

## A Study on the GST Impact on Small Businesses in Telangana

1. **NUKAPANGA MAHESH KUMAR** (24UJ1E00G5) Student of 2<sup>nd</sup> Year MBA,  
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad – 501 401.

2. **P SHYAM REDDY**, Assistant Professor Dept of MBA,  
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad – 501 401.

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### ABSTRACT

The Goods and Services Tax (GST) introduced a tax system in India, replacing several earlier taxes and aiming to simplify taxation, reduce cascading, and improve transparency. Small businesses in Telangana have experienced both benefits and challenges following GST implementation. This study examines GST's influence on business operations, tax compliance, input tax credit, financial management, digital filing, and business performance. Primary data from 100 small business owners and secondary sources were considered. Percentage analysis is used to interpret responses. The study indicates improved tax compliance, transparency, and formal financial practices, while frequent rule changes, technical difficulties, documentation, and compliance costs remain important challenges currently.

**Keywords:** GST; Small Businesses; Telangana; Tax Compliance; Input Tax Credit

### 1. INTRODUCTION

Taxation is an important source of government revenue and supports public welfare, education, transportation, and development. Before the introduction of the Goods and Services Tax (GST), businesses in India dealt with several indirect taxes, including Value Added Tax, Central Excise Duty, Service Tax, Central Sales Tax, Entry Tax, Luxury Tax, Entertainment Tax, Purchase Tax, and Octroi. The multiplicity of taxes created administrative complexity, documentation requirements, cascading effects, and additional operating costs for businesses. The Government of India introduced GST on July 1, 2017, as a major tax reform. GST replaced multiple indirect taxes with a destination-based tax on the supply of goods and services. Its major objectives include creating a common national market, simplifying tax administration, reducing tax cascading, improving compliance, and enhancing ease of doing business. The GST framework includes Central GST, State GST, and Integrated GST. The Input Tax Credit mechanism allows eligible businesses to offset taxes paid on purchases against taxes payable on sales, thereby reducing the cascading burden. Small businesses are important contributors to employment, entrepreneurship, manufacturing, trade, services, and regional economic development within Telangana. Telangana has experienced industrial growth, expansion of services, entrepreneurship, infrastructure development, and digital governance. Consequently, small businesses in the state have been significantly affected directly by GST requirements. Registration, digital record keeping, periodic return filing, electronic invoicing where applicable, and online tax payments have changed traditional business practices. GST has provided several potential benefits to small businesses. Simplified taxation, input tax credit, better documentation, greater transparency, digital payments, and improved accounting practices can support business efficiency and formalisation. However, small businesses also face challenges. Compliance costs, technological limitations, frequent regulatory changes, invoice reconciliation, documentation, and working-capital pressures can create difficulties, particularly for firms with limited financial and human resources. Therefore, this study focuses on small businesses in Telangana and examines the practical impact of GST on taxation, operations, compliance, financial management, working capital, transparency, and business performance. The study considers the major obstacles experienced by business owners and the need for taxpayer awareness, digital capability, professional guidance, and policy support. Its findings are intended to assist entrepreneurs, policymakers, tax professionals, researchers, and other stakeholders in improving GST implementation and small-business development.

## 2. REVIEW OF LITERATURE

Research on GST has examined tax simplification, compliance, digitalisation, business performance, and economic development. Ahmad and Poddar (2009) discussed the proposed GST structure and highlighted the potential to reduce tax cascading and improve tax efficiency. Vasanthagopal (2011) viewed GST as a major reform capable of simplifying indirect taxation and improving business competitiveness. Garg (2014) identified the potential benefits of a common national market while recognising implementation difficulties for enterprises. Schrawat and Dhanda (2015) emphasised transparency, investment, tax compliance, and taxpayer awareness. Kumar (2017) observed that small and medium enterprises could benefit from simplified taxation and input tax credit but might face difficulties with digital filing and working-capital management. Sharma and Gupta (2018) noted that electronic invoicing, online payments, and return filing improve transparency while creating administrative responsibilities. Reddy and Rao (2020) highlighted formalisation and improved documentation but cash-flow and compliance-cost concerns. Patel and Shah (2021) associated GST with increased adoption of digital payments and accounting systems. Singh and Verma (2023) linked GST with stronger accounting discipline and financial transparency, while Rao and Kumar (2024) emphasised digital compliance tools and simpler return procedures. The literature supports the need for regional research focusing on Telangana's small businesses.

## 3. OBJECTIVES OF THE STUDY

1. To study the impact of Goods and Services Tax (GST) on small businesses in Telangana.
2. To examine the impact of GST on business operations and tax compliance of small businesses.
3. To evaluate the benefits of GST, particularly input tax credit and simplified taxation processes.
4. To identify the major obstacles faced by small businesses during GST implementation.
5. To suggest appropriate measures for improving GST compliance and supporting the growth of small businesses in Telangana.

## 4. RESEARCH METHODOLOGY

The study follows a descriptive survey design focusing on small businesses in Telangana. Primary data were collected through a questionnaire from 100 small business owners using convenience sampling. Secondary information was obtained from government reports, GST publications, books, journals, and business sources. Percentage analysis supports interpretation. This design supports clear comparison of responses.

### 4.1 STATISTICAL TOOL

**Percentage Analysis-**Percentage analysis is selected as the principal statistical tool because the study uses responses from **100 small business owners** and presents their opinions through frequency distributions and percentages.

