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Impact of GST on Micro, Small and Medium Enterprises (MSMEs) in Bikaner District

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ABSTRACT

The implementation of the Goods and Services Tax (GST) in India was a landmark reform aimed at creating a unified tax structure, increasing transparency, and improving ease of doing business. For Micro, Small and Medium Enterprises (MSMEs), which form the backbone of India's economy and contribute significantly to employment and exports, GST brought both opportunities and challenges. This research paper specifically examines the impact of GST on MSMEs in Bikaner district, Rajasthan. The study focuses on how GST has influenced compliance requirements, operational costs, market accessibility, and overall business sustainability for enterprises in this region. By analyzing secondary data from government reports, research studies, and authentic online sources, along with observations from existing surveys, this research highlights the transition MSMEs in Bikaner have undergone since the introduction of GST. The findings suggest that while GST has simplified indirect taxation and enhanced formalization, the complexity of digital compliance and the cost of technology adoption continue to pose significant hurdles for small-scale businesses. Furthermore, the paper emphasizes that GST has created a level playing field by reducing cascading taxes and improving supply chain efficiency, thereby allowing competitive growth for MSMEs in larger markets. At the same time, issues such as delays in tax refunds, lack of adequate training, and compliance burden remain serious concerns that directly affect profitability and sustainability. The study concludes that although GST has improved transparency and long-term prospects for MSMEs in Bikaner, targeted policy support, digital literacy, and capacity-building measures are essential to ensure that these enterprises fully benefit from the tax reform. The insights derived from this research aim to contribute to a deeper understanding of GST's real impact on grassroots-level businesses and provide a basis for policy recommendations that strengthen MSME growth in semi-urban and rural economies like Bikaner.

***Keywords**: GST, MSMEs, Bikaner District, Tax Compliance, Business Sustainability, Rajasthan Economy.*

Introduction

The Micro, Small, and Medium Enterprises (MSMEs) sector is one of the most vital pillars of the Indian economy. Contributing nearly 30% to the national GDP and employing over 110 million people, MSMEs play a key role in industrial production, exports, and regional development. In districts like Bikaner, known for its wool industries, handicrafts, textiles, and food processing units such as the famous "Bikaneri Namkeen," MSMEs not only sustain the local economy but also preserve traditional skills and provide livelihood opportunities to thousands of families.

The introduction of the Goods and Services Tax (GST) in July 2017 was a landmark tax reform aimed at simplifying India's complex indirect tax system. By subsuming multiple central and state taxes into a single framework, GST sought to promote transparency, reduce the cascading effect of taxation, and create a unified national market. For MSMEs, which often struggled with compliance under the previous tax structure, GST was expected to bring benefits such as seamless input tax credit, easier inter-state trade, and increased competitiveness.

However, the impact of GST on MSMEs has been mixed. While the reform has reduced barriers to trade and provided new growth opportunities, it has also introduced challenges, particularly in semi-urban and rural regions like Bikaner. Many enterprises in the district are small, family-owned, and traditional in nature, with limited exposure to digital systems. For them, mandatory online filings, increased compliance costs, and disruptions in cash flow due to refund delays have created significant difficulties. In contrast, relatively larger MSMEs in sectors like food processing and export-oriented units have benefited from smoother interstate trade and a more structured tax regime.

Given this dual impact, it becomes essential to study the influence of GST on MSMEs in Bikaner District. Such an analysis not only highlights the opportunities created by tax reform but also identifies the barriers faced by small entrepreneurs. The findings can help policymakers, industry stakeholders, and local entrepreneurs to better understand the realities of GST at the ground level and to formulate strategies for making the tax system more inclusive and supportive for MSMEs in districts like Bikaner.

Selection of the Problem

The selection of the research problem is guided by both academic significance and practical relevance. The introduction of the Goods and Services Tax (GST) in India in 2017 brought a paradigm shift in the indirect taxation system. While GST was designed to simplify tax structures, eliminate cascading effects, and create a unified national market, its actual impact has varied across sectors and regions. Among the most affected are the Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of India's economy.

Bikaner district presents a unique case for such a study. The district is home to a wide variety of MSMEs, including traditional industries such as handicrafts, wool processing, and textiles, as well as modern small-scale industries like packaged food processing and plastic goods manufacturing. Many of these enterprises are family-owned and rely heavily on traditional practices rather than advanced digital systems. With GST mandating digital compliance and regular online tax filing, these enterprises face both new opportunities and unprecedented challenges.

