



**GST AND ITS IMPACT ON SMALL AND MEDIUM SCALE ENTERPRISES  
IN COIMBATORE DISTRICT**

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**Abstract:**

The Goods and Services Tax (GST) in India on July 1, 2017, marked a significant reform aimed at unifying the country's indirect tax structure into a single, destination-based system. This study examines the impact of GST on Small and Medium Scale Enterprises (SMEs) in Coimbatore District, one of the major industrial hubs of Tamil Nadu known for its textile, engineering, and manufacturing sectors. Implementing the Goods and Services Tax (GST) posed a significant challenge, particularly in educating India's population of 1.33 billion about the new system. This was especially difficult in regions where change is often met with resistance. In the post-GST period, many returns were mismatched, leading to technical difficulties for Indian taxpayers and further complicating the new tax system. Consequently, most dealers faced issues submitting reports and reclaiming Input Tax Credits (ITC). As a result, the World Bank has deemed GST as a complex tax system. This study aims to investigate potential issues arising from the implementation of GST. Data was collected from 275 respondents who operate businesses in and around the Coimbatore District using a questionnaire. Respondents were selected using a convenience sampling method. The data was then analysed using simple percentage, ANOVA and T-test statistical tests. The findings of this study will benefit traders in enhancing their understanding of the GST concept. It will also guide them on how to avoid common errors when filing monthly returns and effectively claim common problems they may encounter under various circumstances.

**Key Words:** GST, SMEs, Coimbatore, Tax Compliance, ITC, Business Performance

**Introduction:**

The Goods and Services Tax (GST) is a significant indirect tax reform adopted by many countries, each implementing it uniquely. GST replaced all other indirect taxes in India, including state VAT, central excise duty, service tax, and central sales tax. GST is a value-added tax on goods and services that applies to every stage of the production process, benefiting all parties involved, from the producer or service provider to the ultimate consumer. GST has fundamentally transformed India's tax structure intending to create a unified Indian market by eliminating distortions in the cost of goods and services. India categorizes its goods and services into four sectors based on GST rates: 5%, 12%, 18%, and 28%. Small and Medium Scale Enterprises (SMEs) play a vital role in the Indian economy by contributing significantly to employment generation, industrial production, and exports. These enterprises act as the backbone of economic development, especially in industrial regions. However, due to their limited financial and technological resources, SMEs are more sensitive to policy changes such as tax reforms. Coimbatore, often referred to as the "Manchester of South India," is one of the leading industrial hubs in the country. It is well-known for its strong presence in textile manufacturing, engineering industries, foundries, and small-scale production units. The district has a large concentration of SMEs that significantly contribute to regional economic growth. The implementation of GST has had a mixed impact on SMEs in Coimbatore. On the positive side, GST has simplified the tax structure, reduced the cascading effect of taxes through the provision of Input Tax Credit (ITC), and facilitated smoother interstate trade. On the negative side, it has increased compliance requirements, introduced complex filing procedures, and created challenges related to digital infrastructure and working capital management.

**Review of Literature:**

Dani (2016) suggested that the Indian government should study other countries' GST regimes and their effects. She also emphasized the need to protect India's vast population from inflation resulting from GST implementation. Furthermore, she posited that GST would simplify the current indirect tax system and eliminate inefficiencies caused by the existing diverse tax structure.

Patil and Kumar (2018) highlighted that GST replaced multiple indirect taxes and aimed to create a seamless national market. However, its effect on SMEs has been dichotomous, offering benefits in transparency and formalization while also imposing significant operational challenges.

K. Khasimpeera and Dr. M. Sugantha Reddy (2018) titled GST and its impact on Indian economy is found out that the GST will affect Indian economy in positively and negatively. If the government taking good measure for improving the GST system, it will give more positive results to the economy. They also found out that the implementation of GST was a good way to reduce black money and good effort of Indian government after the demonetization of money.

