United International Journal of Multidisciplinary Research (UIJMR)
An International Peer-Reviewed and Refereed Multidisciplinary Journal
ISSN: 3048-6726 | Impact Factor: 6.934 (SJIF)
Volume 3, Special Issue -IX, 2026; Website: www.uijmr.in

Impact of GST on MSMEs: A Comparative Study of Rural and Urban Enterprises in Telangana

Kandikatte Naveen
Dept of Economics
Osmania University Hyderabad Telangana.
Email. kandikaten@gmail.com
Mobile no: 8186929489
DOI:10.37854/UIJMR.2026.3.3.9.171

ABSTRACT
The implementation of the Goods and Services Tax (GST) in India in 2017 marked a significant reform in the indirect taxation system, aiming to create a unified national market and improve ease of doing business. Micro, Small and Medium Enterprises (MSMEs), which contribute nearly 30% to India's GDP and provide employment to over 110 million people, are particularly sensitive to such structural reforms.
This study examines the impact of GST on MSMEs in Telangana with a comparative focus on rural and urban enterprises. The research is based on both primary and secondary data, highlighting differences in compliance burden, cost structures, digital adaptation, and business performance. The findings reveal that while GST has simplified the taxation system and enhanced transparency, its benefits are unevenly distributed. Urban MSMEs have adapted more effectively due to better digital infrastructure, access to professional services, and financial literacy. In contrast, rural MSMEs face challenges such as limited digital access, compliance complexity, and working capital constraints.
The study concludes that GST has led to formalization and improved efficiency in the MSME sector but has also widened the rural–urban gap. Policy interventions focusing on digital inclusion, simplified compliance procedures, and financial support are essential to ensure equitable growth of MSMEs across regions.

Keywords: GST, MSMEs, Rural Enterprises, Urban Enterprises, Telangana, Tax Reforms, Digital Compliance, Formalization, Economic Growth, Rural–Urban Disparities

Introduction

Micro, Small and Medium Enterprises (MSMEs) constitute a vital segment of the Indian economy, playing a significant role in promoting industrial growth, employment generation, and regional development. The sector contributes substantially to Gross Domestic Product (GDP), exports, and inclusive economic growth by providing opportunities for entrepreneurship across both rural and urban areas. In states like Telangana, MSMEs are particularly important as they support balanced regional development and reduce disparities between developed urban centers and less-developed rural regions.

The introduction of the Goods and Services Tax (GST) on July 1, 2017, marked a landmark reform in India's indirect taxation system. GST replaced multiple indirect taxes such as Value Added Tax (VAT), excise duty, and service tax with a unified tax structure, aiming to simplify the tax regime, eliminate cascading effects, and create a common national market. The reform also emphasized digitization and transparency by introducing an online compliance system, thereby encouraging formalization of businesses.

While GST has brought several advantages, its impact on MSMEs has been mixed. On the positive side, GST has streamlined tax procedures, facilitated input tax credit (ITC), and improved market access by reducing inter-state trade barriers. However, it has also imposed challenges such as increased compliance requirements, dependence on digital infrastructure, and additional costs associated with filing returns and maintaining records. These challenges are more pronounced for smaller enterprises with limited financial and technical capabilities.

The impact of GST is not uniform across regions, particularly when comparing rural and urban enterprises. Urban MSMEs generally benefit from better infrastructure, higher levels of digital literacy, and easier access to financial and professional services. In contrast, rural MSMEs often face constraints such as inadequate internet connectivity, lower awareness of tax regulations, and limited access to skilled manpower. As a result, the implementation of GST may have widened the gap between rural and urban enterprises in terms of performance and adaptability.

Telangana provides a unique context for analyzing these differences due to its diverse economic structure, comprising rapidly growing urban hubs like Hyderabad alongside a large number of rural enterprises. Understanding how GST has affected MSMEs in both settings is essential for evaluating the effectiveness of the reform and identifying areas where policy intervention is required.

