2022; Deloitte, 2017). As per Article 279 A of the Constitutional Amendment Act, the President of India constituted the “GST Council” w.e.f. 12th September 2016 and it was formed on 15th September 2016 under the Directorship of the Central Finance Minister and with its members as Minister of State in charge of Finance (Central Government) and the ministers in charge of Finance (State Governments), to make suggestions to the Centre and the States on exemptions list, GST rates, threshold limits, compensation mechanism etc., and issue draft GST legislations (cbic.gov.in, 2022; Deloitte, 2017).

Evolution of GST in India

Prior to GST introduction, India had a complex tax landscape characterized by a combination of 17 types of taxes and 26 cesses. The Central government controlled nearly half of them and the remaining were at the State level. The previous indirect tax structure by virtue of the India’s constitutional provisions seventh schedule, vide article 246 (see fig. 1.3), empowered the government at the central level to levy and collect tax on goods manufactured and also on the services provided. While the states at the point of sale could levy tax on goods. This fragmented tax base between the centre and the states resulted in the cascading effects of taxes. Also, the pre-GST indirect tax structure exhibited for any business an obscuring experience in terms of the multiplicity of taxes, threshold limits, tax periods, tax rates, and exponentially multiplying and endlessly diverse provisions. Therefore, it became imperative for the economy to call for a reform in the framework of Indirect taxes (cbic.gov.in, 2022).

Scope of the Study

The research seeks to assess implications of GST on Indian MSMEs in the manufacturing sector, as well as to identify factors that hinder the implementation of effective tax policies, particularly in the context of MSMEs. The present study focuses on the manufacturing sector relating to Industrial products, FMCG and Consumer durables because, as per Annual survey of Industries (ASI) 2019-20 with National Industrial Classification code (NIC) 2008, these product segments together accounted for more than 72% of the total value of output of registered factories in Karnataka. And data collection is based on the respondents' perceptions of the GST system, which has been in effect in India for a little over half a decade.

Need for the Study

GST is a technologically driven system that requires small and medium businesses to modernize their systems and resources in order to benefit from the new tax system (Mohan & Ali, 2018; Chaturvedi, 2018). While larger businesses generally embraced GST, micro-scale and small firms particularly those in the informal sector, encountered significant challenges (Roy & Khan, 2021; Mukherjea, 2019; Chowdhury, 2019; Rajagopalan, 2018; Yadav, 2018; Rajshekhar, 2017). As noted by Roy & Khan (2021), the factual benefits of formalization are better assessed by businesses on the ground, as numerous anticipated advantages do not always materialize. Since the start of GST, certain persisting issues include low threshold situations, a burdensome compliance process, high duty rates, complications in claiming Input Tax Credit (ITC), and compulsory digitalization.

Statement of the Problem

The launch of the GST in India has brought about a significant tax overhaul with the end to achieving multiple objectives, including uninterrupted input tax credit, unifying tax rates, perfecting tax compliance, and standardizing the economic system. Yet, the GST system has certain bottlenecks for MSMEs in India. The GST move in India aims to enhance the global competitiveness of businesses by enabling uninterrupted input tax credit, thereby reducing levy on levies (Bhalla, Sharma & Kaur, 2022). By allowing businesses to claim input tax credit on input purchases, the GST system checks fraud and tax elusion through the use of the digital operation system called GSTN (Srivastava & Chaudhary, 2017). Yet, the need for digital compliance affects large and small enterprises dissimilarly, with micro and small informal enterprises facing heavier costs associated with record-keeping per sale (Roy & Khan, 2021). The compliance cost per dealing becomes a significant proportion of their lower sale values, posing challenges for MSMEs (Rajshekhar, 2017). Besides, Nathan (2020), points out that the purchaser is burdened with the responsibility of furnishing proof that the supplier has paid the required duty upon issuing a tax invoice (Nathan, 2020). This condition, which necessitates GST payment by the supplier for the purchaser to claim input tax credit, has posed undue troubles for MSMEs (Nathan, 2020).

