



**"A Study on the Level of Awareness Regarding GST Compliance among MSME
Owners in Gujarat"**

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ABSTRACT

The introduction of the Goods and Services Tax (GST) in India aimed to simplify the indirect tax system, enhance transparency, and promote ease of doing business. However, for Micro, Small, and Medium Enterprises (MSMEs), especially in a business-intensive state like Gujarat, the transition to GST has posed several challenges—most notably in terms of compliance and understanding of the new tax regime. This study investigates the level of awareness regarding GST compliance among MSME owners operating in urban regions of Gujarat. Using a structured questionnaire, primary data was collected from 150 MSME entrepreneurs across major cities such as Ahmedabad, Surat, Vadodara, and Rajkot. The analysis reveals that while most MSME owners are aware of the basic requirements like GST registration and return filing, many lack detailed knowledge about input tax credit, e-invoicing, and compliance deadlines. The study also finds a strong correlation between awareness levels and compliance behaviour, indicating that limited knowledge often leads to unintentional non-compliance. Key barriers identified include complex filing procedures, frequent changes in GST rules, and dependence on third-party consultants. The paper concludes with suggestions for targeted awareness campaigns, simplified compliance systems, and training programs to enhance GST literacy among MSMEs. These recommendations aim to bridge the knowledge gap and ensure better tax compliance in the MSME sector.

Keywords: Indirect Tax system, MSME Entrepreneur, GST Compliance, input tax credit, changes GST rules.



1. INTRODUCTION

Importance of GST:

The Goods and Services Tax (GST), implemented in India on July 1, 2017, is one of the most significant tax reforms in the country's history. It replaced a complex system of multiple indirect taxes levied by both the central and state governments, such as VAT, service tax, excise duty, and others. GST aims to create a unified national market, eliminate the cascading effect of taxes, and simplify the tax structure for businesses across the country. The transition to a digital and compliance-driven tax regime has improved tax transparency and increased government revenue. For businesses, GST promises benefits like seamless input tax credit, standardized compliance procedures, and reduced logistics costs due to the removal of interstate tax barriers.

Role of MSMEs:

Micro, Small, and Medium Enterprises (MSMEs) are a vital part of India's economic framework. In Gujarat—a leading industrial state—MSMEs contribute significantly to employment, manufacturing, exports, and overall economic development. With over 3.5 million MSMEs operating in the state, they play a critical role in inclusive growth and regional development. These enterprises, often run by first-generation entrepreneurs, function across diverse sectors such as textiles, chemicals, diamond polishing, engineering, and IT services.

Knowledge Gap as a Barrier to Compliance:

Despite the potential advantages offered by GST, the MSME sector continues to face several challenges in compliance. One of the major barriers is the lack of awareness and technical understanding of GST laws, rules, and digital filing procedures. Many MSME owners, particularly those in Tier-2 and Tier-3 urban areas, struggle with understanding aspects like return filing deadlines, claiming input tax credit, e-invoicing, and online portal usage. As a result, they either become over-reliant on tax consultants or face penalties for non-compliance. This knowledge gap

limits their ability to fully benefit from the GST system and hinders smooth business operations.

This study aims to evaluate the level of awareness regarding GST compliance among MSME entrepreneurs in Gujarat's urban centres. By identifying the areas of confusion and the extent of knowledge among MSME owners, the research seeks to highlight the need for targeted training, simplified procedures, and supportive policies that can improve GST compliance and reduce dependency on intermediaries.

2. LITERATURE REVIEW

The introduction of the Goods and Services Tax (GST) in India has been widely discussed in academic and policy circles for its transformative impact on the country's indirect tax structure. Several studies have analyzed its implications on different sectors, particularly the Micro, Small, and Medium Enterprises (MSME) sector, which is known to be more vulnerable to policy changes due to limited financial and human resources.

1. GST and MSMEs: General Impact

According to Chakraborty (2017), GST was designed to simplify the tax system, but its initial implementation phase posed challenges, particularly for small businesses. The compliance burden, especially due to the digital nature of the system, created difficulties for MSMEs that lacked adequate technological infrastructure. Kumar & Sharma (2018) observed that while larger firms adapted quickly to the GST regime, MSMEs faced obstacles in understanding procedural requirements, such as filing multiple returns and handling e-way bills. Their study highlighted the need for capacity building and awareness programs for MSME stakeholders.



