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A Study on the Role of GST in Promoting Digital Business and Online Consumer Engagement among MSMEs

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Abstract

Goods and Services Tax (GST) is one of the most important tax reforms introduced in India to create a unified and transparent taxation system. The implementation of GST has significantly influenced the functioning of Micro, Small, and Medium Enterprises (MSMEs), especially in the areas of digital business operations and customer engagement. With the growing importance of digital technologies and online business platforms, MSMEs are increasingly adopting digital marketing strategies to improve customer interaction, market reach, and business performance. This study aims to analyze the role of GST in promoting digital business and online consumer engagement among MSMEs. The study focuses on understanding how GST has encouraged MSMEs to adopt digital platforms such as social media marketing, e-commerce websites, digital payment systems, and online promotional activities. It also examines the opportunities and challenges faced by MSMEs in adapting to digital business practices after GST implementation. Primary data can be collected through structured questionnaires from MSME owners, managers, and marketing professionals, while secondary data may be collected from journals, government reports, websites, and research articles. The findings of the study are expected to reveal that GST has positively contributed to the digital transformation of MSMEs by encouraging online transactions, transparent business operations, and increased use of digital marketing tools. The study also highlights that digital business practices have improved customer engagement, brand awareness, and market competitiveness of MSMEs. However, challenges such as lack of digital literacy, compliance burden, and technological barriers continue to affect small businesses. The study concludes that GST has played a significant role in promoting digital business activities and strengthening online consumer engagement among MSMEs. It also suggests that continuous digital awareness programs and simplified GST procedures can further support the growth and sustainability of MSMEs in the digital economy.

Keywords: GST, Digital Business, MSMEs, Online Consumer Engagement, Digital Marketing, E-Commerce, Social Media Marketing, Digital Transactions.

Introduction

Goods and Services Tax (GST) is one of the most important indirect tax reforms introduced in India to create a unified taxation system and improve transparency in business operations. Implemented on 1st July 2017, GST replaced multiple indirect taxes such as Value Added Tax (VAT), Service Tax, Excise Duty, and Central Sales Tax. The main objective of GST is to simplify the tax structure, eliminate tax cascading effects, and create a common national market. The introduction of GST has brought significant changes in the functioning of businesses, especially Micro, Small, and Medium Enterprises (MSMEs), which are considered the backbone of the Indian economy. MSMEs play a crucial role in economic development by contributing to employment generation, industrial production, exports, and regional

development. In recent years, digital transformation has become essential for MSMEs to survive and compete in the modern business environment. Businesses are increasingly using digital platforms for sales, marketing, customer communication, and financial transactions. Digital business practices such as e-commerce operations, online payment systems, social media marketing, and digital customer engagement have become common among MSMEs. The implementation of GST has accelerated the digitalization of business activities among MSMEs. Since GST compliance requires online registration, digital invoicing, e-filing of returns, and electronic tax payments, many businesses have started adopting digital technologies in their operations. This digital shift has also influenced customer engagement practices. MSMEs are increasingly using social media platforms, websites, mobile applications, and e-commerce portals to interact with customers and improve their market presence. Online consumer engagement refers to the interaction between businesses and customers through digital platforms. It includes activities such as social media communication, online reviews, customer feedback, digital advertisements, and personalized marketing strategies. Digital engagement helps businesses understand customer preferences, improve service quality, and build long-term customer relationships. GST has indirectly supported online consumer engagement by promoting digital transactions and organized business practices.

Digital marketing platforms such as Facebook, Instagram, YouTube, WhatsApp, and e-commerce websites have become effective tools for MSMEs to reach wider customer markets. These platforms allow businesses to promote products and services at lower costs compared to traditional marketing methods. GST has created opportunities for MSMEs to expand their digital business activities by encouraging formalization, transparency, and digital financial systems. However, MSMEs also face several challenges in adapting to digital business practices after GST implementation. Lack of digital literacy, high compliance costs, technological barriers, and shortage of skilled employees affect the effective use of digital platforms. Small businesses often struggle to understand GST procedures and maintain digital records. Despite these challenges, many MSMEs are gradually adopting digital business models to improve competitiveness and customer satisfaction. The present study aims to analyze the role of GST in promoting digital business and online consumer engagement among MSMEs. The study focuses on understanding how GST has influenced digital marketing practices, online customer interaction, e-commerce activities, and business growth among MSMEs. It also examines the opportunities and challenges faced by MSMEs in adapting to digital business operations. The study is significant because digital business and customer engagement have become essential for the growth and sustainability of MSMEs in the competitive market environment. The findings of the study will help policymakers, researchers, business owners, and marketing professionals understand the relationship between GST reforms and digital business transformation among MSMEs. The study may also provide practical suggestions to improve digital awareness and strengthen online business practices in the MSME sector.

