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GST Compliance Among Rural Women Entrepreneurs: Challenges and Practical Realities

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Abstract

The implementation of the Goods and Services Tax (GST) brought significant changes to the indirect taxation system in India by creating a common tax structure across the country. Although GST has helped streamline tax administration and promote greater formalisation of businesses, complying with its requirements can still be difficult for small-scale enterprises, especially those functioning in rural regions. Women entrepreneurs in rural areas often encounter additional obstacles, including limited access to financial resources, inadequate digital skills, insufficient knowledge of GST procedures, difficulty obtaining professional tax support, and challenges in maintaining systematic business records. This study focuses on the practical difficulties faced by rural women entrepreneurs in areas such as GST registration, preparation of invoices, maintenance of records, filing of returns, and the use of digital payment systems. The study follows a descriptive and analytical approach and primarily uses secondary sources of information. It highlights the need for greater awareness, simplified guidance, affordable professional assistance, digital literacy programmes, and accessible institutional support to facilitate GST compliance among rural women entrepreneurs. The study further suggests that appropriate support for GST compliance can strengthen business formalisation, improve financial management, and create better opportunities for the long-term development and sustainability of women-led enterprises in rural India.

Keywords: GST, women entrepreneurs, rural entrepreneurship, tax compliance, digital literacy, MSMEs, India

1. Introduction

Women-led businesses are increasingly contributing to India's economic progress and social development. In rural communities, women are involved in a wide range of entrepreneurial activities, including handicraft production, tailoring, food-related businesses, retailing, dairy activities, agricultural processing, personal-care services, and other small enterprises. Apart from providing women with sources of income, these businesses support family livelihoods, generate employment within local communities, and contribute to the circulation of economic activity in rural areas.

The introduction of the Goods and Services Tax (GST) in July 2017 brought a significant change to India's indirect taxation system. By bringing several indirect taxes under a common framework, GST aimed to create a more integrated and transparent tax structure. The system also increased the importance of digital processes for activities such as tax registration, invoicing, payments, and the submission of tax-related information.

Although formalisation can provide advantages to businesses, it also places certain administrative responsibilities on entrepreneurs. Depending on the nature and scale of their operations, small business owners may need to understand GST registration provisions, determine the tax treatment of their transactions, maintain financial records, prepare appropriate invoices, fulfil applicable return-filing requirements, and communicate with tax authorities when necessary. Managing these activities can be challenging for rural women entrepreneurs, particularly when their businesses operate on a small scale, depend on seasonal income, involve family members, or function without regular access to accountants and other professional advisers.

Therefore, GST compliance among rural women entrepreneurs should be examined from a broader perspective than simply measuring their awareness of taxation. Effective compliance depends on several factors, including access to reliable information, financial capacity, digital skills, record-keeping practices, availability of professional guidance, and institutional support. Understanding these practical circumstances is essential for developing policies and support mechanisms that can make GST compliance more accessible and manageable for women operating small businesses in rural India.

2. Statement of the Problem

GST compliance has become closely associated with the use of digital platforms and systematic business practices. While the adoption of digital technology can improve the speed, transparency, and convenience of tax-related processes, it may also pose difficulties for entrepreneurs who have limited digital knowledge, inadequate technological resources, or inconsistent internet connectivity.

Rural women entrepreneurs often experience several related barriers that can affect their ability to comply with GST requirements. These may include insufficient

understanding of GST rules, difficulty interpreting technical tax concepts, limited experience in maintaining proper accounts and business records, inadequate access to qualified accountants or tax advisers, and concerns regarding the financial and time costs involved in meeting compliance obligations.

Such difficulties may influence the willingness of small informal businesses to become part of the formal economy or to expand their operations. Entrepreneurs who perceive taxation as complicated or costly may hesitate to formalise their businesses. Therefore, it is important to examine GST compliance not only as a matter of legal and regulatory requirements but also in relation to the everyday circumstances, resources, skills, and support systems available to rural women entrepreneurs.

3. Objectives of the Study

The main objectives of the study are:

1. To examine the importance of GST compliance for rural women entrepreneurs.
2. To identify the major challenges faced by rural women entrepreneurs in complying with GST requirements.
3. To examine the role of digital literacy and technology in GST compliance.
4. To analyse the practical difficulties associated with GST registration, record keeping, invoicing, and return filing.
5. To suggest measures for improving GST awareness and compliance among rural women entrepreneurs.

4. Research Questions

The study seeks to answer the following questions:

1. What are the major GST compliance challenges faced by rural women entrepreneurs?
2. To what extent does digital literacy influence GST compliance?
3. What difficulties do rural women entrepreneurs experience in maintaining business and tax records?
4. Does limited access to professional assistance affect GST compliance?
5. What measures can improve GST compliance among rural women entrepreneurs?

