

GST 2.0 and Business Compliance: A Study on the Perception of Small and Medium Enterprises in India

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Abstract

Goods and services tax (GST) is one of the most major changes in the form of indirect taxation that have been made in India towards the establishment of a common and understandable tax system. The GST structure has developed over time due to technological and procedural changes and therefore the GST 2.0 has come into place with focus on the digital compliance models, ease of filing and enhancement of transparency in taxation. Small and Medium Enterprises (SMEs) are very crucial to the Indian economy as they are significant in employment generation and economic development. Nevertheless, the adjustment towards regulatory reforms like GST can be a challenge in operational and compliance to such enterprises. In this regard, this paper evaluates how SMEs view GST 2.0 reforms and evaluates how it impacts business compliance behaviour. The quantitative research design is chosen as the study utilizes primary data that was gathered among 150 SMEs in the form of a structured questionnaire. The measurements were taken with the help of a five-point Likert scale and evaluated with the help of the statistical methods such as reliability analysis, descriptive statistics, correlation analysis, and multiple regression analysis. It was revealed that GST 2.0 reform variables such as digital compliance systems, simplified filing processes, tax administration transparency, and efficiency of input tax credit mechanism have an important impact on business compliance of SMEs. Moreover, the perception of SMEs about GST reforms was identified to have positive and significant correlation with compliance behaviour. The findings indicate that the betterment in the GST model and great business attitudes will help enhance the voluntary tax compliance by SMEs. The research will be of significance to policymakers and tax administrators to improve further on GST systems and establish favorable compliance arrangements to motivate SMEs to participate adequately in the formal system of taxation.

Keywords: GST 2.0, Business Compliance, SME Perception, Tax Compliance Behaviour, Small and Medium Enterprises

1. Introduction:

Goods and Services Tax (GST) is one of the biggest changes made in the country in the form of indirect tax with the aim of establishing a single and clear tax regime in India. GST, which replaced several indirect taxes, such as a value added tax, service tax, excise duty and others, was introduced on 1 July 2017 and simplified the tax system and promoted the creation of a single national market. Reform was expected to minimize cascading taxation, increase tax administration efficiency, and compliance within businesses (Pomeranz and Vila-Belda, 2019; Mishra and Sharma, 2021). The GST structure has been modified with a number of policy changes, improved digital system and administrative changes over time, all aimed at solving some of the operational problems encountered by taxpayers

especially the small and medium enterprises. The same developments have resulted in what is commonly called GST 2.0 a more modernized, technologically motivated stage of GST implementation that focuses on digital compliance, transparency and streamlined mechanisms of returns (Agarwal & Khandelwal, 2023).

GST 2.0 is designed to enhance the effectiveness of the tax ecosystem to enhance digital filing processes, facilitate invoice matching procedures, and modernize tax processes. Recent reforms are aimed at improving the operational capability of the GST Network (GSTN), improving the input tax credit verification, and making businesses less complex to comply. This kind of technology and administration is anticipated to make tax reporting easier and less compliance burden on the firms (Rao and Babu,

2024; Gupta, Singh, and Arora, 2023). The growing digitalization of the tax administration has also prompted business organizations to implement electronic record management systems and automated accounting systems which can help enhance transparency and better tax compliance.

Small and Medium Enterprises (SMEs) are an important aspect in the Indian economy since they contribute a significant amount in terms of employment creation, production in the industry and the growth of the economy. The SME sector contributes a very significant portion of the gross domestic product in India and it also employs millions of individuals in the different sectors of the industry. Such businesses also play a leading role in the production output and export results, as they have become an essential part of the Indian economic growth (Kumar and Reddy, 2022; OECD, 2023). Since they are economically important, SMEs should ensure that they adjust to the changes in regulation like GST in order to sustain businesses and to enhance the overall compliance with taxes. Regardless of the advantages of GST reforms, various studies have created a report that SMEs in general have been struggling to meet the requirements of GST because of technological necessities, paperwork, and recurring revisions of the regulations. The compliance within the GST framework entails payment of taxes on time, filing of returns digitally, reconciliation of invoices, and proper maintenance of financial records. Smaller businesses might not have sufficient financial and technical capacity to meet these requirements and thus create operational challenges (Das and Sharma, 2021; Singh and Aggarwal, 2024). Moreover, SMEs struggle to withstand extra compliance expenses in the form of accounting services, software systems, and tax consultancy that can influence their attitude to the tax system.

