

**GST AND BUSINESS COMPETITIVENESS: AN EMPIRICAL STUDY OF
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ABSTRACT

The Goods and Services Tax (GST) represents a significant reform in India's indirect taxation system, introduced to simplify tax administration, improve transparency, and establish a unified national market. However, its impact on the competitiveness of small and medium businesses (SMBs) remains an important area of investigation, particularly in a diverse and economically active state such as Tamil Nadu. Small and medium businesses play a vital role in employment generation, entrepreneurship, regional development, and industrial growth. Despite the potential benefits of GST, businesses may face challenges related to tax compliance, digital filing procedures, working capital management, input tax credit, and administrative costs. These factors may influence their operational efficiency, pricing strategies, profitability, and ability to compete in the marketplace. This study aims to empirically examine the relationship between GST implementation and the competitiveness of small and medium businesses in Tamil Nadu. It focuses on key dimensions such as compliance costs, ease of doing business, financial performance, operational efficiency, market competitiveness, and business growth. The study is intended to assess business owners' perceptions of GST and identify the major challenges and opportunities associated with the tax system. The findings are expected to provide insights into how GST affects business competitiveness and to offer useful recommendations for policymakers, tax authorities, and business owners to strengthen the business environment. The study may also contribute to a better understanding of the taxation-related factors influencing the sustainable growth and competitiveness of small and medium businesses in Tamil Nadu.

Keywords: Goods and Services Tax (GST), Business Competitiveness, Small and Medium Businesses, Tax Compliance, Operational Efficiency, Financial Performance, Tamil Nadu.

Received: 15-Sep-2026**Accepted: 3-Oct-2026****Published: 12-October-2026****1. INTRODUCTION**

In the modern business environment, taxation plays a crucial role in shaping the financial stability, operational efficiency, and competitive position of enterprises. The introduction of the Goods and Services Tax (GST) in India in July 2017 marked a major transformation in the country's indirect tax system [1]. GST was designed to simplify the taxation structure, reduce the cascading effect of taxes, promote

transparency, and facilitate the movement of goods and services across state boundaries. While the reform aims to create a more efficient and integrated business environment, its implementation has influenced enterprises differently depending on their size, sector, financial resources, and administrative capabilities. Small and medium businesses are particularly important in this context because they contribute significantly to employment generation, entrepreneurship[2], industrial development, and regional economic growth. In Tamil Nadu, these businesses form an essential part of the state's economic structure, making it important to understand how changes in the taxation system affect their business operations and market performance.

Business competitiveness depends on an enterprise's ability to control costs, improve productivity, maintain profitability, adopt new technologies, and respond effectively to market changes. Although GST offers potential benefits through input tax credit, tax standardisation, and improved market integration, businesses may encounter difficulties related to compliance expenditure, digital documentation, tax filing procedures, and working capital requirements. Such challenges may affect the ability[3] of small and medium businesses to compete with larger enterprises that possess greater financial and technological resources. Therefore, examining the relationship between GST and business competitiveness is essential for understanding the practical outcomes of tax reform at the enterprise level. The present study, titled "GST and Business Competitiveness: An Empirical Study of Small and Medium Businesses in Tamil Nadu," focuses on assessing the influence of GST on the operational and competitive performance of selected businesses. It aims to examine the benefits and difficulties associated with GST implementation and generate evidence-based insights that may support better tax administration, informed business decisions, and sustainable business development in Tamil Nadu[4].

1.1 OBJECTIVES

- To analyse the impact of GST on the operational efficiency and financial performance of small and medium businesses[5].
- To examine the compliance costs and administrative challenges faced by businesses under the GST system[6].
- To assess the influence of GST on pricing strategies, profitability, and market competitiveness[9].
- To identify the benefits and challenges of GST implementation among small and medium business owners.
- To suggest suitable measures to improve GST compliance and enhance the competitiveness of small and medium businesses in Tamil Nadu[7].

1.2 RESEARCH GAP

The implementation of the Goods and Services Tax (GST) has received considerable attention in studies concerning taxation, business performance, and the development of micro, small, and medium enterprises in India, the relationship between GST and the competitive position of small and[8] medium businesses remains an important area for further empirical investigation. Business competitiveness extends beyond routine operational efficiency and includes an enterprise's ability to maintain competitive prices, differentiate its products and services, retain customers, improve profitability, expand its market reach, and respond effectively to changing market conditions. These dimensions provide[10] a distinct perspective for evaluating the implications of GST for small and medium businesses.