The GST system also necessitates suppliers to electronically file tax returns through the GSTN gateway, with quarterly returns permitted for businesses with turnovers up to Rs. 5crore (Banerjee & Prasad, 2017). Yet, this revised measure poses difficulties when MSME taxpayers in this sales segment function as suppliers to big taxpayers. Large taxpayers must stand by until the quarter ends to confirm if their MSME suppliers have declared invoice details on the GST portal before obtaining the Input Tax Credit (ITC) (Chaudhuri & Dafria, 2022). As a result, large taxpayers frequently tend to hold back payments to the MSME suppliers creating a dearth of working capital for the MSMEs (Chaudhuri & Dafria, 2022). Alternately, large taxpayers pressurize MSMEs to switch from quarterly to monthly filing, contradicting the object of simplifying the tax return process for

MSMEs (Chaudhuri & Dafria, 2022). The transition from 'sales' to 'supply' as the taxable event in the GST system has brought about taxation of stock transfers, affecting MSMEs. The transfer of supplies between distinct enterprises is subject to taxation under GST, tying up working capital and adding compliance burdens for MSMEs (Nathan, 2020). Before the GST period, manufacturers with yearly turnovers below Rs. 1.5 Crore were not subject to Central Excise Duty (CED) but had to pay State VAT.

However, in the GST period, manufacturers with yearly turnovers exceeding Rs. 40lakh are bound to pay both Central GST and State GST (Chaudhuri & Dafria, 2022). Accordingly, micro and small units confront severe competition from larger manufacturers and foreign suppliers in the same product lines (Chaudhuri & Dafria, 2022). Survey results indicate that MSMEs are paying more taxes compared to the pre-GST period, impacting their profitability (Ghosh, 2020). The issue of an "inverted duty structure" arises under GST, with tax rates on inputs exceeding those on finished products. This leads to cash inflow constraints and working capital blockage for MSMEs in sectors such as spare components for tractors and the textile sector (Chaudhuri & Dafria, 2022). The refund process for the 'inverted duty structure' is slow, further adding pressure to the working capital conditions of small businesses (Chaudhuri & Dafria, 2022). Also, in the case of exports, the tardiness in refund disbursement has negatively affected the cash inflow of both goods and service exporters, including MSMEs.

Methodology

"Although philosophical ideas remain largely hidden in research (Slife and Williams, 1995), they still influence the practice of research and need to be identified" (Creswell, 2014, p.3). A post-positivism philosophical viewpoint is put forward in this study. Post-positivists believe that the matter under investigation represents the necessity to recognise and evaluate factors that affect the outcomes. As a result, a post-positivist's primary concerns include generating numerical measurements of observations and researching human behaviour (Creswell, 2014). In this context, the study on perceptions of variables such as GST knowledge, input tax credit, revenue neutral rate, and GST compliance on MSME growth aligns with the post positivist paradigm's approach. Several researchers, have found that tax policies significantly impact economic progress. Palil and Mustapha (2011) found that tax incentives positively affected the growth of medium and small - sized enterprises, with the magnitude of the effect dependent on size of the enterprise and level of government support. Roshidi et al (2007), observed that tax reform had a significant impact on Malaysia's economic growth, with tax cuts leading to increased investment and economic activity. Holmes et al (2012), uncovered that changes in tax rates affect economic growth and investment decisions, especially for small and medium-sized enterprises. By making use of numerical measures to analyse the impact of these variables on MSME growth, the study aims to identify the underlying causal mechanisms that shape the phenomenon.

Objectives of the study

The object of this study is to assess the implications of GST on Indian MSMEs in the manufacturing sector, as well as to discover facets that impede the implementation of effective tax policies, particularly in the context of MSMEs. More specifically, the study aims:

1. To examine the degree to which GST Knowledge, GST Input tax credit, GST Revenue neutral rates & GST Compliance determine perceived Growth of MSMEs.

2. To explore the relationship of GST Knowledge, GST Input tax credit GST Revenue neutral rates with GST Compliance.

3. To identify measures that would better align the new tax system to MSMEs needs.

Empirical Analysis

Table.1

Demographic Characteristics

S.No	Particulars	No.of Respondents	Per centage
1.	**Gender**		
	Male	43	8.1
	Female	488	91.9
	Total	**531**	**100.0**
2.	**Age (in years)**		
	18 to 24	6	1.1
	25 to 29	38	7.2
	30 to 34	42	7.9
	35 to 39	79	14.9
	40 to 44	104	19.6
	45 to 49	126	23.7
	50 to 54	101	19.0
	55 to 59	35	6.6
	Total	**531**	**100.00**
3.	**Educational Qualification**		
	UG	129	24.3
	PG	88	16.6
	Professional education	311	58.6
	Others	03	0.6

