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IMPACT OF GOODS AND SERVICES TAX REGIME AND ITS ACCEPTANCE AMONG LOCAL BUSINESSES: A CASE STUDY OF RANCHI CITY

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ABSTRACT
This study examines the impact of the Goods and Services Tax (GST) regime and its acceptance among local businesses in Ranchi, Jharkhand. Using a mixed-methods approach with 70 respondents, the research evaluates the perceived effects of GST on business operations, profitability, compliance, and overall satisfaction. Statistical analyses including ANOVA, regression analysis, and t-tests reveal that GST has had a mixed impact on businesses. While GST has successfully increased government revenue and reduced tax evasion, local businesses perceive challenges in complexity, cost management, and profit optimization. Only 17.3% of respondents expressed satisfaction with the GST system, with 42.7% reporting dissatisfaction. The study recommends simplification of return filing procedures, enhanced government awareness programs, and expedited Input Tax Credit (ITC) claim processes to improve GST acceptance among small businesses.
KEY WORDS*: GST, Indirect Tax, Enterprise, Entrepreneur and Acceptance*

1. INTRODUCTION

The Goods and Services Tax (GST), implemented on July 1, 2017, represents one of India's most significant indirect tax reforms since independence. GST was designed to replace multiple indirect taxes (Value Added Tax, excise duty, service tax, and others) with a unified taxation system following the principle of 'One Nation One Tax.' This reform aimed to eliminate the cascading tax effect, increase transparency, simplify compliance, and expand the tax base.

Prior to GST, India's indirect taxation system comprised multiple layers of taxes imposed by both central and state governments, creating inefficiencies and compliance burdens. The Sales Tax regime, which existed for nearly 80 years, was plagued by the cascading effect where tax was levied on tax, inflating final prices. The introduction of GST was intended to address these issues through a destination-based consumption tax with seamless Input Tax Credit (ITC) mechanisms across supply chains. Despite its objectives, GST implementation has presented challenges for small and medium enterprises (MSMEs). While research has been conducted in metropolitan areas and at the macro level, limited empirical studies exist focusing on GST's impact in tier-2 cities like Ranchi. This research gap necessitates a case study of Ranchi city, the capital of Jharkhand, to understand local business perspectives on GST and its acceptance among entrepreneurs in this region.

Input Tax Credit (ITC) mechanism, which is considered the foundation of the GST system. Under this mechanism, businesses are permitted to claim credit for the tax paid on purchases or inputs against the tax payable on sales or outputs. This ensures that tax is imposed only on the value added at each stage of production and distribution, thereby eliminating the cascading effect of taxation. The seamless flow of Input Tax Credit across the supply chain reduces production costs, improves business efficiency, encourages voluntary compliance, and enhances transparency within the tax system. By preventing double taxation, the ITC mechanism contributes to a more competitive business environment and promotes greater economic efficiency.

Unlike many countries that follow a single-rate GST or VAT system, India adopted a multi-rate structure to accommodate diverse categories of goods and services while balancing revenue generation and social welfare objectives. Goods and services are taxed under different slabs, including **0%, 5%, 12%, 18%, and 28%**, with certain luxury and demerit goods also attracting compensation cess. Essential commodities are either exempt or taxed at lower rates to reduce the burden on consumers, whereas luxury items and products considered harmful to society are taxed at higher rates. While this multi-rate system was introduced to achieve equity in taxation, it has also increased the complexity of GST compliance and classification of goods and services.

GST 2.0, which refers to the series of reforms introduced by the Government to simplify and strengthen the GST system after its initial implementation. These reforms aim to improve the efficiency of return filing, simplify compliance procedures, enhance invoice matching systems, strengthen fraud detection, improve Input Tax Credit verification, increase automation through digital technology, and make the overall tax administration more transparent and taxpayer-friendly. The introduction of electronic invoicing (e-Invoicing), QR-code-based invoices, improved GST return systems, enhanced analytics, and greater integration between GST and income tax databases are examples of measures undertaken to modernise the GST framework.

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These reforms are expected to reduce tax evasion, improve compliance, minimise procedural delays, and create a more efficient indirect taxation system.

