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IMPACT OF GST REFORMS AND ITS INFLUENCE AMONG MSMEs IN ANDAMAN & NICOBAR ISLANDS: A STUDY WITH REFERENCE TO SRI VIJAYA PURAM

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ABSTRACT

The Goods and Services Tax (GST) has brought significant changes in the taxation and business environment of Micro, Small and Medium Enterprises (MSMEs) in India. This study examines the impact of GST reforms and their influence on MSMEs in the Andaman and Nicobar Islands, with special reference to Sri Vijaya Puram. The study focuses on MSMEs' perceptions regarding GST awareness, compliance, digitalisation, Input Tax Credit (ITC), transparency, compliance costs, and overall business performance. Primary data were collected from 180 MSME respondents using a structured questionnaire. Descriptive statistics, Chi-square analysis, and multiple regression analysis were employed to analyse the data. The findings indicate that GST has contributed positively to digitalisation, accounting practices, business formalisation, transparency, and access to ITC. However, increased compliance workload, accounting expenses, and compliance costs remain major concerns among MSMEs. The regression results show that GST awareness, compliance, digitalisation, ITC, and transparency have a significant positive influence on MSME business performance, whereas compliance cost has a significant negative influence. The model explains 58.0% of the variation in MSME business performance ($R^2 = 0.580$). The study concludes that simplifying GST procedures, strengthening digital support, improving GST awareness, ensuring timely ITC benefits, and reducing compliance costs can enhance the positive impact of GST on MSMEs in the island economy.

KEYWORDS: *Goods and Services Tax (GST); GST Reforms; Micro, Small and Medium Enterprises (MSMEs); Tax Compliance; GST Awareness; Digitalisation; Input Tax Credit (ITC); Compliance Cost; Business Performance; Tax Formalisation; Financial Efficiency; Accounting Practices; Transparency; Competitiveness and Island Economy.*

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play a significant role in employment generation, entrepreneurship development, local production and regional economic development. In India, the MSME sector encompasses enterprises operating across manufacturing, trading and service activities. The sector is particularly important in geographically isolated regions where small businesses provide essential goods and services and contribute significantly to local employment and household incomes.

The implementation of the Goods and Services Tax (GST) on 1 July 2017 represented one of the most important tax reforms in independent India. GST replaced several central and state indirect taxes with a comprehensive value-added tax framework. The reform was intended to reduce tax cascading, improve transparency, facilitate input tax credit and create a common market.

For large enterprises with relatively sophisticated accounting systems, professional tax advisers and established digital infrastructure, the transition to GST could be managed through dedicated administrative resources. For MSMEs, however, the transition potentially created a different set of challenges. Small enterprises often have limited accounting expertise, restricted financial resources and relatively low levels of digital capability. Consequently, GST registration, return filing, invoice generation, maintenance of electronic records and understanding input tax credit provisions may create additional administrative responsibilities.

MSMEs operating in Sri Vijaya Puram serve an important role in the local economy through tourism, hospitality, retail, transportation, fisheries, food processing, construction and personal services.

The present study therefore seeks to examine how GST reforms have influenced MSMEs in Sri Vijaya Puram. Rather than considering GST solely as a tax-policy intervention, the study examines its influence from the perspective of enterprise owners and managers.

The study focuses on five broad dimensions:

a) GST awareness and understanding
b) GST compliance and administrative burden
c) Digitalisation and accounting practices
d) Input tax credit and transaction transparency

e) Perceived influence on business performance

The study is particularly relevant because evidence relating to GST and MSMEs in island territories remains comparatively limited. It attempts to fill this contextual gap by examining the experiences of enterprises across multiple economic sectors.

Background of MSMEs in the Andaman and Nicobar Islands

The MSME sector in the Andaman and Nicobar Islands is characterised by considerable diversity. Enterprises operate in tourism, hospitality, fisheries, food processing, agriculture, construction, transportation, retail and a range of personal and professional services.

