

**IMPACT OF GOODS AND SERVICES TAX(GST) ON MICRO,
SMALL AND MEDIUM ENTERPRISES (MSMEs) IN
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Abstract

GST is the most ambitious and remarkable indirect tax reform in India's post-Independent history. It was introduced from July 1, 2017, with the aim of replacing multiple indirect taxes levied by the central and state governments. The basic objective of GST is to involve all types of Central and State taxes to make India as a Universal market for all kinds of traders.

By improving effectiveness, it can add significantly to growth as well as Government finances. In short GST is a solo tax on the supply of goods and services right starting manufacturer to the end consumer. The present study attempts to highlight the impact of GST on the overall performance of Micro, small and medium enterprises (MSMEs) present in India and its indirect consideration on the Indian economy. The MSMEs has incredible contribution in the progress of our country in terms of industrial output, engagement generation, and rural development and maximize the trade of the country. Repercussion of GST in MSMEs is to be absolutely benefited for long run.

Keywords: *GST, MSMEs, Reform, Logistic, Realignment.*

INTRODUCTION:

MSMEs sector plays a noticeable role in the progress of Indian economy from years in terms of creating employment opportunities to the large amount of people. It also has supreme contribution in the total per capita revenue of our country. It has incredible contribution just to the agriculture part. MSMEs are spread their wings to all over the country by manufacturing variability of goods and services to satisfy the basic need of the national market as well as the demand of global market. MSMEs have tremendous influences in industrialization of rural and hesitant areas, which helps to decrease regional discrepancies and assuring more equitable dispersal of nation income and prosperity.

GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. It is designed to eliminate the cascading effect of taxes and reduce the overall tax burden on businesses.

GST has four main constituents: Central GST (CGST), State GST (SGST), Integrated GST (IGST), and Union Territory GST (UTGST). CGST is imposed by the central government on intra-state supplies of goods and services, while SGST is imposed by the state government on intra-state supplies. IGST is imposed by the central government on inter-state supplies of goods and services, while UTGST is imposed by the Union Territory

government on intra-UT supplies of goods and services. GST has been a major achievement in India.

Here are some of the key benefits of GST:

- 1) **Reduced tax evasion:** GST has helped to reduce tax evasion by making it more difficult for businesses to evade taxes. The GST system is designed to track all transactions, which makes it easier for the government to identify and prosecute tax evaders.
- 2) **Improved revenue collection:** GST has improved revenue collection for both the central and state governments. The GST system is more efficient than the previous indirect tax system, which has led to increased tax collections. Overall, GST has been a major success in India. It has simplified the indirect tax system, reduced compliance costs for businesses, boosted economic growth, reduced tax evasion, and improved revenue collection.
- 3) **Economic growth:** GST has boosted economic growth by reducing the overall tax burden on businesses. This has made it cheaper for businesses to operate and invest, which has led to increased economic activity.

On the other side, GST is playing an significant role in changing revenue tax system in India. It also makes the Indian products in the domestic and international market. Goods and Service tax (GST) is an operative step in the field of indirect tax reorganizations in India. By merge of large number of Central and State tax into a single tax, it absolutely would curtail cascading or double assessment in major way and cover the way for a commonnational marketplace. The largest benefit is to reduce the unnecessary burden of overall tax on goods and services. MSMEs underwrite approximately 37 per cent of our National GDP. Applicationof GST adversely disturb the large number ofstrong opponents and thrown them out from the business marketplace. The present research study engrossed on the role of GST and its impact on MSMEs and perhaps on the complete Indian economy.

OBJECTIVES OF THE STUDY:

The present study contracts with notionsrelated to — **IMPACT OF GOODS AND SERVICES TAX(GST) ON MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN TARAPUR MIDC**

Keeping in view the following objects were designed for the study.

1. To recognize the basic thought of Goods andService Tax (GST)
2. To study the control of GST on the act of MSMEs.
3. To recognize the opportunities and Challenges for MSMEs on the consequences of GST.

SCOPE OF THE STUDY:

Goods and Services Tax (GST) is probable to reform the Indian tax organization and is the biggest tax reform since Independence Whereas the MSMEs has made the noteworthy contribution to the manufacturing output, producing employment opportunities, development of rural Mechanization and export of the country. The present research studies –Impact of GST on MSMEs in context to

TARAPUR MIDC has wide scope not only applicable to Indian Economy but moreover appropriate for economy of numerous countries across the world. The researcher with the help of present study tries to find the association of GST in MSMEs and the overall effect of it on Indian economy. The present study recognized the basic concept of GST and also underlined the opportunities and trials of GST in view point of MSMEs in TARAPUR MIDC

METHODOLOGY OF THE STUDY:

The present study has been based on primary data as well as secondary data. The informative study material is collected from reference books, periodicals, Journals, research publications, newspapers and websites.

Primary data was collected from 195 MSMEs of Tarapur MIDC region. The following were the interpretations formed from the responses.