A key research gap concerns the extent to which GST influences the competitive capabilities of small and medium businesses operating in Tamil Nadu. In particular, further investigation is required to understand whether changes in input tax credit utilisation, tax-related pricing decisions, working capital requirements, supply-chain transactions, and access to formal markets contribute to strengthening or constraining their competitive position. The effects may differ according to business size, industry, geographical market, financial resources, and the extent to which enterprises can adapt their business strategies to the GST framework[11].

A regional empirical assessment is needed to examine how small and medium businesses in Tamil Nadu perceive and experience the competitive implications of GST in comparison with other market participants[12]. The potential relationship between GST-related financial and market conditions and indicators such as price competitiveness, customer retention, profitability, market expansion, and

competitive advantage requires systematic examination using evidence collected from businesses. Accordingly, the present study seeks to address this research gap by empirically investigating the relationship between GST and business competitiveness among small and medium businesses in Tamil Nadu[13]. By shifting the analytical focus from compliance-related operational performance to market-oriented competitive outcomes, the study aims to provide context-specific evidence that can contribute to a better understanding of the role of GST in shaping the competitiveness and growth prospects of these enterprises.

2. METHODOLOGY

2.1 Research Approach and Design

The present study adopts a quantitative research approach to empirically examine the relationship between the Goods and Services Tax (GST) and business competitiveness among small and [14] medium businesses in Tamil Nadu. A descriptive and explanatory research design will be employed to investigate how GST-related business conditions are associated with the ability of enterprises to compete effectively in their respective markets. The study focuses on market-oriented outcomes, including pricing competitiveness, profitability, customer retention, market expansion, and competitive positioning. This approach will enable the researcher to evaluate the experiences of business owners and identify relationships between selected GST-related factors and the competitive position of their enterprises.

2.2 Study Population and Geographical Scope

The target population will consist of eligible small and medium businesses operating in selected districts of Tamil Nadu.[15] The study will consider enterprises engaged in manufacturing, wholesale and retail trade, and service activities to capture differences in market conditions and competitive strategies. Business owners, partners, and managers with adequate knowledge of their enterprises' financial and market-related decisions will be approached as respondents. The geographical coverage and sectoral composition will be determined according to the availability of eligible businesses and the feasibility of obtaining reliable responses[16].

2.3 Conceptual Framework of the Study

The conceptual framework considers GST-related business factors as explanatory variables and business competitiveness as the principal outcome variable. The explanatory factors may include the perceived influence of input tax credit, tax-related pricing decisions, working capital conditions, and access to formal supply chains[17].

Business competitiveness will be assessed through indicators relating to the ability to offer competitive prices, sustain profit margins, retain customers, enter new markets, and maintain a favourable position relative to competitors. The framework also recognises that the relationship between GST and competitiveness may vary according to enterprise size, business sector, years of operation, and geographical market[18]. These characteristics may therefore be considered as control variables in the empirical analysis, where appropriate.

2.4 Sources and Methods of Data Collection

The study will draw upon primary and secondary sources of data.

Primary data will be collected from selected business owners and managers through a structured survey questionnaire. The questionnaire will capture respondents' assessments of GST-related business conditions and their perceived implications for pricing decisions, financial flexibility, customer relationships, market access, and competitive advantage.

Secondary data will be obtained from relevant peer-reviewed research articles, academic books,[19]official government publications, GST-related policy documents, and reports concerning small and medium enterprises in India. These sources will support the development of the conceptual framework, the selection of measurement indicators, and the interpretation of empirical findings.

2.5 Sampling Design and Sample Size

The study proposes a sample of 200 eligible small and medium businesses in Tamil Nadu, subject to feasibility assessment and confirmation through an appropriate sample-size justification. A stratified sampling approach may be adopted to represent different business sectors and enterprise-size categories.

Where a comprehensive list of eligible businesses is unavailable, a clearly documented purposive or other feasible non-probability sampling procedure may be required. The final sampling strategy will be selected before data collection and reported transparently[20].

The eligibility criteria will include businesses operating within the selected study locations and respondents who possess sufficient knowledge of business decisions and market conditions. The sample distribution across sectors and locations will be documented to assess the extent to which the results can be generalised to the wider population of small and medium businesses in Tamil Nadu[21].

Table 1 presents the distribution of 200 small and medium businesses across four sectors: manufacturing, wholesale trade, retail trade, and services. Manufacturing accounts for 30%, while retail trade and the service sector each represent 25% of the total.

