



A STUDY ON “COMPARATIVE ANALYSIS OF GST COMPLIANCE AND ONLINE PRESENCE IN SMEs”

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ABSTRACT

This research paper provides a comparative study of GST (Goods and Services Tax) compliance and the performance of small and medium enterprises (SMEs) online in India. The research investigates how digital adoption affect the extent of tax compliance, operational efficiency, and business growth among SMEs. Through analysis of the data, gathered from a heterogeneous pool of SMEs from Different industries, the study explores the correlations between digital presence including websites, online invoicing, and e-commerce channels and GST compliance metrics such as timely filing of returns, input tax credit, and regulatory precision. The research also lists SMEs principal challenges with digital adoption and tax compliance, which include insufficient technical skills, cost barriers and incessant regulatory change. The report emphasizes the increased significance of digitalization for promoting fiscal transparency and provides advice for policymakers and business leaders on how to support a more complaint and digitally empowered SME economy. The research concludes that a robust digital infrastructure, supported by specific government incentives and capacity building program can drastically enhance compliance rate and operational resilience among SMEs.

KEYWORDS: GST Compliance, Smes , Digital Adoption , E – Invoicing, Tax Filing , Regulatory Challenges, Bossiness Digitalization.

INTRODUCTION 1.BACKGROUND

Small and Medium Enterprises (SMEs) constitute the backbone of the Indian economy, accounting for large numbers of jobs, innovation, and GDP. Though they play a central role in the economy, most SMEs struggle with continuous issues of regulatory compliances, especially during the transition to the Goods and Service Tax (GST) regime that was rolled in 2017. GST, being a consolidated tax regime, has the objective of making indirect taxes simpler and more transparent. Yet, for SMEs, being compliant would usually mean traversing cumbersome filing formalities, keeping precise digital records, and following dynamic regulatory changes. At the same time, the digitalization of the organizations has emerged as the prime driver of growth and productivity. The Indian government has encouraged several initiatives like Digital India and Startup India to improve the digital infrastructure and nudge SMEs to use digital instruments. However, the rate and extent of digital uptake continue to be uneven throughout the SME segment. In light of this, there is an urgent need to explore how digital presence – captured in terms of websites, e- invoicing systems, and taking part in online marketplaces – influences GST compliance behaviour . A deeper understanding of this correlation can go some way toward filing the policy – intension- execution gap by providing insights on how digitalization can be harnessed to alleviate compliance requirement and promote sustainable business development.

STATEMENT OF THE PROBLEM

- SMEs are important for economic growth.
- GST has introduced complex compliance for SMEs.
- Online presence is now crucial for business success.
- Many SMEs struggle to handle both GST and digital presence.
- There’s limited research linking GST compliance and online activity.
- It’s unclear if online-active SMEs comply better with GST.
- The study aims to compare GST compliance and online presence in SMEs.

OBJECTIVES OF THE STUDY

1. To examine the current level of GST compliance among Small and Medium Enterprises (SMEs).
2. To evaluate the extent and nature of online presence maintained by SMEs.
3. To compare GST compliance between SMEs with strong online presence and those with limited or no online presence.
4. To identify the key challenges faced by SMEs in adhering to GST regulations and establishing a digital presence.
5. To analyse the potential relationship between online presence and effective GST compliance.



- To provide recommendations for enhancing both GST compliance and digital engagement among SMEs.

- Challenges in GST and Digital Adoption: **Singh and Kaur (2019)** noted that lack of technical skills, high software costs, and poor internet access are major barriers for SMEs in adopting digital platforms and maintaining GST compliance. They emphasized the need for government support and training programs.

