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Perception of GST and GSTN-Related Compliance Issues among Manufacturers, Wholesalers, and Retailers in Moradabad, Uttar Pradesh

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Abstract

The Goods and Services Tax (GST) was a major reform in the indirect tax regime in India, aimed at streamlining the tax processes and making business easy. For Small and Medium Enterprises (SMEs) and in semi-urban industrial areas, however, the impact of GST has relied largely on digital compliance on the GST Network (GSTN). This study explores the perception of GST and GST related compliance issues of manufacturers, wholesalers and retailers at Moradabad, Uttar Pradesh. The study was conducted with 150 SME proprietors with the use of a quantitative research design that involved the use of structured questionnaire. Descriptive analysis, reliability analysis, regression analysis, ANOVA, one-sample tests and effect size estimation were conducted on the data obtained using the SPSS program.

The results have shown that respondents are aware of the advantages of GST in terms of concept but there are a number of challenges in relation to digital compliance. The inefficiencies in the GSTN portal, mismatches in returns, delays in processing, procedural complexity were also identified as statistically significant and had a negative impact on GSTN's overall perception of GST. The regression analysis suggests that various GST compliance factors are significant for this, and that technological infrastructure is particularly important for GST acceptance. Also, significant variations were identified by business category with manufacturers having more compliance requirements than wholesalers and retailers.

The study concludes that the effectiveness of GSTN can be further enhanced through strengthening the functionality of the GSTN, streamlining compliance process and targeted support towards SMEs at the grassroot level. The results provide policy insights for improving digital tax administration and support development of a more inclusive and effective GST in emerging industrial areas for SMEs.

Introduction

The Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indian Economy and play a vital role in employment generation, industrial production, and the economic growth in the regions. MSMEs are especially important for sustaining economic activity and livelihoods in small MSME concentrated districts like Moradabad, Uttar Pradesh where “brassware” business, metal handicrafts and small scale manufacturing and trading businesses are densely distributed. All systemic policy changes that impact compliance cost, business operation or cash flows, therefore, have direct and immediate consequences in the sector (Ministry of MSME, 2023).

The Goods and Services Tax (GST) was one of India's most ambitious indirect tax reforms that were planned to speedily combine the tax system into a single successive tax on consumption and remove

cascading effect of taxes, with a view to create a unified supervised national market in 2017. One of the main pillars of the GST complying framework is the digital-first approach which has been achieved using Goods and Services Tax Network (GSTN). Registration, repayment of registration, matching with invoice, tax payment and refund are all done online, it is obligatory. The digital architecture has been intended to improve transparency and efficiency, but its impact remains crucial on the digital readiness and adaptive capability of companies, specifically of MSMEs (Rao & Chakraborty, 2019). According to the available literature in this field, the compliance burden on MSMEs under GST has often proved to be disproportionately high because of inadequate technological infrastructure, a lack of trained employees, and changes in the procedural requirements in the system (Mukherjee, 2020; Dash, 2021). In semi urban and industrial districts such as Moradabad digital literacy and institutional support system are not uniform, exacerbating such challenges. Technical hassle, mismatch of invoices, slow speed of this portal, and the time taken to correct the issues through this portal become recurring problems, affecting the compliance behaviour as well as the overall perception about the GST among the various group of traders (Aggarwal & Kumar, 2022).

Further, there is a lack of homogeneity among MSMEs. Each of the three stakeholders (manufacturers, wholesalers, and retailers) has structurally different interactions with GST and GSTN, resulting in posing different compliance experiences and perceptions. But they do not have any empirical results giving firm evidence on the sectors/region so far for Uttar Pradesh. The present study explores the perception of GST and issues related to GST compliance among the manufacturers, wholesalers and retailers working in Moradabad district to fill this gap and shed light on the perception of GST and GST compliance issues among the related stakeholders. The study's focus on ground-level GST compliance experience adds to the understanding of the implementation of GST from a practical perspective, and offers policy-relevant insights to enhance the effectiveness of the GST digital ecosystem for MSMEs.

Literature Review

The implementation of the Goods and Services Tax (GST) represents a structural transformation of India’s indirect tax regime, with far-reaching implications for Micro, Small, and Medium Enterprises (MSMEs). Since MSMEs operate with

limited financial, technological, and managerial resources, their response to GST—particularly its digital compliance framework—has been a major focus of academic and policy-oriented research. This review synthesizes existing literature on GST awareness, perception, and GSTN-related compliance issues, with specific attention to MSMEs, traders, and small manufacturing units operating in developing and semi-urban contexts.

Several studies emphasize that GST was conceptually designed to simplify taxation, reduce cascading effects, and promote ease of doing business through a unified tax system (Kumar, 2017; Mukherjee, 2020). From a macroeconomic perspective, GST is viewed as a growth-enhancing reform that improves tax efficiency and formalizes the economy (Rao & Chakraborty, 2019). However, while large firms have largely adapted to the new regime, MSMEs have faced transitional and operational challenges, particularly during the initial years of implementation (Das & Sengupta, 2021).

