

CHALLENGES AND OPPORTUNITIES OF GST FOR TEXTILE MSMEs IN MADHYA PRADESH

Sangeeta Patel¹, Dr. K. Pradeep Reddy²

¹Ph.D Research Scholar, School of Commerce, Sanjeev Agrawal Global Educational University, Bhopal, Madhya Pradesh.

² Professor, School of Management, Sanjeev Agrawal Global Educational University, Bhopal, Madhya Pradesh.

Abstract: The Goods and Services Tax (GST), introduced in India on July 1, 2017, marked a significant reform in the country's indirect taxation system. The textile industry, one of the largest contributors to employment and industrial production in India, has experienced substantial changes due to GST implementation. Textile Micro, Small, and Medium Enterprises (MSMEs) in Madhya Pradesh have faced various challenges related to tax compliance, working capital management, technological adaptation, and documentation requirements. Simultaneously, GST has created opportunities by establishing a unified national market, reducing cascading taxation, enhancing transparency, and improving interstate trade. The present study examines the challenges and opportunities arising from GST implementation for textile MSMEs in Madhya Pradesh. The research is based on primary data collected from 150 textile MSME owners and managers through a structured questionnaire. Descriptive and inferential statistical techniques are proposed to analyze the data. The study aims to assess the major challenges encountered by textile MSMEs under GST and to evaluate the opportunities created by the new tax regime. The findings are expected to contribute to policy formulation and provide insights for improving GST compliance and business performance in the textile sector.

Keywords: GST, Textile Industry, MSMEs, Tax Compliance, Business Performance

1. INTRODUCTION

The textile industry occupies a vital position in the Indian economy by contributing significantly to industrial production, employment generation, exports, and Gross Domestic Product (GDP). India is among the world's largest producers of textiles and garments, with the sector providing direct and indirect employment to millions of people. In Madhya Pradesh, textile manufacturing and trading activities constitute an important component of the MSME sector, particularly in cities such as Indore, Bhopal, Burhanpur, Ujjain, Dewas, and Gwalior.

To simplify the complex indirect taxation system and create a unified national market, the Government of India implemented the Goods and Services Tax (GST) on July 1, 2017. GST replaced multiple indirect taxes such as excise duty, service tax, value-added tax (VAT), central sales tax (CST), and entry tax with a single tax framework. The primary objective of GST was to eliminate tax cascading, enhance transparency, improve tax compliance, and facilitate ease of doing business.

The textile sector was significantly affected by GST because many textile products previously enjoyed concessional tax rates or exemptions. Under the GST regime, textile businesses became subject to standardized tax structures, mandatory registration requirements, digital return filing systems, and input tax credit mechanisms. While these reforms aimed to enhance efficiency and transparency, they also imposed compliance burdens, particularly on MSMEs with limited financial and technological resources.

Textile MSMEs in Madhya Pradesh have faced several challenges after GST implementation. These include increased compliance costs, frequent changes in GST regulations, technological difficulties in filing returns, working



capital constraints arising from delayed input tax credit refunds, and a lack of awareness regarding GST provisions. Small enterprises often struggle to maintain proper accounting records and comply with digital tax filing requirements.

Despite these challenges, GST has also created significant opportunities for textile MSMEs. The elimination of interstate tax barriers has facilitated smoother movement of goods across state boundaries. Input tax credit provisions have reduced the cascading effect of taxes and improved cost efficiency. Enhanced transparency and formalization have increased business credibility and encouraged participation in organized markets. Furthermore, GST has contributed to the development of a more competitive business environment by promoting standardization and reducing tax-related distortions.

Given the strategic importance of the textile sector and the crucial role played by MSMEs in economic development, it is necessary to examine the impact of GST on textile enterprises in Madhya Pradesh. Understanding the challenges and opportunities associated with GST implementation can help policymakers design appropriate support mechanisms and enable MSMEs to maximize the benefits of tax reforms.

2. LITERATURE REVIEW

Sharma and Singh (2018) examined the impact of GST on small manufacturing enterprises in India. The study found that GST simplified the indirect tax structure and improved tax transparency. However, small enterprises experienced difficulties related to compliance procedures and technological adaptation. The authors concluded that adequate training and awareness programs were necessary to facilitate smooth GST implementation.

Kumar and Gupta (2019) investigated GST's influence on the Indian textile industry. Their findings revealed that GST enhanced transparency and reduced tax cascading. However, the textile sector faced challenges related to working capital management due to delayed input tax credit settlements and compliance requirements.

Agrawal (2019) analyzed the economic implications of GST on MSMEs. The study observed that GST contributed positively to business formalization and interstate trade. Nevertheless, compliance costs and procedural complexities remained significant concerns for small businesses.

Mishra and Tiwari (2020) The researchers studied GST compliance behavior among MSMEs in central India. The study revealed that awareness and technological readiness significantly influenced GST compliance levels. Enterprises with better digital infrastructure reported fewer operational difficulties.

