



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

PG Department of Commerce with Computer Applications, Mannar Thirumalai Naicker College, Madurai – March 2026

## A STUDY ON THE IMPACT OF GST ON THE PERFORMANCE OF SMALL RETAIL ENTERPRISES IN MADURAI CITY

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### Abstract

This study examines the impact of Goods and Services Tax (GST) on the performance of small retail enterprises in Madurai City. The introduction of GST has brought significant changes to the indirect tax system in India, aiming to simplify taxation and improve transparency in business operations. However, small retail businesses often face various challenges in adapting to the new tax structure. The study focuses on understanding how GST influences the financial performance, compliance requirements, operational efficiency, and overall business growth of small retail enterprises in Madurai. Data for the study is collected from selected retail business owners through structured questionnaires and interviews. The findings help to identify the benefits and difficulties experienced by retailers after the implementation of GST. The study also highlights the level of awareness and adaptability of small retailers towards

GST regulations. Overall, the research provides insights into how GST has affected the functioning and performance of small retail businesses in the local market.

**Keywords:** GST, Small Retail Enterprises, Business Performance, Tax Compliance, Local Market.

### Introduction

The introduction of the Goods and Services Tax (GST) in India marked a significant reform in the country's indirect tax system. Implemented on July 1, 2017, GST replaced multiple indirect taxes such as value-added tax, service tax, and excise duty, creating a unified tax structure across the nation. The primary objective of GST is to simplify the tax system, reduce tax evasion, and promote transparency in business transactions. For businesses, especially small retail enterprises, GST has brought both opportunities and challenges in terms of tax compliance, record



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maintenance, and overall business operations. Small retail enterprises play a crucial role in the local economy of Madurai City by providing employment opportunities and meeting the daily needs of consumers. However, the implementation of GST has required these businesses to adapt to new tax procedures, digital filing systems, and compliance requirements. While GST aims to improve business efficiency and streamline the tax process, many small retailers face difficulties in understanding and implementing the new system. Therefore, this study focuses on examining the impact of GST on the performance of small retail enterprises in Madurai City and understanding the benefits and challenges experienced by them after its implementation.

### Statement of the Problem

Goods and Services Tax (GST) in India marked a major shift in the country's indirect tax system, aiming to simplify taxation, improve transparency, and create a unified market. While GST benefits large businesses with structured accounting systems, small retail enterprises often struggle with compliance requirements, digital filing, and understanding the complex tax procedures. These challenges may affect their operational efficiency, profitability, and overall business performance. In Madurai City, small retail enterprises form a crucial part of the local economy, providing essential goods and employment opportunities. However, many of

these businesses face difficulties in adapting to GST regulations due to limited awareness, lack of technical knowledge, and additional administrative burdens. This study seeks to examine how GST has impacted the performance of small retail enterprises in Madurai City, focusing on both the advantages and challenges experienced by retailers after its implementation.

### Objectives of the study

- To examine the impact of GST on the financial performance of small retail enterprises in Madurai City.
- To identify the challenges faced by small retail enterprises in complying with GST regulations.
- To assess the awareness and adaptability of small retailers towards GST and its influence on their overall business operations.

### Research Methodology

#### Research Design

This study adopts a **descriptive research design** with a quantitative approach to examine how the implementation of Goods and Services Tax (GST) has affected the performance of small retail enterprises in Madurai City.

#### Source of Data

The study will utilize **both primary and secondary data**.



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Primary data

Primary data were obtained directly from the owners and managers of small retail enterprises in Madurai City using structured questionnaire.

Secondary data

Secondary data were obtained from government reports, GST publications, trade associations, and relevant academic journals.

Sample Size

The study focuses on small retail enterprises in Madurai City. A total of 50 retail businesses will be selected as the sample to ensure adequate representation across different retail sectors

Sampling Technique

Stratified random sampling was applied to capture diversity among the different types of small enterprises.