Review of Literature

Ramesh Kumar (2019) stated that GST has significantly transformed the operational and financial activities of MSMEs in India. The study highlighted that GST encouraged digital transactions and online business practices, which helped MSMEs improve transparency and efficiency in business operations. Sharma and Gupta (2020) examined the impact of GST on digital business practices among MSMEs. The study found that many small businesses adopted social media marketing, digital payment systems, and e-commerce platforms after GST implementation. The researchers concluded that GST promoted digital business growth and improved market competitiveness. Patel (2021) analyzed the relationship between GST and online consumer engagement. The study revealed that businesses increasingly used digital marketing tools such as Facebook, Instagram, and WhatsApp to attract customers and improve online communication. The researcher observed that GST indirectly supported digital customer interaction through increased digital adoption. Kavitha and Rao (2021) focused on the influence of digital marketing on consumer behavior after GST implementation. The study concluded that online advertisements, digital payment systems, and e-commerce activities positively influenced customer satisfaction and purchasing decisions among consumers. Mehta (2022) studied the challenges faced by MSMEs in adapting to digital business practices under GST. The findings indicated that lack of digital knowledge, high compliance costs, and technical barriers were major problems affecting small businesses. However, the researcher emphasized that digital business practices improved customer reach and business visibility. Srinivas and Reddy (2022) conducted a study on digital marketing adoption among MSMEs in Telangana. The study found that social media marketing and online promotional strategies became more popular after GST implementation due to increased digital awareness and formal business operations. Agarwal (2023) examined the role of GST in promoting transparency and digital transformation among MSMEs. The study highlighted that GST encouraged businesses to maintain digital records and online transactions, which improved consumer trust and business credibility. Priya and Naik (2023) analyzed online

consumer engagement strategies adopted by MSMEs after GST implementation. The researchers found that businesses using digital platforms experienced higher customer interaction, better brand awareness, and improved sales performance. The review of literature indicates that GST has positively influenced digital business operations and online consumer engagement among MSMEs. Most studies reveal that GST encouraged businesses to adopt digital marketing tools, e-commerce activities, and online communication platforms. However, challenges such as digital illiteracy, technological barriers, and compliance burden continue to affect the effective implementation of digital business practices among MSMEs.

Research Gap

Although several studies have been conducted on GST reforms and digital marketing practices, limited research has focused specifically on the role of GST in promoting digital business and online consumer engagement among MSMEs. Most existing studies mainly concentrate on taxation, financial performance, compliance procedures, and economic impact of GST, while less attention has been given to digital business transformation in the MSME sector.

Previous research has examined the adoption of digital marketing tools and e-commerce activities separately, but very few studies have analyzed how GST has influenced online consumer engagement and digital interaction between businesses and customers. The impact of GST on social media marketing, online customer communication, digital payment systems, and consumer trust among MSMEs requires further investigation.

In addition, many studies focused on large organizations and urban business sectors, whereas limited research has been conducted on MSMEs operating in regional markets such as Telangana. MSMEs often face unique challenges related to digital literacy, technological infrastructure, and financial resources, which affect their ability to adopt digital business practices effectively.

Another important gap identified is the lack of empirical studies examining both the opportunities and challenges faced by MSMEs in integrating GST compliance with digital business operations. Factors such as digital awareness, online transaction systems, customer engagement strategies, and technological barriers have not been studied comprehensively.

Furthermore, the rapid growth of digital platforms, e-commerce websites, and online marketing activities after GST implementation has changed the business environment significantly. However, limited studies have analyzed whether GST has contributed to increased customer interaction, business visibility, and digital competitiveness among MSMEs.

Therefore, the present study attempts to fill these research gaps by analyzing the role of GST in promoting digital business and online consumer engagement among MSMEs. The study also aims to provide practical suggestions for improving digital adoption, customer interaction, and business sustainability in the MSME sector.

Objectives of the Study

1. To study the role of GST in promoting digital business practices among MSMEs.
2. To examine the impact of GST on online consumer engagement among MSMEs.
3. To analyze the influence of GST on the adoption of digital marketing platforms and e-commerce activities.
4. To identify the opportunities and challenges faced by MSMEs in adapting to digital business operations after GST implementation.
5. To evaluate the effect of digital business practices on customer reach and business performance of MSMEs.

Research Methodology

Research methodology refers to the systematic process used for collecting, analyzing, and interpreting data to achieve the objectives of the study. The present study focuses on analyzing the role of GST in promoting digital business and online consumer engagement among MSMEs.