Although several studies have examined the impact of GST on MSMEs at the national level, limited research has been conducted focusing specifically on semi-urban and culturally rich districts like Bikaner. The district's industrial landscape is distinct in its dependence on local resources, small-scale capital investment, and unorganized structures. Therefore, understanding the impact of GST on MSMEs in Bikaner becomes essential to highlight the ground-level challenges and benefits experienced by entrepreneurs in such regions.

The problem was selected keeping in view its dual importance: academically, it adds to the body of literature on taxation and small-scale industries, and practically, it offers valuable insights to policymakers and local entrepreneurs. By studying this problem, the research aims to bridge the gap between policy intentions of GST and its actual implications for MSMEs in Bikaner district.

Review of Literature

Several studies in recent years have examined the impact of the Goods and Services Tax (GST) on Micro, Small and Medium Enterprises (MSMEs), with particular reference to Rajasthan. Garg et al. (2024) conducted a detailed study titled "Impact of GST on MSMEs: A Critical Assessment of Rajasthan State", in which they surveyed 200 MSMEs and carried out 20 in-depth interviews. Their findings suggest that while GST simplified tax procedures, improved logistics efficiency, and reduced corruption, it also created challenges such as increased compliance costs, lack of awareness among entrepreneurs, and difficulties in claiming Input Tax Credit (ITC) and processing refunds. They recommended awareness programs and a simplified compliance process for small businesses.

Similarly, Mittal and Raman (2021) explored the effect of GST on small and medium-sized enterprises in Rajasthan from an accounting perspective. They observed that GST has enhanced competitiveness and encouraged better accounting practices, but also noted that the reform tends to favor larger and technologically advanced businesses. Smaller enterprises often rely on external assistance and require significant adjustments in business processes to comply effectively with GST norms.

Another study by Boyal, Kaneria, and Jangid (2022) investigated the impact of GST on manufacturing MSMEs in the Kota region of South-East Rajasthan. Their research highlighted that the initial phase of GST implementation was difficult for micro and small manufacturers, but gradually many enterprises began to benefit from its uniform structure. The adoption of the Composition Scheme was reported in some cases, helping very small enterprises manage their tax obligations more effectively.

Beyond academic research, industry surveys and reports also provide valuable insights. A Deloitte survey reported by The Economic Times indicated that nearly 78% of MSMEs now view GST positively, up from 66% in earlier assessments. About 70% of respondents acknowledged that quarterly return filing has been helpful and that GST has improved supply chain efficiencies. However, the study also pointed out persistent issues such as restrictions on claiming input tax credit, working capital shortages, documentation complexities, and rigid conditions under the Composition Scheme.

At the same time, concerns have been raised regarding the misuse of certain provisions. As reported by The Times of India, tax experts highlighted the improper use of Section 74(A) scrutiny notices, which were intended for fraudulent cases but are often applied even in cases of minor discrepancies. This practice has led to undue penalties and has placed an additional burden on genuine MSMEs.

The overall review indicates that while GST has provided structural benefits to MSMEs in terms of efficiency, market expansion, and formalization, significant challenges remain in the form of compliance costs, digital literacy, and refund delays. However, most existing research focuses on either the state of Rajasthan as a whole or on industrial hubs like Kota. Very few studies have specifically analyzed districts like Bikaner, where the MSME sector is heavily rooted in traditional industries such as handicrafts, wool processing, textiles, and food processing. This gap highlights the importance of a localized study to assess how MSMEs in Bikaner are experiencing the dual impact of GST reforms.

Objectives of the Study

The primary objective of this study is to analyze the impact of the Goods and Services Tax (GST) on Micro, Small, and Medium Enterprises (MSMEs) in Bikaner district. While GST was introduced to simplify India's indirect taxation system, its practical implications vary across regions and industries. MSMEs in Bikaner, which include a mix of traditional sectors such as handicrafts, wool processing, and textiles along with emerging industries like packaged food and small-scale manufacturing, represent a unique case for assessing the effects of this tax reform.

Specifically, the study aims to understand how GST has influenced the operational performance, compliance practices, and overall competitiveness of MSMEs in Bikaner. One of the key objectives is to evaluate whether GST has facilitated business growth by reducing tax barriers or whether it has added financial and administrative burdens, particularly for micro and small enterprises that often lack adequate resources for digital compliance. Another important objective is to examine the awareness levels and preparedness of entrepreneurs in adapting to GST requirements, including the filing of returns, claiming input tax credit, and managing refunds.