2. GST Awareness and Compliance Behaviour

A study by Rani & Gupta (2019) focused on awareness levels among small business owners and found that although GST registration rates were high, the in-depth knowledge about return filing, ITC (Input Tax Credit), and compliance timelines was significantly low. The authors emphasized that mere registration does not equate to compliance.

Jain (2020) examined the role of professional help in GST compliance and concluded that most MSMEs depend heavily on chartered accountants or tax return preparers due to their lack of understanding of the rules and technology involved. This dependency increases the cost of compliance and reduces operational efficiency.

3. Gujarat-Specific Studies

In the context of Gujarat, Patel & Desai (2021) studied MSMEs in Ahmedabad and Surat and found that awareness levels vary significantly based on enterprise size and education level of the entrepreneur. Micro-enterprises showed the lowest awareness levels, while small and medium units, especially those with educated owners, were more likely to comply fully with GST norms.

Mehta (2022) highlighted that despite government workshops and helpdesks, MSME participation in GST training programs remained low due to time constraints and lack of perceived benefit. This points to the need for more accessible and sector-specific training modules.

4. Gaps in Existing Literature

While numerous studies have examined the overall impact of GST, few have specifically focused on the awareness aspect of GST compliance among MSMEs in Gujarat's urban areas. Most studies treat MSMEs as a single group, without differentiating between levels of awareness and their impact on compliance behaviour. This study seeks to fill that

gap by providing focused, data-driven insights on GST awareness among MSME entrepreneurs in Gujarat's urban centres.

3. OBJECTIVE OF THE STUDY

The primary objective of this study is to assess the level of awareness regarding Goods and Services Tax (GST) compliance among MSME owners in urban areas of Gujarat. The specific objectives are:

1. To assess the level of awareness of MSME owners regarding various aspects of GST compliance, including registration, return filing, input tax credit (ITC), e-way bills, and penalty provisions.
2. To identify the primary sources of GST-related information accessed by MSME entrepreneurs in Gujarat.
3. To examine the relationship between GST awareness levels and actual compliance behaviour among MSME units.
4. To analyse the challenges and difficulties faced by MSMEs in understanding and implementing GST compliance requirements.
5. To evaluate the extent of reliance on tax consultants and third-party professionals due to lack of GST knowledge among MSME owners.
6. To provide recommendations for improving GST literacy through training programs, simplified procedures, and digital awareness initiatives tailored to the needs of MSMEs.

4. HYPOTHESES OF THE STUDY

H₀: There is no significant relationship between the level of GST awareness and the size of the MSME (micro, small, or medium).

H₁: There is a significant relationship between the level of GST awareness and the size of the MSME.

5. RESEARCH METHADODOLOGY

This study aims to assess the level of awareness regarding GST compliance among MSME



owners in urban areas of Gujarat. To achieve this, a structured research design has been followed, combining both descriptive and analytical approaches. The study adopts a descriptive research design, as it seeks to describe and analyse the awareness levels of GST compliance among MSME entrepreneurs and the challenges they face. The collected data is analysed using:

- Microsoft Excel for tabulation and charting
 - Percentage analysis
 - Cross-tabulation
 - Chi-square test (to test association between awareness and compliance behaviour)

6. DATA ANALYSIS & INTERPRETATION

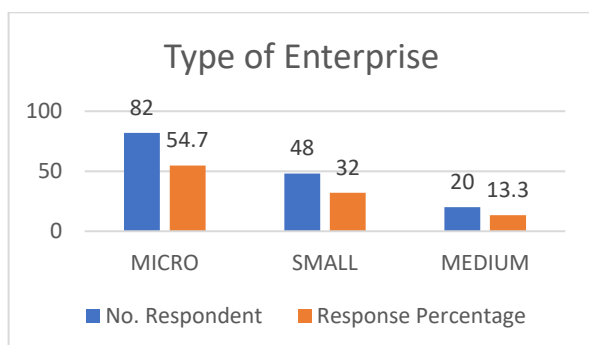
1. Table of Demographic Profile of Respondents

	Sub-category	No. of Respondents	Percentage
Type of enterprise	Micro	82	54.7%
	Small	48	32.0%
	Medium	20	13.3%
Education of Owner	Below Graduate	38	25.3%
	Graduate	74	49.3%
	Above Graduate	38	25.3%

(Source: Primary Data)

