



GST

LEVERAGING DIGITAL GOVERNANCE FOR INCLUSIVE ECONOMIC GROWTH: GST REFORMS AND FISCAL FEDERALISM IN TAMIL NADU

Editors

Dr. A. Anandhiprabha

Dr. M. Jeeva

Ms. A. Gomathi

Dr. S. Mahalakshmi

Volume - II

A One Day National Seminar on

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LEVERAGING DIGITAL GOVERNANCE FOR INCLUSIVE ECONOMIC GROWTH: GST REFORMS AND FISCAL FEDERALISM IN TAMIL NADU

Volume II

© **Dr. A. Anandhiprabha**
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PREFACE

The rapid advancement of digital technologies has transformed the way governments design and implement public policies, particularly in the field of taxation and economic governance. In India, the introduction of the Goods and Services Tax (GST) represents one of the most significant fiscal reforms aimed at creating a unified national market and improving transparency in tax administration. Supported by digital infrastructure such as the Goods and Services Tax Network, GST has strengthened compliance mechanisms, enhanced revenue efficiency, and promoted cooperative fiscal relations between the Centre and the States. These digital governance initiatives contribute significantly to inclusive economic growth, ease of doing business, and evidence-based policymaking in India.

The concept of fiscal federalism has also gained renewed importance in the post-GST era, as it reshapes the financial relationship between the Union and State governments. The functioning of the GST Council plays a vital role in ensuring cooperative decision-making and maintaining fiscal balance among the states. In this context, digital governance tools such as e-invoicing, automated compliance systems, and data analytics have enhanced accountability and transparency while addressing challenges related to tax evasion, revenue sharing, and administrative efficiency.

This edited volume is a compilation of research papers presented by eminent scholars, academicians, and research scholars at the ICSSR-SRC Sponsored One Day National Seminar on “Leveraging Digital Governance for Inclusive Economic Growth: GST Reforms and Fiscal Federalism in Tamil Nadu”, organized by the Department of Commerce - Banking and Insurance, NGM College. The seminar served as an academic platform for intellectual exchange on the evolving role of digital governance in tax reforms, economic inclusiveness, and policy innovation.

We express our sincere gratitude to the Indian Council of Social Science Research – Southern Regional Centre, Hyderabad, under the Ministry of Education, for sponsoring and supporting the successful organization of this national seminar. We also extend our heartfelt thanks to the distinguished resource persons, contributors, academicians, and participants whose valuable insights and scholarly contributions have enriched this volume.

We hope that this book will serve as a meaningful academic resource for researchers, policymakers, students, and industry professionals interested in understanding the intersection of digital governance, GST reforms, and fiscal federalism in promoting sustainable and inclusive economic development.

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DIGITAL INCLUSION AND COMPLIANCE BURDEN OF SMALL TAXPAYERS UNDER GST: AN EMPIRICAL STUDY IN TAMIL NADU



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Abstract

The implementation of the Goods and Services Tax (GST) in India marked a major transformation in indirect tax administration through digital governance. The establishment of the Goods and Services Tax Network (GSTN) introduced online registration, return filing, invoice reconciliation, and automated compliance systems. While GST has improved transparency and formalization of the economy, small taxpayers often encounter challenges related to digital literacy, internet accessibility, and frequent procedural changes. This study examines the level of digital inclusion and the compliance burden experienced by small taxpayers in Tamil Nadu. Primary data were collected from 162 small taxpayers across Coimbatore district using a structured questionnaire. Statistical tools such as percentage analysis, weighted mean score, chi-square test, and correlation analysis were employed. The findings reveal that 69.8% of respondents experience moderate to high compliance burden, primarily due to digital skill gaps and technical portal issues. A statistically significant association was found between digital literacy and compliance satisfaction ($p < 0.01$). The study concludes that strengthening digital inclusion through targeted capacity-building initiatives and simplified compliance procedures is essential for inclusive GST governance.

Keywords: GST, Digital Inclusion, Compliance Burden, Small Taxpayers, Tamil Nadu

1. Introduction

The introduction of GST in 2017 unified India's indirect tax structure under a destination-based taxation system. Unlike previous tax regimes, GST operates entirely through a digital interface managed by GSTN. This digital shift aligns with India's broader governance transformation toward technology-enabled public administration.

However, digital tax compliance requires access to reliable internet, digital literacy, and technical adaptability. In a state like Tamil Nadu, where small traders and micro-enterprises form a significant share of the economic base, digital compliance may pose structural challenges.

