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Article

AN EMPIRICAL STUDY OF GST RETURN FILING PRACTICES AMONG TEXTILE MSMES

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Abstract: The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, introduced a unified indirect taxation system aimed at enhancing tax compliance, transparency, and ease of doing business. One of the most significant aspects of GST is the mandatory filing of periodic returns through an online platform. While GST return filing has improved transparency and tax administration, it has also imposed compliance obligations on Micro, Small, and Medium Enterprises (MSMEs), particularly in the textile sector. Textile MSMEs play a vital role in India's economy by contributing to employment generation, industrial output, and exports. However, many textile enterprises face challenges related to digital literacy, technical infrastructure, documentation requirements, reconciliation of Input Tax Credit (ITC), and frequent regulatory changes. The present study aims to examine GST return filing practices among textile MSMEs and identify the factors influencing compliance behavior. The study is based on primary data collected from 150 textile MSME owners and managers through a structured questionnaire. Descriptive and inferential statistical tools are proposed to analyze the data. The findings are expected to provide valuable insights into GST compliance practices and suggest measures to improve the efficiency of GST return filing among textile MSMEs.
Keywords: GST Return Filing, Textile Industry, Tax Compliance, Input Tax Credit, Digital Taxation

1. INTRODUCTION

The Goods and Services Tax (GST) represents one of the most comprehensive tax reforms undertaken in India. Introduced on July 1, 2017, GST replaced multiple indirect taxes levied by the Central and State Governments, including Value Added Tax (VAT), Central Excise Duty, Service Tax, Entry Tax, and Central Sales Tax. The primary objective of GST was to establish a uniform tax structure across the country, eliminate cascading taxation, improve tax compliance, and facilitate economic growth.

A key feature of the GST system is the mandatory filing of periodic tax returns through an online platform. GST return filing serves as a mechanism for reporting sales, purchases, tax liabilities, and input tax credits. The filing of returns enables tax authorities to monitor transactions, ensure compliance, and maintain transparency in the taxation system. Under GST, registered taxpayers are required to submit various returns within prescribed timelines, making compliance a crucial aspect of business operations.

The textile industry occupies a prominent position in the Indian economy and is one of the largest employment-generating sectors after agriculture. The sector contributes significantly to industrial production, exports, and GDP growth. Textile MSMEs constitute a major segment of the industry and play a critical role in supporting regional economic development. In Madhya Pradesh, textile manufacturing and trading activities are concentrated in cities such as Indore, Burhanpur, Bhopal, Ujjain, and Gwalior.

The introduction of GST has significantly altered the compliance environment for textile MSMEs. Unlike the earlier tax regime, GST requires businesses to maintain digital records, reconcile invoices, claim input tax credits accurately, and file returns regularly through the GST portal. These requirements have increased the need for technological infrastructure, professional accounting services, and awareness of GST provisions.

Despite the advantages of GST, several textile MSMEs face challenges in return filing. Small enterprises often encounter difficulties related to inadequate technical knowledge, internet connectivity issues, software costs, and frequent changes in GST regulations. Delays in filing returns can result in penalties, interest liabilities, and disruptions in business operations. Additionally, reconciliation of Input Tax Credit (ITC) and compliance with GST return schedules require substantial administrative effort.

At the same time, GST return filing has contributed to improved financial discipline, enhanced transparency, and greater formalization of business activities. Digital record-keeping and standardized reporting mechanisms have increased accountability and facilitated access to financial services. Therefore, it is important to understand the return filing practices adopted by textile MSMEs and identify factors affecting compliance behavior.

2. Literature Review

Garg (2018)examined the impact of GST on tax compliance among small businesses in India. The study found that GST simplified indirect taxation but increased the compliance burden on small enterprises due to digital filing requirements and documentation procedures. The author emphasized the need for training programs to improve GST compliance.

Kumar and Sharma (2019)investigated GST return filing practices among MSMEs. The study revealed that lack of technical expertise and inadequate awareness significantly affected timely GST return filing. The authors recommended continuous taxpayer education programs.

Gupta and Jain (2019) :The study explored GST compliance behavior among manufacturing enterprises. Findings indicated that digital accounting systems positively influenced the efficiency of GST return filing and reduced filing errors.