The perception that businesses have toward tax reforms is a critical factor in the quest to establish the success of compliance policies. Businesses that regard tax systems as transparent, simple and beneficial tend to adhere to regulatory requirements voluntarily. On the other hand, when businesses consider tax policies to be complicated or demanding, the degree of compliance might fall and

unofficial conduct might rise (Alm & Torgler, 2019; Gupta and Jain, 2022). Hence, the analysis of the perception of SMEs on GST reforms is necessary to find out the practical difficulties of the business and to estimate the efficiency of the policy interventions.

In this respect, the notion of GST 2.0 offers a valuable means of examining how the idea of tax reforms and business compliance is changing. The knowledge of SME perception of the new GST framework will assist policy makers to consider areas that still require improvement in order to improve compliance and reduce administrative overheads. Hence, the given research work will focus on surveying the perception of Small and Medium Enterprises in India concerning the GST 2.0 and its impact on business compliance. The paper aims at presenting empirical evidence on the impact of GST reforms on compliance actions and operational behaviour of SMEs in the nation and thus adding to the current debate on how to enhance tax policy and regulation efficiency in India.

2. Background:

Introduction of the Goods and Services Tax was a significant change that occurred in the indirect taxation system in India since it followed the introduction of various state and central taxes, by introducing one taxation system. The aim of the reform was to streamline the administration of taxation, limit the cascading effects of taxation, and facilitate the common national market. The adoption of GST was also associated with the anticipation that it would lead to a higher level of tax compliance, transparency, and economic efficiency in the area (Kumar and Rao, 2020; Mishra and Sharma, 2021). GST was meant to harmonize different types of indirect taxes into one so that the business processes can become more efficient and light-hearted to conduct business of any scale.

The GST framework has experienced a number of policy changes since its introduction, and technological improvements to accommodate some of the practical difficulties that businesses and tax collectors have encountered. The government has had a consistent supply of reforms in the form of return filing systems, input tax credit authentication, and electronic compliance systems to bring in

efficiency in GST network. This set of reforms have over time developed what is commonly known as GST 2.0, which is the next stage of GST administration that is concerned with digital transformation, automated compliance, and improved transparency in tax reporting (Gupta, Singh, and Arora, 2023; Rao and Babu, 2024). GST 2.0 is geared towards the improvement of smooth processes, more robust digital network and has been improved in terms of surveillance to reduce tax evasion and encourage voluntary compliance by a tax payer.

Small and Medium Enterprises are important in the Indian economy as they contribute greatly to the economic development of a nation in terms of employment, innovation and growth of industries. SME sector contributes quite a significant percentage to the gross domestic product of the country and it also offers jobs to millions of people in the manufacturing, service and trade industry. Such businesses are also significant in enhancing entrepreneurship and economic growth in the region (OECD, 2023; Kumar and Reddy, 2022). Because of their economic significance it is critical that SMEs be able to adequately meet regulatory controls in economic stability like GST to enhance sustainable growth in business.

Nevertheless, the transition to tax reforms is usually a problem to SMEs because of insufficient financial capacities, technology, as well as administrative skills. The GST system compels companies to keep computerized records, balance invoices, turn in periodical returns and adhere to market regulatory changes. Smaller business can have less operational complexity due to these compliance requirements because they may not possess the knowledge of taxes or sophisticated accounting systems (Das and Sharma, 2021; Singh and Aggarwal, 2024). Consequently, business implications of the regulatory environment established by the tax system, as perceived and reacted to by businesses, are critical to the success of GST reforms.

Perception is also important in determining compliance behaviour in taxpayers. By making the businesses feel that the tax policies are fair, transparent, and easy to implement, chances are high that the businesses will adhere to the tax regulation

without being forced to do so. Conversely, the views on complexity, costly compliance, and administrative burden might lead to discouragement of compliance and develop resistance to regulatory frameworks (Alm and Torgler, 2019; Gupta and Jain, 2022). Consequently, the perception of the SMEs about GST reforms is useful to examine the effectiveness of the tax policies and where the policy may need to be improved.