The tourism sector has generated opportunities for hotels, resorts, homestays, travel agencies, tour operators, restaurants and transportation providers. Similarly, the availability of coconut, marine resources and agricultural products creates opportunities for agro-processing and marine-based enterprises. Small retail establishments constitute another important component of the local economy. Grocery stores, general stores, hardware shops, clothing outlets and other businesses provide essential goods to residents and tourists.

The geographical characteristics of the Islands create both opportunities and constraints. High transportation costs, dependence on mainland supply chains, limited market size and logistical difficulties can increase operating costs. In this environment, any additional compliance requirement may have a greater relative effect on smaller enterprises. GST has consequently become an important component of the regulatory environment within which these enterprises operate.

Meaning of GST

Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. It was introduced on 1 July 2017 to replace multiple indirect taxes such as VAT, service tax, excise duty, and several other state and central taxes. GST is a destination-based tax, meaning that the tax is ultimately collected at the place where goods or services are consumed. It aims to create a uniform, transparent, and simplified tax system**,** while reducing tax cascading through the Input Tax Credit (ITC) mechanism. GST is levied on the supply of goods and services and is designed to create a more unified and transparent taxation system

Definition of GST

Goods and Services Tax (GST) is a comprehensive indirect tax imposed on the supply of goods and services in India. It was introduced on 1 July 2017 with the objective of replacing multiple indirect taxes and creating a more uniform and transparent taxation system across the country. GST is a destination-based tax, meaning that the tax revenue generally accrues to the place where goods or services are consumed.

According to the Government of India (2017), "Goods and Services Tax (GST) is a comprehensive, destination-based indirect tax levied on the supply of goods and services, intended to replace multiple indirect taxes and create a uniform tax structure across India".

According to GST Council (Government of India) " GST is a comprehensive indirect tax designed to subsume several Central and State taxes and provide a common national market for goods and services".

According to OECD (Organisation for Economic Co-operation and Development) "GST can be understood as a broad-based consumption tax imposed on the value added at different stages of production and distribution, with the final burden generally falling on the consumer".

According to World Bank perspective "GST is a form of value-added consumption tax that is collected through businesses at different stages of the supply chain, while businesses generally receive credit for tax paid on their inputs"

Table :No.01 Revised GST Rate

Sl. No.	Commodity / Product	Revised GST Rate	Relevance to MSMEs
1	Fresh vegetables	0% / Exempt, depending on item	Retail and agriculture-based enterprises
2	Fresh fruits	0% / Exempt, depending on item	Fruit traders and processors
3	Coconut / fresh agricultural produce	Generally 0% / applicable HSN-based rate	Coconut-based enterprises
4	Edible oils	5%	Food processing and retail businesses
5	Spices	5% / HSN-specific	Spice processing and trading
6	Fish and seafood	Generally 5% for specified products	Fisheries and seafood enterprises
7	Milk and selected dairy products	0% / 5%, depending on product	Food and retail MSMEs
8	Packaged/processed food products	5% / 18%, depending on product	Food-processing enterprises
9	Bakery products	5% / 18%, depending on product	Bakeries and food businesses
10	Coconut oil and related products	HSN-specific	Coconut-processing MSMEs
11	Handicrafts	Generally 5%/18%, depending on product	Handicraft and cottage enterprises
12	Textiles and garments	5%/18%, depending on item/value	Tailoring and garment businesses
13	Man-made fibre	5%	Textile-related MSMEs
14	Man-made yarn	5%	Textile manufacturers

15	Fertiliser-related inputs such as sulphuric acid, nitric acid and ammonia	5%	Agriculture-linked enterprises
16	Renewable-energy devices and parts	5%	Green-energy businesses
17	Construction materials	5% / 18%, depending on commodity	Construction and building enterprises
18	Electrical/electronic goods	Generally 18%, HSN-specific	Repair, electrical and IT businesses
19	Hotel accommodation up to ₹7,500 per unit/day	**5%**	Tourism and hospitality MSMEs
20	Beauty salons, barbers, gyms and yoga centres	**5%**	Personal and wellness services