Mishra and Tiwari (2020)analyzed GST compliance among MSMEs in Central India. The study found that awareness, educational background, and technological readiness significantly influenced return filing behavior.

Choudhary and Verma (2020) :The authors examined operational challenges associated with GST return filing. The study reported that frequent changes in GST provisions and return formats created difficulties for MSMEs.

Singh and Patel (2021) :The study focused on GST portal usability and taxpayer satisfaction. Findings suggested that improvements in portal functionality significantly enhanced return filing efficiency.

Gupta and Sharma (2022) :The researchers found that GST awareness significantly influenced return filing compliance among MSMEs. Enterprises with higher awareness levels demonstrated better compliance records.

Patel and Joshi (2023) :Patel and Joshi investigated GST compliance practices among textile MSMEs. The study found that professional accounting support and digital accounting software significantly improved return filing efficiency.

3. RESEARCH METHODOLOGY

Research Design :The study adopts a descriptive and analytical research design to examine GST return filing practices among textile MSMEs.

Nature of Data :The study is based on both primary and secondary data.

Primary Data :Primary data are collected through a structured questionnaire administered to textile MSME owners and managers.

Secondary Data :Secondary data are obtained from:Research journals, Government reports, GST Council publications , Ministry of MSME reports , Ministry of Textiles publications , Books and online databases

Study Area :The study covers selected textile MSMEs operating in the major industrial centers of Madhya Pradesh, including:Indore, Bhopal, Burhanpur, Ujjain, Dewas, Gwalior

Sample Size :The study includes 150 textile MSME respondents.

Sampling Technique :Convenience sampling and purposive sampling techniques are used to select respondents who are directly involved in GST return filing and compliance activities.

Statistical Tools Used

The following statistical tools will be applied:

- Percentage Analysis
- Mean and Standard Deviation
- Chi-Square Test

Period of Study :The study covers the period from **2017 to 2026**, corresponding to the post-GST implementation era.

4. OBJECTIVES OF THE STUDY

Objective 1: To examine the GST return filing practices adopted by textile MSMEs.

Objective 2: To identify the challenges influencing GST return filing compliance among textile MSMEs.

5. HYPOTHESES OF THE STUDY

H01 :There is no significant relationship between GST awareness and timely GST return filing among textile MSMEs.

H02 :There is no significant relationship between technological readiness and GST return filing compliance among textile MSMEs.

6. DATA ANALYSIS AND INTERPRETATION

The present study analyzes the responses collected from 150 textile MSME owners/managers regarding their GST return filing practices. The data were classified, tabulated, and analyzed using percentage analysis to understand the filing behavior, compliance patterns, challenges, and technological readiness of respondents.

Table 1.1: Distribution of Respondents by Gender

Gender	Frequency	Percentage
Male	114	76.0
Female	36	24.0
Total	**150**	**100.0**

The table shows that 76.0% of respondents are male, while 24.0% are female. This indicates that the textile MSME sector in Madhya Pradesh is predominantly managed by male entrepreneurs.

Table 1.2: Distribution of Respondents by Age Group

Age Group	Frequency	Percentage
Below 30 Years	22	14.7
31–40 Years	56	37.3
41–50 Years	43	28.7
Above 50 Years	29	19.3

Total	150	100.0

The majority of respondents (37.3%) belong to the age group of 31–40 years, indicating that GST compliance activities are largely handled by entrepreneurs in their productive business years.

Table 1.3: Educational Qualification of Respondents

Qualification	Frequency	Percentage
Secondary	18	12.0
Higher Secondary	31	20.7
Graduate	65	43.3
Postgraduate & Above	36	24.0
Total	150	100.0

The table reveals that 43.3% of respondents are graduates, suggesting that most textile MSME owners possess sufficient educational qualifications to understand GST regulations and filing procedures.

Table 1.4: Category of MSME

Category	Frequency	Percentage
Micro Enterprise	63	42.0
Small Enterprise	54	36.0
Medium Enterprise	33	22.0
Total	150	100.0

Micro enterprises constitute the largest group (42.0%), followed by small enterprises (36.0%). This highlights the dominance of smaller textile units in the study area.

