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Challenges of Goods and Services Tax (Gst): Evidence From Real-Life Experiences

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Abstract

The Goods and Services Tax (GST), implemented in India on July 1, 2017, marked a significant reform in the country's indirect tax structure, replacing multiple taxes such as Value Added Tax (VAT), Service Tax, and Central Sales Tax (CST) with a unified tax system (Government of India, 2017). GST aims to streamline taxation, eliminate tax-on-tax cascading, and foster a transparent, destination-based tax regime. Businesses with an annual turnover exceeding ₹40 lakh for goods or ₹20 lakh for services in normal category states like Maharashtra are required to register under GST, while lower thresholds (₹20 lakh for goods, ₹10 lakh for services) apply in special category states. Nano enterprises are not required to register under GST if they do not cross the threshold turnover. However, they are constrained to register themselves for economic reasons. This is because GST-registered businesses prefer sourcing inputs from GST-compliant businesses. Consequently, many nano and micro enterprises choose to register, even though it is not mandatory. The GST compliance involves filing of monthly (during the year of registration), quarterly and annual returns (digitally) and these entrepreneurs face challenges since they have limited resources. This research aimed to perform a quantitative and qualitative analysis of the challenges and problems of about 300 plus nano-enterprises concerning the compliances adoptions related to Goods and Services Tax (GST) and offer recommendations on policy interventions. From the study, GST poses many challenges to the majority of nano and small enterprises due to the complexity of the registration process, compliance costs, input tax credit (ITC), constant amendments, and non-uniformity. Nano firms face more severe and costly barriers than micro and small enterprises, which hinder their growth and profits. Acknowledging nano-enterprises as a distinct business entity is the first step toward leveraging their potential. The study recommends policies for considering them as a separate entity in policy formulation.

Keywords: Nano Enterprises, GST Compliance, GST Challenges, Policy Recommendation, GST Awareness

1. Introduction

The introduction of the Goods and Services Tax (GST) as a 'one nation tax' has significantly impacted the economic growth of nations like India. Being a 'one nation tax',GST replaces the multiple taxes by a unified system and eases tax compliance while also eliminating the cascading impact of various taxes, thereby bringing in transparency and efficiency to the system. The digitalized tax-filing system has also helped in boosting the compliance and transparency of the tax system. Additionally, the introduction of input tax credit has helped in reducing production costs, giving an advantage to the producers in the local and international market ((Chawla, 2020; Narasagondar, 2024)

Despite the benefits associated with GST, there are still some challenges brought by technological, tax rate complexities, and delay in tax refunds, which need to be addressed for this new tax system to be effective

((Jonnalagadda & Devi, 2025; Mehta, 2024). Although the GST has brought about significant changes to the country's economic growth, the impact has not been reflected in some sectors. The small entrepreneurs experience a lot of difficulties in complying with the new tax regime due to the complexities of the system and constant amendments to the system. Such businesses face a lot of challenges in adapting to the changing system and dealing with the compliance system that requires them to be digitalized and more technologically advanced (Mehta, 2024; Menede et al., 2025)

For this study, the focus was on small enterprises with turnovers ranging between Rs. 10 lakhs and Rs 1 crore in a year identified as nano enterprises.

The objective of this study is to carry out a quantitative and qualitative study on the problems and challenges nano enterprises face in dealing with compliances associated with the Goods and Services Tax (GST) and provide recommendations to address the problems. Therefore, this research will provide empirical evidence to inform policymakers and other stakeholders dealing with the taxation system to make policy recommendations. The study will also help provide practical implications for nano entrepreneurs dealing with the new tax system. For instance, the entrepreneurs will be in a position to identify some of the areas of GST compliance that needs improvement. At the same time, it will assist the policymakers in developing strategies to reduce the compliance costs associated with GST, for instance, through the reduction of penalties associated with tax defaults and aligning filing schedules with business cycles. For the tax authorities, the study will be helpful in addressing the corruption and opacity in the system that has been reported to impede the smooth flow of transactions. According to the survey results, 69% of small entrepreneur respondents appreciate the benefits of GST, including accessing a bigger market and gaining credibility. However, the same respondents identified high compliance costs associated with GST as limiting their ability to grow their businesses due to delayed cash flows.