S. No.	Business sector	Number of businesses	Percentage
1	Manufacturing	60	30%
2	Wholesale trade	40	20%
3	Retail trade	50	25%
4	Service sector	50	25%
Total	All sectors	200	100%

Table 1. Distribution of Small and Medium Businesses by Sector

Figure 1 illustrates the distribution of small and medium businesses across four business sectors in Tamil Nadu. Manufacturing accounts for 30% (60 businesses), followed by retail trade and the service sector at 25% each (50 businesses each). Wholesale trade represents the remaining 20% (40 businesses). [22]The figure highlights the sector-wise distribution of the 200 businesses included in the proposed study.

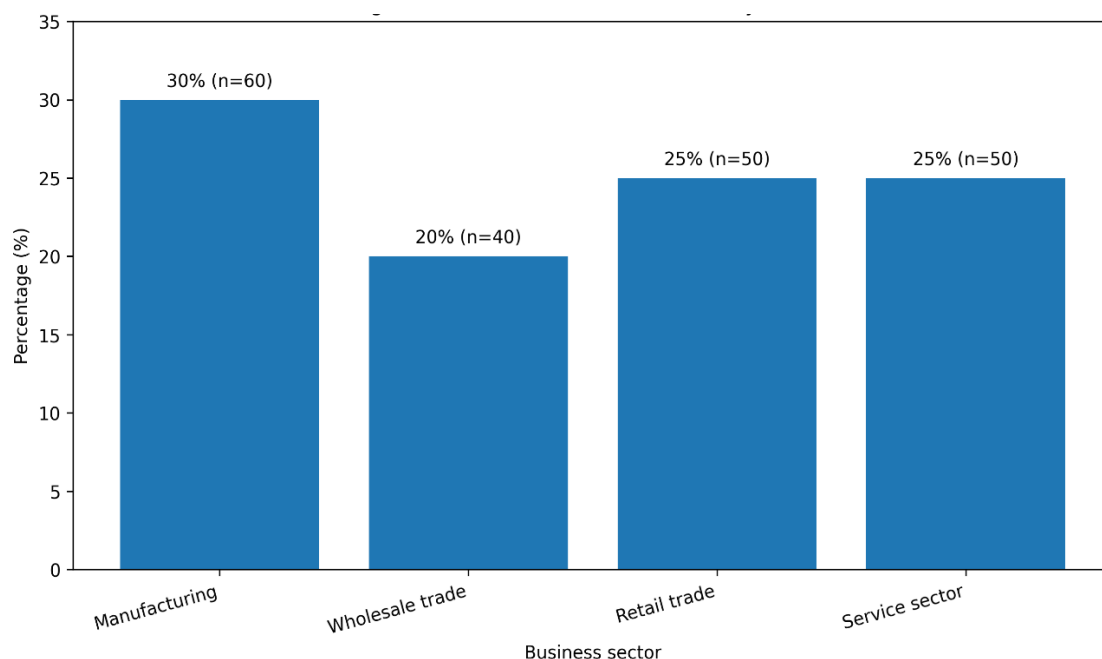


Figure 1. Distribution of Businesses by Sector

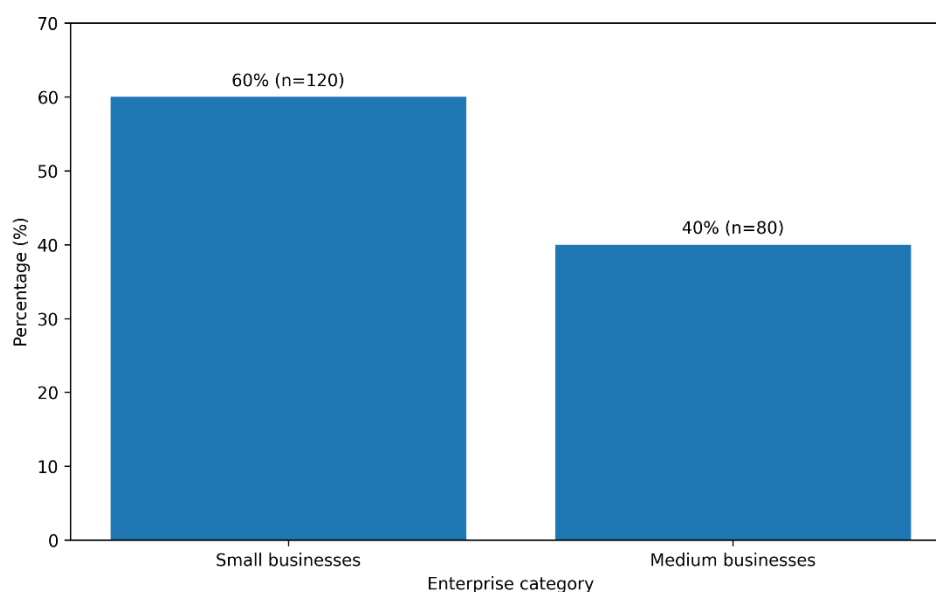
Table 2 illustrates the distribution of businesses according to enterprise size. Small businesses constitute 60% of the total, while medium businesses account for the remaining 40%, indicating a higher representation of small enterprises[23].

