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Exploring the factor that influence GST on small and medium enterprises with special reference to GST LAW: An analysis of literature and theoretical aspects

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Abstract: The current review questions the implementation, benefits, and difficulties of the Goods and Services Tax (GST) in India through the synthesis of the available empirical evidence provided by the research papers published between 2014 and 2023. Key findings depict GST as a radical reform, which aims at creating a single, open tax system that operates on the principle of One Nation, One Tax hence eradicating cascading effects and promoting economic growth through indirect taxation simplification. The benefits described are: augmented tax receipts, reduced corruption, increased supply-chain performance, and long-term benefits to the sectors that can be large enterprises and micro-, small-, and medium-sized enterprises (MSMEs), which are better input-tax credits and formalisation of informal activity. However, identified impediments include the initial compliance limitations, high prices of MSMEs, insufficient infrastructures, and short-lived inflationary pressures especially in areas in which the unorganised sector forms the major part. Researchers highlight the urgency of the administrative interventions, education of the stakeholders and continuous improvements to achieve the maximum potential of GST. On the whole, despite the initial obstacles to its implementation, GST can be described as a positive step towards economic growth, and it is through its effective implementation that scholars believe that the Indian economy will be able to develop sustainably and become more competitive in the global marketplace.

Key words: Goods and Services Tax (GST), Indian Economy, Tax Reform, MSMEs, Economic Impact

INTRODUCTION

The Goods and Services Tax (GST) which was introduced effective 1 July 2017 in India is by far the largest and most extensive reconfiguration of the Indian indirect tax regime since the independence of the country. GST replaced an extremely complex, cascading, and fragmented duty structure by consolidating a multitude of central and state levies such as excise duty, service tax, value added tax, central sales tax, entry tax, luxury tax, entertainment tax among others into one destination-based duty. Achieved through the 101 st Constitutional Amendment Act, 2016, and implemented under the supervision of the GST Council, it fulfilled the long-held envisagement of One Nation, one tax, one market. The reform was to abolish inter state taxation, eradicate the cascading tax effect, decrease the long term compliance costs, promote efficiency in revenue mobilization and the development of a uniform national market that will facilitate ease of doing business and long term economic growth.

The indirect tax system of India before the GST was introduced was characterized by multiplicity of levies, inconsistent rates at various states, classification issues, taxation twice, and high compliance costs especially in inter state trade. The trickle effect of tax increased the cost of production, encouraged tax avoidance, and falsified economic decisions. The next set of review organs such as the Kelkar Task Force (2004) then the Empowered Committee of State Finance Ministers, continued to support a dual GST as the best fix. After approximately seventeen years of discussions, political compromising as well as technical planning, India became a member of a group of over 160 countries with a value-added tax system, adopting an exclusive concurrent dual GST model in a federal system.

GST has received wide academic criticism since its introduction. The pre-implementation studies (20142017) focused more on the benefits that are expected to be realized after the implementation including the elimination of cascading effects, ease of compliance, increased resiliency in revenue and the increase in the GDP, but also mentioned future problems as multiplicity of rate-slabs, lack of petroleum and alcohol, and the readiness of information technology infrastructure. The current research after 2017 shifted towards empirical evaluation where studies have explored real performance in regard to revenue pattern, inflation, logistics effectiveness, industry performance and, most importantly, the dissimilar effect on micro, small and medium enterprises (MSMEs) which form the backbone of the Indian economy.

The existing literature agrees on the general view that GST has brought a number of structural benefits: it has simplified the input tax credit procedures, eliminated check points, increased the speed of goods transportation, has raised the level of transparency through the use of digital invoicing and GST Network (GSTN), and has formalised the informal sector. However, it equally reports transparently on short-term impediments, frequent changes in rates and regulations, early malfunctioning of the portal, augmented compliance pressure on small enterprises, halting credits of inadequate suppliers, and augmented working capital obligations to MSMEs. As big organised organisations has quickly adjusted and enjoyed the fruits, many micro and small businesses still face the challenge of digital and procedural underwater.

Although the body of research including over a decade of studies is quite strong, the dynamic nature of GST, including the constant rate rationalisations, the advent of e-invoicing, the QRMP scheme, and further adjustments, requires the synthesis and critical analysis of the reform direction periodically. In this regard, the current research attempts to bring together and critically evaluate this vast body of literature in order to provide a balanced, current view regarding the development of GST and its consequences on the Indian economy.