2. Review Of Literature

While GST simplified the tax regime for businesses, nano entrepreneurs had certain challenges associated with different phases of the compliance. This section aims to address the research gap of examining the key challenges faced by nano entrepreneurs in implementing GST.

2.1 Overview of the GST tax regime

The implementation of the Goods and Services Tax (GST) in India was a landmark reform aimed at unifying the country's complex indirect tax system. The shift from the previous tax regime to GST required significant operational adjustments. Businesses had to realign their supply chains and pricing strategies to accommodate the new tax structure, which was a complex and resource-intensive process (Singh, 2024).

2.2 GST Compliance Challenges

The findings of Kumar et al. (2019) highlighted some major GST compliance challenges, especially among the SMEs. In India, the SMEs face complexity of GST regulations, high compliance costs, multiple tax slabs, and frequent regulatory changes leading to errors and penalties. SMEs also face major challenges with respect to technological barriers, limited digital literacy, GST portal issues and system downtime (Dhillon and Gautam, 2022; Kumar et al., 2019).

2.3 Demographic Factor - Nature of Business

The nature of business, such B2B (Business-to-Business) or B2C (Business-to-Consumer), influences GST compliance and challenges. It is mandatory for B2B suppliers to register under GST to claim input tax credits. The GST system's requirement for detailed invoice matching and reporting can be burdensome for B2B companies, especially those with extensive supplier networks. (Neelu et al., nd; (Menede et al., 2025)

2.4 Demographic Factor – Age of Business

The age of a business significantly influences its perception of challenges related to GST compliance, as evidenced by various studies. Established businesses may have more resources to allocate towards compliance, such as hiring tax professionals or investing in software, which can mitigate some challenges but also increase operational costs(Janthariah et al., 2018). The Indian GST system places large and small businesses at the same threshold of Rs. 40 lakhs. However, the level of turnover, ability to deal with technology and manpower to manager GST differ. Small firms who are at early stage face larger challenges with regards to GST compliances (Guna & Anuradha, 2021).

2.5 Demographic Factor – Nature of Enterprise

Studies on GST in India also indicate that GST implementation has strained SMEs due to high compliance costs, refund delays, and complex online processes (Deshmukh et al., 2022; Kumar et al., 2019; Shacheendran, 2024). Behavioral studies indicate mixed attitudes, with some acceptance but significant dissatisfaction due to operational challenges (Garg et al., 2018; Ramkumar et al., 2023).

2.6 Demographic Factor – Annual Turnover

Smaller firms lacked skilled staff and financial resources to manage compliance effectively (Vishnuhadevi and Bindu, 2022b). A study on GST in New Zealand further indicated that there was a difference in perception with regards to the ease if GST compliance. The compliance cost was viewed as a significant challenge among small businesses owners (Woodward & Tan, 2015).

Lack of awareness of GST rules and regulations among small business owners (Chouhan et al., 2017), high compliance costs with respect to man hours spent, need for GST-compliant software, professional accounting services and consultant charges (Narayanan, 2018; Vishnuhadevi and Bindu, 2022) were also cited as barriers to GST compliance. Delays in ITC refunds and requirement to pay GST upfront disrupted cash flows, especially for SMEs working with tight working capital budgets. Delays in ITC refunds further exacerbated working capital shortages (Kumar, 2019). SME business owners, while appreciating the long term benefits of GST, felt burdened by short-term compliance challenges and felt that it favoured larger businesses (Deshmukh et al., 2022). While SMEs in networks with high compliance norms were likely to file returns on time due to pressure from industry associations or clients, SMEs in informal sectors or regions with low compliance cultures were less likely to adhere to GST rules (Garg et **al., 2018).**

2.6 Demographic Factor – Education Level of Entrepreneur

Entrepreneurs with higher education levels generally have greater awareness and understanding of the GST system. This awareness can lead to a more positive perception of GST, as they are better equipped to handle its complexities and compliance requirements(Basumatary & S, 2024)

The current study has taken into account the above studies while framing the questions for the Focus Group Discussion and the survey. While the above studies restricted themselves to gaining the perspective of the small business owners, primarily SMEs, the current study considers the perspectives of the Business owner associations and the Chartered Accountants who emerged as agents involved in the compliance journey of the business owners.

