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## **“Assessing the Impact of GST on Import Practices of MSMEs in Haryana: Stakeholder Perspectives”**

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### **Abstract**

The Goods and Services Tax (GST), introduced in India in 2017, was designed to simplify the indirect tax structure, promote transparency, and enhance ease of doing business. For Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of Haryana's industrial and agro-based economy, GST significantly influences import practices. This study examines stakeholder perspectives on the operational and financial implications of GST for import-dependent MSMEs. Primary data were collected from 100 respondents, including owners, managers, and accountants, through a structured questionnaire. Using descriptive statistics and regression analysis, the study identifies key challenges such as increased import costs, delays in clearance, compliance complexity, and difficulties in claiming input tax credits. Findings reveal that GST has raised the cost of imported raw materials and reduced competitiveness, with compliance burden emerging as the most significant factor affecting import practices. COVID-19 further compounded these challenges by disrupting supply chains and causing delays in import access. Although government interventions provided moderate relief, stakeholders highlighted the need for simplified compliance procedures, digital infrastructure support, and sector-specific guidance. The study concludes that while GST has potential to streamline taxation and enhance transparency, its practical effectiveness depends on MSMEs' preparedness, awareness, and technological capacity.

**Keywords:** GST, MSMEs, Imports, Haryana, Compliance Burden, COVID-19, Stakeholder Perspectives

### **Introduction**

The Goods and Services Tax (GST) was implemented in India on July 1, 2017, with the objective of creating a unified tax structure to replace the complex web of indirect taxes previously in place. This reform aimed to simplify compliance, reduce transaction costs, and improve the overall ease of doing business. Among the sectors most impacted by GST are Micro, Small, and Medium Enterprises (MSMEs), which constitute the backbone of India's economy. MSMEs contribute significantly to the nation's GDP, export earnings, and employment generation, making their operational efficiency crucial for economic growth. In Haryana, a state with a robust industrial and



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agro-based MSME sector, understanding the implications of GST on business practices, particularly import activities, is vital for both policymakers and entrepreneurs.

Import practices of MSMEs are particularly sensitive to changes in tax structures. Before GST, importers had to navigate through multiple indirect taxes, each with its own compliance requirements, often leading to higher costs, delays, and administrative complexities. The introduction of GST aimed to streamline this process by subsuming central and state-level taxes, introducing input tax credits, and creating a standardized procedure for importers. Theoretically, these measures were expected to reduce the overall tax burden on MSMEs, enhance cash flow management, and improve the competitiveness of small businesses engaged in cross-border trade. However, the actual impact on MSMEs' import practices has varied, influenced by factors such as awareness levels, preparedness for digital compliance, understanding of GST provisions, and interaction with customs procedures. This variation highlights the necessity of an empirical investigation into stakeholder perspectives to assess the effectiveness and challenges of GST implementation in the import domain.

Despite the promise of simplification, GST has also introduced new complexities. MSMEs, often characterized by limited financial resources, skilled personnel, and technological infrastructure, may face challenges in understanding and complying with the digital filing systems, tax categorization, and input tax credit mechanisms. Furthermore, variations in GST rates, exemptions, and procedural requirements across product categories can create uncertainties in pricing and cost calculation for importers. In Haryana, where MSMEs operate in diverse sectors such as textiles, automotive components, agro-processing, and chemicals, these challenges may manifest differently. For example, import-dependent units may encounter difficulties in claiming timely input tax credits, managing inter-state transactions, and reconciling GST payments with customs duties. These practical issues underline the importance of capturing the perspectives of key stakeholders—including business owners, accountants, tax consultants, and government officials—to obtain a comprehensive understanding of GST's impact on import operations.

Another significant aspect is the role of GST in promoting transparency and formalization of business operations. With GST, transactions are electronically recorded, enabling better tracking of imports, reducing the scope for tax evasion, and fostering accountability. For MSMEs in Haryana, this digitization has implications not only for compliance but also for financial planning and market competitiveness. Firms that adapt effectively to GST processes can leverage input tax credits and reduce working capital constraints, while those struggling with compliance may incur penalties, face liquidity issues, or even experience disruptions in their supply chain. Therefore, analyzing stakeholder experiences provides insight into both the benefits and constraints imposed by GST on MSME import practices.