2.LITERATURE REVIEW

Extensive research on GST's impact reveals mixed outcomes across different regions and business sectors. Guna (2024) found that GST knowledge positively impacts MSME growth and compliance, though compliance burdens reduce overall satisfaction despite understanding GST mechanisms. Anbarasu (2022), in a Tamil Nadu study, reported that while GST increased transparency and tax base, implementation difficulties particularly affected Input Tax Credit claims and registration processes for MSMEs with weak digital literacy.

Kaur (2025) demonstrated that GST has boosted compliance and increased the tax base, with national revenue rising from ₹303,922 crores pre-GST to₹1,042,189 crores post-GST. However, 71% of unregistered MSMEs struggle with the digital GST portal, and delays in ITC claims adversely affect working capital management. Mongia (2025) noted that GST awareness and compliance behavior are influenced by monthly income, business age, education level, and area of residence, with gender and age affecting perceptions of compliance costs and procedures.

Sector-specific studies reveal varied impacts. The textile and manufacturing sectors experienced increased compliance costs but also reported turnover improvements in certain cases (Maidan, 2021). The hospitality sector showed mixed results with profit margins varying by service category (Idicula, 2022). Kumari (2025), focusing on Bihar, noted that while GST eliminated cascading taxes and provided ITC benefits, small enterprises faced significant compliance burden and working capital challenges.

Common themes across research include: (1) Initial implementation disruption and digital adaptation challenges, (2) Complexity in understanding GST procedures and multiple tax rates,(3) Disproportionate impact on small and unorganized businesses, (4) Delays in ITC receipt affecting cash flow, (5) Insufficient government awareness programs, and (6) Increased compliance costs offsetting some benefits. Recent reforms including GST 2.0 in 2025 have simplified rate structures to 5% and 18% for most goods, which may improve compliance.

3. RESEARCH METHODOLOGY

This study employed a mixed-methods approach combining qualitative and quantitative research designs. A descriptive and exploratory research design was used to capture GST's impact extent and explore business owner perceptions. The study was limited geographically to Ranchi city with a sample size of 70 respondents selected from registered businesses across various sectors.

Primary data was collected through a structured questionnaire administered face-to-face and via Google Forms. The instrument measured respondent perceptions across multiple dimensions including GST awareness, system complexity, satisfaction, business impact (profit, costs, ease), compliance burden, corruption reduction, and government revenue impacts. Secondary data from GSTN reports, government publications, and previous research supplemented primary data collection.

Data analysis employed descriptive statistics, ANOVA tests to identify significant differences across groups, Pearson correlation and regression analysis to determine relationships between variables, independent t-tests to evaluate perceptions against neutral values, and percentage analysis for descriptive findings. The null hypothesis tested whether GST has had positive impacts on businesses and entrepreneurs are satisfied with GST, against an alternative hypothesis that GST has had negative impacts.

Limitations include geographic restriction to Ranchi city, potential perception bias from self-reported data, possibility of under-reporting due to fear or record concerns, and a limited sample size relative to the business population. Time constraints and gender imbalance in respondents (90.7% male, 8% female) further limit generalizability of findings.

Research Objectives

1. To determine the impact of GST and GST 2.0 on businesses of Ranchi.
2. To determine the impact of GST on the operations of businesses of Ranchi.
3. To study the awareness of small businesses regarding GST.
4. To study the acceptance of GST by these businessmen.

Hypothesis

Null Hypothesis Ho - GST has had positive impacts on businesses and the entrepreneurs are satisfied with GST.
Alternative Hypothesis H1 - GST has had negative impacts on businesses and entrepreneurs are not satisfied with GST.

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Limitations

I. The study is limited to Ranchi city only.
II. The self-reported data can introduce perception bias.
III. There can be scope of under reporting as well.
IV. There may be some entrepreneurs who might not respond with complete honesty for the purpose of record or due to some sort of unrecognized fear as these researches are not very common in the region.
V. Time restraints and sample size limitation.