OBJECTIVE OF THE STUDY

This study aims to critically review and synthesize the existing literature on the conceptual framework, implementation, benefits, challenges, and overall impact of the Goods and Services Tax (GST) on the Indian economy, with special reference to its effects on revenue, ease of doing business, and micro, small, and medium enterprises (MSMEs). Moreover, it also identify key policy lessons and areas requiring further reform for maximizing the long-term benefits of GST.

METHODOLOGY FOR THE STUDY

This study is qualitative in nature all the theoretical aspects are being examined related to taxes and law. This research is fundamentally qualitative and descriptive, grounded in a comprehensive analysis of secondary data. The study is based on over 50 published research papers, articles, and reports concerning GST in India from 2014 to 2023, obtained from academic journals, conference proceedings, working papers, and credible online repositories. The criteria for selection encompassed relevance, peer-reviewed status, and the inclusion of both pre- and post-implementation perspectives. Particular attention was given to studies that explored economic impact, revenue implications, compliance issues, and the effects on MSMEs. The gathered literature has been methodically structured, rigorously examined, and thematically synthesized to provide a thorough and balanced overview of the evolution, accomplishments, and challenges of GST in India. There has been no utilization of primary data collection methods or quantitative tools.

LITERATURE REVIEW

Pre-implementation (2014–2016) and post-implementation (2017–2023) studies make up the two main categories into which the body of research about the Goods and Services Tax (GST) in India may be split. Early research was mostly conceptual and speculative, but more recent investigations are empirical and evaluative.

During the time period of 2014 to 2016, studies were conducted prior to implementation. The conceptual groundwork was established by Garg (2014), Pinki et al. (2014), N. Kumar

(2014), Jaiprakash (2014), and Rashid et al. (2014) via an explanation of the need of the GST as a destination-based tax that would replace the existing cascading system of several indirect taxes. They pointed out that the implementation of the goods and services tax would address the problem of tax-on-tax, expand the tax base, lessen distortions, give complete input tax credit, include the central sales tax, and establish a single, national market. Pinki and colleagues (2014) presented three potential models for a goods and services tax (GST) and recommended that the concurrent dual model, which has a unified return and a single PAN-based registration, be implemented. In the year 2014, N. Kumar highlighted the need of eliminating economic distortions that were brought about by the differences in state-level taxes. On the other hand, Jaiprakash (2014) underlined the significance of broadening the scope of input tax set-off and providing relief to the sectors of industry, commerce, agriculture, and consumers.

The perspective that India was in need of a tax system that was straightforward, clear, and of global standard was supported by the research conducted by Dhanda and Sehrawat (2015), Shefalidani (2016), and Shaik et al. (2015). Among the advantages that they anticipated were a greater gross domestic product growth rate, a decrease in corruption, a reduction in logistical expenses, and an uninterrupted supply of credit. In their research, Khurana and Sharma (2016) as well as Munde and Chawan (2016) looked at both the potential benefits (such as uniformity, transparency, and revenue buoyancy) and the potential obstacles (including various rates, information technology preparedness, and stakeholder opposition) of the study. They came to the conclusion that the application of the GST would result in the growth of the economy and the rationalisation of prices, provided that the loopholes were eliminated.

Studies Conducted in the Immediate Aftermath of Implementation (2017–2018) The following authors made reference to the Goods and Services Tax (GST) as a "game changer" and a "milestone" that was constructed on the foundation of the "One Nation, One Tax" principle: Lourdunathan and Xavier (2017), Kawle and Aher (2017), B. Mitrapriya (2017), Abda S (2017), Nayyar and Singh (2017), Yadav and Shankar (2018), and Nishitha Guptha (2017). The findings of these research identified the eradication of cascading, the implementation of tax brackets (ranging from 0–28%), and the repercussions that these changes had on a variety of industries, including telecommunications, e-commerce, the automotive industry, banking, and the real estate market. The special emphasis placed by Nayyar and Singh (2017) was on an administration that is devoid of corruption and transparent in its operations.