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The academic and policy relevance of this study stems from the limited research on the micro-level effects of GST on import practices of MSMEs. While macroeconomic studies have highlighted the broader economic implications of GST for trade, investment, and revenue generation, empirical studies focusing on the operational and experiential dimensions of MSMEs remain sparse. This gap is particularly pronounced in the context of Haryana, a state that plays a significant role in national manufacturing and trade yet exhibits diverse regional disparities in MSME development. Understanding how MSMEs perceive GST, how they adapt their import processes, and the challenges they encounter is essential for formulating targeted support measures, designing training programs, and ensuring that the benefits of GST are effectively realized.

The study also aligns with the broader objectives of promoting inclusive economic growth and enhancing the competitiveness of MSMEs. By examining GST's impact on import practices, the research can inform strategies to reduce procedural bottlenecks, optimize tax compliance mechanisms, and improve business resilience. Furthermore, stakeholder perspectives provide nuanced insights that quantitative data alone may not capture, such as managerial decision-making, operational adaptations, and experiential challenges. These insights can guide government interventions, including capacity-building initiatives, simplified compliance guidelines, and digital infrastructure support, thereby fostering a more conducive environment for MSMEs to engage in international trade.

In addition, the COVID-19 pandemic and subsequent economic disruptions have underscored the importance of agile and resilient supply chains. MSMEs engaged in imports must navigate not only regulatory frameworks such as GST but also fluctuations in international demand, exchange rates, and logistics constraints. The convergence of GST compliance and post-pandemic recovery strategies highlights the timeliness of this research. By capturing stakeholder perspectives, the study can reveal how GST interacts with broader operational realities, influencing import decisions, cost structures, and strategic planning.

In conclusion, this research seeks to assess the impact of GST on the import practices of MSMEs in Haryana through the lens of stakeholder experiences. It aims to bridge the knowledge gap between policy intentions and ground-level realities, providing actionable insights for both business operators and policymakers. By exploring the benefits, challenges, and adaptive strategies associated with GST, the study contributes to the discourse on tax reforms, MSME competitiveness, and trade facilitation. It emphasizes that while GST represents a structural improvement in India's tax regime, its practical implications for MSMEs depend on awareness, preparedness, and the ability to navigate new digital and procedural landscapes. The findings of this research are expected to support evidence-based policymaking, improve compliance



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strategies, and ultimately enhance the capacity of MSMEs in Haryana to optimize their import operations under the GST framework.

## Literature Review

The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant reform in the country's indirect taxation system, aiming to replace a complex web of central and state taxes with a single unified tax (Ritu & Monika, 2023). This reform was intended to simplify compliance, reduce transaction costs, eliminate the cascading effect of multiple taxes, and promote a seamless national market for goods and services (Sherpa, 2023). MSMEs, which constitute the backbone of the Indian economy and contribute significantly to GDP, export earnings, and employment, were expected to benefit substantially from GST (Namibian Studies, 2023). Specifically, MSMEs engaged in imports could leverage the availability of input tax credits, reduction of cascading taxes, and a simplified compliance framework to improve operational efficiency and competitiveness (ResearchGate, 2023). However, the transition to GST also presented significant challenges for MSMEs, particularly in Haryana, where the industrial and agro-based sectors are diverse and import-dependent. Pre-GST, MSMEs faced a fragmented taxation environment comprising Central Excise Duty, Value Added Tax (VAT), Service Tax, and Customs Duty, which led to higher compliance costs, procedural delays, and inefficiencies in import operations (XIME, 2023). GST aimed to address these issues by providing a standardized system, but empirical evidence suggests that the practical implementation created new challenges, including the need for digital infrastructure, accurate classification of goods and services, and timely reconciliation of input tax credits (PICE, 2023; EELET, 2023). Studies indicate that while manufacturing MSMEs benefited from ITC on imported raw materials, sectors heavily reliant on imported finished goods faced liquidity issues due to upfront GST payments and delays in credit claims (Technoarete, 2023). Moreover, MSMEs often struggled with understanding compliance procedures, filing digital returns, and navigating GSTN portals due to limited human and technological resources (ICAI, 2022). This indicates a mixed impact: while GST theoretically enhanced transparency, formalization, and accountability, the operational realities for MSMEs often resulted in compliance burdens and financial stress (Ritu & Monika, 2023; Sherpa, 2023). Government interventions in Haryana, such as financial assistance schemes, startup policies, and simplification of compliance requirements, were designed to alleviate these challenges and support MSME adaptation to GST (Times of India, 2025a; Times of India, 2025b). Research further suggests that stakeholder awareness, training programs, and technological support are critical for MSMEs to optimize the benefits of GST in import operations (Namibian Studies, 2023; ResearchGate, 2023). Additionally, the COVID-19 pandemic and global supply chain disruptions have accentuated the need for resilient import practices, highlighting that GST compliance interacts with broader operational and strategic considerations (Khanna, 2021). Literature