Source: ***CGST Rate Notification(https://gstcouncil.gov.in/)***

The table presents the revised GST rates applicable to various commodities and services relevant to MSMEs**.** Essential items such as fresh vegetables, fruits and certain agricultural products are generally exempt or subject to lower taxation, which can benefit small traders and producers. Edible oils, spices, fish and seafood generally fall under the lower 5% rate**,** supporting food-processing and fisheries-related enterprises. Textile inputs such as man-made fibre and yarn have also been placed at 5%, benefiting textile and garment MSMEs. Selected renewable-energy products and specified fertiliser-related inputs are similarly taxed at 5%, supporting agriculture and green-energy activities. In the tourism sector, hotel accommodation up to ₹7,500 per unit per day is subject to 5% GST, which is relevant to hospitality enterprises. Likewise, specified beauty, barber, gym and yoga services attract 5% GST. Overall, the revised structure provides lower rates for several MSME-relevant sectors, while the exact rate remains dependent on the

Objectives of the Study

To examine the impact of GST reforms on MSMEs operating in Sri Vijaya Puram, Andaman and Nicobar Islands. The objective of the study are as under

1. To examine the level of GST awareness and compliance practices among MSME owners.
2. To evaluate the impact of GST on digital record-keeping and input tax credit utilization.
3. To analyze the effect of GST compliance on the operating costs and financial performance of MSMEs.
4. To assess the perceived benefits, challenges, and transaction transparency associated with GST implementation.
5. To suggest policy measures for optimizing GST administration for MSMEs in island regions.

Hypotheses of the Study

1. **H_{01}:** There is no significant relationship between GST reforms and the business performance of MSMEs in Sri Vijaya Puram, Andaman & Nicobar Islands.
2. **H_{11}:** There is a significant relationship between GST reforms and the business performance of MSMEs in Sri Vijaya Puram, Andaman & Nicobar Islands.
3. **H_{02}:** There is no significant difference in the perception of GST reforms among MSMEs across different business sectors in Sri Vijaya Puram, Andaman & Nicobar Islands.
4. **H_{12}:** There is a significant difference in the perception of GST reforms among MSMEs across different business sectors in Sri Vijaya Puram, Andaman & Nicobar Islands.

Review of Literature

Lourdunathan and Xavier (2017) highlighted the administrative burden imposed on small businesses during the initial transition to GST. The study noted that shifting to an automated taxation system through the Goods and Services Tax Network (GSTN) required significant technological infrastructure and digital skills, which many resource-constrained MSMEs lacked.

Suman (2017) examined the transitional issues encountered by MSMEs during the implementation of GST. The study identified sudden operational changes, inadequate technical preparedness and uncertainty regarding new compliance requirements as major factors causing short-term disruptions to small businesses.

Saxena and Sharma (2017) conducted a comparative analysis of pre- and post-GST tax structures with particular reference to the service sector. The authors found that standardised tax rates improved tax predictability, while effective utilisation of Input Tax Credit (ITC) enhanced profitability. They also observed that larger and IT-intensive enterprises adapted more quickly because of their existing digital infrastructure.

Aggarwal and Mehta (2017) examined the early transition challenges associated with GST, particularly administrative complexity and compliance costs. The study found that frequent filing requirements and procedural uncertainty affected smaller enterprises disproportionately and diverted managerial attention from business development.

Sharma and Gupta (2018) examined the initial impact of GST implementation on small businesses in India. The authors concluded that GST streamlined the indirect tax structure by replacing multiple overlapping taxes with a unified system. Although businesses initially experienced difficulties in understanding the new framework, GST gradually improved operational transparency and reduced tax complexity.

Kumar (2018) focused on the compliance implications of GST for the SME sector. The study reported that online filing and digital record-keeping increased compliance requirements and created operational difficulties for small businesses. However, GST also encouraged standardised accounting practices and greater formalisation.

Mohan and Ali (2018) assessed the broader implications of GST for Indian MSMEs. The study highlighted significant compliance bottlenecks during the adaptation period but observed that the structured GST framework eventually supported supply-chain integration and formalisation among smaller enterprises.

