



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 - I



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

Volume I

© **Dr. A. Anandhiprabha**
Dr. M. Jeeva
Ms. A. Gomathi
Dr. S. Mahalakshmi

First Edition: March, 2026

ISBN: 978-93-94004-35-1

Price: ₹ 850/-

Copyright

All rights reserved. No part of this book may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, mechanical, photocopying, recording or otherwise, without prior written permission of the author.

Printed at

SHANLAX PUBLICATIONS

61, 66 T.P.K. Main Road

Vasantha Nagar

Madurai – 625003

Tamil Nadu, India

Ph: 0452-4208765,

Mobile: 7639303383

email: publisher@shanlaxpublications.com

web: www.shanlaxpublications.com

13	Fiscal Performance and Intergovernmental Financial Relations Dr. T. Mohana Sundari	84-88
14	Blockchain-Based Tax Administration: Enhancing Transparency in GST Systems Dr. R. Nandhakumar	89-92
15	Digital Architecture of GSTN and Its Implications for Fiscal Federalism in India Ms. V. Poornima	93-96
16	Post-GST Economic Changes in India: Sectoral Growth and Challenges for Small Businesses Mr. Prakalathan A & Dr. B. Indira Priyadharshini	97-100
17	Digital Governance as an Initiative for Managing and Developing the Indian Economy Rajagopalan S	101-106
18	Cyber Security, Data Privacy, and Digital Infrastructure Challenges in Tax Administration Dr. S. Sathiyapriya	107-111
19	The Impact of Artificial Intelligence in GST Administration Ms.T. Jeyapratha & Dr. D. Jebaselvi Anitha	112-115
20	Role On Digital Redressal in Addressing Issues of E-Commerce Consumers Dr. S. Nambi Devi & R. Harish Prabhu	116-118
21	Impact of GST Reforms on Economic Growth in India Dr. S. C. B. Samuel Anbu Selvan & Ms. S. Amogha	119-122
22	A Study on Digital Architecture and Government Framework of GST Dr. K. Jayalakshmi & Ms. Roselin Jenita.J	123-125
23	E-Invoicing Under GST: A Step towards Transparent Governance Mr. M Mohamed Saajid & Dr. K. Bagavathi	126-129
24	A Study on Role and Functioning of the GST Council in Cooperative Federalism Bezelel Jebas. P & Dr .R. Mary Sophia Chitra	130-133
25	A Descriptive Study on Digital Payment Methods in Online Shopping Ms. Sadhana S & Ms. Sally M	134-138
26	A Descriptive Study on Consumer Protection and Digital Grievance Redressal Ms. Nivetha S & Dr. M. Balamurugan	139-143
27	Assessing the Impact of GST on Sectoral and Regional Growth in India Ms. Jane Delicia D, Ms. Sneha. A & Mr. A. Samuel Raj	144-148

POST-GST ECONOMIC CHANGES IN INDIA: SECTORAL GROWTH AND CHALLENGES FOR SMALL BUSINESSES



Mr. Prakalathan A & Dr. B. Indira Priyadharshini

Assistant Professor of Commerce (CA)

NGM College Pollachi

prahalathan@live.com & kdharshana13@gmail.com

Abstract

The introduction of the Goods and Services Tax (GST) marked a major structural reform in India's indirect tax system. By replacing multiple central and state taxes with a unified tax framework, GST aimed to simplify taxation, promote formalization, and improve economic efficiency. This chapter examines post-GST economic changes with a specific focus on sectoral growth patterns and the challenges faced by small businesses. The study highlights how GST has influenced manufacturing, services, and trade sectors, while also assessing compliance burdens, digital adaptation, and cost pressures on micro and small enterprises. The chapter concludes that while GST has supported long-term economic integration and transparency, targeted reforms are necessary to ensure inclusive growth for small businesses.

Keywords: *GST, sectoral growth, small businesses, economic reforms, compliance burden*

1. Introduction

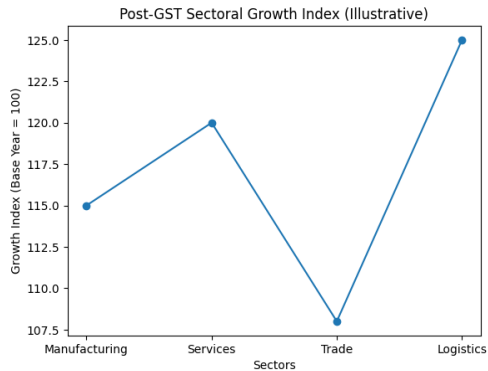
Tax reforms play a crucial role in shaping economic development. The implementation of GST represents one of the most significant fiscal reforms in India's economic history. The primary objective of GST was to create a “One Nation, One Tax” system by eliminating cascading taxes and improving ease of doing business. Post-GST, the Indian economy has experienced notable changes in production structures, inter-state trade, and business practices. However, these changes have not been uniform across sectors or business sizes. Small businesses, in particular, have faced adjustment challenges due to compliance requirements and digital reporting mechanisms.

2. GST and Sectoral Growth Trends

GST has had a mixed but evolving impact on different sectors of the economy.

The **manufacturing sector** has benefited from the removal of multiple indirect taxes and input tax credit availability. This has reduced logistics costs and encouraged supply chain integration. Large and medium enterprises adapted relatively quickly, leading to improved efficiency and competitiveness.

The **services sector** witnessed an expansion of the tax base under GST. While sectors such as information technology and financial services adjusted smoothly, small service providers initially faced difficulties due to higher tax rates and filing requirements.