GST 2.0 offers a valuable chance to determine the impact of new reforms on business compliance practices of SMEs in this changing policy environment. The study of the perception of SMEs towards GST 2.0 can assist policy makers and the tax authorities to know the problem that the business experience and formulate more effective ways of compliance support. Consequently, the study of SMEs perceptions about GST reforms will play a critical role in making the tax system stronger and promises that the goals of transparency, efficiency, and enhanced compliance will be met successfully.

3. Review of Literature:

A number of studies have investigated the effect of implementing Goods and Services Tax on the business operations and tax compliance in India. Initial researches were aimed at determining how GST made the indirect tax regime less complicated and enhanced the taxation system transparency. Kumar and Rao (2020) noted that, introduction of GST greatly minimized the effect of taxes cascading as well as increased the efficiency of business operations by incorporating various indirect taxes into one system. Likewise, Mishra and Sharma (2021) stated that GST has enhanced the level of tax compliance among the businesses by introducing the digital system of tax filing and a transparent reporting system. In their research, they indicated that utilization of digital platforms in the administration of tax is relevant in enhancing compliance behavior among taxpayers.

Some researchers have also discussed the issues of adjusting to the GST model by small and medium enterprises. As Das and Sharma (2021) discovered, despite the simplification of the tax system according to GST, SMEs at first had problems with the recurring submission of returns, the

reconciliation of invoices, and the need to file electronic reporting. The research showed that small companies are frequently burdened with compliance because of the inadequate technological bases and unawareness of the process of taxation. On the same note, Kumar and Reddy (2022) have highlighted that there are additional expenses on accounting systems, tax consultancy, and compliance management that SMEs will incur following the introduction of GST. Such compliance expenses can have an impact on the attitude of business owners towards the taxation system.

There has been an increasing trend in research on the role of digitalization in tax compliance under GST. According to their results, automated systems of tax filing and mechanisms of matching digital invoices play a significant beneficial role in increasing efficiency of administration of tax system and limiting chances to evade tax. On the same note, Rao and Babu (2024) have observed that the digital transformation of the GST ecosystem has also improved monitoring and compliance systems, aside from which the businesses are advised to maintain accurate financial records and submit taxes at the appropriate time.

Another research has also emphasized the role of perception of business in the determination of compliance behavior. Gupta and Jain (2022) argue that perceptions of taxpayers on the fairness, transparency and simplicity of tax policies are highly related to their intention of obeying tax policies. Companies that feel that the tax systems are favorable, and those that are simple to adopt are more likely to be able to do so voluntarily. On the other hand, the perceptions of complexity and administrative load have the capacity to reduce compliance motivation. The same argument was made by Alm and Torgler (2019), who state that psychological and behavioural aspects also contribute substantially to the taxpayer compliance behaviour especially in the small business areas.

Recent studies have been investigating the developments in the GST structure and how sophisticated compliance mechanisms have come to be known as GST 2.0. According to Singh and Aggarwal (2024), recent GST changes targeted to enhance digital compliance systems and enhance

input tax credit verification and to make business compliance more complex. These are reforms that are likely to establish a more efficient and transparent system of taxation. The success of these reforms however is greatly determined by the perception and the adaptability of the businesses to these regulatory changes. There is a need to understand the view on SMEs about GST reforms to assess the extent to which the goals of enhancing compliance and easing taxation have been achieved.

Comprehensively, the available literature reveals that despite the fact that GST has enhanced transparency and tax administration in India, SMEs are still experiencing a number of challenges in terms of operations and compliance. Several researches have been conducted to understand the nature of GST implementation and compliance problems, but few studies have been conducted on understanding how SMEs perceive the changing nature of GST 2.0 framework and the role in business compliance. Thus, the study of SME perceptions of GST 2.0 reforms may be useful in understanding the effectiveness of the reformed tax system and assist the policymakers in developing more enabling compliance measures of small firms.