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emphasizes that understanding stakeholder perspectives, including business owners, accountants, and tax consultants, is essential to evaluate the true impact of GST on MSMEs' import practices and to inform policy interventions (PICE, 2023; EELET, 2023). In sum, while GST provides a framework for efficiency, formalization, and a unified market, its actual impact on MSMEs in Haryana depends on their preparedness, resource availability, and ability to navigate digital compliance systems (Technoarete, 2023; ICAI, 2022). Studies consistently recommend targeted government support, capacity-building initiatives, and sector-specific guidelines to ensure that MSMEs can fully leverage GST for improved import efficiency and business competitiveness (Times of India, 2025a; Times of India, 2025b; Ritu & Monika, 2023).

## Research Gap

Despite extensive literature on GST and its macroeconomic implications, there remains limited empirical research focusing on the micro-level effects of GST on import practices of MSMEs, particularly in Haryana. Most studies have addressed GST's impact on revenue generation, formalization, or general compliance (Ritu & Monika, 2023; Namibian Studies, 2023), but few have explored how small and medium enterprises navigate the practical challenges of importing goods under the new tax regime. Moreover, existing research often overlooks stakeholder perspectives, including the experiences of business owners, accountants, and tax consultants, which are crucial for understanding operational bottlenecks, cash flow issues, and compliance difficulties (Sherpa, 2023; PICE, 2023). The interplay between GST compliance and technological preparedness, sector-specific import requirements, and financial constraints also remains underexplored. In Haryana, where MSMEs are diverse across manufacturing, agro-processing, and service sectors, these gaps are particularly significant, as localized policy interventions may be necessary to optimize GST benefits. This study seeks to address these gaps by examining stakeholder experiences to provide a holistic understanding of GST's impact on MSME import practices.

## Key Objective of the Study:

To assess the impact of GST on import practices of MSMEs in Haryana from stakeholder perspectives.

## Research Methodology

This study adopts an **exploratory cum descriptive research design** to investigate the impact of GST on import practices of MSMEs in Haryana from stakeholder perspectives. The exploratory approach allows for an in-depth understanding of the challenges, perceptions, and experiences of MSMEs regarding GST compliance, import costs, and procedural complexities. Simultaneously, the descriptive component enables quantification of responses to identify trends, patterns, and statistical relationships between variables. Data were collected using a **structured questionnaire** comprising Likert-scale items, multiple-choice questions, and statements targeting key areas such





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as GST compliance burden, cost implications, import delays, and the effects of COVID-19 on import operations. A total of **100 respondents**, including MSME owners, managers, and accountants, participated in the survey, providing firsthand insights into operational realities. The sample was selected using a **purposive sampling technique**, focusing on import-dependent MSMEs across manufacturing, service, and agro-processing sectors in Haryana. Collected data were analyzed using **descriptive statistics** (mean, standard deviation, frequency distribution) to summarize respondent perceptions, as well as **regression analysis** to examine the influence of GST-related factors and pandemic disruptions on import practices. This mixed approach ensures both qualitative depth and quantitative rigor, enabling a comprehensive assessment of GST's impact on MSME import operations.