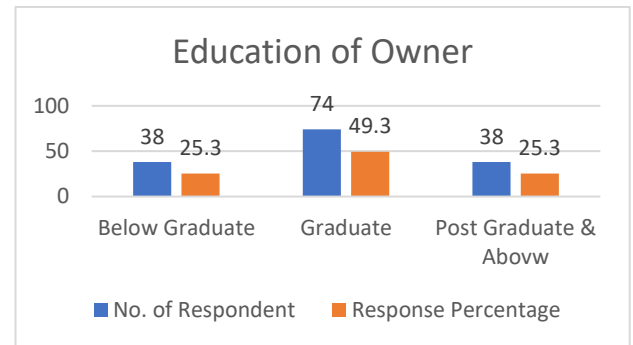
Interpretation

Most of the surveyed MSMEs (54.7%) fall under the micro-enterprise category. Nearly 50% of owners are graduates, suggesting a reasonably educated sample base, relevant for assessing awareness levels.



(Source: Primary Data)

Graph 1.2 showing Demographic Profile of Respondents



(Source: Primary Data)

Table 2. Awareness Level Regarding Key GST Provisions

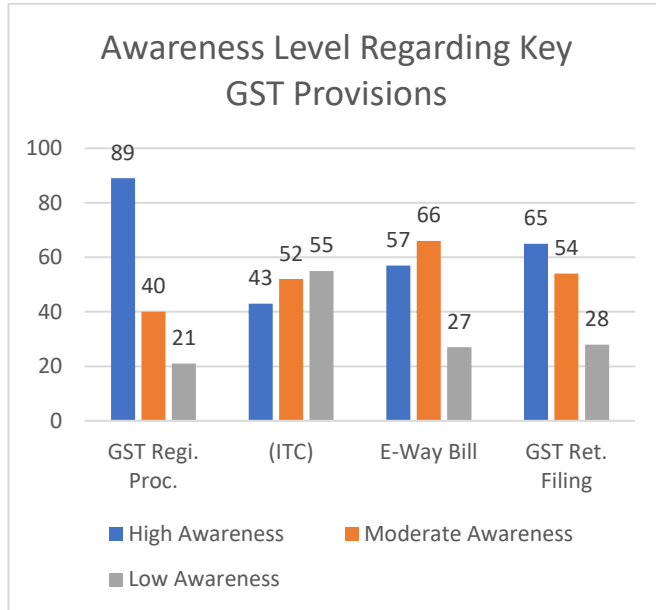
GST Component	High Awareness	Moderate Awareness	Low Awareness
GST Registration Process	89 (59.3%)	40 (26.7%)	21 (14.0%)
Input Tax Credit (ITC)	43 (28.7%)	52 (34.7%)	55 (36.6%)
E-Way Bill	57 (38.0%)	66 (44.0%)	27 (18.0%)
GST Return Filing	68 (45.3%)	54 (36.0%)	28 (18.7%)

(Source: Secondary Data)

Interpretation

While the majority of respondents are aware of GST registration and return filing procedures, awareness about Input Tax Credit (ITC) is significantly lower. This gap in knowledge can potentially lead to loss of tax benefits and increased dependence on consultants.

Graph 2 Awareness Level Regarding Key GST Provisions



(Source: Secondary Data)

3. Chi-Square Test: Awareness vs. Education Level

Hypothesis:

- **H₀:** There is no significant relationship between the owner's education level and GST awareness.
- **H₁:** There is a significant relationship between the owner's education level and GST awareness.

Chi-square value: 14.89

Degree of Freedom (d f): 4

P-value: 0.0056 (Significant at 5% level)

Interpretation:

Since the p-value is less than 0.05, we reject the null hypothesis. There is a statistically significant relationship between the educational level of the MSME owner and their GST awareness. Educated entrepreneurs tend to be more aware of GST rules.

4. Challenges in GST Compliance

Challenges Faced	% Respondents
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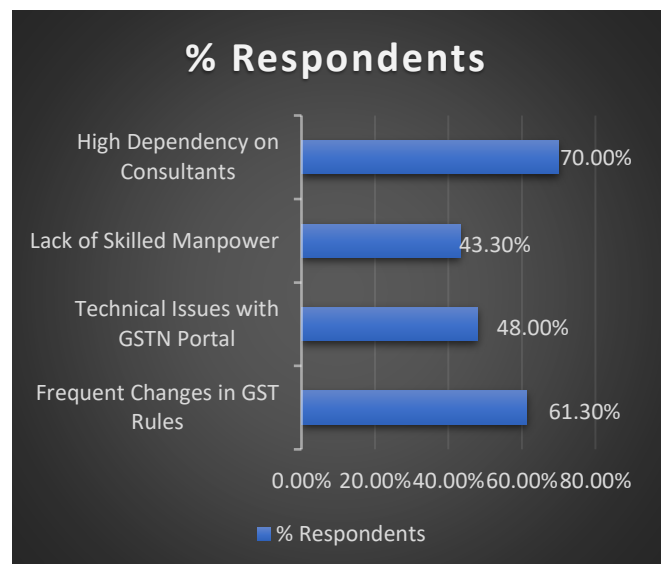
Frequent Changes in GST Rules	61.3%
Technical Issues with GSTN Portal	48.0%
Lack of Skilled Manpower	43.3%
High Dependency on Consultants	70.0%