On the other side, being the largest source of employment after agriculture, MSMEs sector in India enables lakhs of men, women and children living in urban slums, upcoming towns, as well as many of the small villages to use the skill, knowledge, experiences and cultural background to improve their standard of living. Apart from contributing to national income, MSMEs are instruments of inclusive growth, touching the lives of the most vulnerable, the most marginalized, for instance women, schedule castes and schedule tribes.

In view of the role of Micro, small and medium enterprises (MSMEs) in employment creation and development of the Indian economy, lenient tax treatment of this sector in GST laws has been a priority area for the tax authorities. MSMEs are the pampered child of GST. Small scale traders, manufacturers and service providers have been given special consideration under the GST regime.

IMPACT OF GST ON MSMEs of TARAPUR MIDC:

As the nation progressed and moved to accept GST, MSMEs has to implement the guidelines and regulations of GST in their entire procedure

Implication of GST on Micro, small and medium enterprises has equally types of impressions positive as well as negative.

POSITIVE IMPACT OF GST ON MSMEs

Reduction in logistics cost and time reach towards ultimate customers Creating a uniform platform

- ❖ **Low tax rates:** With the application of GST, Industries having turnover between Rs. 10 to Rs. 50 lakhs have to pay levies at lower rates. Thereby getting a huge relief from tax burden. 37 % of MSMEs were of the view that tax rate got lowered due to introduction of GST.
- ❖ **Implication of GST** leads to reduction in time, money and energy of the common people for interstate movement as their duties got eliminated. This diminishes the cost of retaining large stocks due to ease in free movement of goods.
- ❖ **GST levies taxes:** GST levies taxes on stock transmissions and neutralizes the impact of contributed taxes through the input credit too, thus, removing all tax diversity and

giving equal treatment to small and medium organizations with that of large scale organization. 68 % of MSMEs thought they got benefited from input tax credits

- ❖ **Reach towards ultimate Customers:** Before implication of GST, the small and medium corporate group is always ignored and restricted to reach towards ultimate customers. The small and medium association is controlled by overall tax burden and the monopoly of large organization. After GST came into existence these sectors can easily trading with their customers. 55% MSMEs agreed to this.

NEGATIVE IMPACT OF GST ON MSMES

- ❖ **Excessive burden on lower scale:** Before GST, the central lower limit was INR 1.5 crore. But due to implication of GST and according to its new rules the MSMEs have to pay lumpsum amount of tax in the future course of action. 48% of SMEs were of the view that GST is an additional burden for them.
- ❖ **No Differences in luxury goods and goods of basic requirement.** GST has given equal judgement to all kind of goods and services. There is no discrimination of goods as luxury and day to day disposable goods. As a result of it that the basic goods are also pay same amount of taxes as been allocated for amenities and goods. 64% of the respondents thought that differentiation of product is important.
- ❖ **Dual Control:** In recent GST council meeting it was decided by the ministry that those assess has turnover of less than 1.5 crores will be assessed by State Government and existing Service tax assesses, irrespective of turnover will be assessed by Central Government. As a result of this small traders dealing with both goods and services will have dual administrative control both by Central and State. 53 % MSMEs agreed to this.
- ❖ **Transformation of purchase and supply mediatory:** There is an enormous change has taken place in terms of purchase and supply chain due to implementation of GST. There is no credit capability provided to those companies who does not show the same replies from their end. Thus sourcing strategy will change on explanation of GST credit mechanism.

OPPORTUNITIES & CHALLENGES FOR MSMES ON THE IMPLICATIONS OF GST:

MSMEs are provides maximum engagement next to the agricultural sector. It is normally that at present we have more than 3 million MSMEs in India, causal almost 50 per cent of industrial output and 42 per cent of India's total export.

GST Council has taken measures in its various meetings for the benefit of MSMEs. These sectors are either exempted or bear low rate of GST. The goods which are produced mainly in the chalet sector have been summary from 12 per cent to 5 per cent. Rates of fishing hooks and the industry being labour intensive have been reduced from 12 per cent to 5 per cent. Electrical product largely produced by MSMEs and tax rate on these has been brought down from 28 per cent to 18 per cent. In this way the rate of GST on various product produced mainly by the MSMEs sector have been reduced from time to time. The only intension behind the low rate of GST on MEMEs is to boost these sectors from one level to other.

CONCLUSION:

The certain level of hurdle and changed opinion of different stakeholders gives birth

to every major modification. However, from the MSMEs perspectives, GST will bring in various positive related to the current system. Such as One country, one tax and one marketplace, Absence of Tax Cascading, Troubles free movement of goods, Easy obedience, reduced boundary between Taxpayer and Tax Collector. Moreover, the GST has funded though ultimately to employment generation in many ways. For MSMEs there are many tax businesses and relief has been provided to expand their business and create more and more engagement opportunities. Disorganized sector of our country is very large. Many small traders, manufacturers and service providers do business through cash communications which are not properly recorded and hence lack of transparency. GST has forced lakhs of small business articles to come under the roof of GST. Hence, this has led to enhanced formalization of the economy. The proper management between GST and MSMEs will definitely improve the productivity and efficiency of small traders at the same time it will lead to fruitful involvement in our Indian economy.

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