The research also seeks to identify the challenges faced by MSMEs in Bikaner due to GST implementation, such as increased compliance costs, dependency on external accountants or consultants, delays in refund processing, and lack of digital literacy among business owners. In addition, the study intends to highlight the benefits experienced by MSMEs, such as improved market access, uniform taxation across states, and opportunities for formalization.

Finally, the study aims to generate region-specific insights that could help policymakers design supportive measures for MSMEs in semi-urban districts like Bikaner. By doing so, the research hopes to bridge the gap between national-level GST policies and their localized impact, thereby contributing to both academic knowledge and practical policy recommendations.

Main Ideas of the Study

The study on the impact of GST on MSMEs in Bikaner district is guided by a set of key ideas that emerge from the identified research problem. While GST was introduced with the objective of simplifying India's indirect taxation system and promoting efficiency, its ground-level impact on small and medium enterprises remains mixed. On one hand, GST has provided opportunities for uniform taxation, better market access, and the formalization of businesses. On the other hand, it has also created challenges for micro and small enterprises in terms of compliance burden, digital literacy, and working capital constraints. Therefore, this study is structured around the following main ideas, which serve as guiding themes for the analysis.

- **Impact of GST on Growth and Sustainability of MSMEs**

The introduction of GST has brought both opportunities and challenges for MSMEs in Bikaner. On the positive side, it replaced multiple indirect taxes with a single tax system, making interstate trade easier and more transparent. Many enterprises in sectors such as textiles, handicrafts, and food processing have benefited from a uniform tax structure, which has improved their market access and competitiveness. For medium-sized units, GST has also encouraged formalization and business expansion, contributing to long-term sustainability.

At the same time, the reform has created difficulties for micro and small enterprises, which form a large share of Bikaner's industrial base. The requirement of online return filing, dependence on accountants, and higher compliance costs have added pressure on businesses with limited resources. Issues such as refund delays and working capital shortages further affect their survival. Thus, while GST has opened new opportunities for growth, its sustainability impact varies according to the size and capacity of MSMEs in Bikaner.

- **Challenges in GST Compliance**

Despite its objective of simplifying taxation, GST compliance has been a major challenge for MSMEs in Bikaner. Many enterprises lack the necessary digital infrastructure and technical knowledge required for online return filing. Micro and small business owners, particularly in traditional sectors such as wool processing and handicrafts, often depend on external accountants for filing returns, which increases their costs. Frequent changes in GST rules and procedures further create confusion among entrepreneurs, making compliance a time-consuming task.

In addition to this, refund delays and difficulties in claiming input tax credit place extra pressure on working capital. Smaller units operating with limited resources find it hard to manage these financial constraints. The rigid conditions under the composition scheme, coupled with heavy documentation requirements, discourage very small enterprises from fully benefiting under GST. As a result, while GST has streamlined taxation at a national level, its compliance process continues to be burdensome for many MSMEs in Bikaner.

- **Awareness and Preparedness of MSME Owners**

The success of GST implementation largely depends on the awareness and preparedness of business owners. In Bikaner, many medium enterprises have adapted relatively well, as they possess better resources and access to professional guidance. These units are more aware of filing procedures, input tax credit, and compliance requirements, which enables them to operate smoothly under the GST regime. For such enterprises, GST has been an opportunity to expand into wider markets with greater confidence.

However, a significant number of micro and small enterprises in Bikaner still face challenges due to limited awareness. Many owners are not fully familiar with GST provisions, return deadlines, or digital platforms required for compliance. The lack of training and digital literacy creates dependency on external consultants, increasing operational costs. This gap in preparedness reduces their ability to benefit from GST and sometimes leads to unintentional errors in filing, which further complicates their business operations.

- **Benefits of GST for MSMEs**

GST has provided several benefits for MSMEs in Bikaner by creating a uniform tax structure across the country. Earlier, businesses faced multiple state and central taxes, which increased costs and reduced efficiency. With GST, the process has become more transparent, making it easier for enterprises to expand their operations beyond state boundaries. Sectors like textiles, food processing, and handicrafts in Bikaner have particularly gained from this simplified system, as they can now access wider markets without facing complex tax barriers.