Digital inclusion in tax governance extends beyond infrastructure access; it includes digital capability, affordability, usability, and awareness. If small taxpayers are

digitally excluded, GST reforms may inadvertently increase compliance burden instead of reducing it.

2. Statement of the Problem

GST was designed to simplify taxation and enhance ease of doing business. However, small taxpayers report:

- Frequent return filing requirements
- Complex invoice reconciliation
- Technical glitches in portal
- Dependence on tax consultants
- Rising compliance costs

3. Objectives

- To measure the level of digital inclusion among small taxpayers.
- To assess the perceived compliance burden under GST.
- To examine the association between digital literacy and compliance satisfaction.
- To suggest policy measures for inclusive digital tax governance.

4. Hypothesis

- H₀: There is no significant relationship between digital literacy and compliance satisfaction.
- H₁: There is a significant relationship between digital literacy and compliance satisfaction.

5. Research Methodology

- Research Design: Descriptive and Analytical
- Area: Coimbatore District, Tamil Nadu
- Sample Size: 162 small taxpayers
- Sampling Technique: Stratified convenience sampling

Data Source: Primary survey

Statistical Tools:

- Percentage Analysis
- Weighted Mean Score
- Chi-square Test
- Pearson Correlation

6. Data Analysis

6.1 Profile of Respondents

Category	Frequency	Percentage
Retail Traders	74	45.7%
Service Providers	51	31.5%
Small Manufacturers	37	22.8%

6.2 Digital Literacy Level

Level	Frequency	Percentage
High	36	22.2%
Moderate	82	50.6%
Low	44	27.2%

Nearly 27% fall under low digital literacy.

6.3 Internet Accessibility

Type	Percentage
High-speed Broadband	41%
Mobile Internet Only	47%
Shared/Common Access	12%

Dependence on mobile internet affects stability of return filing.

6.4 Compliance Burden Perception

Burden Level	Frequency	Percentage
High	48	29.6%
Moderate	65	40.2%
Low	49	30.2%

69.8% experience moderate to high burden.

6.5 Major Difficulty Factors (Weighted Mean Score)

Factor	Mean Score (5-point scale)
Frequent Return Filing	4.01
Technical Portal Issues	3.88
Complexity of Forms	3.74
Lack of Digital Skills	3.92
Dependence on Consultants	3.69

Frequent filing and digital skill gaps are dominant stress factors

6.6 Chi-Square Test

Chi-square value = 18.47

p-value = 0.001

Since $p < 0.01$, H_0 is rejected. A significant relationship exists between digital literacy and compliance satisfaction.

6.7 Correlation Analysis

To examine the relationship between digital literacy and ease of GST compliance, Pearson’s Correlation analysis was performed.

Table 6.7 Correlation between Digital Literacy and Ease of GST Compliance (n = 162)

Variables	Digital Literacy Score	Ease of GST Compliance Score
Digital Literacy Score	1	0.64**
Ease of GST Compliance Score	0.64**	1
Sig. (2-tailed)	—	0.000
N	162	162

Note:

$r = 0.64$

$p < 0.01$ (Significant at 1% level)

Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation coefficient ($r = 0.64$) indicates a strong positive relationship between digital literacy and ease of GST compliance among small taxpayers. The p-value (0.000) is less than 0.01, confirming that the relationship is statistically significant at the 1% level.

This implies that as digital literacy increases, the perceived difficulty in GST compliance decreases significantly. Small taxpayers with better digital skills are more comfortable navigating the GST portal, filing returns, and managing compliance requirements independently.

7. Major Findings

- 73% agree GST improved transparency.
- 69.8% experience moderate to high compliance burden.
- 58% depend on tax consultants.
- Digital literacy significantly influences compliance comfort.
- Mobile-only internet users face higher filing stress.

8. Policy Implications

- Simplified quarterly return for small taxpayers.
- Regional language interface on GST portal.
- District-level digital tax literacy workshops.
- Stable compliance calendar to reduce frequent updates.
- Dedicated MSME digital facilitation cells.

9. Conclusion

GST represents a milestone in India’s digital governance journey. However, inclusive economic growth demands that digital transformation does not disproportionately burden small taxpayers. Strengthening digital inclusion through capacity building, simplified procedures, and technological support is essential for sustainable GST governance.

Digital inclusion is not optional – it is foundational for equitable fiscal reform.

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