3. Research Questions

The study aimed to address the following research questions :

1. Are there significant differences in the perceived challenges of GST implementation by nano enterprises in Maharashtra based on the nature and age group of the enterprise, nature of enterprise activity, enterprise annual turnover, and the education level of the entrepreneur?
2. What are the challenges faced by the nano enterprises in Maharashtra towards GST implementation?
3. What are the possible policy recommendations which could be considered in order to enhance the general overall experience of the GST implementation?

4. Purpose Of Study

This study is carried out to identify the key challenges that nano enterprises face while complying with the Goods and Services Tax. The study looks at the challenges based on various demographic factors and provides recommendations on policy interventions that can be implemented.

5. Research Methodology

5.1 Research design

The study used an exploratory mixed-methodology design whereby qualitative procedures of focus group discussion and interviews provided the basis for the quantitative survey. Both qualitative and quantitative procedures were used in the study to generate data with the aim of addressing the research problem from different angles.

5.2 Sample and sampling technique

The study adopted purposive stratified sampling procedure in selecting the sample from the population for the three approaches used. Potential respondents were stratified into businesses with turnover between Rs ten lakhs and one crore and those involved in GST registration, compliance filing, appeal and redressal.

Sectoral and GST zonal representation as well as diversity in business, size, ownership and geography were considered in selecting participants for the FGDs as a basis for identifying the key informants to be interviewed. Local business associations, chambers, and networks in Mumbai, Navi Mumbai, Chhatrapati Sambhaji Nagar hosted the FGDs and facilitated dissemination of the questionnaires to their members. The selection criteria for nano enterprises focused on diversity in business, size, and ownership as a basis for identifying a representative sample of nano enterprises.

The study was confined to Maharashtra state as the scope of the study covered businesses from all the GST zones in Maharashtra. A total of 13 Focus Group Discussions (FGDs) were conducted in Mumbai (5), Pune (1), Navi Mumbai (1), Chhatrapati Sambhaji Nagar (3) and Online (3). Each FGD had between 5-7 participants and lasted between 60 and 90 minutes. The participants were from enterprises in the manufacturing, trade and service industries.

Each FGD followed the same protocol that began with explanations and introductions followed by discussion using open questions on the research topic. Specifically, the FGDs, which were held in both electronic and conventional manners, focused on exploring the participants' views, attitudes, and experiences regarding the challenges and benefits of registering, complying, filing returns, appealing and addressing disputes of GST. To ensure confidentiality, the discussions were tape-recorded and later transcribed verbatim with the identities anonymized. The FGDs moderators followed a semi-structured discussion guide on themes relevant to the research topic.

5.3 Data collection

The study used three data collection methods; focus group discussions (FGDs), interviews, and structured survey. The interviews were conducted with Chartered Accountants (CAs) while the structured survey was done among nano enterprises using different designs appropriate for each category of respondents.

To generate information on benefits and challenges of GST compliance, the study used mixed methods (qualitative and quantitative) in data collection. While the qualitative methods consisted of FGDs and interviews with CAs, the quantitative component involved a survey of nano enterprises using a questionnaire.

5.4 Measurement instruments / scales

The study adopted scales used by the researchers. The study also used findings from the pilot FGDs to develop a questionnaire for use in the survey of nano enterprises.

The pilot FGDs were used to explicate the target respondents' views on the items included in the draft questionnaire. The pilot FGDs also provided insights into the relevance, clarity, appearance, length and appropriateness of the items intended to be included in the questionnaire. Likewise, the pilot FGDs helped establish themes and variables for analysis as well as guide the literature review and development of the theoretical framework. This is because the questions asked during the pilot discussions helped inform the types of items to include in the questionnaire.

5.5 Reliability and validity

The study ensured reliability of the data collected through questionnaire by maintaining consistent procedures throughout the study process. The study established validity of the data collected by ensuring that the items measured met the objectives of the study and were free from inconsistencies. The study used SPSS software to analyze the data and report the results.