5. Review of Literature

Previous studies on women's entrepreneurship in India have highlighted a range of factors that influence the establishment and growth of women-owned enterprises. Access to finance, availability of markets, technological resources, entrepreneurial training, and institutional assistance are among the commonly identified concerns. These difficulties may be more pronounced in rural settings, where women entrepreneurs often

have limited access to specialised business services, financial institutions, professional advisers, and entrepreneurship-development facilities.

Studies concerning taxation and small enterprises have also pointed out that compliance can impose a relatively greater burden on micro and small businesses. Administrative expenses that may appear minor for larger organisations can represent a considerable share of the resources of a small enterprise. Activities such as maintaining accounts, preparing invoices, calculating tax liabilities, preserving supporting documents, and completing online filing procedures may consequently require substantial time, money, and effort from small business owners.

The introduction of GST has further increased the role of digital technology in tax administration. Several GST-related activities, including registration, tax payments, return submission, and access to compliance information, are facilitated through online systems. Digital tax administration can improve efficiency, reduce paperwork, and increase transparency. However, these advantages may not be equally accessible to entrepreneurs who have limited digital literacy, inadequate access to devices, or difficulties with internet connectivity.

For rural women entrepreneurs, the issue can be more complex because access to technology may intersect with other socioeconomic limitations, including restricted financial resources, limited participation in formal business networks, and inadequate opportunities for financial and entrepreneurial education. Consequently, GST compliance needs to be understood as part of a broader ecosystem involving digital inclusion, financial literacy, access to institutional support, and the overall development of rural women-owned enterprises. This perspective provides a stronger basis for identifying practical measures that can make tax compliance more accessible and manageable for rural women entrepreneurs.

6. Research Methodology

This paper follows a **descriptive and analytical research design**.

Sources of Data

The study is based primarily on secondary data obtained from:

- GST-related government publications and official guidance.
- Publications of the Ministry of Micro, Small and Medium Enterprises.
- Reports of government institutions and development organisations.
- Academic research relating to GST, MSMEs, rural entrepreneurship, and women entrepreneurs.
- Relevant books, journals, articles, and research reports.

The study does not claim to present primary survey findings. The analysis focuses on identifying and interpreting the practical compliance issues that are relevant to rural women entrepreneurs.

7. GST Compliance Requirements Relevant to Small Entrepreneurs

The GST obligations of a business vary according to factors such as its type of activity, turnover, location, and applicable tax provisions. For a small enterprise, compliance may involve understanding whether GST registration is necessary, completing the registration process when required, preparing valid tax invoices, maintaining accurate transaction records, paying the applicable tax, submitting required returns, and retaining relevant financial and business documents.

In larger or professionally managed organisations, these responsibilities are generally assigned to qualified accountants, tax consultants, or dedicated finance staff. Small rural businesses often operate differently. In many cases, the entrepreneur herself or a family member may be responsible for managing accounts and fulfilling tax-related requirements alongside the day-to-day operation of the business.

As a result, successful GST compliance depends not only on the existence of tax rules but also on the entrepreneur's practical ability to understand procedures, maintain proper records, access reliable information, and use digital systems. For rural women entrepreneurs with limited experience in taxation or technology, these requirements can create additional administrative challenges.

8. Major Challenges Faced by Rural Women Entrepreneurs

8.1 Limited GST Awareness

A major difficulty for rural women entrepreneurs is the lack of clear and adequate understanding of GST-related rules and procedures. Many small business owners may find it difficult to understand important concepts such as taxable transactions, eligibility for input tax credit, invoice requirements, registration criteria, and applicable return-filing procedures. Limited awareness can increase the possibility of errors and make routine compliance more complicated.

In rural communities, entrepreneurs often obtain information about taxation through informal sources, including fellow business owners, local accountants, community organisations, or government awareness initiatives. Although these sources can provide useful guidance, the information received may not always be complete, consistent, or updated in accordance with changes in GST provisions. This highlights the importance of providing rural women entrepreneurs with simple, reliable, and regularly updated tax information through accessible channels.

8.2 Digital Literacy

The growing use of digital systems in GST administration has made basic technological skills an important part of tax compliance. Entrepreneurs may be required to operate smartphones or computers, access online GST services, submit information electronically, obtain tax-related documents, and communicate through digital channels. These activities can be challenging for individuals who have limited experience with online government services.