4. Research Gap:

Despite the fact that a number of studies have been conducted on the application of the Goods and Services Tax and the effects it has on the business operations and tax compliance in India, most of the available researches mainly consider the initial stage of the GST process and the operational challenges that businesses face in the transition process (Kumar & Rao, 2020; Das and Sharma, 2021). In these studies, most of the aspects brought out are compliance costs, digital filing requirement and structural reforms in tax system, yet scant consideration is given to reforms and technological changes in the GST system. Over the past years, the tax system has experienced a range of enhancements and digital transformations, which have resulted in the so-called GST 2.0 that is focused on greater digital compliance, better input tax credit checks, and simplified tax administration procedures to make tax more transparent and efficient (Gupta, Singh, and Arora, 2023; Singh and Aggarwal, 2024). Nonetheless, there is a lack of empirical studies that

investigate the effect of these new reforms on compliance behaviour in business. Moreover, small and medium enterprises are not the same as large organizations in their financial means, technological capacities, and administrative capacity, which could influence the way these companies view and respond to GST reforms. Although SMEs play a critical role in the Indian economy, comparatively little investigation has specifically focused on the perception of the SMEs to GST 2.0 reforms and the impact of these perceptions on their compliance behaviour (Gupta and Jain, 2022). Thus, there is a research gap of comprehending the impact of the changing GST framework on the perception of SME and business compliance that requires empirical studies that would examine the correlation between the changes in GST 2.0 framework and the business compliance behaviour of small and medium enterprises in India.

5. Research Objectives

1. To test the perception of Small and Medium Enterprises (SMEs) on effectiveness and the effects of GST 2.0 reforms on its operations in India.
2. To examine how GST 2.0 compliance mechanisms impact on SME compliance behaviour of businesses.
3. To assess the interdependence between the perceptions of the SMEs to the GST 2.0 reforms

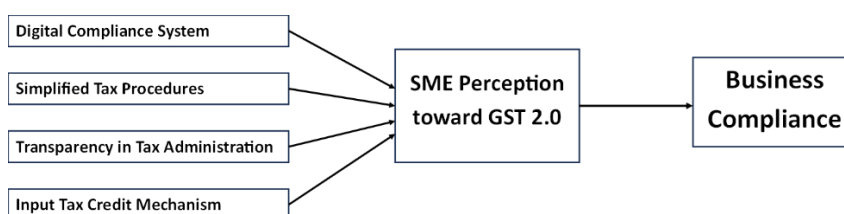


Figure 1: Conceptual Framework

The framework also acknowledges the SME perception as a mediation factor affecting the relationship between the GST 2.0 reforms and the business compliance. How businesses take a view of the changes to the regulation is a major factor that influences whether or not they will act in compliance with the policies set on taxes. The voluntary compliance of the SMEs should improve when they find the reforms on GST transparent, manageable, and beneficial to them. Thus, the conceptual model

and their tax compliance level in the changing digital taxation environment.

6. Conceptual Framework:

The conceptual framework used in the current study describes the connections between GST 2.0 reforms and compliance of the business among the Small and Medium Enterprises (SMEs). GST 2.0 is the progressive stage of the GST system that is featured by a better system of digital compliance, the enhanced verification of the input tax credit, simplified process of the return filing, and the increase in transparency in tax administration. Such reforms will have an impact on how business entities view the tax system and the extent to which they are able to adhere to the regulations.

Here, the independent variables that influence the attitude of SMEs towards the taxation system are GST 2.0 reform factors. Such aspects are digital tax filing systems, simplification of the compliance process, transparency of tax processes, and technological advancements in GST Network. The more companies see such reforms as efficient and supportive, the higher their chances to have a positive image of the tax system. Positive perception can prompt business to keep good financial records, submit returns correctly and observe tax laws at the appropriate time.

assumes that GST 2.0 reform factors can affect the SME perception, which, in turn, can influence the business compliance behaviour. The framework assists in the interpretation of the impact of regulatory reform and technological innovations in the GST system on the compliance practices by the SMEs.

7. Key tax reforms under GST 2.0

The revised GST framework rationalizes the existing four-rate structure (5%, 12%, 18%, and 28%) into a

dual-rate regime comprising a 5% merit rate applicable to essential commodities and an 18% standard rate applicable to general goods and services. Additionally, a 40% demerit rate has been introduced for luxury and sin goods, including tobacco and pan masala.