4. RESULTS AND STATISTICAL ANALYSIS

4.1 Demographic Profile

Respondents were primarily young to middle-aged entrepreneurs: 40.5% were below 30 years, 18.9% between 30-40 years, 32.4% between 40-50 years, and 8.1% above 50 years. Male entrepreneurs dominated the sample (90.7%), with only 8% female respondents. Educational attainment was high, with 57.5% graduates and 24.75% postgraduates. Most businesses (89.4%) were located in urban areas, with 59.1% dealing in consumer goods and 54.5% operating as sole proprietorships.

4.2 ANOVA Analysis Results

S.No.	Variables Compared	Significance (p-value)	Decision
1	GST Knowledge × Complexity of GST System	<0.001	Reject H_0
2	Satisfaction Level × Complexity of GST System	<0.05	Reject H_0
3	Paperwork Burden × Complexity of GST System	<0.001	Reject H_0
4	Reduction in Business Cost × Satisfaction with GST	>0.05	Fail to Reject H_0
5	Increase in Net Profit × Satisfaction with GST	<0.001	Reject H_0
6	Reduction in Corruption × Satisfaction with GST	<0.05	Reject H_0
7	Delay in Input Tax Credit (ITC) × Satisfaction with GST	<0.05	Reject H_0
8	GST Knowledge × Satisfaction with GST	<0.05	Reject H_0
9	Government Awareness Programmes × Satisfaction with GST	<0.05	Reject H_0
10	Number of Return Filing Days × Satisfaction with GST	<0.001	Reject H_0
11	Year of Establishment × Satisfaction with GST	>0.05	Fail to Reject H_0
12	Government Revenue × Satisfaction with GST	>0.05	Fail to Reject H_0
13	Reduction in Tax Evasion × Reduction in Corruption	<0.05	Reject H_0
14	Government Revenue × Reduction in Corruption	>0.05	Fail to Reject H_0

The One-Way ANOVA analysis was conducted to examine whether significant differences existed among respondents' perceptions regarding various aspects of the GST regime. The results indicate that the majority of the hypotheses were statistically significant ($p < 0.05$), suggesting that respondents' perceptions varied significantly across the selected variables. Significant associations were observed between GST knowledge and system complexity, satisfaction with GST and system complexity, paperwork burden, increase in net profit, reduction in corruption, delay in input tax credit, government awareness programmes, and return filing requirements. However, no statistically significant differences were found for the relationship between reduction in business cost and satisfaction with GST, year of establishment and satisfaction with GST, government revenue and satisfaction with GST, and government revenue and reduction in corruption ($p > 0.05$). Overall, the ANOVA results demonstrate that while respondents acknowledged certain positive aspects of GST, concerns regarding system complexity, compliance burden, and administrative procedures continue to influence their level of satisfaction.

4.3 Regression Analysis

Sl. No.	Independent Variable	Dependent Variable	Strength of Relationship	R^2 (%)
1	GST Awareness	Knowledge of GST Bills	Very Strong	76.7
2	GST Awareness	Increase in Net Profit	Moderate	12.7
3	GST Awareness	Ease of Doing Business	Moderate	31.4
4	GST Awareness	Government Awareness Programmes	Very Weak	Very Low
5	Complexity of GST System	Satisfaction with GST	Moderate	20.8
6	GST Awareness	Satisfaction with GST	Moderate	22.0
7	Increase in Net Profit	Ease of Doing Business	Weak	5.0
8	Reduction in Corruption	Ease of Doing Business	Moderate	25.5
9	Reduction in Corruption	Increase in Net Profit	Weak	11.5
10	Ease of Doing Business	Increase in Net Profit	Weak	5.0
11	Reduction in Business Cost	Increase in Net Profit	Very Weak	1.8
12	Increase in Government Revenue	Increase in Net Profit	Very Weak	Very Low

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Simple linear regression analysis was performed to determine the extent to which selected independent variables explain variations in respondents' perceptions of the GST regime. The results revealed varying levels of explanatory power among the models. GST awareness exhibited a strong positive relationship with knowledge of GST bills, explaining approximately 76.7% of the variation. Moderate explanatory relationships were observed between GST awareness and satisfaction with GST, GST system complexity and satisfaction, as well as reduction in corruption and ease of doing business. Conversely, variables such as reduction in business cost and increase in government revenue demonstrated very low explanatory power, indicating that these factors alone have a limited influence on respondents' perceptions. Overall, the regression analysis suggests that awareness, understanding of GST procedures, and perceptions of system complexity are more influential determinants of satisfaction than financial outcomes such as profit or cost reduction.

