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

The Pink" Transition: A theoretical analysis of GST as a catalyst for informal to formal sector migration among Women Entrepreneurs

Sathiys. S.
(Ph.D) Research Scholar, Ethiraj College for Women, Chennai-08 Email id: sathiyasubi39@gmail.com Mb: 9500951277
Dr. V.M. Suneela Shyam,
M.A.(Economics)., M.Phil. (Economics)., M.A. (Population Studies)., M.A.(History)., M.A. (Public Administration)., M.A. (Journalism & Mass Communication., M.Ed., M.B.A (HRD) PGDHE., Ph.D (Economics)., Ph.D (Education) , Associate Professor, Ethiraj College for Women, Chennai-8. Email Id: drsuneelashyam@gmail.com.Mb:8056032589/9445121547
DOI:10.37854/UIJMR.2026.3.3.9.652

Abstract:

The global shift toward economic formalization has reached a critical juncture in India, particularly through the "Pink" Transition the migration of female-led enterprises from the informal shadow economy to the structured formal sector. Historically, women's entrepreneurship in India has been stifled by informality; as of 2024, approximately 88.5 per cent of female employment remains unregistered, trapping businesses in cycles of low credit access and restricted scale. This paper provides a theoretical analysis of the Goods and Services Tax (GST) as a primary catalyst for this transition. Through the lenses of Neoclassical and Structuralist economic theories, the study examines how the GST framework incentivizes formalization by eliminating tax cascading and introducing the Input Tax Credit (ITC), which can reclaim 12 per cent to 15 per cent of previously lost production costs for small-scale units. The research highlights a significant trend: the registration of 22.35 million female entrepreneurs on the MSME portal by late 2024, signaling a move toward "growth-oriented" rather than "subsistence" entrepreneurship. Beyond fiscal metrics, the paper explores the socio-economic dimensions of this shift, noting a 34 per cent increase in digital payment adoption among registered women-led firms. However, the transition is not without friction. Theoretical findings suggest that gendered barriers including the "Gender Digital Divide," compliance costs ranging from ₹15,000 to ₹30,000 annually, and societal pressures—continue to impede full integration. The paper concludes that while GST provides the essential "paper trail" for institutional

credit and market visibility, its success as a socio-economic lever depends on narrowing the technological gap and simplifying compliance. Ultimately, the "Pink" Transition represents more than a change in tax status; it is a fundamental recalibration of women's economic agency and decision-making power within the modern Indian economy.

Keywords: Pink Transition, Goods and Services Tax (GST), Female Entrepreneurship, Informal to Formal Sector Migration and Input Tax Credit (ITC).

1.Introduction:

The global economic landscape is undergoing a paradigm shift, characterized by the systematic migration of economic activities from the shadow of informality into the structured light of the formal sector. In India, this transition often termed the "Pink" Transition when applied to the burgeoning population of female entrepreneurs is increasingly mediated by transformative fiscal reforms, most notably the Goods and Services Tax (GST). Historically, women's participation in the labor market has been marked by significant inequality; as of 2024, approximately 88.5 per cent of female employment in India remains within the informal sector, a figure slightly higher than the 87.9 per cent reported for males (Samantroy, 2024). This staggering level of informality traps female-led enterprises in a cycle of limited scale, weak branding, and inadequate access to institutional credit. The introduction of GST in 2017 was designed to dismantle these barriers by creating a unified national market and a "paper trail" that inherently rewards formalization. For women entrepreneurs, who often operate micro-scale units, the transition is not merely a legal requirement but a strategic "catalyst." Recent data from the MSME Dashboard indicates a significant shift: as of late 2024, there are 22.35 million registered female entrepreneurs in India, contributing to a sector that generates over 237 million jobs (Ministry of MSME, 2024). By integrating into the GST framework, these businesses gain the ability to claim Input Tax Credit (ITC), which directly optimizes their resource allocation and enhances profit margins (Joshi et al., 2024). However, the "Pink" Transition is fraught with unique gendered challenges. Beyond the technical hurdles of digital compliance and cash flow constraints, women often face "conjugal contracts" and traditional gender roles that limit their control over business finances (Sahrakorpi & Bandi, 2025). While the GST regime offers a pathway to social empowerment defined by increased decision-making power and confidence the transition requires navigating a complex environment of frequent return filings and technological barriers (Joshi et al., 2024; Sahrakorpi & Bandi, 2025).

This paper provides a theoretical analysis of how GST functions as a bridge for women migrating from informal settlements to the formal economy. It examines the dual nature of GST: as a tool for economic efficiency that can reduce overall tax incidence by nearly 10 per cent for consumers, and as a socio-economic lever that facilitates "livelihood promotion" through digital commerce and formal financial inclusion (Nirmala Sitharaman, 2020; Capacity Building Commission, 2025). By analyzing the intersection of fiscal policy and gendered entrepreneurship, this research highlights how formalization under GST can transform "own-account" workers into sustainable, competitive business leaders in the modern Indian economy.

1.1 The Neoclassical vs. Structuralist View

From a Neoclassical perspective, GST rationalizes the tax structure, making the cost of "being legal" lower than the cost of "hiding." Conversely, the Structuralist view suggests that GST forces a transition by making it impossible for informal units to supply to formal chains due to the lack of Input Tax Credit (ITC). When a woman-led micro-enterprise registers for GST, she is no longer just a "subsistence entrepreneur"; she becomes a "growth-oriented entrepreneur."