Tax Concessions on Essential Goods:

GST exemption has been granted on individual life and health insurance policies. Further, essential commodities such as Ultra-High Temperature (UHT) milk, paneer, and traditional Indian breads have been zero-rated (nil GST) to enhance affordability and consumer welfare.

Rationalization of GST on Consumer Goods:

The GST rate on specified consumer durables and inputs, including small cars, televisions, air conditioners, cement, and auto components, has been reduced from 28% to 18%. Additionally, the GST rate on renewable energy devices has been lowered from 12% to 5% to incentivize sustainable energy adoption. These measures are expected to stimulate industrial production, encourage green investments, and boost aggregate demand.

Healthcare Sector Relief:

GST on 33 specified life-saving drugs has been reduced from 12% to nil, while GST on three critical drugs used in the treatment of cancer and rare diseases has been reduced from 5% to nil. These reductions aim to improve accessibility and affordability of essential healthcare products.

Support to Agriculture and Rural Economy:

GST rates on agricultural machinery, including tractors, harvesters, and composters, have been reduced from 12% to 5%. Similarly, GST on key fertilizer inputs such as sulphuric acid, nitric acid, and ammonia has been reduced from 18% to 5%. Labour-intensive goods, including handicrafts, marble, and leather products, have also been brought under the 5% concessional rate to promote rural employment and traditional industries.

Trade Facilitation and Dispute Resolution:

The establishment of the Goods and Services Tax Appellate Tribunal (GSTAT), expected to be operational by December 2025, along with reforms

in refund processing and registration procedures, is aimed at enhancing ease of doing business, reducing litigation, and ensuring greater certainty and efficiency in tax administration, particularly for MSMEs.

8. Hypotheses:

H₁: *GST 2.0 reform factors play a significant part in determining the perception of the GST system of Small and Medium Enterprise.*

H₂: *The factors of GST 2.0 reforms do not affect the behaviour of business compliance among Small and Medium Enterprises significantly.*

H₃: *The way in which perception of the Small and Medium Enterprises to GST 2.0 affects their business compliance levels is significant.*

These hypotheses are explicitly correlated with the title of the research which is GST 2.0 and Business Compliance: A Study on the Perception of Small and Medium Enterprises in India. The title highlights two important points: the changing GST 2.0 system and the effects of its impact on the business compliance of SMEs. The GST 2.0 reforms aim at enhancing the management of digital taxes, facilitating the process of tax returns, and increasing the transparency in the system of tax compliance. These reforms will have an impact on the effectiveness, practicality and fairness of the GST system to the SMEs. Business perception is also significant in compliance behaviour since companies with a perception of excellent and efficient regulatory systems tend to adhere to taxation requirements. As such, the hypotheses will be aimed at testing the connection between GST 2.0 reforms, the perception of SMEs and complying with business behaviour. The study will test the existence of the relationships between the changing GST framework and the enhancement of compliance practices among the SMEs to establish whether the evolving GST framework is effective in supporting the aim of transparency, efficiency, and regulatory efficacy in the Indian taxation system.

9. Research Methodology:

The current investigation embraces the quantitative research design to investigate the association of GST 2.0 changes and perception of the Small and Medium Enterprises (SMEs) and business compliance behaviour in India. This research needs

a quantitative approach as it will allow systematically measuring perceptions and compliance behaviour and testing the hypothesized relationships using a statistical analysis. The research mainly uses primary information gathered on SMEs in the various industries such as manufacturing, services and trade. A survey questionnaire was formulated to draw the responses of business owners, managers or tax administrators who are directly involved in the GST compliance activities of their respective businesses. A survey method is utilized in the research. The survey will be based on the statements about the GST 2.0 reform factors, SMEs attitude towards the GST system and compliance behaviour in terms of business. The measurement of responses is conducted on a five-point Likert scale, i.e. strongly disagree, strongly agree, etc., and thus respondents are able to state how strongly they agree with a particular statement. The questions to be included in the questionnaire will capture such important factors as digital GST compliance systems, simplified tax procedure, transparency in tax administration, and the effectiveness of input tax credit mechanisms. The research used non-probability convenience sampling methodology since the availability of SME respondents who are involved in the processes of GST compliance is easy. The sample that was used in the study was 150 SMEs. The sample size used is deemed to be sufficient to perform statistical analysis and test the hypotheses. The respondents are business owners, accountants, financial managers and GST practitioners with practical knowledge on the compliance procedure involved in GST.