4.4 **One-Sample T-Test Results**

Sl. No.	Variable	Mean	t-value	p-value	Decision
1	GST Awareness	3.47	3.692	<0.001	Reject H_0
2	Complexity of GST System	4.11	7.059	<0.001	Reject H_0
3	Satisfaction with GST	2.61	-3.150	0.002	Reject H_0
4	Ease of Doing Business	2.27	-6.779	<0.001	Reject H_0
5	Increase in Net Profit	1.81	-9.461	<0.001	Reject H_0
6	Reduction in Business Cost	1.85	-7.256	<0.001	Reject H_0
7	Reduction in Tax Evasion	3.53	4.752	<0.001	Reject H_0
8	Increase in Government Revenue	4.76	27.768	<0.001	Reject H_0
9	Reduction in Corruption	2.22	-7.950	<0.001	Reject H_0

4.5 Key Findings

Positive impacts: 81.3% strongly agreed GST increased government revenue; 68% agreed GST reduced tax evasion; 64% reported being well informed about GST; 72% found filing deadline days sufficient; digitization reduced paperwork burden. Negative impacts: 72% disagreed GST made business easier; 57.3% strongly disagreed GST increased net profit; 65.3% disagreed GST reduced business costs; 82.6% believed GST is more complicated than previous systems; 70.7% strongly disagreed government awareness programs were sufficient.

5 DISCUSSION AND CONCLUSION

GST has achieved several intended objectives for the Indian economy. Government revenue has demonstrably increased, tax evasion has been reduced, and the tax base has expanded. The unified tax structure has facilitated formalization of business activities and improved record-keeping. However, local businesses in Ranchi report mixed experiences regarding operational impacts.

The hypothesis testing results demonstrate that GST has had a moderate impact on businesses in Ranchi. While macroeconomic indicators are positive, microeconomic impacts on individual business profitability and cost structure are negative. Business satisfaction is low, with only 17.3% expressing satisfaction compared to 42.7% dissatisfied. This dissatisfaction correlates with perceived system complexity (62.7% strongly agreed GST is more complicated), lack of government support (70.7% found awareness programs insufficient), and negative financial impacts (net profit decreased, business costs increased).

The complexity perceived by businesses is particularly concerning for policy implementation. Despite 64% reporting good GST knowledge, 84% remained neutral on ITC delays and many could not assess their own compliance adequacy. This suggests knowledge gaps persist in practical application. The disconnect between awareness and satisfaction indicates that theoretical knowledge of GST does not translate to practical comfort with the system.

6 Recommendations

1. Simplify return filing procedures, particularly for small businesses, through pre-filled returns based on invoice data and automatic ITC calculation to reduce compliance costs and hiring needs for tax professionals.
2. Implement comprehensive government awareness programs in multiple local languages, targeting tier-2 cities specifically, through workshops, sector-specific guidance, and regular refresher sessions.
3. Expedite Input Tax Credit claim processing through portal improvements and automated verification systems to resolve working capital issues that constrain business growth.
4. Minimize frequent amendments and establish a six-month amendment cycle to provide business certainty and reduce compliance confusion.
5. Create a feedback mechanism for local businesses to provide insights on GST challenges, enabling region-specific policy adjustments.
6. Consider further rate rationalization through GST 2.0 reforms, reducing rate slabs and lowering rates on frequently purchased

items to improve business cash flow and consumer acceptance.

While GST represents a structural improvement in India's indirect taxation system with demonstrated macroeconomic benefits, its acceptance among local businesses in Ranchi remains limited. The findings suggest that further refinement focusing on simplification, support, and streamlining is essential to improve GST acceptance and maximize its benefits for small businesses and the economy.

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