**Statement of the Problem:**

Small industries play a crucial role in the Indian economy. It not only provides employment, rural development, and growth of industry, but also contributes to the growth of the economy. Goods and Services Tax (GST) was introduced in India, which aimed at incorporating simplicity in taxation, removing tax on tax. GST was introduced in India, which aimed at incorporating simplicity into taxation. GST also created some challenges for small industries. The challenges faced by small industries were challenges in compliance work, in filing the GST online, and lack of understanding of GST. It may affect the small businesses. Small businesses play a significant role in the Indian economy. It might affect the growth of small businesses. The aim of this research is to identify the impact of GST on small industries, the challenges faced by small industries, and how to address the challenges faced by small industries.

Small industries play a crucial role in the Indian economy. It not only provides employment, rural development, and growth of industry, but also contributes to the growth of the economy. Goods and Services Tax (GST) was introduced in India, which aimed at incorporating simplicity in taxation.

**Objectives of the Study:**

- To identify the socio-economic profile of the enterprise.
- To study how small businesses are impacted by GST.
- To examine the concerns that may arise as a result of the GST implementation

**Research Methodology:**

Both primary and secondary data underpin this study. Primary data was collected through interviews with 275 small and medium-sized business owners in the Coimbatore District, using a convenience sampling. These interviews provided first-hand insights into the experiences and perceptions of these business owners regarding the implementation of GST. Secondary data was gathered from government and the income tax office annual reports. Additionally, journal articles, bulletins, and online resources were reviewed to provide a broader context and deeper understanding of the topic. This combination of primary and secondary data ensures a comprehensive analysis of the impact of GST on small and medium traders. The collected data was then analyzed using Percentage Analysis, statistical methods. These methods were chosen for their ability to effectively handle the type of data collected and answer the research questions posed in this study.

**Limitation of the Study:**

- The Coimbatore District is the only area of the study. The data analysis statistical tools have their limits.
- The opinions offered by small and medium-sized Enterprise could be swayed. Consequently, while generalizing the result, care must be exercised.
- The research is confined to a specific geographical area

**Findings of the Study:**

Table 1 shows the classification of respondents based on the socio-economic profile of the entrepreneurs.

Table 1: Socio-Economic Profile of the Entrepreneurs

Variables	Frequency & Percentage
<b>Gender:</b>	
Male	202 (73.5)
Female	73 (26.5)
<b>Age (in Years):</b>	
Under30	29 (10.5)
31-40	111 (40.4)
41-50	83 (30.2)
Above50	52 (18.9)
<b>Area of Residence:</b>	
Urban	163 (59.3)
Rural	82 (29.8)
Semi-urban	30 (10.9)
<b>Educational Qualification:</b>	
School level	83 (30.2)

UG	140 (50.9)
PG	39 (14.2)
Others	13 (4.7)
<b>Nature of Family:</b>	
Joint Family	36 (13.1)
Nuclear Family	239 (86.9)
<b>Monthly Income:</b>	
Up to ₹ 1,00,000	39 (14.2)
₹1,00,000 -₹3,00,000	112 (40.7)
₹3,00,000-₹5,00,000	84 (30.5)
Above ₹5,00,000	40 (14.5)
<b>Annual Income:</b>	
Below₹2,50,000	84 (30.5)
₹2,50,000-₹ 5,00,000	86 (31.3)
₹5,00,000-₹ 7,50,000	52 (18.9)
Above₹ 7,50,000	53 (19.3)
Total	275(100.0)

Table 1 reveals that the majority of respondents reside in urban areas. This is likely due to the greater availability of resources, ongoing infrastructure development, and increased commercialization in these areas. The majority of respondents are men, which could be attributed to the general tendency of women to be more risk-averse than men. Most respondents fall within the age range of thirty-one to forty, a group often characterized as emerging leaders and risk-takers.