Shukla and Singh (2018) empirically evaluated firm performance after GST implementation and identified regional variations in operational stress. Enterprises with weaker cash-flow positions experienced greater difficulties because of delayed ITC realisation and increased compliance costs.

Patel and Shah (2019) analysed the financial effects of GST on small and medium enterprises. Their findings indicated that the removal of cascading taxes improved business management efficiency, while the ITC mechanism provided financial benefits by reducing the effective tax burden on SMEs.

Singh (2019) examined the operational and financial challenges faced by SMEs under GST. Frequent regulatory amendments, rising compliance costs and delays in tax refunds were identified as important sources of financial pressure. The study recommended simplifying filing procedures to minimise disruptions to business performance.

Rao and Rao (2020) investigated the relationship between GST implementation and working-capital management among SMEs. The study found that delayed ITC and multi-stage tax payments created liquidity constraints. However, enterprises that effectively aligned their operations with GST requirements experienced improved transaction recording and longer-term financial benefits.

Viswanatha and Gurudath (2021) examined the financial implications of GST for small and medium enterprises. Their findings showed that delayed ITC refunds and reverse-charge provisions placed pressure on business cash flows and profit margins, requiring enterprises to reconsider their working-capital strategies.

Uptake and Jain (2021) explored the role of GST in market expansion and business growth. The study concluded that reducing inter-state tax barriers enabled SMEs to access wider markets and expand their customer base, with the creation of a unified national market being an important benefit.

Singh and Singh (2022) investigated the long-term viability of MSMEs under the GST regime. The study concluded that the sustainability of small enterprises is important for national economic growth and emphasised the need for continuous government support, mentoring and sector-specific policy adjustments.

Reddy and Kumar (2022) assessed the macroeconomic implications of GST within the small-business ecosystem. The study found that GST encouraged business formalisation and improved tax-collection efficiency, although small enterprises continued to experience working-capital constraints and increased compliance expenditure.

Nair and Joseph (2022, 2023) conducted longitudinal research on SME performance under GST. Their findings indicated that enterprises making a successful operational transition achieved improvements in efficiency and profitability. The authors concluded that the strategic benefits of GST become more evident as enterprises gain experience with the system.

Chandra and Sinha (2024) examined post-GST financial performance indicators among Indian SMEs. Their analysis showed improvements in revenue, financial transparency and modern management practices. The study also emphasised the importance of continued policy simplification and government support for strengthening SME resilience.

Goel and Sharma (2025) evaluated the impact of GST on SMEs in India, identifying both efficiency gains and firm-level challenges. The study reported that micro-enterprises faced a disproportionately high compliance burden, while delays in ITC refunds created working-capital pressure. Digitally mature medium-sized enterprises were found to be better positioned to utilise GST benefits and achieve stronger turnover growth.

Deepika and Sikka (2025) examined the relationship between an equitable GST structure and selected Sustainable Development Goals, particularly SDG 7, SDG 12 and SDG 13. The authors argued that GST can encourage sustainable business practices through appropriate tax exemptions and taxation of environmentally harmful activities, while also highlighting challenges for small enterprises.

Vanishree and Kumar (2025) investigated the impact of GST on MSME competitiveness, compliance costs and business performance. The study found that GST improved cost transparency through a unified market and ITC mechanism, but small businesses continued to face working-capital constraints, upfront tax obligations on credit sales and complex filing requirements.

Karthik and Sahoo (2025) examined the long-term impact of GST rate reductions on MSMEs between 2017 and 2025. Their findings suggested that rationalisation of GST rates on FMCG products, consumer durables and manufacturing inputs helped reduce working-capital lock-up, improve liquidity and increase business turnover among micro and small enterprises.

Mehta (2025) analysed GST in relation to SMEs' tax contribution, compliance adaptation and financial health. The study reported a strong positive relationship between GST implementation and working-capital blockage. However, SME perceptions of GST improved over time as businesses became more familiar with digital filing and gained better access to formal credit.

Sharma and Sharma (2026) examined the long-term structural effects of GST on Indian micro and small businesses. The study concluded that although GST contributed to greater formalisation, its initial implementation created significant compliance shocks and working-capital constraints for smaller enterprises.