Another major advantage of GST is the formalization of small businesses. Enterprises registered under GST are able to integrate more effectively with supply chains, making them eligible for input tax credit and larger contracts. This has improved their credibility and competitiveness in the market. For medium-sized enterprises, GST has also reduced logistical barriers, enabling smoother movement of goods and improving long-term growth prospects. Thus, despite its challenges, GST has opened new opportunities for MSMEs in Bikaner to grow and sustain in a competitive environment.

- **Policy Measures and Recommendations**

The experience of MSMEs in Bikaner under the GST regime highlights the need for region-specific policy support. While GST has created opportunities for growth, many micro and small enterprises continue to struggle with compliance, digital filing, and liquidity issues. To address these challenges, the government should introduce targeted training programs to improve digital literacy and GST awareness among small business owners. Simplified return filing procedures and extended deadlines for micro units can also reduce the burden of compliance.

In addition, timely refund processing and easier access to input tax credit would improve the working capital position of MSMEs, enabling them to focus on growth and innovation. Local industry associations and chambers of commerce in Bikaner could play an active role in bridging the knowledge gap by organizing workshops and support networks. By combining policy reforms with on-ground support, MSMEs in districts like Bikaner can fully utilize the benefits of GST while minimizing its negative impact, ensuring both growth and sustainability.

Findings / Discussion

The study on the impact of GST on MSMEs in Bikaner reveals a mixed outcome. While GST has created opportunities for market expansion and formalization, it has also introduced new challenges for micro and small enterprises. The findings can be summarized as follows:

Firstly, GST has improved market integration for MSMEs. Enterprises in Bikaner, particularly those in food processing, handicrafts, and textiles, reported that GST reduced state-level barriers and made interstate trade smoother. This has enhanced their competitiveness and allowed them to connect with wider supply chains.

Secondly, the compliance burden remains high, especially for micro and small units. Many entrepreneurs face difficulties in digital return filing and often rely on external accountants. Frequent changes in GST rules also create uncertainty. These compliance requirements consume time, increase costs, and affect profitability.

Thirdly, awareness and preparedness are uneven across enterprises. Medium-sized businesses are generally better equipped with resources and knowledge, while small enterprises continue to struggle due to lack of training and digital literacy. This gap has created an uneven playing field within the MSME sector itself.

Fourthly, working capital challenges remain one of the biggest hurdles. Delays in refunds and difficulties in claiming input tax credit reduce liquidity, making survival harder for smaller businesses. For enterprises that already operate with limited margins, this financial stress directly threatens sustainability.

Finally, the study finds that policy measures are crucial for maximizing the benefits of GST. Training programs, simplification of return filing, and faster refund processes could significantly reduce the burden on MSMEs. Active involvement of local industry associations in Bikaner could also help bridge knowledge gaps and provide collective support to entrepreneurs.

In summary, GST has been a double-edged sword for MSMEs in Bikaner. While it has created opportunities for growth and integration, its complex compliance requirements and financial challenges continue to affect the sustainability of small businesses. The extent of benefit depends largely on the size and preparedness of the enterprise.

Conclusion & Suggestions

The introduction of GST has been one of the most significant tax reforms in India, and its impact on MSMEs in Bikaner highlights both opportunities and challenges. On the positive side, GST has reduced the complexity of multiple taxes, allowed smoother interstate trade, and encouraged the formalization of businesses. These changes have especially benefited medium-sized enterprises with better resources and infrastructure. However, micro and small enterprises continue to struggle with compliance, digital filing requirements, and working capital shortages. This dual impact makes it clear that GST has not affected all MSMEs equally.

To strengthen the growth and sustainability of MSMEs in Bikaner under the GST regime, some practical measures are necessary. First, awareness and training programs should be organized at the local level to improve digital literacy and tax compliance knowledge. Second, the government should simplify return filing procedures for micro and small units, reducing their dependency on professional assistance. Third, timely processing of refunds and smoother access to input tax credit should be ensured to ease liquidity pressure. Finally, local chambers of commerce and industry associations in Bikaner should take a more active role in supporting entrepreneurs by providing technical guidance and advocacy.

In conclusion, GST has opened new doors for MSMEs in Bikaner, but its potential can only be fully realized if supportive policies and strong local initiatives are implemented. A balanced approach combining reforms with on-ground assistance will ensure that even the smallest enterprises can grow and sustain in a competitive environment.

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