## Data Analysis

This chapter presents a detailed analysis and interpretation of the data collected from 100 MSME respondents in Haryana regarding the impact of GST on their import practices. The purpose of this chapter is to examine stakeholder perspectives, identify trends, and evaluate relationships between GST-related factors, COVID-19 disruptions, and import efficiency. Both **descriptive statistics** (mean, standard deviation, frequency distribution) and **inferential statistics**, including **regression analysis**, are employed to provide a comprehensive understanding of the operational and financial challenges faced by MSMEs. The analysis aims to translate survey findings into actionable insights for policymakers and business stakeholders.

## Descriptive Statistics

No.	Statement	Mean	Standard Deviation	Interpretation
D1	GST has increased the cost of imported raw materials.	4.20	0.75	Respondents agree GST increased import costs.
D2	COVID-19 restrictions disrupted import activities in my MSME.	4.05	0.80	Strong agreement that COVID disrupted imports.
D3	Import clearance under GST took longer during the pandemic.	4.00	0.82	Delays in import clearance were significant.
D4	GST compliance complicated import procedures.	3.85	0.85	Compliance processes are perceived as complex.
D5	My MSME faced delays in accessing imported goods during COVID-19.	4.10	0.78	COVID caused notable delays in import access.



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D6	GST rates on imported items affected my profit margins.	4.25	0.72	GST impacted profitability of imported items.
D7	Imports became less competitive due to GST burden.	3.95	0.80	Competitiveness of imports reduced under GST.
D8	COVID-19 led to shortage of imported inputs for my MSME.	4.05	0.81	Supply shortages due to COVID were significant.
D9	Government relaxations helped reduce import costs during COVID-19.	3.20	0.90	Moderate agreement that policy helped reduce costs.
D10	My MSME had to reduce dependency on imports due to GST and COVID effects.	3.75	0.88	Respondents moderately agreed on reducing imports.
D11	Exchange rate fluctuations worsened GST impact on imports.	3.85	0.83	Exchange rate changes intensified GST burden.
D12	Import-related compliance burden increased during COVID-19.	3.90	0.87	Compliance burden was notably higher.
D13	GST made it difficult to claim input tax credit on imports.	3.95	0.79	Claiming ITC on imports is perceived as challenging.
D14	Post-COVID recovery is improving import patterns for my MSME.	3.30	0.88	Moderate optimism about recovery in import patterns.
D15	Overall, GST had a negative impact on imports during COVID-19.	4.00	0.78	Overall, respondents perceive GST negatively affected imports.

The descriptive statistics reveal that GST, combined with COVID-19 disruptions, had a significant negative impact on import practices of MSMEs in Haryana. Statements related to increased import costs (D1, D6) and COVID-induced supply shortages (D2, D5, D8) show high mean values, indicating strong agreement among respondents that these factors critically affected operations. Compliance-related items (D4, D12, D13) also recorded moderately high means, reflecting the complexity of GST procedures and challenges in claiming input tax credits. Conversely, items on government support and post-pandemic recovery (D9, D14) show relatively lower means, suggesting only moderate relief from policy interventions and gradual improvement in import patterns. The overall item (D15) mean of 4.00, with a standard deviation of 0.78, demonstrates that MSMEs perceive GST as having a predominantly negative effect on imports during the pandemic.



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Standard deviations across the statements indicate moderate consensus, showing that most respondents experienced similar challenges in navigating GST compliance, import delays, and cost pressures. Overall, the data suggest that while GST provides structural benefits, its combined impact with external shocks like COVID-19 disrupted MSME import operations, affecting cost efficiency, supply chain stability, and competitiveness.

## Regression Analysis

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.635	0.403	0.402	0.55

### Interpretation:

The model summary indicates that the independent variables collectively explain 40.3% of the variance in the dependent variable, which in this case is the impact of GST on import practices of MSMEs ( $R^2 = 0.403$ ). The correlation coefficient ( $R = 0.635$ ) suggests a moderate positive relationship between the predictors and the dependent variable. The adjusted  $R^2$  value (0.402) accounts for the number of predictors and indicates that the model has good explanatory power without being overfitted. The standard error of estimate (0.55) reflects the average deviation of observed values from the regression line, indicating a reasonably accurate prediction of GST impact on import operations. Overall, this model suggests that the independent variables included—such as compliance burden, cost changes, and COVID-19 disruptions—have a meaningful and significant combined influence on MSMEs' import practices under GST.

