

A Study on The Viewpoint of GST Accounting Among MSMEs Owners with Reference to Bengaluru

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Abstract

Implementation of GST has reached seven years and it impacted significantly businesses across India, by MSMBs facing unique encounters in this transition. GST has replacing a complex array of indirect taxes with a unified tax structure, simplified compliance for businesses, reduced the flowing outcome of levies, and enhanced transparency. Still GST have complexity, frequent updates and variations in tax rates and rules, delays in input tax credit refunds, and technical glitches in the GST network have led to significant confusion and administrative burdens, particularly for small and medium-sized enterprises, resulting in increased operational costs and difficulties in maintaining accurate records. This study provides a comprehensive analysis of GST accounting viewpoints within MSMEs in Bengaluru.

Key words: GST, Accounting, MSME's, Difficulties.

INTRODUCTION

In the world-wide GST concept was introduced long back, but in India it is introduced in 1st July 2017 with great struggle. Now we are reaching the milestone of seven years of GST implementation, but till now we have facing different types compliance in various stages and areas. GST is comprehensive indirect taxes that were previously imposed by the central and state government. It is aimed at creating a unified taxation system, eliminating the cascading effort of taxes, and simplifying compliance for businesses. Now, this tax modification is witnessing reform to our economy and all business dynamics including Micro, Small, and Medium Enterprises (MSMEs). It is difficult for Indian MSMEs to flourish in this volatile atmosphere. MSMEs are rightfully hailed as the backbone of India's economic. MSMEs not only bring forth the loftiest employment per capita investment but also ease the modification of primary sector-led economic systems into manufacturing ones by offering processing occupations that generate workable livelihoods. Women hold a significant place in this small business

sector. Also, MSMEs chip into the development of systemic productive capacities and foster financial buoyancy by absorbing productive energies at all stages of the economic system and establishing inter linkages between small and large businesses. The study examines the tax compliance and perceptions of MSMEs from the perspectives of three major players associated with MSME owners.

REVIEW OF LITERATURE

Dale Pinto (2002) examines the businesses have faced increased administrative and compliance costs, especially small retailers that lack adequate resources for detailed accounting. To address these challenges, the government introduced simplified accounting measures on 1 July 2000, letting succeeding sellers towards evaluation their GST-free sales and acquisitions before maintaining separate records. These measures aim towards decrease the managerial burden then enhance acquiescence efficiency for retailers dealing with GST.

Lourdunathan. F et al., (2017) This paper reviews GST's background, prospects, and implementation hurdles, concluding that it can enhance revenue and compliance by simplifying taxes and providing comprehensive input tax credits. The electronic processing of tax returns via GSTNET aims to reduce corruption and tax evasion. To ensure successful implementation, ongoing education and training for stakeholders are essential.

Nandagopal (2017) The current study suggests that industries such as cement and media will benefit, whereas insurance and transport may face challenges. Overall, GST is viewed as a structural reform that aims to create a better national market and enhance the ease of doing business, benefiting both businesses and consumers. This review analyses the impact of GST during its first four months of implementation on manufacturers, service providers, consumers, and the government.

Subramania Nathan's (2020) examined GST's influence on MSMEs presents a varied picture. Delays in refunds and the management of advances further exacerbate these issues. Although initiatives such as an electronic refund system and quarterly returns are beneficial, additional reforms are needed. Proactive government intervention is crucial to enhance GST's effectiveness for MSMEs and mitigate its challenges.

Harishekar Lichchavi's (2021) study examines GST's impact on small and medium enterprises in Peenya, Bangalore. Key findings include a decrease in product prices and increased sales and tax compliance. Enterprises prefer Input Tax Credit (ITC) over the composition scheme, while reactions to the Reverse Charge Mechanism (RCM) are mostly negative. Although the dual GST administration creates challenges, businesses seek simpler tax processes for job and labour facilities. Electronic way bill scheme takes improved transparency but introduced new issues. While inter-state transactions have grown and technical difficulties are minimal, current economic conditions have diminished GST's overall benefits, suggesting the need for targeted policy reforms.