The study conceptual framework suggests that GST 2.0 reform factors affect SME perception, which subsequently impacts on business compliance behaviour. Thus, the research design used in the study is a regression research model to investigate the direct and indirect correlations between the variables. The independent variables in this model are GST 2.0 reform factors, the mediating variable is the SME perception, and the dependent variable is the business compliance. The data collected will be

checked using statistical methods to determine the correlation between the study variables.

The first step would be to describe the demographics of the respondents, including mean, standard deviation and frequency distribution; to have the overall perception of the SMEs on the GST reforms. In order to provide reliability of the measurement scale, the Alpha reliability analysis will be done by Cronbach. After that, the correlation analysis will be employed to study the strength and the direction of relationships between GST 2.0 reform factors, SME perception, and business compliance. Multiple regression analysis will be used to test the proposed hypotheses and establish the impact of independent variables in the dependent variable. Also, the mediation analysis will be conducted to determine whether SME perception is a mediating variable between the factors of GST 2.0 reform and business compliance behaviour. Such statistical methods will facilitate in establishing how far the GST 2.0 reforms affect the perception of the SMEs and whether perception plays a significant role in promoting business compliance among the small and medium enterprises in India.

10. Results:

In this section the analysis and interpretation of data gathered out of the respondents are performed to determine the relationship between GST 2.0 reforms, perception of SME and business compliance. Data as per the structured questionnaire were discussed in line with the research objectives and hypotheses of the study using the essential statistical methods. The analysis will involve demographic profiling of the respondents, reliability test of the measurement scale, descriptive statistics, correlation test and regression test. The statistical processes are useful in the perception of Small and Medium Enterprises regarding GST 2.0 reforms and assessing their impact on business compliance behaviour. The findings of the analysis will be empirical evidence to address the hypotheses that the research team proposed and identify how much GST 2.0 reforms can be used to enhance compliance practices among SMEs.

Table 1: Reliability Statistics

Variables	N of Items	Cronbach's Alpha
Digital Compliance System	4	0.945
Simplified Filing Procedures	4	
Transparency in Tax Administration	4	
Input Tax Credit Mechanism	4	
SME Perception toward GST 2.0	6	0.804
Business Compliance	6	0.856

The investigation of reliability was done to evaluate the consistency of measurements scales in the study. The reliability of constructs of the questionnaire was evaluated with the help of Cronbach alpha coefficient. The findings suggest that the constructs have good levels of reliability. The Digital Compliance System indicates a high value of reliability, which is a good indicator of internal consistency of the items that are used to measure this construct. In the same way, the constructs of SME

perception of GST 2.0 and business compliance have also acceptable level of reliability since the Cronbachs alpha value of the constructs exceeds the generally accepted limit of 0.70. These findings indicate that the items employed to assess the corresponding constructs are consistent and reliable to continue with the statistical analysis. Thus, measurement scales used in the paper are regarded to be suitable to study the relationships among GST 2.0 reform factors, SME perception, and business compliance.

Table 2: Descriptive Statistics

Variables	Mean	Std. Deviation	Skewness	Kurtosis
GST Factors	3.4587	0.67644	-0.232	-0.489
SME Perception	2.1311	0.60958	0.679	0.783
Business Compliance	2.4289	0.69012	0.314	-0.117

The descriptive statistics will give a summary of the central tendency and distribution characteristics of the most essential variables considered in the research. The average of the GST reform factors depicts that the respondents form a moderate view of the GST 2.0 mechanisms including digital compliance systems, simplified filing process, transparency in tax administration, and input tax credit mechanisms. The mean of the SME perception is the general perception of the respondents on GST 2.0 reforms implying that SMEs possess different perception on the effectiveness and feasibility of the new GST structure. In the same vein, mean score of business

compliance represents the extent of the compliance behaviour of SMEs with respect to GST regulations. The values of the standard deviation suggest that the level of variability of responses is medium and indicates that, although there are variability in the perceptions and compliance practices of SMEs, the responses are comparable to the sample of SMEs. Besides, the skewness and kurtosis values are not outside the acceptable limits, which means that the distribution of data is not significantly different than the normality. That implies that the data can be used in additional statistical tests like correlation and regression to study the correlation between GST reform variables, the perception of SMEs, and business compliance.