S. No.	Enterprise category	Number of businesses	Percentage
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1	Small businesses	120	60%
2	Medium businesses	80	40%
Total	All enterprises	200	100%

Table 2. Distribution by Business Size

Figure 2 Explains the distribution of businesses according to enterprise size. Small businesses account for 60% (120 businesses), while medium businesses represent the remaining 40% (80 businesses)[24]. The figure indicates a higher proportion of small businesses in the proposed study. These values are illustrative and are based on the proposed total of 200 businesses.

**Figure 2. Distribution of Businesses by Enterprise Size**

2.6 MEASUREMENT OF RESEARCH VARIABLES

Business competitiveness will be treated as the dependent variable and measured using multiple indicators reflecting the enterprise's perceived competitive position. These indicators will include price competitiveness, the ability to maintain profit margins, customer retention, market expansion, and differentiation from competitors[25].

The independent variables will represent selected GST-related business conditions, including input tax credit utilisation, GST-related pricing influences, working capital implications, and participation in formal supply-chain transactions. Enterprise size, industry, years of operation, and location may be included as control variables[26].

Where rating-scale items are used, respondents may be asked to indicate their level of agreement with statements relating to each construct. The questionnaire items will be developed from the relevant literature and reviewed for clarity and content relevance before administration. A pilot study may be conducted to identify ambiguous questions and improve the consistency of the measurement instrument.

2.7 STATISTICAL TECHNIQUES FOR ANALYSIS

The collected data will be coded, organised, and analysed using appropriate statistical software. Descriptive statistics, including frequencies, percentages, means, and standard deviations, will be used to summarise the characteristics of the respondents and their assessments of GST-related business conditions[27].

The reliability of multi-item measurement scales may be examined using Cronbach's alpha, where appropriate. Correlation analysis will be used to explore associations between GST-related explanatory factors and business competitiveness. Multiple regression analysis may subsequently be applied to estimate the relationship between selected GST-related factors and competitiveness, controlling for

relevant enterprise characteristics. The choice of statistical tests will depend on the measurement properties of the data, the suitability of the assumptions, and the final research hypotheses.

2.8 RESEARCH ETHICS AND DATA QUALITY

The study will follow appropriate ethical principles during questionnaire administration, data processing, and reporting. Respondents will be informed about the purpose of the study, and participation will be voluntary. Confidential business information and respondent identities will be protected[28]. The questionnaire will be administered consistently, and the collected responses will be checked for completeness and accuracy. Only genuine observations will be used in the statistical analysis, and all findings will be reported without fabrication or selective misrepresentation.

3. RESULT AND DISCUSSION

3.1 DISCUSSION

Business competitiveness depends on an enterprise's ability to maintain attractive prices, sustain profitability, retain customers, and respond effectively to market changes. GST may influence these capabilities through its implications for input tax credits, pricing decisions, working capital, and participation in formal supply chains. Effective utilisation of eligible input tax credits and appropriate financial planning may help businesses manage tax-related transactions and maintain their competitive position, whereas financial constraints and limited access to wider markets may restrict the benefits available to smaller enterprises. However, the relationship between GST and competitiveness may vary according to business sector, enterprise size, financial resources, and market conditions. The study therefore seeks to establish how GST-related factors are associated with the competitive position of small and medium businesses in Tamil Nadu. The findings may provide useful insights for business owners and policymakers in identifying strategies that support market expansion, customer retention, and sustainable competitive advantage[29].

3.2 RESULT

The present study examines the relationship between the Goods and Services Tax (GST) and business competitiveness among small and medium businesses in Tamil Nadu. The analysis focuses on key dimensions of competitiveness, including pricing strategies, profitability, customer retention, market expansion, and competitive positioning. It also considers the perceived influence of input tax credit utilisation, working capital conditions, and access to formal markets on the competitive capabilities of businesses. Descriptive and appropriate inferential statistical techniques will be used to analyse the collected responses and identify relationships between GST-related factors and business competitiveness. The results will provide an empirical understanding of how businesses perceive the role of GST in shaping their market position and competitive opportunities. The final findings will be reported based on the actual data collected from the respondents[30].