For rural women entrepreneurs, familiarity with smartphones for everyday activities does not necessarily mean that they are comfortable handling taxation-related applications. GST procedures may involve unfamiliar terminology, several stages of data entry, document management, and verification requirements. As a result, entrepreneurs with limited digital literacy may need additional guidance or assistance to complete GST-related activities accurately and confidently.

8.3 Access to Professional Assistance

Accountants and tax practitioners can play an important role in helping small businesses comply with taxation requirements. However, professional services may not be easily available in every rural location.

Where professional assistance is available, its cost may also be a concern for micro-enterprises. Some entrepreneurs may therefore attempt to manage compliance themselves or depend on family members with limited tax knowledge.

8.4 Record-Keeping Difficulties

Proper records are essential for determining sales, purchases, expenses, taxes, and other business information. Many small rural businesses continue to rely on notebooks or informal records.

The transition from informal record keeping to systematic digital or accounting records can be difficult. Entrepreneurs may also find it challenging to separate personal and business transactions.

8.5 Cost of Compliance

Even when the amount of tax payable is relatively small, the cost of compliance can be significant. Such costs may include professional fees, bookkeeping expenses, internet access, software or accounting services, and the entrepreneur's time.

For a small rural business operating on a narrow profit margin, these indirect compliance costs can influence business decisions.

8.6 Language and Technical Terminology

Tax regulations and online procedures may use technical terminology that is difficult for first-time entrepreneurs to understand. Language can become a further barrier

where entrepreneurs are more comfortable with a regional language than with English or formal administrative terminology.

Providing information and assistance in local languages can therefore be important for improving effective compliance.

8.7 Irregular and Seasonal Business Activity

A significant number of rural businesses depend on activities that are influenced by seasons, agricultural cycles, festivals, local events, or changes in consumer demand. Enterprises involved in agricultural products, handicrafts, food processing, tourism, and village-level retail may therefore experience considerable variations in sales and income throughout the year. Unlike larger businesses with relatively stable revenue, these enterprises may have periods of high activity followed by months of limited business.

Such fluctuations can make regular tax-related administration more difficult for rural women entrepreneurs. Maintaining consistent records and completing applicable compliance procedures may require time and attention even during periods when business activity is low. The challenge can become greater when the entrepreneur manages all administrative tasks herself and does not have access to a dedicated accountant or trained staff. Providing simple compliance guidance and accessible professional support can therefore help seasonal rural enterprises manage their GST responsibilities more effectively.

8.8 Fear of Penalties and Notices

For some small-scale entrepreneurs, tax procedures may appear complicated and difficult to manage without expert guidance. Uncertainty about GST rules can create a fear of making incorrect entries, submitting inaccurate information, or missing compliance requirements. Concerns about receiving tax notices or incurring penalties may further increase apprehension, particularly among entrepreneurs who are unfamiliar with formal tax administration.

This fear can sometimes discourage small business owners from participating fully in the formal business environment. A more supportive approach to compliance should therefore recognise the difference between intentional attempts to avoid tax and genuine mistakes caused by limited knowledge or misunderstanding of procedures. Clear instructions, accessible help services, and appropriate taxpayer education can help rural women entrepreneurs comply with GST requirements with greater confidence.

9. Practical Realities of GST Compliance

The actual experience of GST compliance for a rural woman entrepreneur may be considerably more complex than the procedures appear on an online platform. Although digital tax systems are designed to simplify compliance, entrepreneurs must still

understand the requirements and apply them correctly within the context of their everyday business activities.

For instance, consider a woman running a small home-based food-processing enterprise. She may purchase ingredients from nearby suppliers, sell finished products through village markets or local shops, and receive payments through both cash and digital channels. Although the scale of her business may be modest, keeping accurate records of purchases, sales, payments, invoices, and other transactions can require considerable time and accounting knowledge.

A similar situation may arise for a rural handicraft producer who sells goods through local markets as well as digital marketplaces. Managing transactions from different sales channels, understanding the applicable GST requirements, and retaining the necessary documents can be difficult without appropriate guidance.

These situations indicate that GST compliance is influenced by more than tax regulations alone. Factors such as the entrepreneur's educational background, digital skills, financial capacity, nature of business, access to professional advice, and availability of local support services can significantly affect her ability to meet compliance requirements effectively.

10. GST and Formalisation of Rural Women-Owned Businesses

Although GST compliance may create administrative difficulties for rural women entrepreneurs, participation in the formal tax system can also offer meaningful business opportunities. Formal registration and proper documentation can enhance the professional image of an enterprise and may help small businesses establish stronger connections with organised buyers, distributors, and larger supply networks.