The **trade and retail sector**, especially small traders, experienced short-term disruptions. Over time, standardized tax procedures and improved transparency helped organized trade, but informal traders faced pressure to formalize their operations.

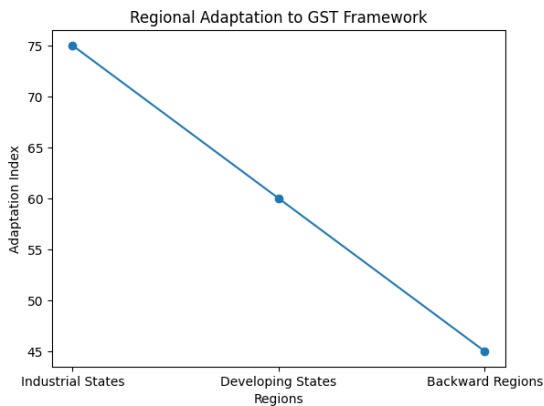
Post-GST Sectoral Growth in India

This chart illustrates sectoral growth trends in the Indian economy after the implementation of GST. Logistics and services sectors show relatively higher growth due to supply-chain integration and tax credit mechanisms, while trade experienced moderate growth during the transition period.

3. Regional Economic Effects

Post-GST, regional disparities have shown gradual shifts. States with stronger industrial bases and digital infrastructure adapted more efficiently to the GST framework. Inter-state trade has become smoother due to the removal of entry taxes and check posts, benefiting logistics and warehousing activities. However, less developed regions faced challenges related to limited technological access and lower compliance capacity among small businesses.

Regional Adaptation to GST Framework



This diagram highlights regional differences in adapting to the GST regime. Industrially advanced states adapted faster due to better infrastructure and digital readiness, while backward regions faced greater adjustment challenges.

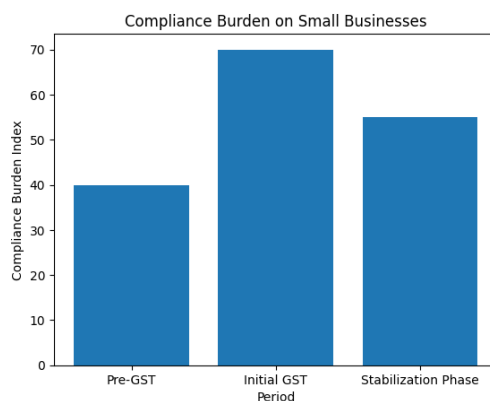
4. Challenges for Small Businesses

Despite its long-term benefits, GST introduced several challenges for small businesses:

- **Compliance burden:** Frequent return filing and detailed documentation increased administrative work.
- **Digital dependence:** Mandatory online registration and filing created difficulties for businesses with limited digital literacy.
- **Working capital issues:** Delays in input tax credit refunds affected cash flows.
- **Cost of compliance:** Expenses related to accountants, software, and consultants increased operational costs.

These challenges were more pronounced during the initial years of implementation, especially for micro and informal enterprises.

Compliance Burden on Small Businesses



The chart depicts changes in the compliance burden faced by small businesses before GST, during the initial implementation phase, and in the stabilization period. The burden increased sharply during the initial phase due to return filing and digital compliance requirements, followed by partial stabilization over time.

5. GST and Ease of Doing Business

GST has contributed positively to India’s Ease of Doing Business indicators by simplifying indirect taxation and improving transparency. However, ease of doing business varies by business size. While large firms benefit from streamlined processes, small businesses require simplified compliance mechanisms, threshold exemptions, and support systems to fully realize GST benefits.

6. Policy Suggestions

To reduce the burden on small businesses and promote inclusive growth, the following measures are recommended:

- Simplification of return filing procedures
- Strengthening GST help desks and training programs
- Faster input tax credit refunds

- Expansion of composition schemes for micro enterprises
- Improved digital infrastructure in rural and semi-urban areas

7. Conclusion

GST has transformed India’s indirect tax structure and contributed to greater economic integration and transparency. Sectoral growth trends indicate long-term efficiency gains, particularly in manufacturing and organized services. However, small businesses continue to face compliance and adaptation challenges. For GST to achieve truly inclusive economic growth, reforms must focus on reducing procedural complexity and supporting small enterprises during their transition to formalization.

References

1. Government of India. (2017). *Goods and Services Tax (GST): Concept and status*. Ministry of Finance.
2. GST Council. (2019). *GST revenue trends and compliance framework*. Government of India.
3. Reserve Bank of India. (2018). *State finances: A study of budgets*. RBI.
4. Reserve Bank of India. (2020). *Annual report 2019–20*. RBI.
5. World Bank. (2020). *Doing business 2020: Comparing business regulation in 190 economies*. World Bank Group.
6. Kumar, R., & Kumar, S. (2019). Impact of GST on Indian economy: A sectoral analysis. *International Journal of Economic Research*, 16(3), 45–56.
7. Aggarwal, S., & Narayanan, B. (2018). Impact of India’s GST on interstate trade. *National Institute of Public Finance and Policy Working Paper*.
8. NITI Aayog. (2018). *Strategy for new India @75*. Government of India.
9. Poddar, S., & Ahmad, E. (2010). GST reforms and intergovernmental considerations in India. *Economic and Political Weekly*, 45(10), 38–43.
10. OECD. (2014). *Consumption tax trends 2014: VAT/GST and excise rates*. OECD Publishing.