Choudhary and Jain (2020) The study explored the impact of GST on working capital management in manufacturing MSMEs. Findings indicated that delayed refunds and blocked credits adversely affected liquidity positions, especially among smaller enterprises.

NITI Aayog (2021) NITI Aayog reported that GST has contributed to increased formalization and improved tax compliance in the Indian economy. The report highlighted that MSMEs require greater support in digital literacy and compliance management to fully benefit from GST.

Bansal and Verma (2021) The study assessed the impact of GST on operational efficiency among textile manufacturers. Results suggested that GST improved supply chain efficiency and reduced interstate transaction barriers, thereby contributing to business growth.

Gupta and Sharma (2022) The authors examined GST awareness among MSME entrepreneurs. The study revealed that enterprises with higher GST awareness demonstrated better compliance and greater utilization of input tax credit benefits.

World Bank (2022) The World Bank highlighted that tax simplification reforms such as GST can improve business competitiveness, reduce compliance burdens over time, and enhance economic efficiency when supported by digital infrastructure.

Patel and Joshi (2023) Patel and Joshi studied GST implementation in textile MSMEs and found that businesses experienced significant benefits from input tax credit mechanisms and improved market accessibility. However, procedural complexity remained a challenge for smaller enterprises.

Research Gap Previous studies have examined the impact of GST on MSMEs and the textile industry at the national level. However, limited empirical research has specifically focused on textile MSMEs in Madhya Pradesh. Existing literature primarily emphasizes GST compliance and taxation issues while giving less attention to the simultaneous assessment of challenges and opportunities from the perspective of textile entrepreneurs. Therefore, the present study seeks to bridge this gap by providing empirical evidence regarding the challenges and opportunities of GST for textile MSMEs in Madhya Pradesh.

3. RESEARCH METHODOLOGY

Research Design: The study adopts a descriptive and analytical research design to examine the challenges and opportunities associated with GST implementation among textile MSMEs in Madhya Pradesh.

Nature of Data: Both primary and secondary data are utilized.

- **Primary Data:** Structured questionnaire administered to textile MSME owners and managers.
- **Secondary Data:** Research articles, journals, government reports, GST Council publications, books, and online databases.

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

Sample Size: A total of **150 respondents** from textile MSMEs were selected for the study.

Sampling Technique: Convenience and purposive sampling techniques were employed to select respondents actively involved in textile manufacturing, processing, and trading activities.

Statistical Tools Used

- Percentage Analysis
- Mean and Standard Deviation
- Chi-Square Test
- One-Sample t-Test

Period of Study: The study covers respondents' perceptions regarding GST implementation during the period 2017–2026.

1. OBJECTIVES OF THE STUDY

Objective 1 To identify the major challenges faced by textile MSMEs in Madhya Pradesh after the implementation of GST.

Objective 2 To examine the opportunities created by GST for the growth and development of textile MSMEs in Madhya Pradesh.

2. HYPOTHESES OF THE STUDY

H01: There is no significant relationship between GST compliance requirements and the operational challenges faced by textile MSMEs in Madhya Pradesh.

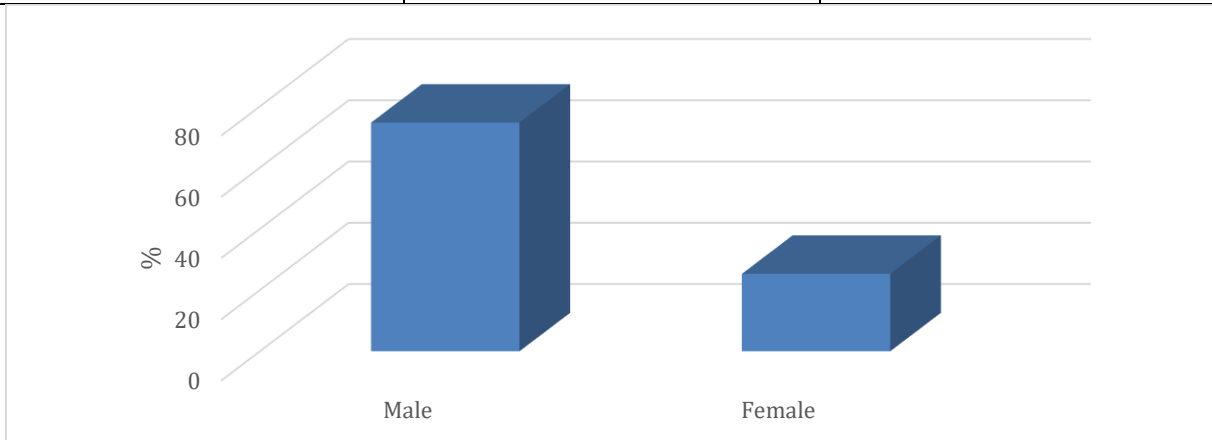
H02: There is no significant relationship between GST implementation and the business opportunities perceived by textile MSMEs in Madhya Pradesh.