1.2 Research Objectives

1. To evaluate the fiscal "Pull Factor" of GST.
2. To assess the socio-economic impact of digital and financial inclusion.
3. To identify gender-specific structural barriers to formalization.

2. GST as a Catalyst: Economic Mechanisms of Transition

The primary driver for women migrating to the formal sector under GST is the Input Tax Credit (ITC). Historically, informal women entrepreneurs faced "tax cascading" (tax on tax). Under the GST regime, the ability to offset tax paid on inputs against the tax on final output creates a significant financial incentive.

2.1 Numerical Impact on Profitability

Consider a small-scale textile unit run by a female entrepreneur. Before formalization, her inability to claim credit on raw materials increased her production cost by approximately 12 per cent to 15 per cent. By transitioning to the GST framework, that cost is reclaimed, effectively increasing her net margin without raising prices.

"Formalization is not just about a tax ID; it is about visibility. For a woman selling handcrafted goods, a GST number is her first step toward global supply chains." (Joshi et al., 2024).

2.2 Table 1: Comparison of Informal vs. Formal Operations under GST

Feature	Informal Sector (Pre-GST/Unregistered)	Formal Sector (GST Registered)
Tax Incidence	High (Cascading effect)	Lower (Input Tax Credit available)
Market Reach	Local/Unorganized	National/Inter-state trade permitted
Credit Access	High-interest moneylenders	Institutional/Bank loans at 8-12 per cent
Digital Footprint	None	High (GSTN portal data)
B2B Opportunities	Limited (Formal firms avoid them)	High (Integrated into supply chains)

Source: Ministry of MSME Reports (2024) and Joshi et al. (2024).

3. Socio-Economic Dimensions: The "Pink" Empowerment

The "Pink" Transition goes beyond balance sheets. It involves the psychological and social elevation of women. In many Indian households, a woman's business is often seen as a "hobby." However, obtaining a GST registration provides a legal identity that demands respect within the family and the market.

3.1 Digital Literacy and Financial Inclusion

The GSTN (GST Network) is an inherently digital platform. For the 22.35 million women currently registered as MSME owners (Ministry of MSME, 2024), the requirement to file monthly or quarterly returns has acted as a "forced" but beneficial crash course in digital finance. Female-led enterprises registered on the Udyam portal

saw a 34 per cent increase in digital payment adoption within 18 months of GST registration (Capacity Building Commission, 2025).

4. Barriers to Migration: The "Cost" of Formalization

While GST is a catalyst, it is not without friction. For a woman operating out of a home-based unit, the compliance burden can be daunting.

1. **Compliance Costs:** Hiring an accountant for GST filings can cost between ₹15,000 to ₹30,000 annually, which may represent a significant chunk of a micro-enterprise's profit.
2. **Technological Gap:** Despite the rise of smartphones, the "Gender Digital Divide" remains. Many women entrepreneurs in semi-urban areas rely on male relatives or third-party "GST Suvidha Providers," which can lead to a loss of agency (Sahrakorpi & Bandi, 2025).

4.2 Table 2: Barriers to Formalization for Women Entrepreneurs

Barrier Type	Description	Impact Level
Financial	High cost of professional compliance services	High
Technical	Lack of training in GSTN portal navigation	Medium-High
Societal	Dependence on male family members for legal filings	Medium
Structural	Frequent changes in GST rates and filing norms	High

Source: Sahrakorpi & Bandi (2025) and Tax Research Unit Data.

5. Institutional Support and Livelihood Promotion

The Indian government has recognized that for the "Pink" Transition to succeed, GST must be coupled with supportive schemes. The E-Saras and ONDC (Open Network for Digital Commerce) platforms are now integrating with GST-registered Self-Help Groups (SHGs). This allows women in rural areas to bypass middlemen and sell directly to a national audience.

5.1 The Role of Credit Linkage

Formalization creates a "Paper Trail." Banks are more likely to lend to a woman who can show a consistent GST filing history than to one with no documented turnover. Under the Pradhan Mantri Mudra Yojana, over 70 per cent of loans have been sanctioned to women, many of whom utilized the funds to formalize their operations (Nirmala Sitharaman, 2020).

6. Conclusion

The "Pink" Transition is a theoretical reality that is slowly manifesting in the data. GST serves as the institutional "stick" (through compliance) and the economic "carrot" (through ITC and market access). However, for this migration to be sustainable, the "Pink" Transition must address the gendered nature of time-poverty and digital access. While GST has provided the framework for an Estimated 15-20 per cent migration of women-led units into the formal sector over the last five years, the next phase of growth requires simplifying the "User Experience" of the GST portal for non-experts. Ultimately, when a woman moves from the informal to the formal sector, it is not just a change in her tax status it is a recalibration of her economic power within society.

References

Capacity Building Commission. (2025). *From rural to digital markets: E-Saras-ONDC partnership ushers E-commerce revolution for SHG enterprises*. Government of India. https://cbc.gov.in/sites/default/files/2025-12/2023AGKCBC062_Digital per cent20Marketing_ONDC-ESARAS per cent20Partnership.pdf

Joshi, K., Mishra, M. K., Jamal, M., & Janotra, J. (2024). Measuring the intensity of challenges and problems of small-scale entrepreneurs in Uttarakhand, India. *Vilakshan - XIMB Journal of Management*, *22*(2). https://doi.org/10.1108/xjm-03-2024-0051