Against this backdrop, the present study aims to examine the impact of GST on MSMEs in Telangana with a comparative focus on rural and urban enterprises. The study seeks to

analyze the benefits and challenges associated with GST implementation and to assess whether the reform has contributed to balanced and inclusive growth across different regions.

A considerable body of literature exists on the impact of the Goods and Services Tax (GST) on Micro, Small and Medium Enterprises (MSMEs) in India. Most studies have focused on the overall effects of GST on business performance, tax compliance, formalization, and economic efficiency. These studies generally conclude that while GST has simplified the tax structure and improved transparency, it has also increased compliance burden, particularly for small enterprises.

2. Review of literature

The impact of the Goods and Services Tax (GST) on Micro, Small and Medium Enterprises (MSMEs) has been widely studied in recent years. The literature highlights both the advantages and challenges associated with GST implementation, particularly for small businesses.

Several studies have emphasized the **positive impact of GST** on MSMEs. Garg (2019) observed that GST has simplified the indirect tax system by replacing multiple taxes with a unified structure, thereby reducing cascading effects and improving overall efficiency. Similarly, Kumar and Joseph (2020) found that GST has enhanced transparency and encouraged formalization of businesses, bringing more enterprises into the tax net. This formalization has also facilitated better access to institutional credit and government support.

On the other hand, a number of researchers have pointed out the **challenges faced by MSMEs under GST**. Singh and Verma (2018) highlighted that frequent filing of returns and complex compliance procedures have increased the administrative burden on small businesses. Reddy (2021) noted that the requirement of digital compliance has posed significant difficulties, especially for enterprises with limited technological capabilities.

The issue of **working capital constraints** has also been discussed in the literature. Sharma (2020) argued that delays in receiving input tax credit (ITC) refunds have adversely affected the liquidity position of MSMEs, particularly smaller firms with limited financial reserves. This has resulted in increased dependence on external borrowing and higher financial costs.

Some studies have focused on the **impact of GST on business performance and growth**. Patel (2022) found that GST has improved supply chain efficiency and expanded market access by eliminating inter-state barriers. However, the benefits are not uniform across all enterprises. Larger and more organized firms tend to gain more compared to smaller and informal enterprises.

A few researchers have attempted to explore **regional and sectoral differences**. Das and Aggarwal (2021) indicated that MSMEs in urban areas are better equipped to adapt to GST due to higher levels of digital literacy, infrastructure, and access to professional services. In contrast, rural MSMEs face challenges such as poor internet connectivity, lack of awareness, and limited access to skilled labor.

Despite these contributions, the literature reveals that **comparative studies focusing specifically on rural and urban MSMEs are limited**, particularly at the state level. Moreover, there is a lack of micro-level empirical evidence capturing the real experiences of MSMEs in adapting to GST.

RESEARCH GAP

Many studies are conducted at the national level and fail to capture state-specific variations. There is limited research focusing specifically on Telangana, despite its unique economic structure combining rapidly growing urban centers and underdeveloped rural regions.

Insufficient Rural–Urban Comparative Analysis

Existing research largely treats MSMEs as a homogeneous group, without adequately distinguishing between rural and urban enterprises. The differential impact of GST based on location, infrastructure, and accessibility remains underexplored.

Limited Micro-Level Evidence

Much of the available literature relies on secondary data and macro-level indicators. There is a lack of primary, firm-level data that captures the real experiences, challenges, and perceptions of MSME owners, especially in rural areas.

Neglect of Digital Divide Issues

GST is heavily dependent on digital compliance systems. However, very few studies have examined how differences in digital literacy and access to technology influence GST compliance among rural and urban MSMEs.

Inadequate Focus on Compliance Cost and Working Capital Constraints

While some studies mention compliance burden, there is insufficient detailed analysis of how GST affects cost structures, liquidity, and working capital management, particularly for smaller and rural enterprises. **Limited Policy-Oriented Comparative Insights**

There is a lack of research providing targeted policy recommendations based on rural–urban disparities, which is essential for designing inclusive and region-specific interventions.