5.6 Data analysis techniques

The study used a number of data analysis techniques including thematic analysis and descriptive statistics in analyzing the data collected.

5.6.1 Qualitative data analysis

The study analyzed qualitative data using the Grounded Theory Approach. The procedure involved transcription of all the FGDs and Interviews with CAs verbatim followed by a close examination of the transcripts using the Grounded Theory coding techniques. The three-step coding procedures of open coding, axial coding and theoretical coding developed by Strauss and Corbin (1998) and later improved by Charmaz (2014) and Saldaña (2021) were used to analyze the data. However, the coding process was iterative and followed the following steps:

i. Open coding: The FGDs transcripts and interview notes were read through and relevant sections copied verbatim and assigned in vivo codes such as “rejection of registration without reason,” “clients delay GST payments” and descriptive labels such as procedure inefficiency, cash flow risk (Saldaña, 2021).
ii. Axial coding: At this stage, axial coding involved grouping together related open codes into meaningful categories and themes such as procedure inefficiency, financial vulnerability and enhanced credibility and exploring connections between these categories and themes based on the strategies, causal conditions, and consequences identified in the data (Strauss & Corbin, 1998).
iii. Theoretical coding: At this point, theoretical concepts and ideas relevant to the study were identified and integrated into the development of major categories and themes. Theoretical coding saw the emergence of categories and themes such as institutional barriers, trust deficit, compliance burdens and business credibility and input tax credit benefits (Charmaz, 2014).

The study used the method proposed by Braun & Clarke (2021) of thematic analysis in analysing the qualitative data collected from the FGDs and interviews with CAs. This method was considered appropriate for analysing qualitative data generated from open ended questions and responses because it allowed the researchers to identify, examine and report patterns or themes emerging from the data (Braun & Clarke, 2021). Similarly, thematic analysis was used as it was argued to be a flexible analytic method suitable for analysing qualitative data sets in a range of disciplines. In addition, thematic analysis was appropriate for analysing the responses collected from the nano entrepreneurs, GST practitioners on diverse issues related to implementation of GST. Thematic analysis enabled the researchers to identify themes in the qualitative data set as well as explore the data from different perspectives relevant to the research problem. The themes that emerged from the qualitative data analysis were used to gain an in-depth understanding of the views of the participants on the challenges and benefits of GST compliance.

To facilitate the analysis process, thematic analysis was used alongside other qualitative analysis procedures such as content analysis to help clarify and elaborate on the themes identified in the qualitative data. Content Analysis was used and the study reports the results of the qualitative analysis using word cloud visualization. The qualitative data were analyzed using Nvivo and MAXQDA software packages.

5.6.2 Quantitative data analysis

The quantitative data collected from the survey were analyzed using descriptive statistics. The descriptive statistical analysis focused on examining the frequencies of responses to questions included in the survey. The analysis also looked at the relationship between responses to specific questions. The study also used ANOVA analysis to look at differences in the mean responses to questions on benefits and challenges of GST compliance. Finally, mean comparisons and frequencies were used to determine processes of GST compliance that are easy and difficult. Additionally, cross tabulation was used to test associations between two categorical variables. Furthermore, the study used correlation analysis and regression analysis to examine the relationships between variables. The combined use of these analyses helped the study achieve its objective of generating evidence on benefits and challenges of GST compliance. The data analysis procedures used in the study ensured that the results reported were based on objective examination of the data collected from the target population.

Reliability of the questionnaire was established by ensuring consistent procedures were used throughout the study process. The study also ensured validity of the data collected by ensuring that the items measured met the objectives of the study and were free from inconsistencies. The study used SPSS software to analyze the data and report the results.

6. Results And Findings

6.1 The survey covered 400 nano entrepreneurs through association and networks who responded to the survey questionnaire, of which 309 were successful responses with a response rate of about 77 percent. The respondents of the survey are male in gender accounting for 92.9 percent while 7.1 percent were female business owners.