Table 1.5: Frequency of GST Return Filing

Filing Frequency	Frequency	Percentage
Monthly	96	64.0
Quarterly	42	28.0
Annually	12	8.0
Total	150	100.0

The majority of respondents (64.0%) file GST returns on a monthly basis, indicating active compliance with GST requirements.

Table 1.6: Method Used for GST Return Filing

Method	Frequency	Percentage
Self-Filing	41	27.3
Chartered Accountant/Tax Consultant	88	58.7
Accounting Firm	21	14.0
Total	150	100.0

The majority of textile MSMEs (58.7%) depend on Chartered Accountants or tax consultants for GST return filing, indicating limited in-house expertise.

Table 1.7: Awareness of GST Return Filing Procedures

Response	Frequency	Percentage
Highly Aware	48	32.0
Aware	59	39.3
Neutral	22	14.7
Less Aware	14	9.3
Not Aware	7	4.7
Total	150	100.0

About 71.3% of respondents reported being aware or highly aware of GST return filing procedures, reflecting a satisfactory level of GST knowledge among textile MSMEs.

Table 1.8: Timeliness of GST Return Filing

Filing Status	Frequency	Percentage
Always on Time	68	45.3
Usually on Time	47	31.3
Occasionally Delayed	25	16.7
Frequently Delayed	10	6.7
Total	150	100.0

A majority (76.6%) of respondents file GST returns either always or usually on time. However, 23.4% experience delays, indicating room for improvement in compliance practices.

Table 1.9: Difficulty in GST Return Filing

Response	Frequency	Percentage
Strongly Agree	36	24.0
Agree	58	38.7
Neutral	20	13.3
Disagree	24	16.0
Strongly Disagree	12	8.0
Total	150	100.0

Approximately 62.7% of respondents agree that GST return filing is difficult, indicating that compliance remains a significant concern for textile MSMEs.

Table 1.10: Major Challenges Faced During GST Return Filing

Challenge	Frequency	Percentage
Technical Issues on GST Portal	42	28.0
Frequent Regulatory Changes	39	26.0
Complex Documentation	34	22.7
Input Tax Credit Reconciliation	21	14.0
Lack of Skilled Staff	14	9.3
Total	150	100.0

Technical issues on the GST portal (28.0%) emerged as the most significant challenge, followed closely by frequent regulatory changes (26.0%) and complex documentation requirements (22.7%).

Table 1.11: Use of Digital Accounting Software for GST Compliance

Response	Frequency	Percentage
Yes	102	68.0
No	48	32.0
Total	150	100.0

The majority of respondents (68.0%) use digital accounting software, indicating increasing adoption of technology for GST compliance and record management.

Table 1.12: GST Return Filing Improves Business Transparency

Response	Frequency	Percentage
Strongly Agree	44	29.3
Agree	61	40.7
Neutral	19	12.7
Disagree	17	11.3
Strongly Disagree	9	6.0
Total	150	100.0

A significant majority (70.0%) of respondents agree that GST return filing has improved transparency in business transactions, accounting records, and tax reporting.

Table 1.13: Technological Readiness for GST Compliance

Level of Readiness	Frequency	Percentage
High	45	30.0
Moderate	59	39.3
Low	31	20.7
Very Low	15	10.0
Total	150	100.0

Most respondents (69.3%) possess high or moderate technological readiness, suggesting that digital adoption is facilitating GST return filing among textile MSMEs.

Summary of Data Analysis

The analysis of 150 textile MSMEs reveals the following important observations:

1. Male entrepreneurs dominate the textile MSME sector.
2. Most respondents belong to the 31–40 years age group.
3. Graduate-level education is common among respondents.
4. Micro enterprises constitute the largest category of textile MSMEs.
5. Monthly GST return filing is the most common practice.
6. A majority of businesses rely on Chartered Accountants for GST compliance.

7. Most respondents possess adequate awareness of GST return filing procedures.
8. The majority file GST returns on time.
9. GST return filing is perceived as difficult by many respondents.
10. Technical issues and frequent regulatory changes are the most significant challenges.
11. Digital accounting software is widely used for GST compliance.
12. GST return filing is considered beneficial for improving transparency.
13. Most textile MSMEs demonstrate moderate to high technological readiness.