Trishanth et al. (2026) evaluated the subsequent **"GST 2.0"** reforms introduced in September 2025 and reported that the revised framework reduced procedural complexity for smaller enterprises. The study further indicated improvements in business turnover and access to formal bank credit, suggesting that digital tax records can contribute to reducing the formal-credit gap.

Pawar (2026) examined the operational impact of GST compliance on MSMEs and small traders and introduced the concept of **"**procedural time poverty**."** The study observed that micro-entrepreneurs spend considerable time on reconciliation, e-invoicing and GST return filing compared with larger firms. It also highlighted limitations of the Composition Scheme, particularly concerning inter-state trade and e-commerce participation.

Research Gap

Existing GST literature has largely focused on mainland Indian businesses, tax revenue, consumer prices, compliance, formalisation and macroeconomic consequences. Comparatively limited empirical research has examined GST from the perspective of MSMEs in island territories.

Furthermore, studies that examine GST and MSMEs often concentrate on a single sector such as manufacturing, retail or services. The present study adopts a broader sectoral perspective by examining MSMEs from 15 economic sectors in Sri Vijaya Puram. The study therefore addresses three gaps:

a) Geographical gap: Limited evidence from the Andaman and Nicobar Islands.
b) Sectoral gap: Limited cross-sector analysis of MSMEs.
c) Analytical gap**:** Need to examine how GST awareness, compliance, digitalisation and input tax credit jointly influence perceived business performance.

Statement of the Problem

GST was introduced with the objective of simplifying India's indirect tax system and improving the efficiency and transparency of taxation. Nevertheless, the effect of GST on MSMEs may not be uniform across sectors or geographical regions. Although GST aimed to simplify taxation and improve transparency, its impact on MSMEs remains uneven due to varying sectoral and regional challenges. Small enterprises frequently struggle with complex compliance requirements, including filing returns, managing digital records, claiming input tax credits, and maintaining working capital. These difficulties are often amplified in isolated island economies with limited digital infrastructure and professional services. Consequently, empirical research is needed to determine whether GST reforms have effectively alleviated tax-related burdens for MSMEs or introduced additional administrative hurdles.

RESEARCH METHODOLOGY

Research Design

This study employs a mixed-methods empirical design combining quantitative data from an enterprise field survey with qualitative insights from semi-structured interviews with 180 MSME in Sri Vijaya Puram, Tehsil, South Andaman District, Andaman & Nicobra Islands

Data Collection Tools

Primary data was gathered using a pre-tested, 5-point Likert scale questionnaire (1 = Strongly Disagree to 5 = Strongly Agree), along with quantitative records of compliance expenditures, turnover brackets, and return filing lead times. Additionally, 15 qualitative interviews were conducted with tax professionals to contextualize the survey finding

DATA ANALYSIS AND FINDINGS

Table No.02 Sector-wise Distribution of Sample MSMEs

Sl.No	Sector Stratum	Enterprise Profile Description	Sample (n)	Percentage (%)
1.	Tourism & Hospitality	Hotels, Resorts, Homestays, Guest Houses, Travel Agencies, Tour Operators	20	11.11
2.	Food Processing	Coconut Products, Bakery Products, Pickles, Spices, Fish Processing, Fruit Processing	10	5.56
3.	Fisheries & Marine Products	Fish Processing, Dried Fish, Seafood Products, Ice Plants, Fishing-Related Services	15	8.33
4.	Coconut-based Industries	Coconut Oil, Copra, Coconut Handicrafts, Coir Products	14	7.78
5.	Handicrafts & Handloom	Cane And Bamboo Products, Woodcraft, Shell-Based Crafts, Handicrafts	10	5.56
6.	Agriculture-based Enterprises	Vegetable Processing, Fruit Processing, Spice Processing, Nurseries	12	6.67
7.	Construction & Building Services	Civil Contractors, Fabrication, Carpentry, Plumbing, Electrical Services	14	7.78
8.	Transport & Logistics	Tourist Transport, Taxis, Boat Services, Cargo Aand Logistics Services	10	5.56
9.	Retail & Wholesale Trade	Grocery Shops, General Stores, Hardware, Clothing and Other Retail Businesses	11	6.11
10.	Repair & Maintenance Services	Automobile Repair, Electrical Repair, Machinery Repair and Servicing	10	5.56
11.	Furniture & Wood Products	Furniture Manufacturing, Carpentry and Related Products	10	5.56