A large percentage (28.5%) of the respondents indicated that their businesses had been running for more than 15 years, thus showing the willingness of established businesses to participate in the survey and adopt GST. The survey results also showed that 27.2% of the businesses were running for 6 to 10 years, while 26.2% of the businesses were running for 0 to 5 years. This shows that many new businesses are willing to pay taxes. However, only 18.1% of the respondents indicated that their firms had been in operation for 11 to 15 years.

A large percentage of the respondents (49.8%) belong to the B2C (Business to Consumer) sector as compared to those in the B2B (Business to Business) and B2B2C (Business to Business to Consumer) categories that accounted for 27.8% and 22.3% respectively.

The survey results indicate that 29.8% of the respondents whose businesses fall under the GST regime have an annual turnover of up to ₹20 lakhs. This implies that many small businesses in India are willing to adopt the new tax regime. About 19.1% of the respondents have an annual turnover between ₹21–40 lakhs. On the other hand, 15.2% and 14.9% of the respondents have an annual turnover between ₹41–60 lakhs and ₹61–80 lakhs respectively. However, none of the respondents indicated that their turnover was over ₹120 lakhs, while only 8.4% of those that responded had an annual turnover of between ₹81–99 lakhs.

Most of the respondents (46%) attained undergraduate levels of education, followed by postgraduate qualification that accounted for 15.9% of respondents. About 25.6% of the respondents completed higher secondary levels of education (HSC), while 11.3% of them ended their studies at the secondary school certificate (SSC) level. It is also evident that 1.3% of the respondents are ITI or Diploma holders.

Table 01: Summary of Demographic Variable

Demographic Variable	Category	Frequency (%)
Gender	Male	92.9
	Female	7.1
Age of Business (Years)	0–5 years	26.2
	6–10 years	27.2
	11–15 years	18.1
	Above 15 years	28.5
Nature of Business (Customer Orientation)	B2B	27.8
	B2C	49.8
	Both B2B and B2C	22.3

Annual Turnover	Up to ₹20 lakhs	29.8
	₹21–40 lakhs	19.1
	₹41–60 lakhs	15.2
	₹61–80 lakhs	14.9
	₹81–99 lakhs	12.6
	Above ₹1 crore	8.4
Education Level of Entrepreneur	SSC or below	11.3
	HSC	25.6
	Graduate	46.0
	Postgraduate	15.9
	ITI/Diploma	1.3

6.2 Descriptive statistics

Table 02: Challenges of GST Implementation

To examine key challenges faced by nano entrepreneurs, the survey indicated the following :

Challenges	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Multiple GST rate classifications causing confusion	2%	8%	25%	39%	26%
Late payment charges of Rs. 50 per day is high	5%	11%	25%	37%	21%
Vendor defaults resulting in input tax credit on time	6%	12%	27%	36%	20%
Shortage of funds resulting in non-compliance of GST requirements	6%	12%	26%	35%	21%
Frequent changes in GST tax rates creating uncertainty in my business operations	6%	12%	26%	34%	23%
Reconciliation of purchase invoices with the supplier’s uploaded invoices is challenging	6%	12%	27%	35%	20%
Cash flow problems because of delay in payment by my customers	6%	13%	27%	35%	20%

Respondents have identified several key challenges when it came to the GST. Firstly, 65% strongly agreed or simply agreed that having multiple rates of GST created confusion. 58% of taxpayers found that a late payment fee of Rs. 50 to be high. 56% of respondents cited default in payments by vendors leading to default in input tax credit. In the same way, 56% of respondents faced a lack of funds which caused them to default on their own GST payments. 57% of taxpayers stated that frequent changes to the tax rates led to uncertainty. 55% of taxpayers found it difficult to reconcile the bills of purchase with those uploaded by suppliers. Finally, 55% of respondents faced cash flow issues because customers paid them late.