2.1. Objectives of the Study

The present study aims to examine the impact of the Goods and Services Tax (GST) on Micro, Small and Medium Enterprises (MSMEs) in Telangana with a comparative perspective of rural and urban enterprises. The specific objectives of the study are as follows:

- To analyze the overall impact of GST on the performance of MSMEs in Telangana.
- To compare the effects of GST on rural and urban MSMEs in terms of growth, productivity, and business operations.
- To examine the level of awareness and understanding of GST among MSME owners in rural and urban areas.
- To identify key constraints faced by rural MSMEs in adapting to GST compared to urban MSMEs.
- To suggest policy measures for improving the effectiveness of GST and supporting MSME growth in Telangana.

2.2. Research Methodology

This section outlines the research design, data sources, sampling method, and analytical tools used to examine the impact of the Goods and Services Tax (GST) on Micro, Small and Medium Enterprises (MSMEs) in Telangana, with a comparative focus on rural and urban enterprises.

2.3. Research Design

The study adopts a **descriptive and analytical research design**. It aims to describe the impact of GST on MSMEs and analyze the differences between rural and urban enterprises in terms of compliance, cost, and performance.

2.4. Data Sources

The study is based on both **primary and secondary data**:

Primary Data:

- Collected through structured questionnaires and personal interactions with MSME owners in rural and urban areas of Telangana.

Secondary Data:

- Collected from government reports, MSME Ministry publications, research journals, articles, and official GST portals.

2.5. Sampling Design

- **Sampling Technique**: Convenience sampling method
- **Sample Size**: 100 MSMEs
    - Rural Enterprises: 50
    - Urban Enterprises: 50

The sample includes enterprises from manufacturing, trade, and service sectors to ensure diversity and representation.

2.6. Data Collection Tools

- Structured questionnaire
- Interviews with MSME owners
- Observation method (where necessary)

The questionnaire includes questions related to:

- Awareness of GST
- Compliance procedures
- Cost and financial impact
- Digital adoption
- Business performance

2.7. Variables of the Study

- **Independent Variable**: Implementation of GST
- **Dependent Variables**:
    - Business performance
    - Cost structure
    - Working capital
    - Compliance burden
    - Digital adoption

2.8. Tools and Techniques of Analysis

The collected data is analyzed using the following statistical tools:

- **Percentage Analysis** – to understand distribution of responses
- **Comparative Analysis** – to compare rural and urban MSMEs
- **Tabular Presentation** – for clear representation of data

2.9. Study Area

The study is confined to selected rural and urban regions of Telangana, providing a comparative perspective on MSME performance under GST.

2.10. Limitations of the Study

- The study is limited to a sample of 100 MSMEs, which may not fully represent the entire population.
- The use of convenience sampling may introduce bias.
- Responses are based on the perception of respondents and may involve subjectivity.
- The study is restricted to Telangana and may not be generalized to other states.

2.11. Scope of the Study

The study focuses on evaluating the impact of GST on MSMEs and identifying differences between rural and urban enterprises. It provides insights for policymakers to design better strategies for inclusive growth and MSME development.

DATA ANALYSIS AND INTERPRETATION

The analysis is based on a sample of 100 MSMEs in Telangana, comprising 50 rural and 50 urban enterprises. The data reflects responses related to GST awareness, compliance, cost burden, and business performance.

3.1 GST Awareness among MSMEs

Category	Rural MSMEs (%)	Urban MSMEs (%)
Fully Aware	40	78
Partially Aware	38	18
Not Aware	22	4

Source: Primary Survey Data (2026)

ANALYSIS

The data indicates that **78% of urban MSMEs** are **fully aware** of GST provisions, compared to only **40% of rural MSMEs**. This reflects a significant gap in knowledge and understanding, with urban enterprises having better access to information, training, and professional guidance.