	Total	**531**	**100.00**
4.	**Geographical Region of the business**		
	East	29	5.5
	West	104	19.6
	South	265	49.9
	North	86	16.2
	Others	47	8.9
	Total	**531**	**100.00**
5.	**Location of Main Business**		
	Urban	291	54.8
	Semi-Urban	219	41.2
	Rural	21	4.0
	Total	**531**	**100.00**
6.	**Size of the business**		
	Micro	100	18.8
	Small	356	67.0
	Medium	75	14.1
	Total	**531**	**100.00**
7.	**Type of Product**		
	Processed Food products	2	0.4
	Consumer Durables	44	8.3
	FMCG	101	19.0
	Software Products	1	0.2
	Industrial Products	305	57.4
	Job Work	76	14.3

	Other	2	0.4
	Total	**531**	**100.00**

Source: Primary Data.

From the above table, the following points can be gathered.

- 91.9% of the respondents are male and 8.1% of the sample units are female.
- 31.1% of sample units belong to the age group of 18 to 39 years and 68.9% of the sample units are of 40 years and above.
- 58.6% of the respondents possess professional education, 16.6% are post graduates, and 24.3% of respondents hold under-graduate degree.
- 54.8% of the sample business units are from urban areas, 41.2% of the sample business units are from semi-urban area, and 4% of the sample units are from rural area.
- 67% of the sample business units are small business units, 18.8% of the sample business units are micro business units, and 14.1% of the sample business units are medium-size enterprises.
- 57.4% of the business units produce industrial products, 19% of the business units produce FMCG products, 14.3% of the business units undertake job work, and 8.3% of the units produce consumer durables.

Table.2

Analysis of Skewness & Kurtosis

Particulars	**Mean**	**Standard deviation**	**Skewness**	**Kurtosis**
Gender	1.92	0.273	-3.081	7.519
Age	5.23	1.670	-0.435	-0.512
Geographical region	3.03	0.965	0.160	0.049
Educational qualification	2.35	0.853	-0.693	1.173
Location of the business	1.49	0.574	0.664	0.552
Size of the business	1.95	0.573	0.004	0.045
Nature of the business	1.37	0.777	1.631	0.662
Type of the product	5.50	1.218	0.837	0.396

GST Knowledge	3.91	0.830	0.055	0.698
GST ITC	3.56	0.612	0.474	0.812
GST RNR	3.41	0.623	0.444	0.659
GST Compliance	3.55	0.686	0.901	0.662
MSMEs’ Growth	3.76	0.616	0.142	0.088
MSMEs Satisfaction on GST	3.72	0.868	1.205	1.707

Source: Calculated value

The Descriptive statistics reveal that Gender, Age, Educational qualification, Size of the business, Type of the product and GST knowledge have negative skewness indicating a longer left tail. On the other hand, Geographical region, Location of the business, Nature of the business, GST Input tax credit, GST Revenue neutral rates, GST Compliance, MSMEs’ Growth and MSMEs Satisfaction on GST are positively skewed and have long right tail. Kurtosis values indicate that gender is leptokurtic while data for age, geographical region, educational qualification, location of the business, size of the business, nature of the business, type of the product, perceptions on GST knowledge, GST Input tax credit, GST Revenue neutral rates, GST compliance, MSMEs’ Growth and MSMEs satisfaction on GST are platykurtic.

Table.3

Tests of Normality

Variables	**Kolmogorov Smirnov**		**Shapiro-Wilk**	
	Statistic	**p-value**	**Statistic**	**p-value**
GST Knowledge	.104	.000	.973	.000
GST ITC	.125	.000	.962	.000
GST RNR	.140	.000	.965	.000
GST Compliance	.192	.000	.902	.000
MSMEs Growth	.079	.000	.983	.000
MSMEs Satisfaction of GST	.107	.000	.931	.000

The collected data are tested for normality to understand the nature of data. Nature of data, normally distributed or non-normally distributed, is vital to determine the statistical tools for analysis. Table 3 presents the results of normality tests. Both the tests, Kolmogorov-Smirnov, and Shapiro-Wilk, indicate that perceptions on GST Knowledge, GST Input tax credit, GST Revenue neutral rates, GST compliance, MSMEs' growth and MSMEs' satisfaction of GST are not normally distributed as the p-values are less than 0.05.