6.3 Results from FDGs

Themes	Theoretical Coding	Open Codes
Structural & Policy Barriers	Institutional and Systemic Barriers	"Rejection of registration without reason", "delay in registration"
	Trust Deficit in Implementation	"Scared that only compliance will not be sufficient, there will be many follow ups”
	Compliance vs Practical Realities	"Rules are rigid", "no provision for revised return", "multiple tax rates"
	Policy-Level Disconnect from Ground Realities	"Multiple GST rates", "irrational slabs", "constant changes in rules"
	Perception of GST as a Burden Rather than Reform	"We are forced to pay GST", "GST only compliance burden"
Financial & Resource Based Constraint	Financial Vulnerability of Nano Enterprises	"Clients delay GST payments", "affects cash flow", "high-risk GST tag"
	Operational Burden of GST Compliance	"Time spent on compliance", "portal issues", "technical glitches"
	Capacity Gaps in Compliance Infrastructure	"Manpower shortage", "no skilled workers for GST", "owners rely on CAs"
	High Cost of Compliance for Nano Enterprises	"No GST refund for 2 years", "cost of compliance is Rs. 10,000 per annum"
Environmental & Contextual Dis-advantages	Market Dynamics Forcing Non-compliance	"Clients want cash bills", "customers don't want to pay GST"
	Environmental and Structural Disadvantages	"Nano units are in ghat(hilly) areas without facilities"
Entrepreneurial Socio-Economic Identity	Adaptive Strategies by Entrepreneurs	"Raise proforma invoice first"
	Pride and Social Contribution of Nano Enterprises	"Even with 4-5 lakhs turnover, we employ people"
Governance Expectations	Demand for Equitable Governance and Resource Allocation	"All GST funds should go to education, not freebies"

6.3.1 Compliance Burden and Resource Constraints

One of the significant themes that emerged from the data was the significant problem of compliance with GST. Entrepreneurs, especially those in small businesses, reported that the GST filing process was time-consuming and required a lot of effort. It takes about 12 hours to fill out the forms, and for small businesses, this amount of time is too much. In addition, having employees to deal with these tasks is expensive. The minimum salary an entrepreneur should pay per their employee is ₹50,000 per month. However, to process and file GST, one will need additional technological equipment, such as a laptop and other software, costing around ₹3,000. Therefore, many entrepreneurs are inclined to use the services of outside companies, such as chartered accountants. Although they are expensive (their wages range from ₹1500 to ₹2000 per month), they have expertise, and so, entrepreneurs trust them to file their GST correctly. However, the results show that errors occurred due to miscalculations. The findings corroborate Corbin and Strauss’s (2015) assertions that external dependencies increase complexity in regulatory processes in small businesses.

6.3.2 Complex Tax Structure and Rate Confusion

Business owners experience confusion about the applicable tax rate for their products or services. One participant mentioned that some rates of goods and services tax (GST) for goods are too high, which, in turn, affects the growth and pricing of their products. The reconciliation process is confusing due to varying rates and changing rules. Although the process of reconciliation is not challenging, the changes in regulations and confusing rates make the commitment to change difficult and slow, which has been documented in the literature on regulatory overload in small-medium enterprises (Flick, 2018; Miles, Huberman & Saldaña, 2019).

6.3.3 Penalty Regime and Systemic Rigidity

Respondents cited the penalty framework for the GST as a primary concern, as they felt that the tax imposed on businesses was unfairly prejudiced even in cases where the delays were due to external factors such as defaults by clients. It was stressed that defaulters, including clients who failed to pay their fees, should be held responsible for such charges. A respondent stated that the system needs to 'show a bit of empathy' and 'not treat us like criminals,' which demonstrates the need to apply Clarke's (2005) situational analysis to a business setting.

6.3.4. Institutional and Systemic Barriers

The participants were frustrated by the bureaucracy of the system. They pointed out cases of rejections of GST registration applications without clarification and unreasonable delays in approvals. Additionally, the interviewees mentioned that authorities are forcing to submit plenty of documents for registration, including Gram Panchayat certificate even with Udhyam registration. This shows that the problem is in the complexity of the system and in the lack of flexibility, which makes nano-entrepreneurs to avoid the application for legal status (Charmaz, 2014; Braun & Clarke, 2021).

6.3.5 Trust Deficit and Corruption

Another major theme was the sense of accountability issues and perceived corruption in the tax system. Several respondents said that GST officials would not cooperate. These views are typical of a trust deficit in institutional governance and are indicative of the coercive nature of GST compliance (Glaser, 1998; Patton, 2015).