Table 3 illustrate the perceived relationship between GST and business competitiveness among a hypothetical sample of 200 small and medium businesses in Tamil Nadu. The table examines pricing competitiveness, profitability, customer retention, market expansion, input tax credit utilisation, working capital management, and competitive positioning. The illustrative figures indicate that input tax credit utilisation and participation in formal markets may be important areas to examine when assessing business competitiveness. However, actual conclusions must be drawn from collected survey data.

S. No.	Competitiveness factor	Businesses reporting a positive impact	Percentage
1	Pricing competitiveness	118	59%
2	Profitability	106	53%
3	Customer retention	92	46%
4	Market expansion	124	62%
5	Input tax credit utilisation	136	68%
6	Working capital management	84	42%

7	Competitive positioning	112	56%
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Table 3. GST and Business Competitiveness among Small and Medium Businesses in Tamil Nadu (Illustrative Data, N = 200)

Figure 3. shows that input tax credit utilisation has the highest positive impact at 68%, followed by market expansion at 62%. Pricing competitiveness accounts for 59%, while competitive positioning and profitability record 56% and 53%, respectively. Customer retention (46%) and working capital management (42%) show comparatively lower positive impacts. These illustrative results highlight the need to examine working capital management and customer retention more closely.[31]

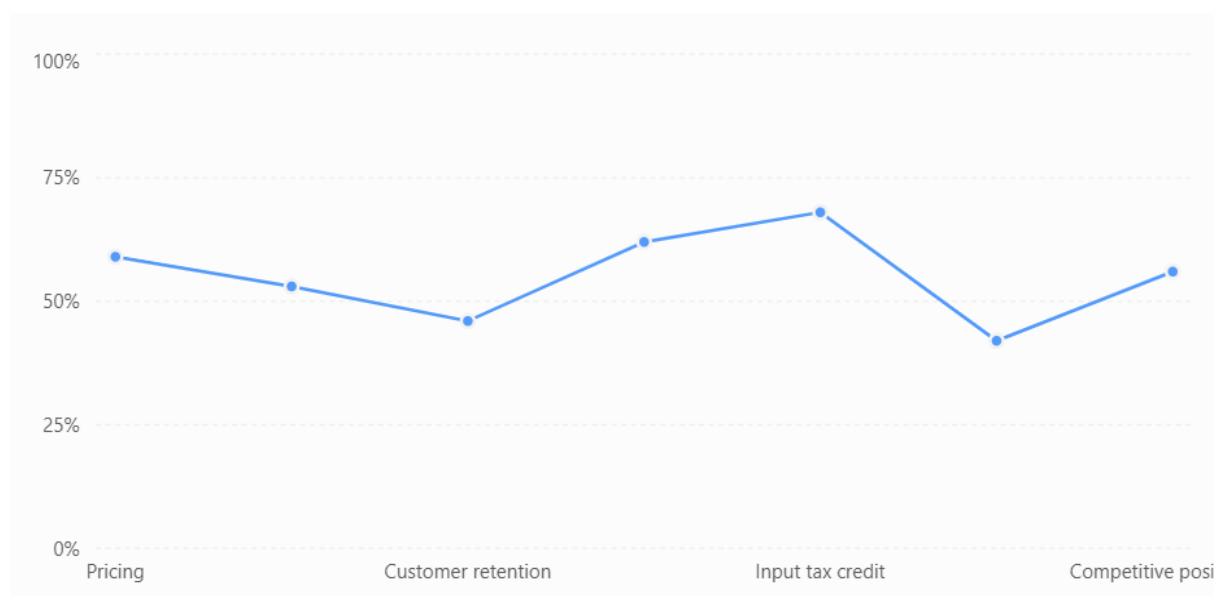


Figure 3. GST and Business Competitiveness

4. CONCLUSION

The present study examines the relationship between the Goods and Services Tax (GST) and business competitiveness among small and medium businesses in Tamil Nadu. It focuses on the potential influence of GST-related factors on pricing competitiveness, profitability, customer retention, market expansion, and competitive positioning. The study recognises that the ability of businesses to utilise eligible input tax credits, manage working capital, maintain competitive prices, and participate in wider markets may influence their competitive capabilities. However, the extent of these benefits may vary according to enterprise size, business sector, financial resources, and market conditions. The study is expected to provide insights into the relationship between GST and the competitive position of small and medium businesses and help identify opportunities to strengthen their market presence. The findings may also offer useful guidance to business owners and policymakers in developing strategies that support fair competition, business expansion, and sustainable growth. Ultimately, the study aims to contribute to a better understanding of how GST-related business conditions are associated with the competitiveness and long-term development of small and medium businesses in Tamil Nadu.

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