3. DATA ANALYSIS AND INTERPRETATION

The present study analyzes the responses of **150 textile MSME owners/managers** from selected districts of Madhya Pradesh. The collected data were classified, tabulated, and analyzed using percentage analysis to identify the challenges and opportunities associated with GST implementation.

Table 4.1: Distribution of Respondents by Gender

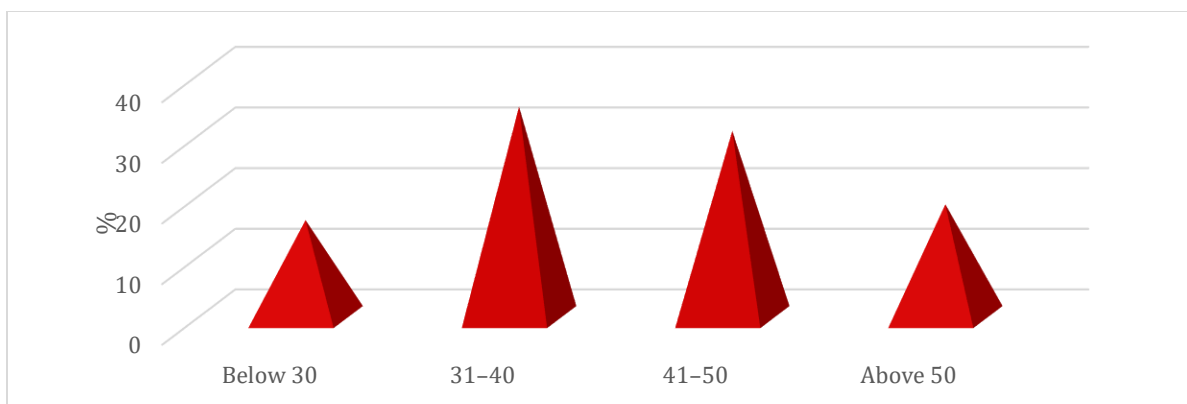
Gender	Frequency	Percentage
Male	112	74.7
Female	38	25.3
Total	150	100.0



The above table reveals that out of 150 respondents, 112 (74.7%) are male and 38 (25.3%) are female. This indicates that the textile MSME sector in Madhya Pradesh is predominantly managed by male entrepreneurs, although female participation is gradually increasing.

Table 4.2: Distribution of Respondents by Age Group

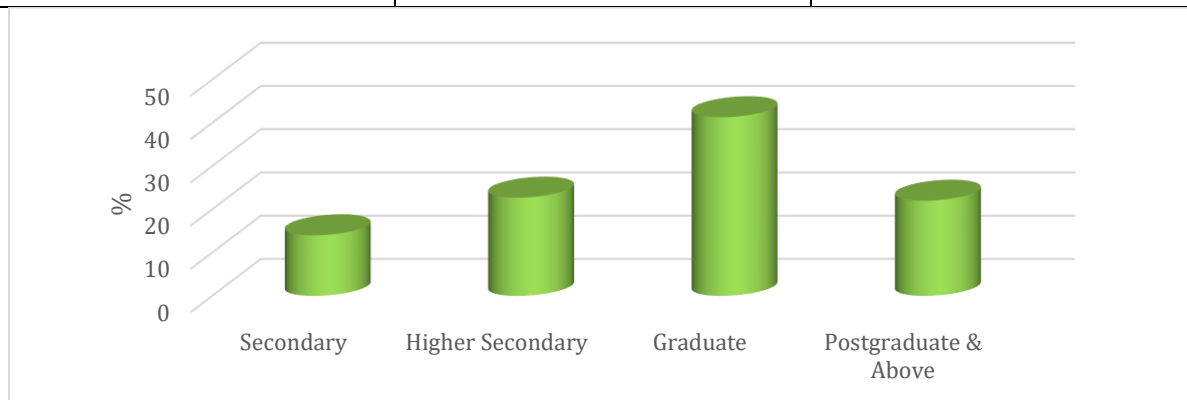
Age Group (Years)	Frequency	Percentage
Below 30	24	16.0
31–40	52	34.7
41–50	46	30.7
Above 50	28	18.6
Total	150	100.0



The table indicates that the majority of respondents (34.7%) belong to the age group of 31–40 years, followed by 30.7% in the 41–50 years category. This suggests that middle-aged entrepreneurs dominate the textile MSME sector and actively participate in GST-related business activities.