In the category of **partial awareness**, **38% of rural MSMEs** fall under this group, while only **18% of urban MSMEs** are partially aware. This suggests that a large proportion of rural enterprises have limited or incomplete understanding of GST, which may affect their ability to comply effectively.

A concerning observation is that **22% of rural MSMEs** are **not aware** of GST at all, compared to just **4% of urban MSMEs**. This highlights a serious issue in rural areas, where lack of awareness can lead to non-compliance, penalties, and exclusion from the formal economic system.

Interpretation:

Urban MSMEs show significantly higher awareness of GST compared to rural MSMEs. Lack of awareness remains a major issue in rural areas.

3.2 Ease of GST Compliance

Response	Rural MSMEs (%)	Urban MSMEs (%)
Easy	26	62
Moderate	34	28
Difficult	40	10

Source: Primary Survey Data (2026)

Analysis

The table illustrates the perception of rural and urban MSMEs regarding the ease of GST compliance based on primary survey data.The data shows that only **26% of rural MSMEs** consider GST compliance to be **easy**, whereas a significantly higher **62% of urban MSMEs** find it easy. This indicates that urban enterprises are better equipped to handle GST procedures due to greater access to digital infrastructure, skilled personnel, and professional services.

In the **moderate category**, **34% of rural MSMEs** and **28% of urban MSMEs** fall into this group. This suggests that a portion of enterprises in both areas have adapted to GST but still face certain challenges in understanding and complying with its requirements. A major concern is that **40% of rural MSMEs** perceive GST compliance as **difficult**, compared to only **10% of urban MSMEs**. This highlights the significant challenges faced by rural enterprises, including lack of digital literacy, poor internet connectivity, and limited awareness of GST procedures.

3.3 Impact on Cost of Operations

Impact	Rural MSMEs (%)	Urban MSMEs (%)
Increased Cost	64	38
No Change	22	34
Reduced Cost	14	28

Source: Primary Survey Data (2026)

ANALYSIS

The table presents the impact of GST on the cost of operations for rural and urban MSMEs in Telangana based on primary survey data.The data reveals that a significant **64% of rural MSMEs** reported an **increase in operational costs** after the implementation of GST, compared to **38% of urban MSMEs**. This indicates that rural enterprises are more adversely affected, primarily due to higher compliance costs, lack of digital infrastructure, and dependence on external professionals for GST filing and documentation.

In contrast, **22% of rural MSMEs** and **34% of urban MSMEs** reported **no significant change in costs**. This suggests that a moderate proportion of enterprises, particularly in urban areas, were able to adjust to the new tax system without major financial impact.

Furthermore, only **14% of rural MSMEs** experienced a **reduction in costs**, whereas a relatively higher **28% of urban MSMEs** benefited from cost savings. This reduction in urban areas can be attributed to efficient utilization of input tax credit (ITC), streamlined supply chains, and better compliance mechanisms.

3.4 Digital Adoption for GST Compliance

Category	Rural MSMEs (%)	Urban MSMEs (%)
Fully Digital	30	82
Partially Digital	42	14
Not Digital	28	4

Source: Primary Survey Data (2026)

Analysis:

The table presents the level of digital adoption among rural and urban MSMEs for GST compliance, highlighting a significant disparity between the two groups.

The data shows that only **30% of rural MSMEs** are fully digital in their GST compliance processes, compared to a much higher **82% of urban MSMEs**. This indicates that urban enterprises have largely embraced digital platforms for tax filing and record maintenance, benefiting from better infrastructure, internet connectivity, and technical knowledge.

In the category of **partially digital adoption**, **42% of rural MSMEs** fall under this group, while only **14% of urban MSMEs** are partially digital. This suggests that many rural enterprises are in a transitional phase, attempting to adapt to digital systems but still relying partly on traditional or manual methods.

A notable concern is that **28% of rural MSMEs** are still not digital at all, compared to just **4% of urban MSMEs**. This highlights the serious digital divide, where a significant portion of rural enterprises lacks access to or familiarity with digital tools required for GST compliance.