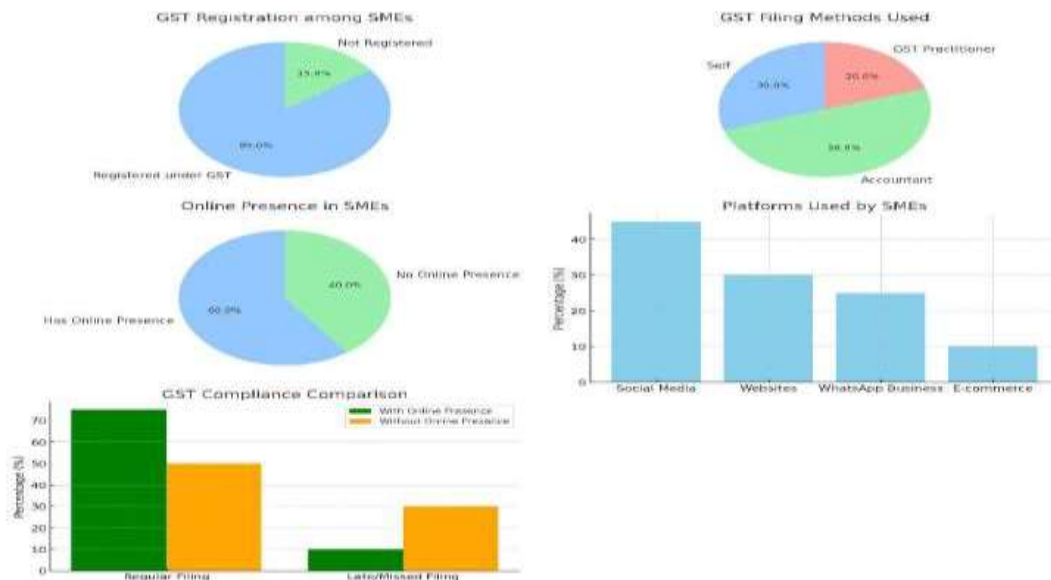
LITERATURE REVIEW

- GST Compliance in SMEs:** According to **Kumar and Rani (2018)**, the introduction of GST in India brought a unified tax structure, but SMEs faced significant challenges in adapting to the new compliance framework due to limited resources and knowledge. Patel (2019) highlighted that many small businesses struggle with timely filing, input tax credit reconciliation, and digital invoice management, which hampers their operational efficiency.
- Online Presence and Digitalization in SMEs:** **Sharma and Bansal (2020)** emphasized the growing importance of digitalization in SMEs, stating that businesses with a strong online presence are more likely to expand their customer base and streamline operations. Gupta et al. (2021) found that SMEs with digital platforms such as websites, e-commerce portals, and social media are better equipped to adapt to market changes and regulatory updates.
- Link Between Technology and Compliance:** **Mehta and Sinha (2020)** observed that SMEs leveraging digital tools and accounting software were more likely to comply with GST regulations effectively. Automation and online GST filing portals reduced the compliance burden and human error, enhancing overall efficiency.
- Comparative Analysis of Digitally Active vs. Traditional SMEs:** A study by **Rao and Iyer (2022)** indicated that digitally active SMEs not only experience better customer engagement but also show higher accuracy and timeliness in GST return filings. Their research suggested a positive correlation between online presence and regulatory compliance.

RESEARCH METHODOLOGY

- Type of Research:** This study is comparative and survey-based. It aims to compare SMEs with and without online presence in terms of their GST compliance.
- Area of Study:** The research conducted in Bangalore.
- Sample Size:** Around 100 SMEs will be selected — 50 with online presence and 50 without respondent.
- Data Collection Method:** Primary Data: Collected using a Google Form or printed questionnaire. Questions include details about their business, GST filing habits, and digital activities (website, WhatsApp, Instagram, etc.). Secondary Data: Taken from websites, government portals (like gst.gov.in), journals, and news articles related to GST and SME digitalization.
- Tools Used:** Responses will be entered in Excel or Google Sheets. Charts, graphs, and simple percentage calculations will be used to compare both groups. If needed, basic tools like SPSS or Google Data Studio can be used for deeper analysis.
- Main Focus Areas (Variables):** GST compliance: How regularly they file returns, usage of GST software, facing penalties or not. Online presence: Having a business website, social media page, online selling platforms, etc. Other factors: Years in business, number of employees, turnover, etc.

DATA ANALYSIS AND INTERPRETATION





HIGHLIGHTS

1. GST Registration – Majority of SMEs are registered under GST.
2. Filing Method – Most SMEs rely on accountants.
3. Online Presence – 60% of SMEs have a digital presence.
4. Platforms Used – social media is the most popular platform.
5. GST Compliance Comparison – SMEs with an online presence show better compliance.

FINDINGS

1. High GST Registration Rate: 85% of SMEs surveyed are registered under GST, indicating wide awareness and adoption of the GST regime.
2. Dependence on External Help for GST Filing: Only 30% of SMEs file GST returns themselves, while 70% depend on accountants or GST practitioners, showing limited in-house expertise.
3. Online Presence is Growing but Not Universal: 60% of SMEs have some form of online presence, primarily through social media and WhatsApp Business, while 40% still operate offline.
4. Social media Dominates Digital Platforms: Among SMEs with an online presence, 45% use social media as their main digital platform, followed by websites and WhatsApp.
5. Online SMEs Have Better GST Compliance: 75% of SMEs with an online presence file their GST returns regularly, compared to just 50% among SMEs without digital visibility.
6. Digital Adoption Supports Tax Discipline: SMEs using digital tools are more likely to file returns on time and face fewer compliance issues, showing a positive link between digitalization and GST management.
7. Challenges Remain in Digital and GST Adoption: Common obstacles include lack of digital skills (40%), GST complexity (35%), and cost of tools (25%), which hinder broader adoption among SMEs.

RECOMMENDATIONS

1. Teach Digital Skills to Business Owners: Organize workshops and classes to help small business owners learn how to use computers, the internet, and online tools.
2. Provide Low-Cost GST Software: Give small businesses access to simple and affordable (or free) software that helps them file GST easily.
3. Give Benefits for Being Online: Offer rewards like tax discounts or free promotions to small businesses that create websites, social media pages, or register on platforms like Google Business.
4. Make GST Filing Easier: Create a step-by-step, simple version of GST filing made just for small businesses so they don't get confused.
5. Join Hands with Tech Companies: Let the government

and tech companies work together to build easy tools for billing, selling online, and filing taxes.

6. Spread Awareness: Run awareness programs to show business owners how going online can help them get more customers and make GST filing easier.

CONCLUSION

This research highlights a significant connection between the online presence of SMEs and their level of GST compliance. It was observed that businesses with digital platforms are more organized, timely in filing returns, and less likely to face penalties. The study also reveals that many SMEs still lack awareness, digital skills, or access to user-friendly tools, which creates barriers to both online growth and tax compliance. The analysis confirms that promoting digital adoption among SMEs not only enhances visibility and market reach but also leads to better tax management. Simplifying GST procedures and supporting digital transformation through training, incentives, and partnerships can empower small businesses to operate more efficiently and compliantly in the modern economy.

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