Table 4.3: Educational Qualification of Respondents

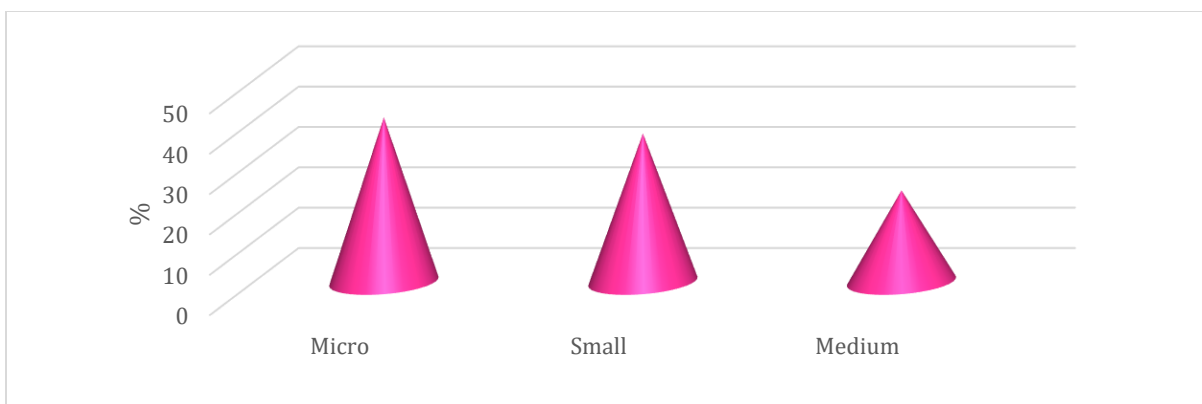
Qualification	Frequency	Percentage
Secondary	21	14.0
Higher Secondary	34	22.7
Graduate	62	41.3
Postgraduate & Above	33	22.0
Total	150	100.0



The majority of respondents (41.3%) are graduates, while 22.0% possess postgraduate qualifications. This indicates a relatively educated entrepreneurial base capable of understanding GST regulations and digital compliance systems.

Table 4.4: Type of Textile MSME

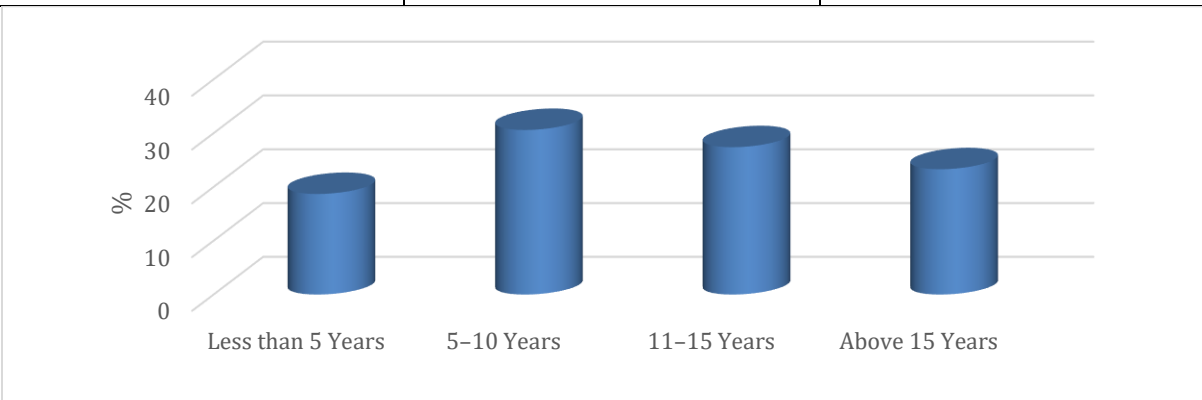
Enterprise Type	Frequency	Percentage
Micro	61	40.7
Small	55	36.7
Medium	34	22.6
Total	150	100.0



The data show that Micro Enterprises constitute the largest category (40.7%), followed by Small Enterprises (36.7%). This highlights the significant presence of smaller textile units in Madhya Pradesh's textile industry.

Table 4.5: Years of Business Operation

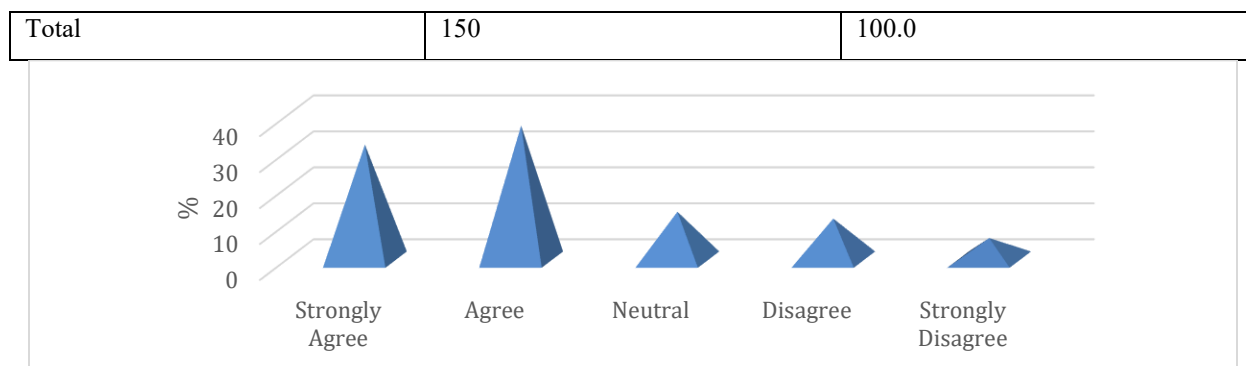
Years	Frequency	Percentage
Less than 5 Years	28	18.7
5–10 Years	46	30.6
11–15 Years	41	27.4
Above 15 Years	35	23.3
Total	150	100.0