**Formula:**  $\text{Percentage} = (\text{Frequency} \div \text{Total Number of Respondents}) \times 100$

The uploaded report itself specifies **percentage analysis, frequency distribution, tabular analysis, comparative evaluation, and graphical interpretation** as its statistical approaches.

For this condensed report, **Percentage Analysis** is the primary tool because it directly supports the three selected tables and the study objectives.

## 5. DATA ANALYSIS AND INTERPRETATION

**Table 1: Small Business Owners' Knowledge of GST**

**Objective covered:** To study the impact of GST on small businesses in Telangana.

| Response     | Respondents | Percentage (%) |
|--------------|-------------|----------------|
| Very High    | 30          | 30             |
| High         | 40          | 40             |
| Moderate     | 15          | 15             |
| Low          | 10          | 10             |
| Very Low     | 5           | 5              |
| <b>Total</b> | <b>100</b>  | <b>100</b>     |

**Interpretation:**

The table shows that **40%** of respondents have a high level of knowledge of GST, while **30%** have very high knowledge. Thus, **70%** of the respondents demonstrate high or very high GST awareness. Only 15% report moderate knowledge and 15% report low or very low knowledge. The finding indicates that most small business owners possess a sound understanding of GST.

**Table 2: GST's Impact on Tax Compliance**

**Objective covered:** To examine the impact of GST on business operations and tax compliance.

| Response          | Respondents | Percentage (%) |
|-------------------|-------------|----------------|
| Strongly Agree    | 35          | 35             |
| Agree             | 37          | 37             |
| Neutral           | 12          | 12             |
| Disagree          | 10          | 10             |
| Strongly Disagree | 6           | 6              |
| <b>Total</b>      | <b>100</b>  | <b>100</b>     |

**Interpretation:**

The table indicates that **37%** of respondents agree and **35%** strongly agree that GST has improved tax compliance. Therefore, **72%** of respondents express a positive opinion regarding GST's contribution to compliance. The result indicates that GST has encouraged businesses to maintain proper records, complete tax procedures, and follow more systematic compliance practices.

**Table 3: Main Obstacle to GST Implementation**

**Objective covered:** To identify the major obstacles faced by small businesses during GST implementation.

| Response              | Respondents | Percentage (%) |
|-----------------------|-------------|----------------|
| Frequent Rule Changes | 38          | 38             |
| Technical Issues      | 22          | 22             |
| Documentation         | 18          | 18             |
| Compliance Cost       | 14          | 14             |
| Other                 | 8           | 8              |
| <b>Total</b>          | <b>100</b>  | <b>100</b>     |

**Interpretation:**

The table reveals that **frequent changes in GST rules** are the largest obstacle, reported by **38%** of respondents. Technical issues account for 22%, documentation for 18%, and compliance costs for 14%. Thus, regulatory changes represent the most significant difficulty faced by the surveyed small businesses.

**6. RESULTS**

1. The majority of small business owners possess a good understanding of GST regulations.
2. **70%** of respondents report high or very high knowledge of GST.
3. GST has contributed to improved tax compliance among the surveyed businesses.
4. **72%** of respondents agree or strongly agree that GST has improved tax compliance.
5. GST has encouraged businesses to maintain more systematic financial and tax records.
6. Input tax credit is identified as an important financial benefit for small businesses.
7. GST has contributed to greater financial transparency and formalisation of business practices.
8. Digital return filing has been adopted successfully by a majority of business owners.
9. GST is perceived by most respondents as contributing positively to business growth.
10. The study indicates some improvement in working-capital management following GST implementation.
11. **Frequent changes in GST regulations** are the major obstacle reported by respondents.
12. Technical issues, documentation requirements, and compliance costs continue to create difficulties for some small businesses.
13. Overall, the study indicates that GST has produced a generally positive effect on small businesses in Telangana while continuing to require policy and implementation support.

## 7. SUGGESTIONS

1. **GST procedures should be simplified** further to reduce the compliance burden on small businesses.
2. Government authorities should provide timely and easily understandable information whenever GST rules are changed.
3. Regular **GST awareness programmes and training workshops** should be organised for small business owners.
4. Small businesses should be encouraged to adopt reliable accounting software and digital record-keeping systems.
5. Technical assistance and GST helpdesk facilities should be strengthened to resolve digital filing problems quickly.
6. Professional accountants and GST practitioners should provide affordable guidance to small enterprises.
7. Small businesses should maintain accurate invoices, transaction records, and tax documents to obtain the full benefits of input tax credit.
8. Government agencies should provide stronger support for businesses facing technology and compliance difficulties.
9. Businesses should improve working-capital planning to manage tax payments and delays in receiving credits or customer payments.
10. Continued policy support and taxpayer education should be provided to strengthen GST compliance and promote sustainable growth of small businesses in Telangana.

## 8. CONCLUSION

The study concludes that the Goods and Services Tax has generally produced a positive transformation in the tax environment of small businesses in Telangana. GST has simplified the indirect tax structure, encouraged systematic compliance, improved financial transparency, strengthened documentation, and provided benefits through the input tax credit mechanism. The analysis also shows that digital filing and formal accounting practices have become increasingly important for small enterprises. At the same time, frequent regulatory changes, technical difficulties, documentation requirements, compliance costs, and working-capital concerns continue to create operational challenges. Therefore, the effectiveness of GST for small businesses can be further improved through simplified procedures, continuous taxpayer education, technological assistance, professional guidance, and responsive government support. Overall, GST has contributed to improved business organisation, tax discipline, transparency, and growth prospects among Telangana's small businesses, although sustained policy support remains necessary.

## 9. REFERENCES

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