Tools used for Analysis

Statistical tools such as percentages and averages were used to interpret the impact of GST on business performance.

Limitations of the Study

The study focuses only on small retail enterprises in Madurai City, so the findings may not be Generalizable to other regions. A limited number of businesses are surveyed due to time and resource constraints.

Data Analysis

Table 1: Impact of GST on Financial Performance

Table with 5 columns: Financial Aspect, Increased (%), Decreased (%), No Change (%), Total Respondents. Rows include Sales Revenue, Profit Margin, and Operating Costs.

Source: Primary Data

From the above table indicates that in sales revenue, 70% of respondents reported a decline, showing that GST has negatively impacted revenue for most small retailers. 65% experienced a decrease, indicating that GST has affected profitability. 50% reported an increase, reflecting higher compliance and operational expenses due to GST. It shows that GST has generally increased financial pressure on small retail enterprises in Madurai City.

Table 2: Challenges faced in GST Compliance

Table with 3 columns: Challenges, Number of Respondents, Percentage (%). Rows include Complex GST filing process, Lack of proper knowledge, Increased accounting workload, Difficulty in pricing products, and Total.

Source: Primary Data

The above table shows that most significant challenge is the complex GST filing process, reported by 40% of respondents. Lack

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of proper knowledge affects 30%, showing that many retailers are not fully aware of GST procedures. Increased accounting workload (16%) and difficulty in pricing products (14%) are less common but still notable issues. It indicates that majority of the respondents have faced difficulties in complex GST filing process.

impacted revenue for most small retailers.

- Majority of the respondents have faced difficulties in complex GST filing process.
- Majority of the respondents have high awareness while adaptation and training uptake are moderate, suggesting small retailers need more support to fully comply with GST and adjust their operations effectively.

**Table 3: Awareness and Adaptability of Small Retailers**

Aspect	Yes (No. of Respondents)	No (No. of Respondents)	Percentage Yes (%)	Average Score*
Aware of GST regulations	40	10	80	2.8
Able to adapt business processes	30	20	60	2.2
Sought training for GST compliance	25	25	50	2.0

Source: Primary Data

The above table found that 80% of small retailers are aware of GST regulations, indicating high awareness. Only 60% of the small retailers have successfully adapted their business processes, showing moderate adaptability. Half of the respondents (50%) have sought training, reflecting that there is room for improvement in preparedness. It shows that majority of the respondents have high awareness while adaptation and training uptake are moderate, suggesting small retailers need more support to fully comply with GST and adjust their operations effectively.

**Suggestions and Recommendations**

- Streamline the GST filing process to reduce complexity and administrative burden for small retailers.
- Provide practical training and workshops to improve adoption and operational adjustment to GST.
- Offer advisory services, helplines, or online resources to assist small retailers in understanding and complying with GST.
- Consider tax relief, incentives, or transitional support to help small retailers mitigate the revenue decline caused by GST implementation.

**Findings of the Study**

- 70% of respondents reported a decline, showing that GST has negatively

**Conclusion**

Implementation of the Goods and Services Tax (GST) had a mixed impact on the performance of small retail enterprises in Madurai City. While GST has simplified the tax structure and reduced the cascading effect of multiple taxes, many small retailers faced challenges related to compliance,



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documentation, and increased operational costs. Enterprises with better digital literacy adapted more smoothly, while those with limited resources experienced initial disruptions in cash flow and accounting practices. Overall, the GST regime has prompted small retailers to modernize their business processes and become more aware of financial management, which could lead to long-term efficiency gains. GST offers both opportunities and challenges for small retail enterprises. Policymakers and support agencies can play a significant role by providing targeted training, simplifying compliance procedures, and offering technological assistance to small retailers. By addressing these concerns, the potential benefits of GST – such as transparency, easier input tax credit management, and broader market integration – can be fully realized, ultimately contributing to the sustainable growth and competitiveness of small retail businesses in Madurai.

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