Most respondents (30.6%) have operated their businesses for 5–10 years. This suggests that the sample includes a considerable number of experienced entrepreneurs who can effectively assess the impact of GST.

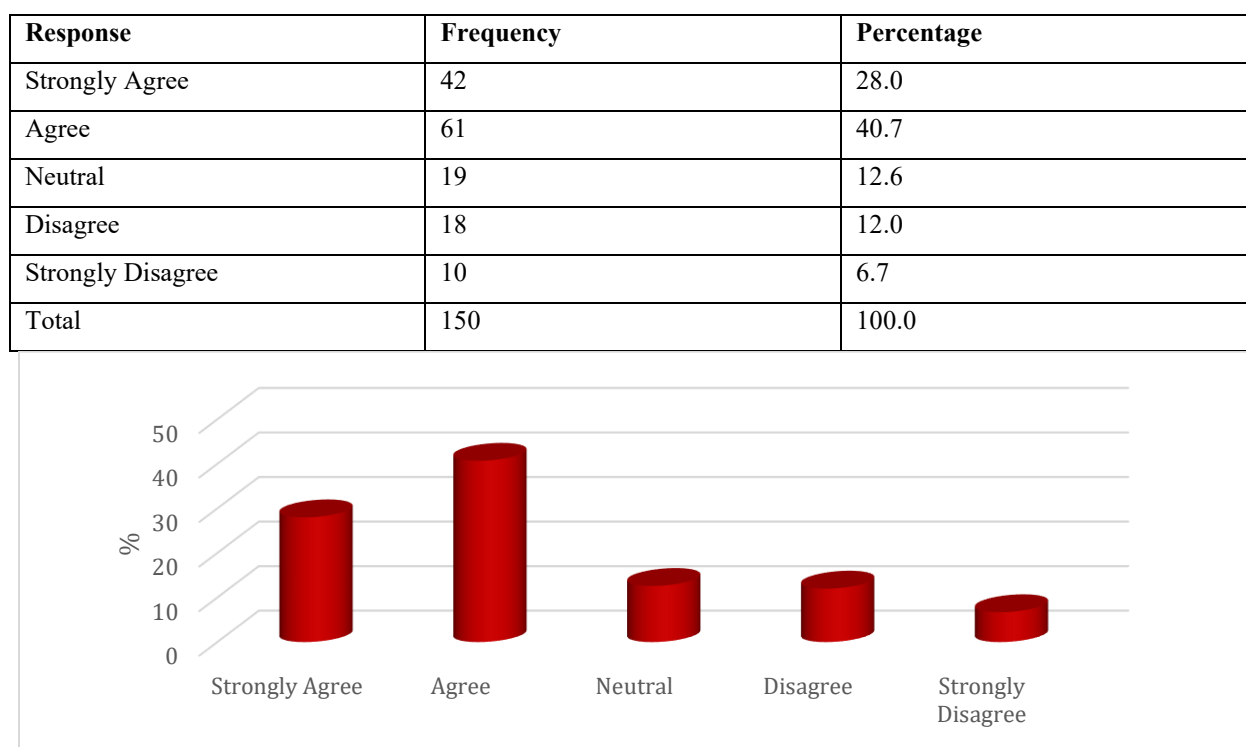
Table 4.6: GST Compliance Creates Additional Administrative Burden

Response	Frequency	Percentage
Strongly Agree	48	32.0
Agree	56	37.3
Neutral	20	13.3
Disagree	17	11.4
Strongly Disagree	9	6.0



A majority of respondents (69.3%) either agree or strongly agree that GST has increased administrative burden. This indicates that compliance procedures remain a major challenge for textile MSMEs.