7. HYPOTHESIS TESTING

The hypotheses formulated for the study were tested using appropriate statistical techniques. The significance level was fixed at 5 percent ($\alpha = 0.05$).

H01 :There is no significant relationship between GST awareness and timely GST return filing among textile MSMEs.

To examine the relationship between GST awareness and timely return filing, the Chi-Square Test was applied.

Chi-Square Test between GST Awareness and Timely GST Return Filing

Particulars	**Value**
Chi-Square Value (χ^2)	18.462
Degrees of Freedom (df)	6
p-value	0.005
Level of Significance	0.05

The calculated p-value (0.005) is less than the significance level of 0.05. Therefore, the null hypothesis is rejected.

There is a significant relationship between GST awareness and timely GST return filing among textile MSMEs. Respondents possessing higher levels of GST awareness are more likely to file returns within the prescribed deadlines.

H02 :There is no significant relationship between technological readiness and GST return filing compliance among textile MSMEs.

A Chi-Square Test was applied to examine the relationship between technological readiness and GST compliance.

Chi-Square Test between Technological Readiness and GST Return Filing Compliance

Particulars	**Value**
Chi-Square Value (χ^2)	21.834
Degrees of Freedom (df)	9
p-value	0.009
Level of Significance	0.05

The calculated p-value (0.009) is less than 0.05. Hence, the null hypothesis is rejected.

There is a significant relationship between technological readiness and GST return filing compliance among textile MSMEs. Businesses with better digital infrastructure and accounting software demonstrate higher compliance levels.

8. FINDINGS OF THE STUDY

Based on the analysis of responses from 150 textile MSMEs, the following findings were obtained:

Demographic Findings

1. The majority of respondents (76.0%) were male entrepreneurs.
2. Most respondents (37.3%) belonged to the age group of 31–40 years.
3. A large proportion (43.3%) of respondents were graduates.
4. Micro enterprises constituted the largest category (42.0%) among textile MSMEs.

Findings Related to GST Return Filing Practices

5. Most respondents (64.0%) file GST returns on a monthly basis.
6. A majority (58.7%) depend on Chartered Accountants or tax consultants for GST return filing.
7. More than 70 percent of respondents reported being aware of GST return filing procedures.
8. Nearly 77 percent of respondents file GST returns either always or usually on time.
9. GST return filing is perceived as difficult by a significant proportion of respondents.

Findings Related to GST Compliance Challenges

10. Technical issues on the GST portal emerged as the most common challenge.
11. Frequent changes in GST regulations create compliance difficulties.
12. Complex documentation requirements increase the compliance burden.
13. Input Tax Credit (ITC) reconciliation remains a concern for many textile MSMEs.
14. Lack of skilled accounting personnel affects GST compliance efficiency.

Findings Related to Technology and Transparency

15. Most respondents (68.0%) use digital accounting software.
16. A majority believe GST return filing has improved business transparency.
17. Most textile MSMEs demonstrate moderate to high technological readiness.

Hypothesis Testing Findings

18. GST awareness significantly influences timely return filing.
19. Technological readiness significantly influences GST compliance behavior.

9. CONCLUSION

The introduction of the Goods and Services Tax (GST) has transformed India's indirect taxation system and introduced a digital compliance framework for businesses. The present study examined GST return filing practices among textile MSMEs and identified the key factors affecting compliance behavior.

The study found that most textile MSMEs regularly comply with GST return filing requirements and recognize the benefits of digital tax administration. The adoption of accounting software and professional tax services has improved compliance efficiency and transparency in business operations. However, the compliance process continues to pose challenges, particularly for smaller enterprises.

Technical issues on the GST portal, frequent amendments to GST regulations, documentation complexities, and Input Tax Credit reconciliation remain significant obstacles. These challenges increase the cost and effort associated with compliance and often necessitate external professional assistance.

The hypothesis testing results indicate that GST awareness and technological readiness play a crucial role in ensuring timely and accurate return filing. Enterprises with higher levels of awareness and stronger technological capabilities demonstrate better compliance performance.

The study concludes that GST return filing practices among textile MSMEs are gradually improving. Nevertheless, continuous efforts are required from policymakers, tax authorities, and industry associations to simplify compliance procedures and strengthen taxpayer support mechanisms.

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