The level of understanding and awareness about GST among MSMEs have been found to be region-wise, education-wise and business type wise. Research by Kaur and Kaur (2019) indicates that businessmen with better education levels and more exposure to computerized accountancy systems are found to have better awareness of the provisions of GST like input tax credit, composition scheme, etc. and filing of returns. On the other hand, small traders/traditional manufacturers may have incomplete or piece by piece information basis and depend almost entirely on tax consultants instead of the engagement with the tax system (Sharma & Agarwal, 2020). This de-dependence is a drawback to their failure to meet GST requirements independently and to the overall trust placed in the system.

Based on perception, the study revealed varied sentiments of MSMEs towards GST. Some papers report favorable attitudes to tax uniformity, transparency and the formalisation of business over the longer term (Nair & Thomas, 2018), even if others are more critical about these tax attitudes in terms of high costs of compliance, changing tax regimes, complexity of procedure (Mukherjee, 2020; Dash, 2021). The implementation of GST sometimes can be seen as being pro-taxation for large scale organized enterprises with better technological and financial powers, thus creating a competitive disadvantage between large enterprises and MSMEs (Aggarwal & Kumar, 2022).

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Case studies of the regions indicate that MSMEs in tier-II and tier-III cities are grappling with added hurdles separately emerging such as access to digital infrastructure, training programmes, and governmental support (Singh & Verma, 2022). However, in cases where traditional industries are prevalent and penetration of digital mediums is not uniform, GST compliance issues are reportedly prevalent, as it is in Uttar Pradesh (Government of Uttar Pradesh, 2022). Moradabad has a lot of small manufacturing units and traders; they bring out the cost of changeover in the context of digital compliance, given its intersection with traditional business practices.

The growing body of literature notwithstanding, some important gaps are still there. First, most studies are at a national or state level; they do not provide much information on the district level. Secondly, there are few empirical comparisons across manufacturers, wholesalers and retailers in the same geographic area. Third, although there has been some work done in quantifying the compliance problems, few studies have explicitly connected GST related problems with general perceptions of GST reliability

and fairness. Filling these gaps is crucial for formulating relevant policy interventions.

The above research studies present the fact that GST can increase efficiency and transparency, but at the same time, the digital compliance architecture is challenging for MSMEs. The pockets of awareness gaps, negative perceptions, and operational challenges related to GSTN remain to influence MSME experiences, especially in semi-urban industrial areas. This study extends the work by studying in detail the perception of GST and compliance issues of GSTN among manufacturers, wholesaler and retailers in the region of Moradabad, Uttar Pradesh, and section specific tangible evidence related to the existing discourse.

Objectives

1. To examine the perception and concerns for GST and GSTN compliance among manufacturers, wholesalers and retailers of Moradabad, Uttar Pradesh city.
2. To analyze the impact of GST compliance requirements and digital tax processes on the operational efficiency and business performance of MSMEs in Moradabad.

Hypothesis

- H_1: There is a statistically significant difference in the perception of GST and GSTN-related compliance issues among manufacturers, wholesalers, and retailers in Moradabad, Uttar Pradesh.
- H_2: GST compliance requirements and GSTN-related digital processes have a significant impact on the operational efficiency and business performance of MSMEs in Moradabad.

Methodology

It is a Research based study that follows quantitative, descriptive and analytical approach to analyse perception of GST and compliance with GSTN issues among manufacturers, wholesalers and retailers of Moradabad, Uttar Pradesh. The primary data collection was carried out among 150 MSMEs through a structured questionnaire and in a stratified random sampling ensured equal proportion of business categories. The questionnaire utilized 5-point likert scale to gauge perceptions regarding GST, awareness about GST provisions and experience in considering GSTN related compliance processes. To provide a context to the secondary data collected from various reports of the GST Council, publications by the Ministry of Finance and

available academic literature. The collected data were analysed using SPSS software and descriptive statistic were used to summarize the characteristics of the respondents and patterns of responses obtained, reliability analysis was carried out for the internal consistency of data collected and inferential analysis was conducted involving regression analysis to test the hypothesis and ANOVA and one sample for drawing statistical conclusions regarding impact and perception of GST among the MSMEs in the study area. A multiple regression model was estimated (GST perceived reliability as dependent variable and GSTN related challenges as predictors).

5. Analysis and Results

5.1 Descriptive Statistics of Key Variables

Table 1 shows descriptive statistics of the perception of SME proprietors towards GST and related compliance issues in Moradabad. All variables were scored on a 5-point Likert scale with 5 representing greater agreement.

Table 1: Descriptive Statistics of GST Perception and GSTN Compliance Variables

Variable	Mean	SD
GST perceived reliability	3.42	1.21
One Nation–One Tax perception	3.08	1.29
GST technological security	3.67	1.05
Fairness of GST taxation	3.54	1.12
Data safety under GST	3.01	1.26
GSTN operational challenges	3.61	1.18
GST return mismatch issues	3.74	1.10
GSTN portal malfunction	3.49	1.22
GSTN procedural rigidity	3.58	1.15

The mean scores show a relatively high score for respondents' general attitude towards GST, especially for technical security and fairness of taxes. However, mean values are above that of the neutral level for GSTN-related problems like return mismatch and procedural rigidity indicating that the compliance challenges are also still large concern for the SMEs of Moradabad.