Suggestions

Acknowledging the differentiated impact of GST Compliance on MSMEs' Satisfaction with GST, the Policy makers and GST administration can focus on transparent communication which include more regular news letters, webinars and interactive sessions to keep MSMEs informed about changes, addressing common concerns, actively monitoring and seeking continuous feedback to refine GST policies based on the experiences and needs of Micro and Small businesses to enhance overall satisfaction with the GST system. Moreover, it is important for the GST administration to have an added courteous approach and strike a positive rapport with MSMEs as it helps more businesses to make better tax compliances.

There have been inconsistent approaches by tax authorities at state and central levels on same issues (PwC, 2022), that need to be resolved at GST Appellate Tribunals, which remain to be established. Besides, Authorities for Advance Rulings (AARs), which operate at the state level, to provide clarifications have not been successful, as contradictory rulings have been issued on same matters in different states (PwC, 2022). The GST council has to accelerate the establishment of effective dispute resolution mechanisms to address concerns promptly and maintain trust in the GST system. As well, auxiliary dispute resolving systems, alongside virtual systems for appeals and adjudications, can help create an efficient mechanism.

Conclusion

This research explores the impact and provides implications of "Goods and Services Tax", a comprehensive indirect tax reform enforced across India with effect from 1st July 2017, on the growth of Indian MSMEs, the fundamental drivers of economic progress and employment in India. The study observed significant variations in perceptions of GST knowledge, Input tax credit, Revenue neutral rate, Compliance, MSMEs' satisfaction, and MSMEs' growth across different demographic variables. Succinctly, the findings reveal, GST knowledge has a strong effect on GST compliance and perceived growth of MSMEs. Furthermore, GST compliance had a significant positive impact on MSMEs' growth and a complementary partial mediating role in the relationship between GST knowledge, Input tax credit, Revenue neutral rate, and perceived growth of MSMEs. It is acknowledged that, the study's caveats are the size of the sample and the restricted scope and coverage of the diverse MSME sector. The study's strength, however, comes from the fact that it is one of the challenging endeavours – if not the only one made to date - to empirically determine the impact of a mammoth tax change like the GST. This research has been sufficiently fruitful in reaching its goals of figuring out GST's implications on Indian MSMEs and in outlining the steps that must be taken to make the tax system better.

References

1. Ajzen, I. (1985). From intentions to actions: A theory of planned behavior. In Action-control: From cognition to behavior. Edited by J. Kuhl and J. Beckman, 11–39. Heidelberg, Germany: Springer.
2. Ajzen, I. (1991). The Theory of Planned Behaviour. Organizational Behaviour and Human Decision Processes. 50: 179- 211.
3. Ajzen, I., & Fishbein, M. (1980). Understanding Attitudes and Predicting Social Behaviour. Prentice Hall.