Table 3: Correlations

	GST Factors	SME Perception	Business Compliance
GST Factors	1.000	.562**	.617**
SME Perception	.562**	1.000	.638**
Business Compliance	.617**	.638**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis was done to investigate the quality and direction of the relationships between GST reform factors, SME perception, and business compliance. The findings show that, there is a strong positive correlation between GST reform factors and SME perception indicating that a better GST 2.0 mechanism in the form of digital compliance systems, reduced filing processes, transparency in tax administration, and input tax credit process are linked to a better perception of the GST system amongst SMEs. Equally, there is a strong positive correlation between the aspects of GST reform and

the business compliance, which reveals that the stronger the GST reform, the higher the business compliance is among SMEs. More so, SME perception shows high positive correlation with business compliance which means the enterprises that have positive perceptions of GST 2.0 have higher chances of showing improved compliance behaviour. The overall findings of the correlation indicate that GST reform factors and SME perception are positively related to business compliance, which gives an initial evidence of suitability of conducting further regression analysis to test the study hypotheses.

Table 4: Regression Analysis

Model	R	R Square	Adjusted R Square
1	.711 ^a	.505	.498

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.849	2	17.924	75.036	.000 ^b
	Residual	35.115	147	.239		
	Total	70.964	149			

a. Dependent Variable: Business Compliance

b. Predictors: (Constant), SME Perception, GST Factors

Coefficients ^a						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.067	.211		.320	.749
	GST Factors	.385	.072	.378	5.389	.000
	SME Perception	.482	.079	.426	6.078	.000

a. Dependent Variable: Business Compliance

The multiple regression model focuses on factors of GST reform and SME perception to determine the impact of these factors on business compliance among the Small and Medium Enterprises. The summary of the model results in the strong relationship between independent variables and a dependent variable indicating that a significant share of the variation in the business compliance is accounted by the GST reform factors and SME perception jointly. The adjusted R² value also proves the fact that the model has a good power of explaining compliance behaviour among SMEs.

The results of the ANOVA show that the overall model is statistically significant, which proves that the variables that are included in the model can have a joint contribution to the explanation of the changes in business compliance. The large F value proves that the model can be used to test the relationship between the factors of GST reform, SME perception and business compliance.

The table of coefficients gives the data on the contribution of each predictor variable as an individual. These results indicate that the GST reform factors positively affect the compliance of a business in a positive and statistically significant

way. This implies that enhanced digital compliance systems, eased filing processes, tax administration transparency, and the effectiveness of the input tax credit system are likely to motivate the SMEs to become more effective in their adherence to GST. Equally, SME perception is also found to have a positive and significant impact on business compliance thus, it can be concluded that, enterprises which have positive perceptions towards GST 2.0 reforms are more likely to have stronger compliance behaviour.

Hypothesis Justification

H₁: GST 2.0 reform factors play a significant part in determining the perception of the GST system of Small and Medium Enterprise.

The correlation analysis shows that there is a great positive relationship between GST reform factors and SME perception. This would suggest that the enhancements in the GST systems like digital compliance systems, simplification of the filing processes, and openness in the tax administration process will lead to the development of positive perceptions of SMEs to the GST system. Thus, the first hypothesis is accepted, which shows that GST 2.0 reforms have a significant value in creating an impact on the SME perception on the tax system.

H₂: The factors of GST 2.0 reforms do not affect the behaviour of business compliance among Small and Medium Enterprises significantly.