3.5 Impact on Business Growth

Growth Level	Rural MSMEs (%)	Urban MSMEs (%)
High Growth	18	46
Moderate Growth	42	38
No/Negative Growth	40	16

Source: Primary Survey Data (2026)

Interpretation:

Urban MSMEs report better growth performance post-GST, while a considerable share of rural MSMEs experienced stagnant or negative growth. The table presents the comparative impact of GST on the business growth of rural and urban MSMEs in Telangana based on primary survey data.

The data shows that only **18% of rural MSMEs** experienced high growth after the implementation of GST, whereas a significantly higher **46% of urban MSMEs** reported

high growth. This indicates that urban enterprises have been more successful in leveraging the benefits of GST, such as improved market access and input tax credit.

In the case of **moderate growth**, **42% of rural MSMEs** fall into this category compared to **38% of urban MSMEs**. This suggests that while a portion of rural enterprises managed to sustain their operations, their growth has been limited and less dynamic compared to their urban counterparts.

A concerning trend is observed in the category of **no or negative growth**, where **40% of rural MSMEs** reported stagnation or decline in business performance, compared to only **16% of urban MSMEs**. This highlights the significant challenges faced by rural enterprises, including compliance difficulties, increased costs, and lack of digital infrastructure.

3.6 Secondary Data Support

Contribution of MSMEs to Indian Economy

Indicator	**Value (%)**
GDP Contribution	29
Employment Share	30+
Export Contribution	45

Source: Ministry of MSME, Government of India (Annual Report 2023–24)

Analysis:

The above table highlights the significant contribution of Micro, Small and Medium Enterprises (MSMEs) to the Indian economy across key indicators such as GDP, employment, and exports.

The MSME sector contributes approximately **29% to the Gross Domestic Product (GDP)**, indicating its crucial role in driving economic growth and industrial development. This shows that nearly one-third of the country's economic output is generated by MSMEs, making it a backbone of the economy.

In terms of employment, MSMEs account for **over 30% of total employment**, reflecting their importance as a major source of job creation, particularly for semi-skilled and unskilled labor in both rural and urban areas. This highlights the sector's role in promoting inclusive growth and reducing unemployment.Furthermore, MSMEs contribute around **45% of total exports**, demonstrating their strong participation in international trade. This indicates that MSMEs play a vital role in enhancing India's export competitiveness and foreign exchange earnings.

Overall, the data clearly shows that MSMEs are a **key pillar of economic development**, contributing significantly to growth, employment, and exports. Therefore, any policy

reform such as GST has a substantial impact on this sector, making it essential to understand its implications, especially across rural and urban enterprises.

3.7. GST Impact Indicators (India Level)

Indicator	Pre-GST	Post-GST
Registered MSMEs (Millions)	63	75
Digital Tax Filers (%)	35	78

Source: GST Council Reports; Ministry of Finance (2024)

Analysis:

The table presents a comparison of key indicators reflecting the impact of GST implementation on MSMEs in India during the pre-GST and post-GST periods.The number of **registered MSMEs increased from 63 million in the pre-GST period to 75 million in the post-GST period**, indicating a significant rise in formal business registrations. This growth can be attributed to GST's emphasis on formalization, as businesses are required to register in order to avail input tax credit (ITC) and participate in the organized supply chain. The increase suggests that GST has successfully expanded the tax base and brought more enterprises under the formal economy.

Similarly, the percentage of **digital tax filers rose sharply from 35% to 78%**, highlighting a major shift towards digital compliance. This reflects the success of GST in promoting digitization and transparency in tax administration. The online filing system has improved efficiency, reduced manual errors, and enhanced accountability.

However, while these trends indicate positive structural changes, they also imply increased compliance requirements. The shift toward digital systems, although beneficial in the long run, may pose challenges for small and rural MSMEs with limited digital literacy and infrastructure.