4. Akanbi, A. (2020). The Impact of Tax Collection and Incentives on Economic Growth: Evidence from Nigeria. International Journal of Economics, Finance and Management Sciences. Vol. 9, No. 4, pp. 170-175. doi: 10.11648/j.ijber.20200904.12
5. Al-Debei, M. M., Akroush, M. N., & Ashouri, M. I. (2015). "Consumer attitudes towards online shopping: the effects of trust, perceived benefits, and perceived web quality", Internet Research, Vol. 25 No. 5, pp. 707-733.
6. Alm, J. (2012). Measuring, explaining, and controlling tax evasion: Lessons from theory, experiments, and field studies. International Tax and Public Finance, 19(1): 54-77. Available at: https://doi.org/10.1007/s10797-011 9171-2
7. Apps, P., & Rees, R. (2013). Raise Top Tax Rates, not the GST. The Australian National University Centre for Economic Policy Research, Discussion Paper, 684.
8. Arewa, M., Davenport, S. (2022). The Tax and Technology Challenge. Innovations in Tax Compliance: Building Trust, Navigating Politics, and Tailoring Reform; Bill and Milenda Gates Foundations: Seattle, WA, USA, 2022.
9. Aribawa, D. (2016). The Effect of Financial Literacy on the Performance and Sustainability of MSMEs in Central Java. Journal of Business Strategy, 20(1), 1-13.
10. Arisoy, I., & Unlukaplan, I. (2010). Tax composition and growth in Turkey: An empirical analysis. International Research Journal of Finance and Economics, 59, 51 – 61.
11. Aruna, (2019). Impact of Goods and Service Tax on Indian Economy. Eur. J. Bus. Soc. Sci. 7, 106–112. Asquith, R. (2023). How many countries have VAT or GST? 174. Global.
12. Atawodi, O. W., & Ojeka, S. A. (2012). Relationship between Tax Policy, Growth of SMEs and the Nigerian Economy. International Journal of Business and Management; Vol. 7, No. 13.
13. Azrina, M.Y.N., Ming Ling, L., & Bee Wah, Y. (2014). Tax non-compliance among SMCs in Malaysia: Tax audit evidence. Journal of Applied Accounting Research, 15(2): 215-234. Available at: https://doi.org/10.1108/jaar-02-2013-0016
14. Bagchi, Amresh et al (1994). "Reform of Domestic Trade Taxes in India: Issues and Options", National Institute of Public Finance and Policy, New Delhi.
15. Bagozzi, R. P., Yi, Y., & Phillips, L. W. (1991). Assessing Construct Validity in Organizational Research. Administrative Science Quarterly, 36(3), 421 458. https://doi.org/10.2307/2393203
16. Bandura, A. (1977). Social learning theory. Prentice-Hall. Bandura, A. (1986). The explanatory and predictive scope of self-efficacy theory. Journal of Social and Clinical Psychology, 4(3), 359–373.
17. Banerjee, S., & Prasad, S. (2017). Small Businesses in the GST Regime. Economic and Political Weekly, 52(38), 18–22. http://www.jstor.org/stable/26697744.
18. Cabral, M., & Hoxby, C. (2012). The Hated Property Tax: Salience, Tax Rates, and Tax Revolts. National Bureau of Economic Research. doi:10.3386/w18514
19. Cardella, G. M., Hernández-Sánchez, B. R., & Sánchez-García, J. C. (2020). Women Entrepreneurship: A Systematic Review to Outline the Boundaries of Scientific Literature. Front. Psychol. 11:1557.
20. Cassel, C., Hackl, P., & Westlund, A. (1999). Robustness of partial least-squares method for estimating latent variable quality structures. Journal of Applied Statistics, 26, (4), 435-446. cbic.gov.in, (2022). Five Years Of GST - GST@5.pdf (cbic.gov.in)
21. Chan, C.W., Troutman, C.S., & O'Bryan, D. (2000). "An expanded model of taxpayer compliance: empirical evidence from the United States and Hong Kong", Journal of International Accounting, Auditing and Taxation, Vol. 9 No. 2, pp. 83-103. ISSN 1061-9518.
22. Chaturvedi, V. (2018). GST and Small-Scale Industries: A Critical Analysis. https://api.semanticscholar.org/CorpusID:169674344
23. Eliyas, M. (2016). effect of tax incentive on domestic investment in Ethiopia: a case study in the manufacturing sector.

24. Empson, L. (2001). Fear of exploitation and fear of contamination: Impediments to knowledge transfer in mergers between professional service firms. Hum. Relat. 54, 839–862.
25. Eriksen, K., & Fallan, L. (1996). Tax knowledge and attitudes towards taxation: A report on quasi experiment. Journal of Economic Psychology, 17(3), 387- 402.
26. Evans, C., & Lignier, P. (2012). The rise and rise of tax compliance costs for the small business sector in Australia, Paper at Risky Business: the 10th International Conference on Tax Administration Sydney.
27. Fauziati, P., Minovia, A.F., Muslim, R.Y., & Nasrah, R. (2016). The Impact of Tax Knowledge on Tax Compliance Case Study in Kota Padang. Indonesia. Journal of Advanced Research in Business and Management Studies, 2(1): 22–30. https://api.semanticscholar.org/CorpusID:59021690
28. Feldstein, M. (1995). The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act. Journal of Political Economy, 103(3), 551–572. http://www.jstor.org/stable/2138698.
29. IBEF, (2022). https://www.ibef.org/economy/economic-survey-2022-23 IBEF, (2023). Ministry of Commerce and Industry. GOI. 2010-2023 India Brand Equity Foundation. ICAI, (2015). An Insight of Goods & Services Tax (GST) in India, Tax Research Department, The Institute of Cost Accountants of India (Statutory Body under an Act of Parliament). ICAI, (2021). Indirect tax laws and practice, Directorate of Studies, The Institute of Cost Accountants of India.
30. Inasius, F. (2019). Factors influencing SME tax compliance: Evidence from Indonesia. Int. J. Public Adm. 42, 367–379. incometaxindia.gov.in, (2023).
31. Othman, M. H., & Omar, M. F. (2015). Students' perception towards the newly implemented Goods and Services Tax (GST) in Malaysia. International Journal of Contemporary Applied Sciences, 2(6), 80-99.