Table 4.7: GST Increased Compliance Cost

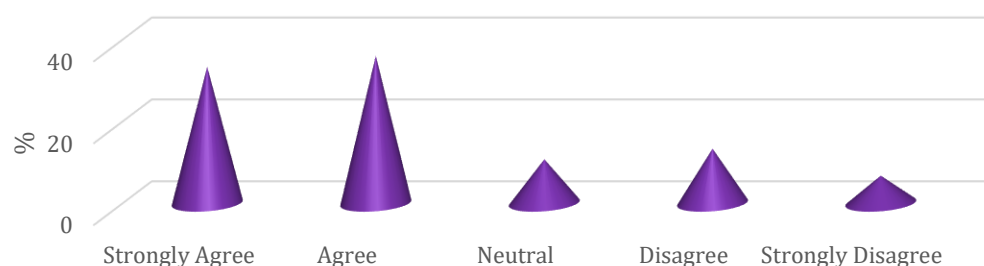


Approximately 68.7% of respondents believe GST has increased compliance costs through accounting, return filing, and professional consultancy expenses.

Table 4.8: GST Causes Working Capital Problems Due to Delayed Refunds

Response	Frequency	Percentage
Strongly Agree	50	33.3
Agree	54	36.0
Neutral	16	10.7
Disagree	20	13.3
Strongly Disagree	10	6.7

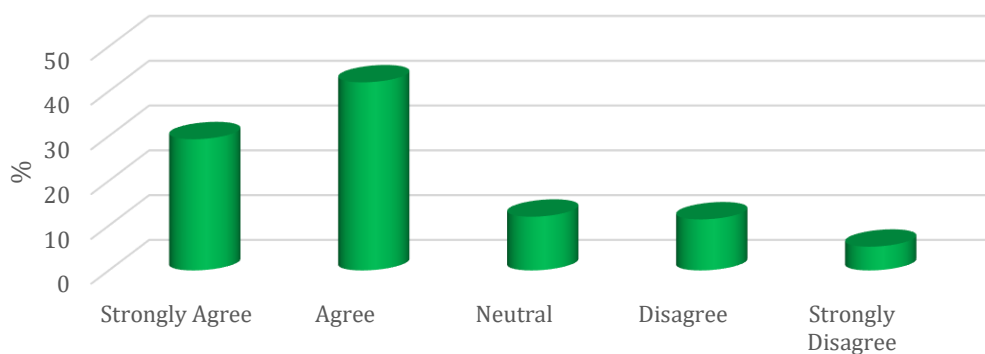
Total	150	100.0
-------	-----	-------



About 69.3% of respondents agree that delayed refunds and input tax credit adjustments create working capital difficulties for textile MSMEs.

Table 4.9: GST Improved Transparency in Business Transactions

Response	Frequency	Percentage
Strongly Agree	44	29.3
Agree	63	42.0
Neutral	18	12.0
Disagree	17	11.4
Strongly Disagree	8	5.3
Total	150	100.0

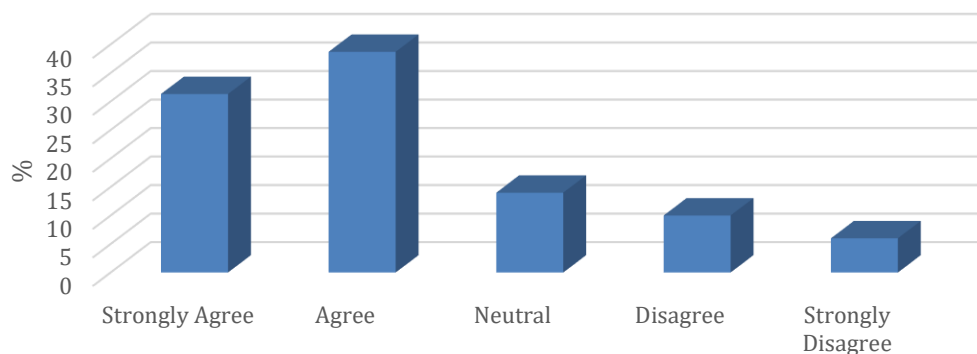


A significant proportion of respondents (71.3%) agree that GST has improved transparency in financial transactions and business reporting.

Table 4.10: GST Facilitates Interstate Trade

Response	Frequency	Percentage
Strongly Agree	47	31.3
Agree	58	38.7
Neutral	21	14.0
Disagree	15	10.0
Strongly Disagree	9	6.0

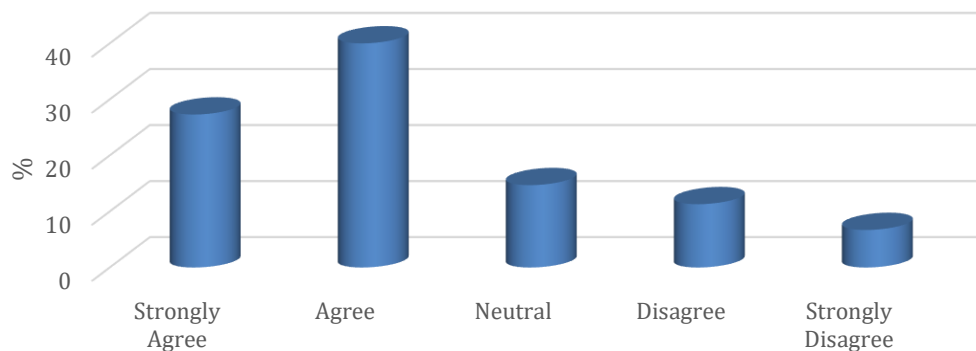
Total	150	100.0
-------	-----	-------



About 70% of respondents perceive that GST has facilitated interstate trade by eliminating multiple state-level taxes and checkpoints.