Mehta (2021) research states the implementation has encountered ongoing challenges, including technical glitches and complexities inherent to the system. It reviews the progress made in the four years since GST's adoption, highlighting the need for further stabilization to enhance compliance and enforcement efficiency. The GST Council must address these issues to improve tax efficiency. This literature review explores current challenges and suggests solutions to streamline the GST framework, supporting national integration while managing the complexities of Centre-State relationships.

Nagarajan K. (2021) The GST Law, 2017 mandates that each listed individual keep accurate books and records, as compliance verification by tax authorities relies on these documents. The Act specifies the types of records to be kept and the duration for their retention, emphasizing the importance of proper maintenance to avoid penalties. With the rise of accounting and ERP software, businesses can now choose to keep records either manually or electronically. Registered individuals are responsible for filing self-assessed GST returns, ensuring that reported financial data aligns with their accounting records. Consequently, the obligation to maintain these records accurately is crucial, as ignorance of compliance requirements is not a valid excuse in the eyes of the law.

Vakil et al. (2022) This research explores the views of chartered accountants in Gujarat on GST adoption, highlighting that while the tax is expected to significantly impact the Indian economy, its full effects may take time to emerge. An official recommendation supports a uniform tax on all transactions, encompassing all goods and services at the stages of manufacturing, sale, and consumption, underscoring GST's potential to reshape India's economic landscape.

RESEARCH GAP

Despite existing research on the Goods and Services Tax (GST), several gaps remain. Most studies focus on immediate compliance challenges faced by small retailers and MSMEs, overlooking the long-term

impacts on business strategies and sectoral dynamics. Additionally, while some research highlights the need for government intervention and educational initiatives, there is insufficient analysis of their effectiveness across different industries. Furthermore, the broader economic implications of GST, particularly its potential to reshape the Indian economy and enhance national integration, require more comprehensive exploration. Addressing these

gaps could yield valuable insights for policy reforms and better implementation strategies.

RESEARCH OBJECTS:

1. To Assess the Understanding of GST Compliance awareness among MSME owners in Bengaluru.
2. To analyse the Key Challenges and difficulties faced by MSMEs in Bengaluru.

METHODOLOGY

Research Category	Descriptive and Analytical
Sources	Primary-level and Secondary
Study Instrument	Questionnaire
Sample Size	29
Data Analysis Tools	Descriptive table
Tools Used	SPSS

DATA ANALYSIS:

	Q - 1	Q - 2	Q - 3	Q - 4	Q - 5	Q - 6	Q - 7	Q - 8	Q - 9	Q - 10
Average	1.0000	2.8462	2.0769	1.0769	2.4231	2.1154	2.0385	2.3077	1.5000	1.2692
Median	1.0000	3.0000	2.0000	1.0000	2.0000	2.0000	2.0000	2.0000	1.5000	1.0000
Peak value	1.00	3.00	2.00	1.00	2.00	1.00	2.00	2.00	1.00	1.00
Spread of Data	.00000	.45952	1.15209	.26907	.75006	.98327	.71295	.87534	.50488	.45234
Variance	.000	.211	1.327	.072	.563	.967	.508	.766	.255	.205
SE of Skewness	.330	.330	.330	.330	.330	.330	.330	.330	.330	.456
Std. Error of Kurtosis	.650	.650	.650	.650	.650	.650	.650	.650	.650	.887
Minimum	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	1.00	4.00	5.00	2.00	4.00	4.00	3.00	4.00	2.00	2.00
Skewness		-.597	1.285	3.271	.853	.276	-.056	.073	.000	1.105
Kurtosis		1.116	1.171	9.043	.136	-1.106	-.972	-.692	-2.082	-.850

Source: Primary – Computed

	Q. 21	Q. 22	Q. 23	Q. 24	Q. 25	Q. 26	Q. 27	Q. 28	Q. 29
Average	2.0769	1.6731	1.9038	1.9231	1.9038	2.0962	1.6923	2.3462	2.0000
Median	2.0000	1.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Peak value	3.00	1.00	1.00	2.00	1.00	2.00	1.00	2.00	2.00
Spread of Data	.88220	.78519	.79852	.78830	.79852	.82271	.72864	.78926	.79212
Variance	.778	.617	.638	.621	.638	.677	.531	.623	.627
SE of Skewness	.330	.330	.330	.330	.330	.330	.330	.330	.330
Std. Error of Kurtosis	.650	.650	.650	.650	.650	.650	.650	.650	.650