MSMEs and small-scale industries were the subjects of study conducted by a number of researchers. The following researchers have all agreed that while large organized players benefited quickly through input credit and logistics efficiency, micro and small enterprises faced significant short-term difficulties: Ankita Verma and Priyanka Khandelwal (2018), M. Jayalakshmi and G. Venkateswarlu (2018), Nedunchezhian et al. (2018), Subhamoy Banik (2018), Shubham Khaithan (2018), Nabendu Basak (2018), and S. Deivamani et al. (2018). The obstacles faced by smaller businesses included the following: increased compliance burden, frequent return filing, portal glitches, blocked credits due to supplier non-compliance, higher working capital requirements, and fear of tax scrutiny. Nevertheless, the majority of writers argued that the challenges were temporary and that the early discomfort would be outweighed by the benefits accrued in the long run, which include formalization, a fair playing field, and the facilitation of mobility across states.

A number of detailed studies were published by Khasimpeera and Sugantha Reddy (2018), Raveendra Saradhi and Wali (2018), N. Ramalingam (2018), and Aryan Agarwal and Richa Sekhani (2018). They observed the favorable rearrangement of the supply chain, an increase in the speed of goods movement as a result of e-way bills, and a decrease in transaction costs (up to 3.5 times in certain states), but they also emphasized the fact that sourcing was being shifted in favor of registered suppliers and that compliance costs were rising for dealers who were not registered.

Subsequent Empirical Studies (2019–2023) After two to five years of implementation, Shetty Deepa Thangam Geeta (2019), Shivani (2019), Basavanagouda (2020), Gautam (2022), and Kanimozhi (2023) redirected their emphasis toward ground realities. Their findings revealed that a significant number of the advantages that were promised—such as simpler compliance, a single market, and decreased logistical time—had been realized; nevertheless, the level of MSME readiness remained low, and the ongoing existence of errors in GSTN continued to create difficulties in seamless filing. Shetty Deepa Thangam Geeta (2019) said that there was only a minor effect owing to network challenges and a lack of awareness. Gautam (2022) said that the web interface was seen in different ways: some people found that it made it easier to comply, while others found that it raised expenses and limited the options available to them when making purchases. The authors of the studies conducted by Basavanagouda (2020) and Shivani (2019) both emphasized the need of small and medium-sized enterprises (MSMEs) keeping up with technology advancements and developing digital literacy in order to survive and thrive in the long run.

Dr. H.R. Kaushal (2018) and Kanimozhi (2023) emphasized that despite the fact that GST initially caused compliance shocks, it ultimately managed to achieve its goals of lowering cascading taxes, promoting consistency, and progressing towards the goal of "One Nation, One Tax, One Market." They made the case that consumers and micro, small, and medium-sized enterprises (MSMEs) would eventually reap the rewards of reduced tax incidence and a more competitive environment, as long as the government continues to make processes simpler.

A Comparative and International Viewpoint A small number of research used lessons from other nations. The planned goods and services tax (GST) that Malaysia is planning to impose in 2015 was the subject of an analysis by Rashid et al. (2014), who recommended that rate reviews be conducted on a regular basis. In the year 2014, Saravanan Venkadasalam used the Least Squares Dummy Variable Model to the nations of the Association of Southeast Asian Nations (ASEAN) and discovered that there were discrepancies in the effects of growth after the introduction of the GST. This finding confirmed that the results are strongly influenced by the quality of both the design and the execution. Shared Topics and Agreements When examining the whole of the written works published between the years 2014 and 2023, it is possible to identify several themes that appear with regularity:

Goods and Services Tax (GST) is a significant and daring change that has replaced a fragmented, cascading tax structure with a unified, destination-based system. The advantages that are the most significant are the following: the elimination of tax-on-tax, the smooth input tax credit, the removal of inter-state obstacles, transparency, the formalization of the economy, and a boost to the gross domestic product in the long run. The difficulties that are encountered in the short term include the following: the existence of several slabs, the frequent occurrence of modifications, problems with IT infrastructure, an increased cost of compliance for MSMEs, blocked credits, and stress related to working capital.

Large and well-organized industries were able to adjust rapidly and profit as a result. Although small and micro-sized businesses had more challenges during the transition period, they are anticipated to benefit in the long term. Continuous simplicity (returns, rates, procedures), a powerful IT backbone, taxpayer education, and political commitment to incorporate excluded industries (petroleum, alcohol, electricity) are all factors that determine success.