Overall, the data suggests that GST has played a crucial role in **formalization and digital transformation of MSMEs in India**, but the benefits are unevenly distributed, with smaller and rural enterprises facing greater adjustment challenges.

3.8. Comparative Summary

Factor	Rural MSMEs	Urban MSMEs
Awareness	Low	High
Compliance Ease	Difficult	Easier
Cost Impact	Increased	Moderate/Reduced
Digital Adoption	Low	High
Growth	Slower	Faster

Analysis:

The table presents a comparative overview of the impact of GST on rural and urban MSMEs across key operational and performance indicators. The analysis clearly highlights a significant disparity between the two segments.

In terms of **awareness**, rural MSMEs exhibit low levels of understanding of GST provisions, whereas urban MSMEs demonstrate high awareness. This difference can be attributed to better access to information, education, and professional guidance in urban areas.

Regarding **compliance ease**, rural enterprises find GST procedures difficult due to limited digital infrastructure and lack of technical expertise. In contrast, urban MSMEs experience relatively easier compliance owing to better access to technology, internet connectivity, and professional services such as accountants and tax consultants.

The **cost impact** of GST is more adverse for rural MSMEs, where operational costs have increased due to compliance expenses and inefficiencies in adapting to the new system. On the other hand, urban MSMEs have been able to manage or even reduce costs by effectively utilizing input tax credit and streamlined processes.

In terms of **digital adoption**, there is a clear divide, with rural MSMEs showing low levels of digital integration, while urban enterprises have widely adopted digital platforms for tax filing and business operations. This digital gap significantly influences their ability to comply with GST requirements.

Finally, the impact on **business growth** indicates that rural MSMEs have experienced slower growth, whereas urban MSMEs have shown faster growth post-GST. This reflects the overall advantage urban enterprises have in adapting to policy changes and leveraging new opportunities.

FINDINGS OF THE STUDY

Based on the analysis of primary and secondary data, the following key findings are derived:

Significant Rural–Urban Disparity

There exists a clear gap between rural and urban MSMEs in terms of awareness, compliance, and overall performance under GST.

Higher GST Awareness in Urban Areas

Urban MSMEs show a higher level of awareness compared to rural MSMEs, where a considerable proportion of enterprises are either partially aware or unaware of GST provisions.

Compliance Challenges for Rural MSMEs

A large percentage of rural MSMEs find GST compliance difficult due to lack of digital literacy, poor internet connectivity, and limited access to professional assistance.

Digital Divide as a Key Constraint

Urban MSMEs have significantly higher levels of digital adoption, while many rural enterprises are either partially digital or not digital at all, affecting their compliance efficiency.

- **Increased Cost Burden on Rural Enterprises**
  GST has led to an increase in operational costs for most rural MSMEs due to compliance expenses and inefficiencies, whereas urban MSMEs have managed costs more effectively.
- **Better Business Growth in Urban MSMEs**
  Urban enterprises have experienced higher growth levels post-GST, while a significant portion of rural MSMEs reported stagnation or negative growth.
- **Positive Impact on Formalization and Digitization**
  At the macro level, GST has contributed to increased registration of MSMEs and higher digital tax compliance, promoting transparency and formalization of the economy.

SUGGESTIONS / POLICY RECOMMENDATIONS

- Based on the findings of the study, the following suggestions are proposed to improve the effectiveness of GST implementation and support the growth of MSMEs, particularly in rural areas:
- **1. Simplification of GST Procedures**
- The government should simplify GST return filing procedures, especially for small businesses. Reducing the frequency of returns and minimizing documentation requirements can ease the compliance burden on MSMEs.
- **2. Strengthening Digital Infrastructure in Rural Areas**
- Improving internet connectivity and access to digital tools in rural regions is essential. Investment in digital infrastructure will enable rural MSMEs to participate effectively in the GST system.
- **3. Digital Literacy and Training Programs**
- Regular training programs, workshops, and awareness campaigns should be conducted to educate MSME owners about GST procedures, online filing, and digital tools. Special focus should be given to rural entrepreneurs.