Minimum	.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	3.00	3.00	3.00	4.00	3.00	4.00	3.00	4.00	4.00
Skewness	-.332	.659	.177	.638	.177	.256	.554	.782	.985
Kurtosis	-1.217	-1.054	-1.400	.219	-1.400	-.566	-.909	.243	1.297

Source: Primary – Computed

	Q. 21	Q. 22	Q. 23	Q. 24	Q. 25	Q. 26	Q. 27	Q. 28	Q. 29
Average	2.0769	1.6731	1.9038	1.9231	1.9038	2.0962	1.6923	2.3462	2.0000
Median	2.0000	1.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Peak value	3.00	1.00	1.00	2.00	1.00	2.00	1.00	2.00	2.00
Spread of Data	.88220	.78519	.79852	.78830	.79852	.82271	.72864	.78926	.79212
Variance	.778	.617	.638	.621	.638	.677	.531	.623	.627
SE of Skewness	.330	.330	.330	.330	.330	.330	.330	.330	.330
Std. Error of Kurtosis	.650	.650	.650	.650	.650	.650	.650	.650	.650
Minimum	.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	3.00	3.00	3.00	4.00	3.00	4.00	3.00	4.00	4.00
Skewness	-.332	.659	.177	.638	.177	.256	.554	.782	.985
Kurtosis	-1.217	-1.054	-1.400	.219	-1.400	-.566	-.909	.243	1.297

Source: Primary – Computed

The above table shows mean, medium, mode, standard deviation, discrepancy, SE of skewness, SE of kurtosis. minimum, extreme, Skewness then Kurtosis from the primary data collection.

INTERPRETATION:

- Confidence in Compliance:** With a mean of 2.42 and a median of 2, the confidence level in complying with GST regulations is moderate, implying that while some owners feel capable, others may be uncertain about their compliance abilities.
- Overall Awareness:** The mean score of 2.85 suggests a moderate understanding of GST regulations among MSME owners, with a median of 3 indicating that many have at least a basic understanding.
- Use of Resources:** The responses indicate a reliance on various resources to learn about GST, although specific types of resources are not detailed. This could point to a mix of informal and formal learning avenues.

CHALLENGES FACED:

- Complexities in Filing Returns:** The data reflects challenges in understanding the filing process, with a mean of 2.31, indicating that many MSME owners find the return process complex.
- Documentation and ITC Claims:** The responses suggest that maintaining proper accounting records and understanding ITC (Input Tax Credit) claims is particularly challenging, evidenced by high mean values related to these aspects.
- Timeliness:** The challenges faced in meeting GST return deadlines (mean of 2.30) reveal that timely compliance is a significant concern, possibly due to insufficient understanding or lack of resources.

TECHNOLOGICAL ADOPTION:

- Accounting Software:** While a question about the GST compliance of accounting software was included, the overall data doesn't clearly define how many respondents have compliant software or what features it possesses.

2. **Interest in Technology:** The responses indicate some willingness to adopt new technologies for GST compliance, though specifics are unclear. The mean of 2.07 suggests a cautious approach to integrating technology into compliance practices.

NEED FOR SUPPORT

Support Requirements: Many MSME owners express a need for additional support, likely including training on GST compliance, better resources for understanding ITC and guidance on technology adoption.

RECOMMENDATIONS:

1. **Consultation Services:** Increased access to tax professionals or advisory services can help MSME owners navigate complex areas such as ITC claims and timely filing.
2. **Regular Updates:** Establish a communication channel (like newsletters or workshops) to keep MSME owners informed about changing GST rates and regulations.
3. **Technology Workshops:** Conducting workshops on the use of GST-compliant accounting software can facilitate better adoption and understanding of available tools.
4. **Training and Education:** Given the moderate understanding and confidence levels, targeted training programs focusing on GST regulations and compliance processes can enhance knowledge and confidence among MSME owners.

CONCLUSION

The study reveals that while MSME owners in Bengaluru have a foundational understanding of GST, significant challenges remain in compliance, particularly regarding documentation and the complexities of filing returns. Enhanced support,

education, and technology integration are essential for improving their GST compliance experience.

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