Of the 275 respondents, 140 (50.9%) pursued undergraduate studies, believing it would aid in developing their soft skills such as responsibility, time management, accountability, and emotional intelligence. Many respondents reported a monthly income between ₹1,00,000 and ₹3,00,000 and an annual income between ₹2,50,000 and ₹5,00,000. This income bracket is indicative of the economic status of the majority of the respondents.

#### **Determinants of Level of Impact on Implementation of GST (ANOVA and T-Test):**

In order to ascertain the level of impact on the implementation of GST and the variables that determine this impact, ANOVA and t-tests were employed.

Table 2: Determinants of Level of Impact on Implementation of GST (ANOVA and t-Test)

	<b>Result</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Result</b>
<b>Gender:</b>				
Male	202	45.599	6.51539	T-Test=22.741 P=.000 P<0.05 Significant
Female	73	48.8219	3.38847	
<b>Age:</b>				
Under30	29	47.4483	5.97965	ANOVA=4.163 P=.007 P<0.05 Significant
31-40	111	47.7387	5.04293	
41-50	83	45.3735	5.94838	
Over 50	52	44.8846	7.38216	
<b>Area of Residence:</b>				
Urban	163	47.2195	5.76781	ANOVA=1.695 P=.186 P>0.05 Not-Significant
Rural	82	46.3558	6.58098	
Semi-Urban	30	44.9	5.56064	
<b>Educational Qualification:</b>				
School level	83	44.2169	7.39322	ANOVA=5.969 P=.055 P>0.05 Not-Significant
UG	140	47.2286	5.43416	
PG	39	47.9487	3.73426	
Others	13	47.9231	3.92559	
<b>Nature of the Family:</b>				
Extended Family	36	46.9444	6.68022	T-Test=0.230 P=.632 P>0.05 Not-Significant
Nuclear Family	239	46.3808	5.92117	
<b>Monthly Income:</b>				
Up to ₹1,00,000	39	46.2821	5.47698	ANOVA=0.051 P=.985 P>0.05 Not-Significant
₹1,00,000-₹ 3,00,000	112	46.6071	5.79897	
₹3,00,000-₹ 5,00,000	84	46.3095	6.36439	
Above₹ 5,00,000	40	46.5	6.55548	
<b>Annual Income (₹):</b>				
Below₹2,50,000	84	46.881	4.88026	ANOVA=2.610 P=.052 P>0.05