The values of the coefficient indicate that the factors of GST reform significantly and positively impact the compliance of business. This means that improvement of the GST 2.0 mechanisms would influence SMEs to establish improved compliance behaviors such as filing the returns on time, reporting the transactions correctly, and complying with the GST requirements. Thus, the second hypothesis is confirmed.

H₃: The way in which perception of the Small and Medium Enterprises to GST 2.0 affects their business compliance levels is significant.

The findings also indicate that, SME perception positively and significantly affects business compliance. This indicates that business organisations which view GST 2.0 reforms as

effective, open, and favourable are more willing to show more compliance behaviour. Based on that, the third hypothesis is justified because the positive business perceptions help enhance GST compliance among SMEs.

In general, the results indicate that the GST reform factors, as well as SME perception, is an important factor to explain the business compliance behaviour of SMEs, thus, justifying the conceptual framework of the study.

11. Discussions and Findings:

The results of the current research offer significant knowledge on the correlation between the GST 2.0 reform variables, SME perception, and the business compliance among the Small and Medium entrepreneurship in India. It has shown that business compliance behaviour among SMEs could be greatly affected by the use of improving GST reform mechanisms such as the presence of digital compliance systems, reduced filing processes, tax administration transparency, and the effectiveness of the input tax credit mechanism. The above findings indicate that technological and procedural improvements that are introduced with the GST 2.0 help to improve the simplicity of tax compliance and persuade enterprises to better conform to GST regulations. Besides, the research reports the significance of the perception of SME in determining the compliance behaviour since businesses that are perceived as having transparent, efficient, and favourable GST reforms are more bound to have right records, file returns in time as well as adhere to their tax obligations. The good correlation of GST reform factors and SME perception also shows that well-designed tax reforms can build more confidence of companies towards the tax system and increase voluntary compliance. Broadly the results indicate that GST 2.0 reforms will not only enhance the efficiency of the tax administration system but also contribute to a more favourable compliance climate to the SMEs, thus contributing to the greater causes of transparency, accountability and effective tax administration in India.

12. Implications of the Study

The conclusions of the current study have a number of valuable implications to the policy makers, tax administrators and small and medium enterprises working under the GST regime in India. The findings reflect the importance of GST 2.0 reforms to enhance business compliance through the provision of digital administration of taxes, simplified filing processes, and increased transparency of taxes operations. To policymakers, the results indicate that sustained enhancement of the GST system especially in digital infrastructure and streamlined compliance processes can go a long way in promoting voluntary compliance by the SMEs. Additional features that can be targeted to reduce compliance burdens on small businesses include the strengthening of efficiency of GST portals, enhancing the input tax credit mechanism and timely support services. To the tax administrators the findings highlight the need to provide a helping compliance environment by way of the awareness programs, training and simple guidelines that can guide the SMEs to have an improved understanding of the GST rules. In view of the SMEs, the research paper will emphasize the value of using digital accounting systems and keeping proper financial records to facilitate proper compliance by GST requirements. On the whole, the results suggest that effective tax reforms and favorable attitudes of businesses to the tax system may help to enhance regulatory compliance and the effectiveness of the GST framework in assisting small and medium businesses in their development and survival.

13. Conclusion:

The current research article has analyzed the association between the GST 2.0 reform factors, SME perception and business compliance in Small and Medium Enterprises in India. The study results suggest that the reforms that are implemented within the framework of GST 2.0 have a great role in shaping the compliance behaviour of SMEs. The enhancement of the digital compliance systems, streamlined filing systems, tax administration transparency, and efficiency of input tax credit system play a positive role in enhancing compliance practices among businesses. It is also noted that

SME perception of GST reforms has been also significant because the more enterprises consider the GST system as transparent, efficient and favourable, the more they exhibit increased levels of compliance. The fact that the positive relationship between GST reform factors and SME perception also indicates that an effective tax reforms may positively change the confidence of businesses in the tax administration system and promote voluntary compliance. In general, the paper has come up with the conclusion that GST 2.0 reform can enhance business compliance among the SMEs by streamlining regulatory processes and enhancing the use of digital tax administration. The results of the current research will help in the comprehension of the effect of the changing tax reforms on the business behaviour and will serve as helpful information to the policymakers and tax officials to further improve the GST system in India.

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