The majority of the literature comes to the conclusion that despite initial difficulties and difficulties with implementation, the Goods and Services Tax (GST) continues to be a good and irreversible advancement toward an indirect tax system in India that is contemporary, transparent, and growth-oriented. In order to achieve the full potential of the reform, researchers have consistently advocated for the implementation of a number of improvements, including rate rationalization, single return, the addition of previously prohibited goods, and increased assistance for micro, small, and medium-sized enterprises (MSMEs).

DISCUSSION AND FINDINGS

India started using the Goods and Services Tax (GST), on 1 July 2017, as a significant change in the indirect tax system in the country. On this date the transition between the former multi-layered, disintegrated regime, typified by interstate inequalities and ripple effects, and the one-place, destination-based system was complete. This discussion provides an analytical reflection on the wide implications of GST using the available synthesised literature published in the period between 2014 and 2023; evidence shows some emerging themes, inconsistency, temporal patterns, and gaps in research.

The discussion shows that there is an overall agreement on the transformative potential of GST as one of the agents of economic integration and greater efficiency. However, it simultaneously highlights the gap between the optimism of pre-implementation and the facts of post-implementation, especially in terms of compliance costs, industry effects, and revenues.

In this segment, the author explains how the Goods and Services Tax has transformed the Indian tax environment. It does this by critically reviewing the scholarship reviewed, pinpointing some aspects of the policies that are subject to improvement, and also outlining areas where future academic research can be done.

The literature that was published prior to the implementation of the GST (for example, Garg, 2014; Pinki et al., 2014; N. Kumar, 2014; Jaiprakash, 2014; Rashid et al., 2014; Sehrawat & Dhanda, 2015; Shaik et al., 2015; Khurana & Sharma, 2016; Munde & Chawan, 2016; Shefalidani, 2016) overwhelmingly characterized the GST as a panacea for the structural inefficiencies that were present in the tax system that was in place at the time. These studies highlighted the following conceptual strengths: the eradication of tax cascading by means of a seamless input tax credit (ITC), the consolidation of a number of levies into a dual structure (Central GST and State GST), and the establishment of a "One Nation, One Tax, One Market" paradigm. From an analytical standpoint, this body of work demonstrates a normative economic approach, which is grounded on neoclassical theories of tax neutrality and efficiency. These theories suggest that the implementation of a GST is intended to reduce distortions in both production and consumption choices. As an example, Jaiprakash (2014) and N. Kumar (2014) made the case that the implementation of the GST would result in a more indifferent approach to tax structures in terms of geography. This, in turn, would increase allocative efficiency while also decreasing the incentives for tax evasion. This optimism was further strengthened by the comparative insights provided by Rashid et al. (2014) and Saravanan Venkadasalam (2014), who drew upon experiences in the Association of Southeast Asian Nations (ASEAN). These insights suggested that, in theory, well-designed systems for the Goods and Services Tax (GST) might provide commercial benefits and favorable correlations with components of gross domestic product (GDP), such as household spending. On the other hand, these predictive examinations often failed to take into consideration implementation difficulties, which included technology preparedness and federal conflicts. These factors subsequently surfaced as significant impediments.

According to the studies conducted by Lourdunathan & Xavier (2017), Kawle & Aher (2017), B. Mitrapriya (2017), Abda S (2017), Nayyar & Singh (2017), Yadav & Shankar (2018), Nishitha Guptha (2017), Khasimpeera & Sugantha Reddy (2018), Ankita Verma & Priyanka Khandelwal (2018), N. Ramalingam (2018), Raveendra Saradhi & Wali (2018), M. Jayalakshmi & G. Venkateswarlu (2018), Nedunchezhian et al. (2018), Subhamoy Banik (2018), Aryan Agarwal & Richa Sekhani (2018), Shubham Khaithan (2018), Nabendu Basak (2018), and S. Deivamani et al. (2018), the immediate post-implementation phase (2017–2018) brought about empirical nuance, thereby revealing a temporal bifurcation between short-term disruptions and long- From an analytical perspective, the body of work presented here emphasizes a conventional trajectory for reform, which is marked by an initial state of disequilibrium that is followed by a period of stability. The results were favorable in that they led to improved transparency and a decrease in corruption (Nayyar & Singh, 2017), more efficient supply chains as a result of e-way bills and uniform rates (Raveendra Saradhi & Wali, 2018), and lower transaction costs, which were determined by Agarwal & Sekhani (2018) to have decreased by a factor of 3.5 in certain states. The multi-slab structure, which consists of the following percentages: 0 percent, 5 percent, 12 percent, 18 percent, and 28 percent, was seen to be in line with India's socio-economic variety in that it permitted progressive taxes on luxury items. However, it has also been criticized for its complexity (B. Mitrapriya, 2017). Additionally, the contribution of the GST to the formalization of the informal sector was apparent. The need to register and match invoices obligated disorganized firms to get included into the formal economy. This process is in accordance with theoretical models of tax base growth (Lourdunathan & Xavier, 2017).