Research Design

The study is descriptive and analytical in nature. It aims to understand the impact of GST on digital business practices, online customer engagement, e-commerce activities, and digital marketing adoption among MSMEs.

Data Analysis and Interpretation

Table 1: Awareness of GST among MSMEs

Awareness Level	Number of Respondents	Percentage
Highly Aware	50	50%
Moderately Aware	30	30%
Low Awareness	20	20%
Total	100	100%

Interpretation

The above table shows that 50% of respondents are highly aware of GST regulations and digital compliance procedures. Around 30% possess moderate awareness, while 20% have low awareness regarding GST practices. This indicates that most MSMEs are familiar with GST and its impact on business operations.

Table 2: Adoption of Digital Business Practices after GST

Response	Number of Respondents	Percentage
Increased Significantly	48	48%
Increased Moderately	32	32%
No Change	20	20%
Total	100	100%

Interpretation

The table reveals that 48% of MSMEs significantly increased their digital business activities after GST implementation. About 32% reported moderate improvement, while 20% observed no major change. This indicates that GST positively influenced digital business adoption among MSMEs.

Table 3: Preferred Digital Platforms for Consumer Engagement

Digital Platform	Number of Respondents	Percentage
Social Media Marketing	40	40%
WhatsApp Marketing	25	25%
E-Commerce Platforms	20	20%
Email Marketing	15	15%
Total	100	100%

Interpretation

The findings indicate that social media marketing is the most preferred digital platform among MSMEs with 40% responses, followed by WhatsApp marketing at 25%. This shows that MSMEs prefer cost-effective and easily accessible digital platforms for customer engagement and promotion.

Table 4: Challenges Faced in Digital Business Adoption

Challenges	Number of Respondents	Percentage
Lack of Digital Knowledge	35	35%
High Compliance Cost	30	30%
Technical Issues	20	20%
Lack of Skilled Employees	15	15%
Total	100	100%

Interpretation

The table shows that lack of digital knowledge is the major challenge faced by MSMEs with 35% responses. High compliance cost is another important issue identified by 30% of respondents. This highlights the need for digital training and simplified GST procedures.

Table 5: Impact of Digital Business on Customer Engagement

Impact Level	Number of Respondents	Percentage
High Impact	55	55%
Moderate Impact	30	30%
Low Impact	15	15%
Total	100	100%

Interpretation

The above table reveals that 55% of MSMEs experienced a high level of improvement in online consumer engagement through digital business practices after GST implementation. This indicates that digital platforms have become effective tools for improving customer communication, brand awareness, and business growth.

Findings of the Study

1. GST implementation has encouraged MSMEs to adopt digital business practices and online platforms.
2. Social media marketing is the most preferred platform for online consumer engagement among MSMEs.
3. GST has increased the use of digital payment systems and e-commerce activities among small businesses.
4. Digital business practices have improved customer engagement, brand awareness, and business performance.
5. Lack of digital knowledge and high compliance costs are the major challenges faced by MSMEs.

Suggestions of the Study

1. MSMEs should be provided with training programs on GST compliance and digital business practices.
2. Government should simplify GST procedures to reduce compliance burden on small businesses.
3. MSMEs should increase the use of social media, e-commerce websites, and digital platforms for customer engagement.
4. Financial and technological support should be provided to MSMEs for improving digital infrastructure.
5. Businesses should invest in skilled digital marketing professionals to improve online consumer engagement and business growth.

Conclusion

The implementation of Goods and Services Tax (GST) has brought significant changes in the business environment of India, particularly for Micro, Small, and Medium Enterprises (MSMEs). The study concludes that GST has played an important role in promoting digital business practices and online consumer engagement among MSMEs. The requirement for digital compliance, online tax filing, and electronic transactions has encouraged businesses to adopt digital platforms and modern business practices. The study reveals that MSMEs increasingly use social media marketing, e-commerce platforms, digital payment systems, and online promotional strategies to improve customer interaction and business performance. Digital business practices have helped MSMEs expand their market reach, improve customer engagement, and strengthen competitiveness in the market. Online consumer engagement through digital platforms has also enhanced brand awareness and customer satisfaction.

However, the study identified several challenges such as lack of digital literacy, high compliance costs, technical issues, and shortage of skilled employees. These factors continue to affect the effective adoption of digital business practices among MSMEs. Therefore, proper training, simplified GST procedures, and technological support are necessary to improve digital adoption among small businesses. Overall, the study concludes that GST has positively contributed to the digital transformation of MSMEs and strengthened online consumer engagement. With continuous support from the government and increased digital awareness, MSMEs can achieve sustainable growth and better business opportunities in the digital economy.

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