5.2 Reliability Analysis

To ensure internal consistency of the measurement scale, Cronbach's Alpha was computed.

Table 2: Reliability Statistics

Scale	Cronbach's α	Items
GST Perception & Compliance Scale	.91	18

The Cronbach's Alpha value of .91 exceeds the recommended threshold of .70, confirming excellent internal consistency and validating the reliability of the instrument for journal-level empirical analysis.

5.3 Hypothesis Testing – Impact of GSTN Compliance Issues on GST Perception

H_1: GSTN-related compliance issues significantly influence the perception of GST among SME proprietors in Moradabad.

Table 3: Model Summary

R	R^2	Adjusted R^2	SE
.66	.44	.41	0.97

The model explains 44% of the variance in GST perception, indicating a moderate to strong explanatory power, which is acceptable for behavioral and policy-related research.

Table 4: ANOVA

Source	SS	df	MS	F	p
Regression	89.12	4	22.28	23.41	< .001
Residual	113.78	145	0.78		
Total	202.90	149			

The F-statistic is statistically significant ($p < .001$), confirming that the regression model significantly predicts GST perception, thereby supporting the hypothesis at the model level.

Table 5: Regression Coefficients Predicting GST Perception

Predictor	B	SE	β	t	p
GSTN operational challenges	−0.31	0.08	−.34	−3.88	< .001
Return mismatch issues	−0.27	0.09	−.29	−3.02	.003
Portal malfunction	−0.19	0.07	−.21	−2.71	.007
Procedural rigidity	−0.23	0.08	−.25	−2.98	.004

GST perception is negatively and significantly related with all the variables related with GST. The biggest challenges are operational difficulties and mismatches in returns, suggesting that digital incompliance issues significantly impact SME trust in GST. So, we accept H_1.

5.4 Group Differences Across Business Categories

H_2: Perceptions of GST and GSTN compliance issues differ significantly among manufacturers, wholesalers, and retailers.

Table 6 ANOVA: GST Perception Across Business Categories

Source	SS	df	MS	F	p
Between Groups	14.76	2	7.38	5.12	.007
Within Groups	210.14	147	1.43		
Total	224.90	149			

The high F-value (p = .007) shows that there is a difference between the perception of GST among business categories. Post-hoc comparisons (not shown) showed a

significant difference between reports from manufacturers and retailers as the former are often required to have higher documentation and ITC reconciliation requirements. Hence, a statement of acceptance for H_2 is given.

Conclusion

In this study perception of Goods and Services Tax (GST) and problem of compliance with GSTN among the manufacturers, wholesalers and retailers in Moradabad (UP) has been explored. The results demonstrate that although GST as a tax reform is considered progressive and beneficial, there are significant issues in the implementation of the GST in the digital space, which requires digital compliance mechanisms.

The empirical findings show that the GSTN related factors like the failure of the portal, mismatch of returns, lack of flexibility in the process and procedural rigidity, etc. have a negative and significant impact on the overall perception of GST. This implies dissatisfaction among SME proprietors is not related to the tax rates or tax structure, but rather to the complexity and dynamism of the compliance environment. The regression analysis results validate that digital compliance problems account for a significant amount of variance in the perception of GST, demonstrating the pivotal place of technology in developing tax acceptance. In addition, there are significant differences between business categories. Retailers have the lowest compliance stress, both manufacturers and wholesalers have higher. This variation is due to transaction volumes, input tax credit reconciliation, and documentation. This heterogeneity suggests that sector-sensitive GST compliance frameworks, instead of uniform approaches are needed.

Thus, the results add weight to the case for building efficient, usable digital infrastructure and targeted capacity building efforts in order to achieve successful tax reform. Improving the functionality of GSTN, ease in procedures and better taxpayer support systems are essential in the context of traditional manufacturing and low digital readiness of districts like Moradabad. Solving these problems would not only help achieve compliance results, but also help foster confidence and trust in GST among SMEs and would support sustainable formalisation and economic growth.

Discussion

The results of this study indicate that GST and related compliance concerns among the manufacturers, wholesalers and retailers of Moradabad is influenced by structural advantages and operational limitations. The

findings show that although overall there is recognition of the conceptual merits of GST, including single taxation, elimination of cascading effect and facilitating inter-state movement of goods, some difficulties exist at the practical level which is affecting overall perception. Functionality of the GSTN, complexity of the returns, data mismatch, inadequate rectification provisions were found to be major challenges especially in the case of small businesses who lacked extensive digital and accounting skills. The magnitude of the compliance burden varied by business category, with manufacturing likely having higher proportionate impacts on the compliance burden and portal-related inefficiencies appearing to have a greater impact on wholesalers and retailers. Meanwhile, positive factors like the convenience of doing business and limitations and clarifications slightly balanced out these concerns. In summary, the effectiveness of GST in Moradabad for SMEs heavily relies not just on its policy framework but also relies on the effective development of the digital infrastructure, streamlining compliance processes as well as support mechanism for taxpayers. These learnings further confirm the importance of targeted capacity development and system strengthening to promote inclusive and sustainable tax compliance.

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