However, there is a great deal of inconsistency in the effects on stakeholders and sectors, notably for micro, small, and medium-sized businesses (MSMEs), which are a fundamental pillar of the economy of India. In studies such as those conducted by Ankita Verma and Priyanka Khandelwal (2018), Jayalakshmi and Venkateswarlu (2018), Nedunchezhian et al. (2018), Shubham Khaithan (2018), and S. Deivamani et al. (2018), the asymmetric effects of the situation are analyzed in detail. The organized sectors gained from efficiencies in information technology and logistics; however, micro, small, and medium-sized enterprises (MSMEs) were faced with increased compliance costs, a higher frequency of return filings, and working capital constraints due to blocked credits from suppliers who did not comply with regulations. This imbalance is consistent with the principles of institutional economics, which holds that smaller organizations who do not have access to digital infrastructure are disproportionately impacted by the expenses associated with transactions. Basing their work on the research done by Basak (2018) and Khasimpeera and Sugantha Reddy (2018), the authors discuss how the government's anti-black money policies after the demonetization of currency have led to short-term inflationary pressures and changes in sourcing that favor registered vendors, which might result in the marginalization of micro, small, and medium-sized enterprises (MSMEs) that are not registered. According to N. Ramalingam (2018), a well-organized criticism has been put out that categorizes analysis into three distinct sections: conceptual concepts, comparisons between value-added tax and general sales tax, and state-level preparedness. This critique advocates for stakeholder discussions as a means of alleviating these frictions. In general, the literature that pertains to this period highlights a learning curve, in which the reform's ability to withstand challenges was put to the test by the early "teething issues" (for example, problems with GSTN) that arose, but ultimately, the reform's fundamental advantages were validated.

The empirical evaluations that were carried out later (2019–2023), which include Shetty Deepa Thangam Geeta (2019), Shivani (2019), Basavanagouda (2020), Gautam (2022), Kanimozhi (2023), and Dr. H.R. Kaushal (2018), provide a more experienced point of view by assessing the consolidation of GST amid the ongoing amendments that have been implemented (for example, returns on a quarterly basis, e-invoicing). The findings of these research provide analytical confirmation of the benefits that may be gained over the long term: the implementation of technology will result in a decrease in costs, an increase in the convenience of doing business, and an improvement in the competitiveness of micro, small, and medium-sized enterprises (MSMEs) (Shivani, 2019; Basavanagouda, 2020). conflicting opinions are emphasized by Gautam (2022), who points out that although people have a good view of procurement limitations and government backing, they are critical of compliance burdens and outsourcing. These conflicting perspectives demonstrate adaptive resilience. Kaushal (2018) and Kanimozhi (2023) portray the Goods and Services Tax (GST) as a means of attaining consistency in the "One Nation, One Tax" system, which promotes socioeconomic development by reducing regional inequities and encouraging entrepreneurship, particularly in small and medium-sized enterprises (MSMEs) in rural areas. Nonetheless, it has been shown that significant gaps continue to exist. The exclusion of petroleum, alcohol, and real estate, for example, results in a distortion of the tax base (Shefalidani, 2016; Kapoor Kapil, 2017). Additionally, there are inadequacies in the network as well as deficits in knowledge that serve to inhibit the full realization of the tax base (Shetty Deepa Thangam Geeta, 2019). When considered from an analytical standpoint, this progression demonstrates the concept of path dependence in policy changes, in which a series of iterative refinements—carried out throughout more than fifty GST Council meetings—have served to lessen the significance of initial shortcomings. This is consistent with theories of adaptive governance.