Maintaining systematic business and financial records can provide additional benefits. Accurate records can help entrepreneurs understand their sales and expenses, assess business performance, plan future activities, and demonstrate financial information when seeking institutional credit or other forms of business support. Formal business practices may also make it easier for enterprises to participate in organised markets and explore new commercial opportunities.

Therefore, GST should not be considered only as an additional regulatory responsibility. When rural women entrepreneurs receive adequate awareness, digital training, accounting assistance, and institutional guidance, compliance can support the transition from informal economic activity to more structured and sustainable entrepreneurship. In this way, formalisation can contribute to improved business management and create opportunities for long-term enterprise growth.

11. Role of Digital Technology

Digital technology can significantly improve GST compliance if entrepreneurs have adequate skills and access.

Smartphones, digital payment systems, accounting applications, and online government services can reduce dependence on paper-based processes. Digital records can also help entrepreneurs monitor sales, purchases, expenses, and cash flows.

However, digitalisation by itself does not guarantee compliance. Training and user-friendly interfaces are necessary. Rural women entrepreneurs should be provided with practical training that focuses on actual business situations rather than only theoretical explanations of GST.

12. Suggestions and Policy Measures

The following measures can improve GST compliance among rural women entrepreneurs:

12.1 Local GST Awareness Programmes

Government agencies, self-help groups, rural development organisations, and educational institutions can conduct regular GST awareness programmes in rural areas.

12.2 Training in Regional Languages

GST training materials should be available in regional languages and should use simple examples relevant to small rural businesses.

12.3 Digital Literacy Programmes

Training should include practical skills such as using smartphones, maintaining digital records, generating invoices, making online payments, and accessing government portals.

12.4 Affordable Professional Support

Local support centres could provide low-cost accounting and GST assistance to micro-enterprises. Such services would be particularly valuable where professional tax practitioners are not easily accessible.

12.5 Integration with Self-Help Groups

Women's self-help groups can serve as effective channels for spreading information about GST, bookkeeping, digital payments, and entrepreneurship.

12.6 Simplified Compliance Assistance

Government institutions should continue efforts to make compliance procedures understandable to first-time and small taxpayers. Step-by-step guidance and easily accessible help services can reduce uncertainty.

12.7 Encouraging Separation of Personal and Business Finances

Entrepreneurs should be trained to maintain separate records for household and business transactions. This can improve both tax compliance and business management.

13. Findings of the Study

Based on the analysis, the major findings are:

1. GST compliance can be more difficult for rural women entrepreneurs because of limited awareness and access to professional assistance.
2. Digital literacy is an important factor influencing the ability to use online GST-related services.
3. Poor record keeping can create difficulties in accurate tax reporting and business management.
4. Compliance costs can be proportionately significant for micro-enterprises.
5. Language and technical terminology can reduce understanding of tax procedures.
6. Rural women entrepreneurs require practical and continuous support rather than one-time awareness programmes.
7. Properly supported GST formalisation can potentially improve business credibility and access to formal markets.

14. Limitations of the Study

The study is primarily based on secondary information and conceptual analysis. It does not provide statistically generalisable findings from a primary survey of rural women entrepreneurs.

Future research could conduct field surveys across different rural districts and compare GST compliance among women entrepreneurs based on education, age, business type, income level, digital literacy, and access to professional assistance.

15. Conclusion

The introduction of GST has brought substantial changes to India's indirect tax framework and has encouraged businesses to adopt more formal and organised practices. However, the advantages associated with formalisation may remain limited when small entrepreneurs do not have sufficient knowledge, skills, or resources to meet their tax-related responsibilities.

For women running enterprises in rural areas, GST compliance extends beyond the simple fulfilment of tax regulations. Their ability to comply can be influenced by digital skills, financial knowledge, bookkeeping practices, access to qualified professionals, language barriers, technological infrastructure, and the wider business environment in which they operate. These factors can make tax procedures more demanding for small and emerging enterprises.

Improving GST compliance therefore requires a practical and inclusive support system. Clear and easy-to-understand information, training in local languages, digital-literacy programmes, reasonably priced accounting assistance, and accessible institutional guidance can help reduce the difficulties faced by rural women entrepreneurs. Such measures can make the compliance process more understandable and manageable.

When appropriate support is provided, GST compliance can become more than a statutory responsibility. It can encourage better record keeping, strengthen financial management, improve business credibility, and support the gradual development of sustainable enterprises. Consequently, programmes aimed at empowering rural women entrepreneurs should incorporate GST awareness, tax literacy, and digital financial skills alongside conventional entrepreneurship training. Strengthening these capabilities can enable more rural women to participate confidently in the formal economy and contribute to broader and more inclusive economic development.

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