₹2,50,000-₹5,00,000	86	44.9884	6.45982	Not-Significant
₹5,00,000-₹7,50,000	52	47.2308	6.69098	
Above ₹ 7,50,000	53	47.3962	5.93341	
<b>Form of Organization:</b>				
Sole Proprietorship	215	45.6093	6.36476	T-Test=21.371 P=.000 P<0.05
Partnership Firm	60	49.4833	3.03366	Significant
<b>Nature of Business:</b>				
Textiles	33	47.9394	3.63953	ANOVA=1.033 P=.399 P>0.05
Fast-Moving Consumer Goods	107	46.5794	5.58981	Not-Significant
Pharmaceuticals	29	46.6552	9.23996	
Electronic Goods	68	46.1176	5.99136	
Construction/Hardware	26	46.0385	4.87016	
Automobile	12	43.5833	7.41569	
<b>Age of Business:</b>				
Under5	55	47.1636	5.81725	ANOVA=6.748 P=.000 P<0.05
5 - 10	112	47.9643	5.13686	Significant
10 - 15	82	44.4024	4.72986	
Over 15	26	44.9231	3.58394	
<b>Member of Trade Union:</b>				
Yes	221	46.7783	5.79347	T-Test=0.687 P=.408 P>0.05
No	54	45.1296	6.74899	Not-Significant
<b>Annual Turnover:</b>				
Below ₹ 1 crore 50 Lakhs	165	45.4909	6.61725	ANOVA=3.686 P=.013 P<0.05
Above ₹1 crore 50 Lakhs and Below ₹ 2 crores	69	48.0435	4.84293	Significant
Above ₹2 crore and below ₹5 crore	27	47.8148	3.73175	
<b>Supply of Goods:</b>				
Intrastate	207	46.3527	5.42077	ANOVA=0.425 P=.654 P>0.05
Inter-State	54	47.0556	8.29507	Not-Significant
<b>Nature of GST Registration:</b>				
Regular Scheme	220	46.4636	6.0789	T-Test=0.036 P=.850 P>0.05
Compounding Scheme	55	46.4182	5.81088	Not-Significant
<b>Type of Customer:</b>				
Business to Business	193	47.1865	5.32745	ANOVA=11.069 P=.000 P<0.05
Business to Consumer	67	45.7761	6.93655	Significant
Both	15	40.0667	6.23889	
<b>Sources of Updating GST-Related Information:</b>				
Newspaper	45	48.5778	5.69086	
Television / Radio	5	43.35	1.67332	
Internet / Websites	30	49.3	4.4268	ANOVA=9.414
Friends / Relatives	10	48.7	2.83039	P=.000 P<0.05
Social Media	65	47.8615	4.69666	Significant
Seminar / Lecture	20	45.95	3.73427	
Auditors	100	51.6	6.69445	
<b>Frequency of Updating GST-Related Information:</b>				
Hourly	13	45.058	2.0755	ANOVA=5.376 P=.001 P<0.05
Daily	28	49.5357	3.61563	Significant
Weekly	69	49.8462	5.70574	
Monthly	165	46.2485	6.41112	
<b>Ways of Maintaining the Accounts:</b>				
Manual	41	44.0244	8.38894	ANOVA=4.674 P=.010 P<0.05
Computerization	165	47.1636	5.12917	Significant
Outsourcing	69	46.2029	6.01121	
<b>Mode of Filing GST Return:</b>				
Monthly	220	46.4636	6.0789	T-Test=0.036 P=.850 P>0.05
Quarterly	55	46.4182	5.81088	Not-Significant
<b>GST Filing Personnel:</b>				
Self	41	46.9697	7.20459	ANOVA=1.545 P=.215 P>0.05
Chartered Accountant	165	45.5122	4.65705	Not-Significant
Tax Practitioner	69	45.7826	7.83257	

<b>Mode of Using Mail ID/Mobile Number:</b>				
Self	24	46.981	6.97186	T-Test=3.835 P=.051 P>0.05
Auditor	210	43.4583	5.53887	Not-Significant
<b>Mode of Filing GST R3B Return:</b>				
Payment of Tax	84	47.1071	4.83217	T-Test=4.553 P=0.034 P<0.05
Carry forward of Input Tax Credit	191	46.1675	6.45904	Significant

ANOVA and T-Test reveal that out of twenty-two variables, eleven variables exhibit a significant difference in the level of impact on the implementation of GST. These variables include gender, age, form of organization, age of business, annual turnover, types of customers, frequency of updating GST-related information, sources of updating GST-related information, methods of maintaining accounts, and the mode of filing the GSTR 3B return. This suggests that these factors play a crucial role in successfully implementing and understanding GST.

**Conclusion:**

The implementation of the Goods and Services Tax (GST) has brought a transformative shift in the taxation landscape of India, significantly influencing the functioning of Small and Medium Scale Enterprises (SMEs) in Coimbatore District. This study highlights that GST has produced a mixed impact on SMEs, combining both opportunities and challenges. According to the survey, 42.20% of the 116 respondents believe that the introduction of GST has a moderate impact. This suggests that while some perceive GST as a positive reform, others may have reservations or face challenges in adapting to the new system.

GST is a progressive reform; however, its long-term success for SMEs in Coimbatore District will depend on how effectively the associated challenges are addressed and how well businesses adapt to the evolving tax environment. The government must continue educating taxpayers about GST and provide the necessary support to ensure a smooth transition and compliance. This will not only help in maximizing the benefits of GST but also in building public trust and acceptance towards this significant tax reform.

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