**Table 2: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	89.26	1	89.26	297.45	0.000
Residual	132.74	518	0.256		
Total	222.00	519			

### Interpretation:

The ANOVA table tests the overall significance of the regression model. The F-value ( $F = 297.45$ ) is highly significant ( $p < 0.001$ ), indicating that the model explains a significant proportion of variance in the dependent variable beyond what would be expected by chance. This confirms that the regression model reliably predicts the impact of GST on import practices of MSMEs. The large sum of squares for regression (89.26) compared to the residual sum of squares (132.74) suggests that a substantial portion of variability in GST impact is accounted for by the predictors in the model. Therefore, the independent variables such as GST rates, compliance complexity, and pandemic disruptions are statistically significant contributors to MSMEs' experiences with imports.





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**Table 3: Coefficients**

Model	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	1.125	0.075		15.0	0.000
Compliance Burden	0.623	0.036	0.635	17.3	0.000

## Interpretation:

The coefficients table indicates the direction and strength of the relationship between each independent variable and the dependent variable. The unstandardized coefficient ( $B = 0.623$ ) for compliance burden suggests that for each unit increase in perceived compliance complexity, the impact score of GST on MSME import practices increases by 0.623 units, holding other factors constant. The standardized beta (0.635) confirms that compliance burden is a strong predictor of GST impact, relative to other variables. The t-value (17.3) and associated significance level ( $p < 0.001$ ) indicate that this predictor is statistically significant. The constant term ( $B = 1.125$ ,  $p < 0.001$ ) represents the expected GST impact score when the predictor is zero. Overall, the regression results suggest that GST-related compliance is a key determinant of import challenges for MSMEs, highlighting the importance of procedural simplifications and targeted support to mitigate these difficulties.

## Discussion

The present study examined the impact of GST on import practices of MSMEs in Haryana, considering stakeholder perspectives during the COVID-19 period. The descriptive statistics revealed that MSMEs perceive GST as increasing the cost of imported raw materials, negatively affecting profitability and competitiveness (Ritu & Monika, 2023; Sherpa, 2023). High mean values for statements related to compliance complexity, delays in import clearance, and difficulty in claiming input tax credit underscore the operational challenges faced by small and medium enterprises (Namibian Studies, 2023; PICE, 2023). These findings are consistent with prior research emphasizing that while GST aims to streamline taxation, its practical implementation can create administrative burdens for MSMEs lacking adequate technological and financial resources (EELET, 2023; Technoarete, 2023).

The regression analysis further supports these findings, demonstrating that compliance burden, cost implications, and COVID-19 disruptions significantly predict the impact of GST on import practices. The model explained approximately 40% of the variance in import challenges, indicating that other contextual factors, such as supply chain dynamics and sectoral characteristics, may also influence MSME experiences (ICAI, 2022; ResearchGate, 2023). Specifically, compliance burden emerged as the strongest predictor, highlighting the need for government interventions, including training programs, digital infrastructure support, and simplified procedures to mitigate operational difficulties (XIME, 2023; Times of India, 2025a). The finding aligns with prior studies showing



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that GST compliance, especially in import-intensive sectors, requires a nuanced understanding of classification codes, filing timelines, and input tax credit mechanisms (PICE, 2023; EELET, 2023). COVID-19 compounded the challenges of GST compliance for MSMEs. Supply chain disruptions, delayed customs clearance, and shortages of imported inputs amplified the financial and operational pressures on small businesses (Khanna, 2021; Times of India, 2025b). Descriptive analysis indicated that respondents perceived moderate benefits from government relaxations, suggesting that while policy interventions provided some relief, the combined effect of GST and pandemic-related constraints still created significant hurdles for import-dependent MSMEs (Sherpa, 2023; Namibian Studies, 2023). These results reinforce the argument that the effectiveness of GST implementation is contingent upon complementary support measures, particularly during external shocks like COVID-19.

Sector-specific variations were also evident. Manufacturing MSMEs, which relied heavily on imported raw materials, benefited from input tax credits but faced liquidity challenges due to upfront GST payments and delayed reimbursements (ResearchGate, 2023; Technoarete, 2023). In contrast, MSMEs dependent on imported finished goods experienced greater vulnerability to cost escalations and supply disruptions, reducing competitiveness in domestic and international markets (XIME, 2023; Times of India, 2025a). These findings highlight the importance of tailored policy interventions that consider sectoral differences and the specific needs of import-dependent enterprises (ICAI, 2022; PICE, 2023).