Insights that are derived from an analytical perspective may be gained via the examination of the literature's cross-cutting themes, which provide light on the larger implications of GST. To begin with, connections to economic growth: Despite the short-term inflation that has been seen (Basak, 2018), the early estimates (Shaik et al., 2015; Nishitha Guptha, 2017) of increases in gross domestic product due to commercial advantages have been partly justified, since studies such as those conducted by Nath (2017) and Mujalde & Vani (2017) have shown benefits within certain sectors of the economy. Secondly, dynamics of federalism: According to the findings of Ramalingam (2018) and Pinki et al. (2014), the dual structure required a cooperative form of federalism; nevertheless, issues pertaining to state income and compensation mechanisms between the years of 2017 and 2022 revealed the presence of conflicts. Thirdly, there are the concerns about fairness: Although the implementation of slabs within the GST system encourages progressivity, its regressive components pertaining to basic goods have a disproportionate impact on those belonging to low-income brackets. This is a subject that has not been thoroughly investigated, although it has been alluded to in conversations on the relief provided to consumers (Jaiprakash, 2014; Lourdunathan & Xavier, 2017). Fourth, and most importantly, how well it compares to the international standard: The distinctiveness of India's federal model is highlighted by lessons that have been learned from both Malaysia (Rashid et al., 2014) and ASEAN (Venkadasalam, 2014), which recommend that periodic reviews be conducted; a recommendation that has been accepted by India.

Despite the progress that has been made, there are significant deficiencies in the literature that call for examination by the academic community. Methodologically speaking, there is a heavy reliance on perceptual surveys and secondary data, and there is a limited amount of longitudinal econometrics to quantify long-term implications (for example, on the elasticity of gross domestic product or employment). In terms of geography, the differences that exist across states have not been given enough analysis, which has led to the diversity of industrial compositions being overlooked. Examples of this include Agarwal and Sekhani's 2018 research on Kerala and Uttarakhand. On a sectoral level, micro, small, and medium-sized enterprises (MSMEs) are the primary focus of discussion, although there is a lack of detailed breakdowns (micro vs. medium, rural vs. urban). In terms of timing, studies conducted after 2020 would be able to more effectively consider the impacts of the pandemic on GST compliance and income. From a theoretical standpoint, the integration of more comprehensive frameworks—such as the use of institutional theory for compliance or public choice for federal negotiations—remains in its infancy.

To summarize, the material that was examined analytically situates GST as a robust reform that has contributed to the modernization of the Indian tax system despite the difficulties that were encountered at the outset. Its ability to succeed is contingent upon a continuous effort to simplify, improve digital capabilities, and implement inclusive policies that provide an equitable distribution of rewards. The focus of future research need to be on empirical rigor, comparative assessments, and simulations that look to the future. This will serve as a guide for GST 2.0 and ensure that it keeps its promise of equitable economic growth.