- **4. Financial Support for Compliance Costs**
- The government may provide subsidies or financial assistance to MSMEs for hiring accountants, purchasing GST software, and meeting compliance requirements. This will reduce the cost burden on small enterprises.

5. Simplified Tax Structure for Small Enterprises

- Introducing simplified tax schemes or expanding the scope of composition schemes can help small and rural MSMEs comply easily without complex procedures.

6. Faster Refund Mechanism

- Timely processing of input tax credit (ITC) refunds is crucial to avoid working capital constraints. A more efficient and transparent refund system will improve liquidity for MSMEs.

7. Strengthening Institutional Support

- Government agencies, MSME development institutes, and local bodies should provide advisory services and technical assistance to MSMEs, especially in rural areas.

8. Promoting Awareness Campaigns

- Targeted awareness programs through media, workshops, and local institutions should be conducted to improve GST awareness among rural MSMEs.

9. Encouraging Formalization with Incentives

- Providing incentives such as tax benefits, easier credit access, and subsidies for registered MSMEs can encourage informal enterprises to enter the formal sector.

CONCLUSION

- The introduction of the Goods and Services Tax (GST) has brought a fundamental transformation in India's indirect taxation system by simplifying tax structures, promoting transparency, and creating a unified national market. This study examined the impact of GST on Micro, Small and Medium Enterprises (MSMEs) in Telangana with a comparative focus on rural and urban enterprises.
- The findings reveal that GST has had a **dual impact** on the MSME sector. On the one hand, it has contributed to greater formalization, improved tax compliance, enhanced transparency, and increased digitalization. On the other hand, it has imposed significant challenges, particularly for smaller and rural enterprises, in terms of compliance burden, digital requirements, and increased operational costs.

- The comparative analysis clearly indicates that **urban MSMEs have benefited more** from GST due to better infrastructure, higher digital literacy, and easier access to financial and professional resources. These advantages have enabled them to adapt quickly to GST requirements and achieve better business performance and growth.
- In contrast, **rural MSMEs have faced considerable difficulties**, including low awareness levels, inadequate digital infrastructure, and higher relative compliance costs. As a result, many rural enterprises have experienced slower growth or stagnation, highlighting a widening rural–urban divide in the impact of GST.
- Therefore, while GST has been successful in achieving its broader objectives of tax reform and economic integration, its benefits have not been evenly distributed. To ensure inclusive growth, it is essential to implement targeted policy measures that address the specific challenges faced by rural MSMEs.
- In conclusion, GST has the potential to strengthen the MSME sector significantly; however, its long-term success depends on the ability of policymakers to **bridge the gap between rural and urban enterprises and create a more supportive and inclusive business environment**.

References

Ministry of MSME (2024). *Annual Report 2023–24*. Government of India, New Delhi.

GST Council (2024). *GST Reports and Updates*. Government of India.

Ministry of Finance (2024). *Economic Survey and GST Performance Reports*. Government of India.

Reserve Bank of India (2023). *Report on Trend and Progress of Banking in India*. RBI Publications.

Kumar, R., & Joseph, M. (2020). GST and its implications on small businesses in India. *Journal of Business and Economic Policy*, 7(1), 23–30.

Singh, A., & Verma, S. (2018). GST and compliance challenges for MSMEs. *Indian Journal of Finance*, 12(4), 15–22.

Sharma, P. (2020). Working capital issues under GST regime. *International Journal of Management Studies*, 5(3), 67–74.

Patel, D. (2022). GST and supply chain efficiency: Evidence from MSMEs. *Journal of Commerce and Trade*, 17(2), 89–96.

Das, K., & Aggarwal, R. (2021). Regional disparities in GST adoption among MSMEs. *Economic and Political Weekly*, 56(14), 58–65.

World Bank (2022). *Small and Medium Enterprises (SMEs) Finance Report*.

Organisation for Economic Co-operation and Development (2021). *Tax Policy Reforms and SME Development*.