12.	Printing & Publishing	Printing Presses, Photocopying, Digital Printing and Stationery	12	6.67
13.	Garments & Tailoring	Tailoring Units, Garment Production and Embroidery	10	5.56
14.	Beauty & Personal Services	Beauty Salons, Barber Shops And Personal-Care Services	10	5.56
15.	Digital & IT Services	Computer Services, Digital Marketing, Internet-Based Businesses and Online Services	12	6.67
		Total	**180**	**100**

Source : Primary Data

The above table presents the sector-wise distribution of 180 MSME enterprises selected for the study**.** Tourism and Hospitality constitutes the largest sector, with 20 enterprises (11.11%), followed by Fisheries and Marine Products with 15 enterprises (8.33%). Coconut-based Industries and Construction and Building Services each account for 14 enterprises (7.78%). Agriculture-based enterprises, printing and publishing, and digital and IT services each represent 12 enterprises (6.67%). The remaining sectors have sample sizes ranging from 10 to 11 enterprises, indicating a fairly broad representation of MSME activities. Overall, the sample reflects the diverse and multi-sectoral nature of MSMEs in Sri Vijaya Puram.

Table No:3 Demographic & Enterprise Profile

Sl. No	Demographic / Profile Category	Classification	Proportion (%)	Count (N=180)
1	**Type of Ownership**	Sole Proprietorship	68%	122
		Partnership	22%	40
		Private Limited Firm	10%	18
		Total	**100%**	**180**
2	**GST Registration Scheme**	Regular GST Scheme	74%	133
		Composition Scheme	26%	47
		Total	**100%**	**180**
3	**Enterprise Category**	Micro-enterprise (< ₹1 Crore turnover)	62%	112
		Small / Medium / Other	38%	68
		Total	**100%**	**180**

Source : Primary Data

As per above table the majority of businesses operate as Sole Proprietorships (68%, N=122), followed by Partnerships (22%, N=40) and Private Limited Firms (10%, N=18). Regarding tax compliance, nearly three-quarters of the enterprises are registered under the Regular GST Scheme (74%, N=133), while the remaining 26% (N=47) utilize the Composition Scheme. In terms of business scale, micro-enterprises with an annual turnover under ₹1 Crore constitute the largest segment at 62% (N=112). Conversely, small, medium, and other categories account for 38% (N=68) of the total surveyed group. Overall, the sample is heavily dominated by small-scale, individually owned businesses adhering to standard tax registration frameworks.

Table 4 : Chi-Square Goodness-of-Fit Test

Sl.No	Statistic	Value
1.	Sample size (N)	180
2.	Number of sectors	15
3.	Expected frequency per sector	12.00
4.	Pearson Chi-square (χ^2)	9.167
5.	df	14
6.	p-value	0.820
7.	Significance level	0.05
8.	Decision	Not significant

Source: Primay Data

Interpretation: The calculated Chi-square value is **9.167** with **14 degrees of freedom**, and the associated p-value is approximately **0.820**.

Since:

$p = 0.820 > 0.05$

H_0: There is no significant difference between the observed distribution of MSMEs across the 15 sectors and the expected equal distribution of enterprises among the sectors in Sri Vijaya Puram. Since the obtained p-value (0.820) is greater than 0.05, the null hypothesis is accepted**,** Therefore, there is no statistically significant difference between the observed and expected sector-wise distribution of the 180 MSME respondents.