Table 4.11: GST Enhances Business Competitiveness

Response	Frequency	Percentage
Strongly Agree	41	27.3
Agree	60	40.0
Neutral	22	14.7
Disagree	17	11.3
Strongly Disagree	10	6.7
Total	150	100.0

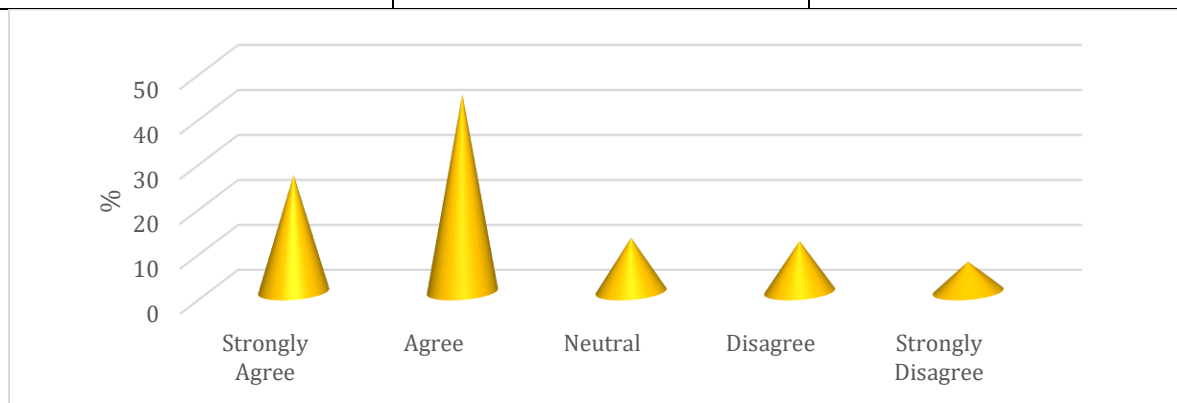


Approximately 67.3% of respondents agree that GST has enhanced competitiveness by creating a more uniform and transparent tax environment.

Table 4.12: GST Promotes Business Growth Opportunities

Response	Frequency	Percentage
Strongly Agree	39	26.0
Agree	66	44.0
Neutral	18	12.0

Disagree	17	11.3
Strongly Disagree	10	6.7
Total	150	100.0



The table reveals that 70.0% of respondents believe GST has created growth opportunities through better market access, transparency, and streamlined taxation.

Summary of Data Analysis

The analysis of 150 textile MSME respondents reveals several important findings:

1. The textile MSME sector is predominantly represented by male entrepreneurs.
2. Most respondents belong to the economically active age group of 31–50 years.
3. Graduate-level education is common among textile MSME owners.
4. Micro enterprises constitute the largest segment of the sample.
5. GST compliance requirements have increased administrative burden and compliance costs.
6. Working capital management remains a significant challenge due to delayed input tax credit adjustments.
7. GST has improved transparency in business operations.
8. Interstate trade has become easier under the GST regime.
9. GST has enhanced competitiveness among textile MSMEs.
10. Most respondents perceive GST as creating growth and expansion opportunities despite the compliance challenges.

4. TESTING OF HYPOTHESES

The hypotheses formulated for the study were tested using the Chi-Square Test and One-Sample t-Test. The significance level was fixed at 5 percent ($\alpha = 0.05$).

H01: There is no significant relationship between GST compliance requirements and the operational challenges faced by textile MSMEs in Madhya Pradesh.

To test this hypothesis, responses regarding GST compliance requirements and operational challenges were analyzed using the Chi-Square Test.

Chi-Square Test between GST Compliance Requirements and Operational Challenges

Particulars	Value
-------------	-------

Chi-Square Value (χ^2)	24.317
Degrees of Freedom (df)	8
p-value	0.002
Level of Significance	0.05

The calculated p-value (0.002) is less than the significance level of 0.05. Therefore, the null hypothesis is rejected. There is a significant relationship between GST compliance requirements and the operational challenges faced by textile MSMEs in Madhya Pradesh. The findings indicate that GST compliance procedures such as return filing, documentation, digital reporting, and record maintenance contribute substantially to operational difficulties experienced by textile MSMEs.

H02: There is no significant relationship between GST implementation and the business opportunities perceived by textile MSMEs in Madhya Pradesh.

A One-Sample t-Test was applied to examine whether respondents significantly perceived GST as creating business opportunities.