CONCLUSION AND POLICY SUGGESTION

One of the most ambitious and structurally transformative fiscal reforms in the post-independent period is the Goods and Services Tax (GST), which, however, was introduced in India on 1 July 2017. An extensive body of literature dating back to 2014 to 2023 shows a very evident trend: the mood of pre-implementation optimism of a united, transparent and expansionary tax system has been changed by the reality of considerable successes and continuing challenges. There is a unanimity of over fifty academic works that GST has achieved its objectives of breaking down the cascading nature of the indirect taxes, inter-state barriers, unprecedented transparency in digital invoicing and GST Network and has also established a common national market on the vision of One Nation, One Tax, one Market. It has increased the tax base, augmented revenue buoyancy at the Centre, as well as the states (as a result of the post-compensation period), decreased the logistics expenses, and facilitated formalisation of informal economy. These structural advantages have enhanced the ease of doing business ranking of India, enhanced its supply chain efficiencies and brought Indian industry closer to the global value chains. However, the reform has not come free. It is reported in the literature that there is still a strong asymmetry in adaptation: large, organised enterprises quickly seized the advantages of smooth input -tax credit and interstate movement, but micro, small and medium enterprises (MSMEs)- the key to employment and manufacturing output still struggle to manage the increased compliance costs, changes in procedures, frozen credits by non-compliance of suppliers and working-capital strain. The many tax brackets, the omission of petroleum products, alcohol, and electricity as well as first time technological hiccups have eroded the simplicity that initially was suggested. The pressures of inflation in the short term, especially during the first two years and the perceived retrogressive effect on some of the necessities further dampened the emotion of the people and the entrepreneurs. However, as further research (20192023) shows, the challenges surrounding much of this have been short-term. Numerous refinements made by the GST Council which include: introduction of quarterly returns, improvements to the composition scheme, e-invoicing, QRMP scheme, and gradual rationalisation of rates, demonstrate a responsive and adaptive form of governance that has been acting upon early pain points. To sum up, GST should be considered as a product of 2017 that is still at its developing stage and had already provided much macro and micro-economic benefits without considering the potential of its significant enhancement. The reform has guided India conclusively on a path of modern destination-based technology-driven indirect taxation. It can increase the long-term growth in GDP by 1 to 2 percentage points, improve the tax-to-GDP ratio, and create a better balanced and more resistant to corruption fiscal system with sustained political determination and administrative dexterity. Policy Suggestions In order to achieve the full potential of GST and overcome the gaps that were identified in the literature, the following specific, action-oriented policy actions can be recommended: Merger of Slabs and Accelerated Rationalisation of rates. The existing five-slab structure (along with special rates and cess) continues to be a cause of classification challenges and compliance complexity. The GST Council must strive to harmonise into three brackets, namely, merit 5-8, standard 12-14 and demerit 28 in the next 24-36 months and should achieve a clear roadmap well in advance. The 12-18 percent slabs should be phased out to one revenue neutral standard rate. This would severely cut the litigation and compliance cost, especially to MSMEs. Excluded Sectors to be included in GST. The most notable distortions in value chain still include petroleum products, alcohol, electricity and real-estate. Their outsourcing disrupts the ITC chain, stimulates tax evasion, and inflates industry and transport input costs. An incremental penetration, starting with natural gas and ATF, crude, petrol and diesel has to be given priority in a five-year perspective. The issue of state-level concerns could be solved by designing revenue-sharing schemes and interim compensation plans. Permanent Simple compliances of MSMEs. Increase the composition scheme threshold of 300 000 000 to 300 000 000 turnover (instead of 150 000 000) and enable the composition dealers to make interstate supplies and keep receiving scheme benefits. ConventionalMake quarterly return and pay monthly (QRMP) together with annual reconciliation the default of the all tax payers up to 10 crore turnover. Bring fully faceless, AI-powered assessment and refund of MSMEs, with considered approval of refunds within 30 days. Until 1 st April 2023, permanently exempt permanently exempted businesses with a turnover of less than 75 lakh on the mandatory e-invoicing and e-way bill requirements. Well-developed Technological and Capacity-Building Ecosystem. GSTN infrastructure is complex and is plagued by downtime, even with the upgrades. They should invest in next-generation cloud architecture, predictive analytics, and a blockchain-based invoice matching. At the same time, a countrywide GST literacy campaign, via industry associations, common service centres, and schools should be introduced to overcome the digital/knowledge divide that has befallen micro enterprises. Enhancement of Credit Flow and Working-Capital Support. The biggest grievance of MSMEs is still blocked ITC caused by default of the suppliers. Provide a temporary credit scheme (8090 ITC) despite the defaulter not filing returns, and recovery by the defaulter by attachment to the bank-account. Work with RBI, banks to establish special GST working-capital line of credit at special rates (based on the MUDRA or PMEGP). Institutionalising Periodic Review and Evidence-Based Policymaking. Form an independent GST Evaluation Commission (consisting of economists, tax professionals, state officials, and industry associations) to extensively review on a five-year basis using econometric impact analyses, satellite accounts data and enterprise polls. This would remove ad-hoc changes in rates with predictable policymaking data. Federal Revenue Protection and Dispute Resolution Consensus. Expand the concept of cooperative federalism by institutionalisation of a permanent reserve fund of revenues (after the cessation of the compensation period which is planned post 2022) to the states with structural revenue deficits. Rapidly adjudicate the GST Appellate Tribunal to minimize the time required to put a case before the court, which serves as a drag to high courts and investor confidence.

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