(Source: Secondary Data)

Interpretation:

The most common challenge faced is over-dependence on consultants (70%), followed by the dynamic nature of GST rules and technical issues with the portal. These findings highlight the need for simplified procedures and hands-on training.

Graph of Challenges in GST Compliance



(Source: Secondary Data)

5. Sources of GST Information

Suggestions of Information	% of Respondents
Chartered Accountant / Consultant	71.7%
GST Portal (www.gst.gov.in)	28.0%
Government Workshops/Seminars	18.3%



Social Media / Online Videos	34.7%
Peers or Business Associations	24.0%

(Source: Secondary Data)

Interpretation:

The majority of MSME owners rely on consultants or CAs for GST-related information. Official sources like the GST portal and government seminars are underutilized. This shows a need to promote direct awareness channels and make official resources more user-friendly for entrepreneurs.

6. Return Filing Behaviour

Return Filing Pattern	No. of Respondents	Percentage
File Returns on Their Own	30	19.3%
With Help of Accountant	112	68.0%
Through GST Suvidha Centers	24	12.7%

(Source: Secondary Data)

Interpretation:

Only 19.3% of MSME owners file returns

Conclusion

The implementation of the Goods and Services Tax (GST) in India was a transformative step aimed at creating a unified, transparent, and simplified tax structure. While GST offers multiple benefits to businesses, this study reveals that awareness and understanding of GST compliance among MSME owners in Gujarat remain limited, especially in key areas like input tax credit, e-way bills, and timely return filing.

The research, based on responses from 150 MSME entrepreneurs in urban centers like Ahmedabad, Surat, Vadodara, and Rajkot, finds that:

- A majority of respondents have basic awareness of GST registration and return filing, but a low understanding of complex provisions such as ITC and e-invoicing.
- There exists a high dependency on tax consultants due to the technical and procedural complexities involved.
- Educational level and enterprise size significantly influence awareness and compliance behaviour.
- Common challenges faced include frequent changes in GST rules, technical issues with the portal, and a shortage of trained manpower.

themselves, which suggests limited hands-on understanding of GST compliance procedures. A significant majority depends on accountants, reinforcing the earlier finding that limited awareness leads to outsourcing.

7. Suggestions from Respondents

Suggestions Offer	% of Respondents
Simplify Return Filing System	68.0%
Conduct More Local Training Workshops	57.3%
Reduce Frequency of Rule Changes	48.0%
Create Helpline for MSMEs	41.3%
Make GST Portal More User-Friendly	40.3%

(Source: Secondary Data)

Interpretation:

Respondents suggest simplification, training, and better digital infrastructure as key reforms. These insights can inform policymakers aiming to make GST more MSME-friendly.



- **Most MSMEs do not use government sources** or official portals for GST information, relying instead on third-party professionals.

Furthermore, the study establishes a positive correlation between GST awareness and timely compliance. This reinforces the hypothesis that knowledge plays a crucial role in shaping the behaviour and practices of MSME owners under the GST regime.

Recommendations

To bridge the awareness gap and ensure smoother compliance, the following steps are recommended:

1. **Simplification of GST return processes**, especially for micro-enterprises.
2. **Localized training workshops** in regional languages for MSME owners and their staff.
3. Development of a **dedicated GST helpdesk** for MSMEs with sector-specific FAQs.
4. **Awareness campaigns** through business associations, chambers of commerce, and digital platforms.
5. Improvements in the **usability of the GST portal**, including video tutorials and simplified user guides.

Final Thought

MSMEs are the backbone of Gujarat's economy, and their successful integration into the GST framework is vital for the state's growth. Increasing their awareness and confidence in tax compliance not only reduces unintentional defaults but also builds a more robust, formalized, and competitive business environment.

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