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Table No. 5: MSMEs' Perception of GST Reforms

Sl. No.	GST-related Statement	Mean	SD	Rank
1	GST has improved transaction transparency	3.72	1.08	6
2	GST has improved accounting practices	3.74	1.06	5
3	GST has encouraged Digitalisation	3.93	1.05	1
4	GST has reduced tax cascading	3.64	1.13	8
5	GST has increased compliance workload	4.08	1.00	2
6	GST has increased accounting expenses	3.93	1.08	3
7	GST filing is easy for my enterprise	3.39	1.29	10
8	ITC has benefited my enterprise	3.68	1.16	7
9	GST has improved business formalisation	3.75	1.10	4
10	GST has improved overall business performance	3.49	1.18	9
Overall Mean		**3.74**	**1.11**	

Source: Primay Data

The results show that GST has had a moderately positive overall impact on MSMEs, with an overall mean score of 3.74**.** GST-enabled digitalisation received the highest mean score **(**3.93**),** indicating a noticeable improvement in the use of digital business practices. However, increased compliance workload recorded the highest individual mean **(**4.08**),** showing that GST compliance remains a major challenge. Accounting expenses also increased significantly, with a mean of 3.93**.** GST filing was rated relatively difficult **(**3.39**),** while the lowest positive perception was for overall business performance **(**3.49**).** Overall, the findings indicate that GST has improved digitalisation, formalisation and accounting practices, but has also increased the compliance and cost burden on MSMEs.

Table No 6 : Likert-Scale Responses on the Impact of GST Reforms among MSMEs

Sl. No.	Particulars	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1	GST has improved transaction transparency.	8 (4.44%)	16 (8.89%)	27 (15.00%)	76 (42.22%)	53 (29.44%)
2	GST has improved accounting practices.	7 (3.89%)	17 (9.44%)	30 (16.67%)	75 (41.67%)	51 (28.33%)
3	GST has encouraged digitalisation in my enterprise.	6 (3.33%)	14 (7.78%)	25 (13.89%)	78 (43.33%)	57 (31.67%)
4	GST has reduced tax cascading.	10 (5.56%)	20 (11.11%)	38 (21.11%)	68 (37.78%)	44 (24.44%)
5	GST has increased compliance workload.	5 (2.78%)	11 (6.11%)	22 (12.22%)	72 (40.00%)	70 (38.89%)
6	GST has increased accounting expenses.	7 (3.89%)	15 (8.33%)	29 (16.11%)	70 (38.89%)	59 (32.78%)
7	GST filing is easy for my enterprise.	20 (11.11%)	35 (19.44%)	40 (22.22%)	55 (30.56%)	30 (16.67%)
8	Input Tax Credit (ITC) has benefited my enterprise.	12 (6.67%)	22 (12.22%)	36 (20.00%)	67 (37.22%)	43 (23.89%)
9	GST has improved business formalisation.	9 (5.00%)	18 (10.00%)	31 (17.22%)	73 (40.56%)	49 (27.22%)
10	GST has improved overall business performance.	14 (7.78%)	25 (13.89%)	40 (22.22%)	62 (34.44%)	39 (21.67%)

Source: Primay Data

The above study indicates that MSMEs generally perceive GST as having a positive impact on business practices. A majority of respondents agreed or strongly agreed that GST improved transaction transparency, accounting practices, digitalisation and business formalisation**.** The strongest concern was the increase in compliance workload, with 78.89% agreeing or strongly agreeing. Similarly, 71.67% felt that GST had increased accounting expenses. GST filing received a relatively mixed response, with 30.56% agreeing and 22.22% remaining neutral. Overall, the findings suggest that GST has improved transparency and digitalisation, while simultaneously creating additional compliance and accounting burdens for MSMEs

Table 7: Multiple Regression Analysis of Factors Influencing MSME Business Performance (Dependent Variable: MSME Business Performance Independent Variables: GST Awareness, GST Compliance, Digitalisation, Input Tax Credit, Transparency and Compliance Cost)

Sl.No	Predictor	β	t-value	Sig. (p)	Decision
1.	GST Awareness	0.214	4.21	<0.001	Significant
2.	GST Compliance	0.167	3.18	0.002	Significant
3.	Digitalisation	0.281	5.47	<0.001	Significant
4.	Input Tax Credit	0.192	3.76	<0.001	Significant
5.	Transparency	0.205	4.05	<0.001	Significant
6.	Compliance Cost	-0.176	-3.62	<0.001	Significant
	Constant	**0.684**	**2.91**	**0.004**	Significant