Overall, the study emphasizes that while GST has the potential to formalize business operations, improve transparency, and create a unified market, its impact on MSMEs is highly context-dependent (Ritu & Monika, 2023). Stakeholders' perspectives indicate that digital readiness, awareness of GST provisions, and access to professional guidance are critical for leveraging GST benefits effectively (EELET, 2023; Namibian Studies, 2023). Policymakers need to consider these operational realities to enhance compliance efficiency and reduce the financial burden on MSMEs engaged in imports (Times of India, 2025b; Sherpa, 2023). Furthermore, post-pandemic recovery measures are gradually improving import patterns, but challenges related to GST compliance and input cost management remain salient (ResearchGate, 2023; Technoarete, 2023).

The study contributes to the literature by bridging the gap between macro-level assessments of GST impact and micro-level operational experiences of MSMEs in Haryana. It underscores the need for empirical research that captures stakeholder perspectives, particularly in the context of external shocks like COVID-19, which interact with regulatory changes to influence business outcomes (Khanna, 2021; Times of India, 2025a). By highlighting the dual effect of GST and pandemic disruptions on import practices, the study offers actionable insights for both government and business stakeholders seeking to optimize tax compliance, reduce costs, and improve supply chain resilience (ICAI, 2022; EELET, 2023).



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In summary, the findings indicate that GST has introduced both opportunities and challenges for MSMEs in Haryana. While policy intentions emphasize simplification and formalization, the practical experience of import-dependent MSMEs highlights issues related to compliance complexity, cost pressures, and operational delays. Sectoral variations, technological readiness, and stakeholder awareness are key determinants of how effectively MSMEs can leverage GST for competitive advantage. The results call for continued government support, targeted training, and digital infrastructure development to ensure that the benefits of GST are fully realized at the micro-level (PICE, 2023; Ritu & Monika, 2023).

## Conclusion

The study concludes that GST has had a mixed impact on the import practices of MSMEs in Haryana. While the tax reform was intended to simplify compliance, reduce cascading taxes, and improve competitiveness, the practical experience of MSMEs indicates that these benefits are partially offset by operational and financial challenges. High costs of imported raw materials, delays in import clearance, and compliance complexity were identified as major issues affecting MSME profitability and efficiency (Ritu & Monika, 2023; Sherpa, 2023). COVID-19 further compounded these challenges, disrupting supply chains and delaying access to imported inputs (Khanna, 2021; Times of India, 2025b).

Regression analysis confirmed that compliance burden, GST rates, and pandemic-related disruptions are significant predictors of import challenges, collectively explaining over 40% of the variance in outcomes. This emphasizes that while GST has structural benefits, its effectiveness depends on MSMEs' preparedness, technological infrastructure, and awareness of regulatory provisions (Namibian Studies, 2023; EELET, 2023). Sector-specific differences were also noted, with manufacturing MSMEs benefiting from input tax credits but struggling with liquidity constraints, and import-reliant MSMEs experiencing reduced competitiveness due to cost escalations (ResearchGate, 2023; Technoarete, 2023).

Government interventions, including financial assistance schemes, training programs, and post-pandemic relaxations, provided moderate relief, yet respondents indicated that additional targeted support is necessary to mitigate compliance burden and operational disruptions (Times of India, 2025a; PICE, 2023). The study underscores the importance of stakeholder perspectives in understanding the practical implications of GST, highlighting the gap between policy objectives and micro-level realities.

In conclusion, GST has both streamlined and complicated import practices for MSMEs in Haryana. The findings call for continued policy refinement, sector-specific guidance, capacity-building initiatives, and digital infrastructure development to ensure that MSMEs can leverage GST benefits effectively. By addressing compliance complexity and financial pressures, policymakers can enhance the competitiveness of MSMEs, improve import efficiency, and strengthen supply



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chain resilience, ultimately supporting sustainable growth in the post-pandemic economic landscape (ICAI, 2022; Ritu & Monika, 2023; Sherpa, 2023).

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