6.3.6 Compliance vs. Practical Realities

The participants were critical of the proposed GST primarily due to the fact that there was no provision for revised returns and the multiple and varying rates of tax that would have to be dealt with. The theme represents the conflict between the proposed system and the needs of small businesses as they have to deal with more complexity than before (Strauss & Corbin, 2015; Saldaña, 2021).

6.3.7 Financial Vulnerability and Cash Flow Risks

Entrepreneurs repeatedly highlighted the financial strain induced by GST compliance. Delays in receiving payments from clients directly impacted their ability to pay GST on time, leading to penalties and poor GST ratings that affect their creditworthiness. The cascading effect on cash flow was particularly severe for B2B nano enterprises operating on slim margins (Charmaz, 2014; Flick, 2018).

6.3.8 Operational Burden of GST Compliance

Time and effort required for compliance emerged as a major concern. Entrepreneurs reported spending several hours monthly, especially around filing deadlines, and mentioned issues with the GST portal, including server downtimes and payment failures. These findings point to a significant operational burden associated with technological and administrative systems of GST (Braun & Clarke, 2021; Saldaña, 2021).

6.3.9 Human Resource and Knowledge Constraints

A chronic shortage of trained manpower to comprehend the nuances of GST compliance was reported. Most nano enterprise owners remain reliant on the services of Chartered Accountants to file their returns due to the limited capacity and competence of their own employees in dealing with such intricacies (Dey, 2020; Holton, 2020). This, therefore, increases their dependency ratio against compliance costs.

6.3.10 Market Forces and Informal Practices

The informal behavior of customers was cited as a major pressure point. Many customers resist paying GST and demand non-GST bills, forcing entrepreneurs to absorb the tax or operate informally. This theme underscores the market-induced non-compliance dynamics, wherein formal businesses are penalized due to the informal behavior of others in the ecosystem (Charmaz, 2014; Strauss & Corbin, 2015).

6.3.11 Environmental and Structural Disadvantages

Participants explained how their businesses are often located in remote "ghat (hilly)h" areas with limited access to infrastructure such as roads, electricity, or water. This locational disadvantage not only affects operations but also limits access to government support and awareness initiatives (Miles, Huberman & Saldaña, 2019). The lack of tailored policy frameworks for such environments further complicates GST compliance.

6.3.12 Perception of GST as Burden vs Reform

Despite recognizing GST as an improvement over earlier regimes like VAT and service tax, many entrepreneurs described it as being "forced upon them." They perceive GST as compliance-heavy rather than growth-oriented, with few tangible benefits for small-scale players (Charmaz, 2014; Flick, 2018). The narrative reflects resistance born out of perceived inequity in the system.

6.3.13 Entrepreneurial Pride and Resilience

Despite these difficulties, nano entrepreneurs felt proud and grateful for contributing to society even on a small scale. Despite a turnover of only four or five lakhs a month, nano entrepreneurs manage to give employment to three or four people. In addition, a lot of entrepreneurs mentioned that they resolved the problem of paying taxes by raising proforma invoices so that they only pay tax when they receive the money (Corbin & Strauss, 2015; Holton, 2020).

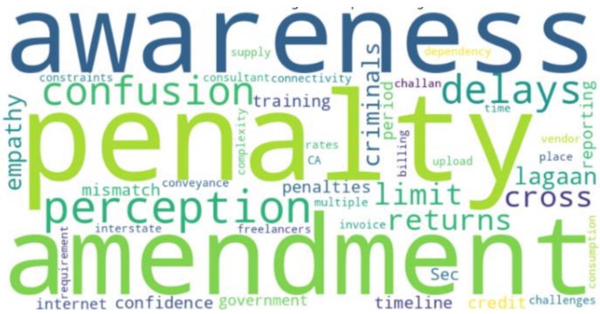

Fig 1 : Challenges of Implementing GST

The cloud visually represents prominent themes like penalty, compliance cost, timeline, awareness, amendment, vendor delays, and consultant requirement—highlighting key concerns raised by stakeholders during GST adoption.