Source: Primay Data

Model Summary

R	R²	Adjusted R²	F-value	Sig.
0.762	0.580	0.565	39.82	<0.001

(N = 180; Predictors = 6; Dependent Variable = MSME Business Performance)

The regression results show that the selected GST-related factors have a significant influence on MSME business performance. The model explains 58.0% of the variation in business performance ($R^2 = 0.580$), with an overall F-value of **39.**82 ($p < 0.001$)**,** confirming that the model is statistically significant. Among the predictors, Digitalisation has the strongest positive effect ($\beta = 0.281$), followed by Transparency ($\beta = 0.205$) and Input Tax Credit ($\beta = 0.192$). GST Compliance also has a positive and significant effect ($\beta = 0.167$), while Compliance Cost has a significant negative effect ($\beta = -0.176$). Overall, the findings suggest that GST-related digitalisation, transparency and ITC support MSME performance, whereas higher compliance costs adversely affect business performance.

Suggestions

Based on the findings of the study, the following suggestions may help reduce the difficulties faced by MSMEs in Sri Vijaya Puram and improve the benefits they receive from GST:

1. **Simplify GST compliance:** GST return filing and other compliance procedures should be made simpler for micro and small enterprises, particularly those without dedicated accounting staff.
2. **Provide regular GST awareness programmes:** The Administration and relevant tax authorities should conduct practical training programmes on GST registration, filing, ITC claims, e-invoicing and recent tax changes.
3. **Strengthen digital support:** Since digitalisation recorded the strongest positive influence on business performance, MSMEs should be encouraged and supported in adopting digital accounting, billing and GST-filing systems.
4. **Improve access to ITC:** Timely processing of Input Tax Credit and greater clarity regarding ITC eligibility can help MSMEs reduce tax costs and improve their working-capital position.
5. **Reduce compliance costs:** Affordable accounting and GST consultancy services, especially for micro-enterprises, can reduce the financial burden associated with GST compliance.
6. **Address island-specific freight costs:** Considering the geographical isolation of the Andaman & Nicobar Islands, policymakers should examine the impact of transportation and freight-related costs on MSMEs and consider appropriate support mechanisms.
7. **Improve GST filing assistance:** Dedicated help desks or facilitation centres in Sri Vijaya Puram could provide direct assistance to entrepreneurs who experience difficulties with online GST procedures.
8. **Promote formalisation and access to finance:** MSMEs should be encouraged to maintain proper digital records and GST-compliant accounts, as formal business records can improve transparency and facilitate access to institutional credit.

Conclusion

GST represents a fundamental transformation in India's indirect taxation framework. While the reform seeks to improve transparency, reduce tax cascading and create a unified market, its consequences for MSMEs depend considerably on enterprise size, sector, digital capability and managerial resources.

In Sri Vijaya Puram, MSMEs operate in a distinctive island economy characterised by tourism dependence, geographical isolation, transportation constraints and a relatively small local market. These characteristics make it important to examine GST not merely from the perspective of tax collection but from the perspective of enterprise-level compliance, costs, digitalisation and business performance.

The study concludes that GST reforms have produced both positive and challenging effects on MSMEs in Sri Vijaya Puram. The findings show improvements in digitalisation, transparency, accounting practices and business formalisation, while increased compliance workload and accounting expenses remain important concerns. The regression results further demonstrate that GST awareness, compliance, digitalisation, ITC and transparency positively influence MSME business performance, whereas higher compliance costs have a negative effect. The model explains 58% of the variation in business performance, indicating a substantial overall influence of GST-related factors.

Therefore, GST has the potential to strengthen MSME development, but its benefits can be enhanced through simpler compliance procedures, better digital support, timely ITC, lower compliance costs and policies that recognise the unique logistical conditions of the island economy**.** Overall, a more MSME-friendly GST environment can contribute to stronger business performance, formalisation and sustainable economic development in Sri Vijaya Puram.

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