One-Sample t-Test for Business Opportunities Created by GST

Particulars	Value
Test Value	3.00
Sample Mean	3.82
Standard Deviation	0.91
t-value	11.046
Degrees of Freedom (df)	149
p-value	0.000

The p-value (0.000) is less than 0.05, indicating a statistically significant difference between the test value and the sample mean. There is a significant relationship between GST implementation and the business opportunities perceived by textile MSMEs in Madhya Pradesh. Respondents believe that GST has facilitated interstate trade, improved transparency, enhanced competitiveness, and expanded growth opportunities.

Major Findings of the Study

Based on the analysis of data collected from 150 textile MSME respondents, the following findings emerged:

Demographic Findings

1. Majority of respondents (74.7%) were male entrepreneurs.
2. Most respondents belonged to the age group of 31–40 years.
3. A large proportion of respondents were graduates.
4. Micro enterprises constituted the largest category among textile MSMEs.
5. Most businesses had been operating for more than five years.

Findings Related to GST Challenges

6. GST compliance requirements have increased administrative responsibilities for textile MSMEs.
7. Many respondents reported higher compliance costs due to accounting, auditing, and return filing procedures.

8. Working capital management remains a major challenge because of delays in input tax credit adjustments and refunds.
9. Frequent changes in GST rules and regulations create uncertainty among business owners.
10. Small enterprises face technological difficulties in maintaining digital GST compliance.

Findings Related to GST Opportunities

11. GST has significantly improved transparency in business transactions.
12. Interstate trade has become easier due to the elimination of multiple indirect taxes.
13. GST has enhanced business competitiveness by creating a uniform tax structure.
14. Formalization of business operations has increased under GST.
15. Most respondents believe GST has contributed positively to long-term business growth.

Hypothesis Testing Findings

16. A significant relationship exists between GST compliance requirements and operational challenges.
17. A significant relationship exists between GST implementation and business opportunities perceived by textile MSMEs.

4. CONCLUSION

The implementation of Goods and Services Tax (GST) represents one of the most significant indirect tax reforms in India. The present study examined the challenges and opportunities associated with GST implementation among textile MSMEs in Madhya Pradesh.

The findings reveal that GST has produced both positive and negative consequences for textile enterprises. On one hand, textile MSMEs face considerable challenges relating to compliance burden, increased administrative costs, technological adaptation, and working capital management. These issues are particularly significant for micro and small enterprises with limited financial and human resources.

On the other hand, GST has generated substantial opportunities for the textile sector. The introduction of a unified tax structure has reduced cascading taxation, improved transparency, facilitated interstate trade, and enhanced business competitiveness. The input tax credit mechanism and increased formalization have further contributed to operational efficiency and long-term growth prospects.

The study concludes that while GST has imposed short-term adjustment costs on textile MSMEs, its long-term benefits outweigh the challenges. With appropriate policy support, technological assistance, and capacity-building initiatives, textile MSMEs can derive greater benefits from the GST regime and contribute more effectively to economic development in Madhya Pradesh.

REFERENCES

1. Agrawal, A. (2019). GST and MSMEs: Challenges and opportunities. *Journal of Taxation and Regulatory Framework*, 7(1), 33–41.
2. Bansal, R., & Verma, S. (2021). Operational efficiency under GST: A study of textile manufacturing units. *International Journal of Business Analytics*, 8(2), 44–57.
3. Choudhary, N., & Jain, M. (2020). Working capital challenges under GST: Evidence from manufacturing MSMEs. *Journal of Accounting and Finance*, 34(4), 61–70.
4. Gupta, N., & Sharma, K. (2022). GST awareness and business performance among MSMEs. *Journal of Entrepreneurship and Small Business Development*, 14(1), 75–89.
5. Kumar, V., & Gupta, A. (2019). GST and its impact on the textile industry in India. *International Journal of Research in Commerce and Management*, 10(3), 21–29.

7. Mishra, S., & Tiwari, R. (2020). GST compliance among MSMEs: An empirical study. *Indian Journal of Commerce and Management Studies*, 11(2), 15–24.
8. NITI Aayog. (2021). GST reforms and economic transformation in India. Government of India.
9. Patel, D., & Joshi, R. (2023). GST implementation and textile MSMEs: Opportunities and challenges. *Asian Journal of Business and Economics*, 13(2), 90–105.
10. Sharma, R., & Singh, P. (2018). Impact of GST on small and medium enterprises in India. *International Journal of Management Studies*, 5(2), 45–53.
11. World Bank. (2022). India development update: Tax reforms and business growth. World Bank.
12. Government of India. (2023). Economic Survey 2022–23. Ministry of Finance.
13. Government of India. (2024). Annual Report of the Ministry of MSME. Ministry of Micro, Small and Medium Enterprises.
14. GST Council Secretariat. (2024). GST annual report and tax administration statistics. Government of India.
15. Reserve Bank of India. (2023). Report on trend and progress of banking in India. RBI Publications.