7. Conclusion

The Thematic Analysis indicates that nano and small enterprises face significant challenges in adopting and complying with GST norms. The issues of GST registration, compliance burden as well as ITC (Input Tax Credit) and frequent amendments along with non-uniform enforcement, which adversely impact their performance, are matters of great concern. While the indirect benefits such as ITC, formalization of the economy, and growth prospects in organized commerce are huge, the compliance burden is overwhelming, with several nano enterprises witnessing marginal gains or even negative revenue growth.

The impact on the nano enterprises is more in terms of their size and their low revenue, as compared to the MSMEs (Micro, Small and Medium-Sized Enterprises) which are already organized. The informal sector enterprises, which constitute the bottom of the pyramid (BoP) in the economy, with their shoestring budgets and hyper-local customer outreach, could collectively contribute substantially to the economy's employment and income generation.

Policy Recommendations:

Separate category: nano enterprises need to be recognized as a separate category to unlock their potential.

- **Simplify process**: A standard operating procedure for filing registration documents with a public advertisement and a "green channel" for nano enterprises with a UDHYAM certificate to fast-track the registration process. In addition, there is a need for ITC procedures and portals in local languages as a separate category with simplified procedures. Simplification of the ITC process and having appropriate SOPs, especially for the informal sector, will accelerate the overall formal GST adoption rates.
- **Reduce penalties and increase flexibility:** Reducing penalties and providing flexibility for revised returns, and adjusting for delays on the client's side would incentivize nano enterprises.
- **Awareness and training**: There is a need to organize more workshops, hand-holding sessions, and training programs by academia, professional associations, etc., to improve GST awareness among these enterprises. This training can be conducted in local languages.
- **Address cash flow constraints:** Allotment of 45-day credit cycle and faster clearances for ITC claims along with relaxing terms and conditions for businesses caught in the "midst of a penalty notice issued erroneously or a client's delayed payment." In addition, there is a need to avoid penalizing businesses for the "illogical mismatch between the credit period allowed by the business buyer and the payment period expected by the downstream buyer."
- **Uniform and lower tax rates**: A reduction in the number of different GST rates or having a uniform rate system would also be appropriate.
- **Adopt an empathetic and inclusive approach:** The authorities need to adopt a more empathetic view when formulating policies impacting nano and small enterprises as well as women entrepreneurs by avoiding a "punitive" approach.
- **Infrastructure**: Creation of a 24×7 helpdesk, local GST facilitation centres, subsidized or free online registration for MSMEs, and enhanced digital infrastructure in rural areas.
- **Focus on unregistered dealers**: There needs to be a focus on "onboarding" unregistered dealers rather than over-burdening those already registered. In addition, incentives could be provided for job creation and compliance with "formalization" of the economy.
- **Representation in policy-making processes**: Representation of local industry bodies and micro enterprise associations at the policy level to ensure that their voices are heard in the decision-making process. The need of the hour is to address the concerns of the informal sector enterprises by creating appropriate policy architecture that takes into account their unique characteristics.
- **Increased threshold levels:** The threshold limit should be raised. For instance, it may be considered to raise the limit to Rs. 50 lakhs for services and Rs. 1 crore for goods.
- **Filing a payable return**: There should be an option for filing a payable return by the taxpayer as a matter of right. Presently, filing a payable return is a declaration of one's liability which can be recovered by the Department even if no SCN is issued.
- **Over-reliance on the GST portal**: Communication through the portal gets missed out resulting in large volumes of tax demands being generated which are not justified. In case the Government of India intends to on-board more taxpayers under the GST regime, a country-wide awareness campaign needs to be launched to counter the "tax phobia" being whipped up by anti-GST lobbyists. Like the investor awareness campaigns being conducted by SEBI to educate investors about the benefits of investing in the capital markets, and mutual fund distributors conducting extensive training programs to educate prospective investors about the nuances of the capital markets and wealth management, the government could also engage entrepreneurs to conduct similar programs at the local levels. The entrepreneurs were not against paying taxes; they just opposed the complexities in the tax procedures.

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