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Impact of Women Entrepreneurs and GST: Challenges

Dr. Abbanapuri Yakaiah M.com, Ph.D, PD.F(ICSSR), B E.d(Special HI), BE.d
Madipally, Thorrur, Mhabubabad District, Telangana State -506163
Cell: 9866673486 Mail-id: abbanapuriyakaiah@gmail.com
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Abstract:

GST has long been considered a magic potion for all tribulations that outbreak the Indian economic system. India has an extremely complicated tax regime. Sales Tax, Value Added Tax, Excise, Octroi (Tax on inter-state movement of goods), and multiple surcharges are just some of the taxes that Indian business professionals bear. The complexity of tax filing and the impact of tax reforms especially affect business women, who run boutique enterprises, jewelry shop, general stores, handicrafts and beauty salon from their homes or small stores. More often than not, women entrepreneurs specialize in functional and managerial skills that enable them to run their business smoothly, but might resort to outsourcing of tax management to Chartered Accountants or other professionals. It is important that these women entrepreneurs are aware of the changing landscape that is promised by GST, and how GST affects small businesses. This study an attempted to the impact of Goods and Services Tax (GST) on women entrepreneurs in India.

Keywords: Goods and services tax, women entrepreneur, compliance, Challenges.

Introduction:

The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. The Goods and Services Tax has revolutionized the Indian taxation system. The GST Act was passed in the Lok Sabha on 29th March, 2017, and came into effect from 1st July, 2017.GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a

tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

The GST reform is expected to bring in a lot of changes in Indian economy. The present structure of Indirect Taxes is very complex in India. There are so many types of taxes that are levied by the Central and State Governments on Goods & Services. This paper studies the impact of GST on women entrepreneurs. Given the passage of the Constitution Amendment Bill for Goods and gies and Innovative Research 257 Services Tax (GST) in the Rajya Sabha on 3 August 2016, the Government of India seems committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement GST by April 2017. With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions. GST the game changer: GST will be a game changing reform for Indian economy by developing a common Indian market and reducing the cascading effect of tax on the cost of goods and services. It will impact the Tax Structure, Tax Incidence, Tax Computation, Tax Payment, Compliance, Credit Utilization and Reporting leading to a complete overhaul of the current indirect tax GST will have a far reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services; supply chain optimization; IT, accounting and tax compliance systems.

Objectives of the study:

- ★ To study the various aspects of Goods and Services Tax system in India.
- ★ To analyze advantages and disadvantages of GST for women entrepreneurs.

Review of literature:

Girish Garg, (2014) Studied "Basic Concepts and Features of Good and Service Tax in India", and found that GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. ***Dr. R. Vasanthagopal, (2011)*** Studied "GST in India: A Big Leap in the Indirect Taxation System", and found that the positive impacts are dependent on a neutral and rational design of the GST, balancing the conflicting interests of various stakeholders, full political commitment for a fundamental tax reform with a constitutional amendment,

the switchover to a flawless‟ GST would be a big leap in the indirect taxation system and also give a new impetus to India's economic change. It is also noted that, buoyed by the success of GST, more than 140 countries have introduced GST in some form to other and is fast becoming the preferred form of indirect tax in the Asia pacific region. difficult to compete with large enterprises. Thus leading to the increase in the cost of products.

Working of GST and its impact on women entrepreneur:

With the implementation of GST, the owners of small businesses specially women who have been negatively impacted the most. They are loaded with hesitation while working in the new regime and rightly so, but these business women should understand that the teething problems will only prevail for a short time, as in the case of demonetization. The government is continuously working on simplifying the compliance procedure and easing the transitional pain for the taxpayers. Having said that, there are some challenges in GST that have been a source of worry, for the small and medium-sized enterprises(SMEs).

Challenges faced by Women Entrepreneurs under GST

- ★ **Filing GST is complicated:** The women entrepreneur is having trouble understanding and adopting the necessary requirements to comply with the new system of indirect taxation. Filing three returns in a month, registration rules, complex refund rules - there are multiple compliance issues that are worrying the businesses. In these past three months of GST implementation, the government identified the pain-points that were making compliance difficult for SMEs. The council met recently, to ease the GST compliance procedures, especially for the small businesses. The limit for composition scheme has been increased to Rs 1 crore. SMEs having an annual turnover of Rs 1.5 crore can file GST returns, quarterly. Government has even launched helpline systems on the social media to instantly address the problems and queries faced by businesses. You can also avail the services of application service providers (ASPs) that will help you ensure complete GST compliance in the easiest possible way.
- ★ **Blockage of Working Capital:** Liquidity crunch is another challenge for women entrepreneur. In GST, funds will be maintained in the form of an electronic credit ledger with the tax department. This credit ledger will keep a record of all your tax liabilities. In the case of services' sector, the rates have been increased from 15% to 18%. This will force the taxpayers in the sector to face some blockage of working capital. Government is currently working on a solution to this problem as working capital is very important, particularly for

smooth functioning of small and new businesses. For the exporters, the government is working on an 'e-wallet' system that will be created for each exporter by April 1, 2018 to ease the process of refunding their returns. Till then, the exporters will have to pay a nominal GST of 0.1%. Exporters will also receive refunds from 10th October, which would help in resolving cash flow issues.

- ★ **All the necessary GST compliances have to be done online:** This is proving to be a very difficult task for the women entrepreneur as most of them lack the necessary technical resources for the same. There are many ASPs that will help the small businesses ensure end-to-end GST compliance without the requirement of a continuous internet connection. To overcome this, taxpayers can opt for ASPs which can integrate with simple book keeping options, as basic as Microsoft Excel. This way, businesses can easily document details of all their transactions. An internet connection will be required for just 5 minutes Prior to the recent GST council meeting, the small dealers and manufacturers were required to pay
- ★ **GST on advances received:** This was proving to be very burdensome for the women in this sector. In order to ease their hardships, the GST council has decided that the taxpayers having an annual aggregate turnover up to Rs 1.5 crores shall not be required to pay GST at the time of receipt of advances on account of supply of goods. The GST on such supplies shall be payable only when the supply of goods is made.
- ★ **Payment and compliance with tax rules:** In terms of compliance of GST rules, small businesses no longer have to deal with multiple taxes. However, small businesses will need to have clear invoice-by-invoice updates for every transaction to avail the benefits posed by GST.
- ★ **GST and Business Practices:** The GST Bill brings efficiency in product costs (especially due to lowered effective tax in the market), but also leads to significant costs and time investment in regulation management, and compliance. Small businesses are already wary of GST as it seeks to do away with kacha or fake bills, which were the basis of small business operations so far. Income tax for small entrepreneurs might also be bought under the radar in case of inconsistency with business incomes and expenses.
- ★ **Harder to negotiate:** It is harder for women entrepreneurs to negotiate this as among businesses; it is generally not considered women's work to participate in negotiation of bills, and deal with middlemen and suppliers.

Conclusion:

It is hoped that GST, with its simplified and digitized structure will help women entrepreneur adapt to the tax regime. The ease in navigating the confusion of taxation will enable women entrepreneur to contribute more to the economy, especially women entrepreneurs who have multiple social pressures to deal with as well. In conclusion, GST has created a new system to be followed for women entrepreneurs which whilst in the beginning might be difficult but the long-term rewards of it might lead to a healthier Indian economy.

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