

Women-led MSMEs in the GST Regime: Drivers of Inclusive Economic Progress**Dr. Shobha Devi, Ms Ragini Jadon, Dr. Chand Babu, Ms Divya, Ms Jagriti Singh**

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Abstract: The implementation of the Goods and Services Tax (GST) has brought significant changes to the way businesses operate in India, particularly for small and medium enterprises. For women-owned MSME enterprises, GST has created both new opportunities and practical challenges. By introducing a unified tax system and reducing the complexity of multiple indirect taxes, GST aims to improve transparency, encourage formal business registration, and strengthen participation in the formal economy. Women entrepreneurs, who represent a growing segment of the MSME sector, play an important role in employment generation, innovation, and local economic development. Their increased participation is essential for achieving inclusive economic growth in India. This study examines how GST has influenced the functioning and growth of women-led MSME enterprises. The research relies mainly on secondary data gathered from reports and publications of institutions such as the Ministry of Micro, Small and Medium Enterprises and the Reserve Bank of India, along with relevant academic studies. The analysis focuses on key aspects such as business formalization, compliance requirements, market access, and financial transparency among women entrepreneurs. The findings suggest that GST has encouraged many small businesses to enter formal supply chains and benefit from mechanisms such as input tax credit and digital tax filing systems. At the same time, women entrepreneurs—especially those operating micro or home-based enterprises—often face challenges related to digital literacy, limited awareness of tax procedures, and the cost of compliance. These issues can restrict their ability to fully benefit from the GST framework. The study therefore emphasizes the need for targeted policy support, training initiatives, and simplified compliance processes to ensure that women-led MSMEs can effectively leverage GST and contribute more strongly to inclusive economic growth in India.

Keywords: GST, Inclusive Growth, Women Entrepreneurs, MSME sector

Introduction: India's economic development has been shaped by a series of structural reforms designed to enhance transparency, efficiency, and inclusivity. Among these, the introduction of the Goods and Services Tax (GST) stands out as a transformative policy initiative. By consolidating multiple indirect taxes into a unified framework, GST has simplified taxation and improved compliance mechanisms (Government of India, 2018).

The MSME sector plays a central role in India's economic framework. It contributes nearly 30% to the country's Gross Value Added (GVA) and approximately 45% to exports, making it a key driver of growth and employment (Ministry of MSME, 2023). The sector is particularly important for promoting balanced regional development and providing livelihood opportunities across diverse socio-economic groups. Women entrepreneurs have emerged as an important force within the MSME ecosystem. Their participation contributes not only to economic output but also to social progress by promoting gender equality and financial independence. Despite these contributions, women-led enterprises face persistent challenges such as limited access to finance, insufficient business networks, and regulatory hurdles (NITI Aayog, 2022). GST has introduced digital processes and compliance requirements that have both enabled and constrained MSMEs. While it has facilitated integration into formal markets, it has also imposed compliance burdens that may disproportionately affect smaller and women-owned enterprises. This paper examines how GST has influenced women entrepreneurship in MSMEs and its implications for inclusive economic growth.

Background of the Study: The introduction of GST represented a major step toward rationalizing India's indirect tax regime. By replacing a fragmented system of taxes with a comprehensive structure, GST has enhanced efficiency and reduced tax-related distortions (Kelkar, 2019). One of its key outcomes has been the encouragement of formalization, as businesses are incentivized to register in order to benefit from input tax credits and participate in organized supply chains.

The MSME sector has demonstrated considerable resilience and expansion over time. According to official estimates, India has over 7 crore MSMEs, which collectively contribute significantly to employment and industrial output (Ministry of MSME, 2023). This sector serves as a critical pillar for inclusive development, particularly in rural and semi-urban areas. Women entrepreneurs form an increasingly important segment within this landscape. Estimates suggest that around one-fifth of MSMEs in India are owned or led by women (IFC, 2021). These enterprises contribute to economic diversification, job creation, and social empowerment. However, the transition to GST has posed certain challenges for women entrepreneurs. Factors such as limited awareness, low digital literacy, and difficulties in managing compliance procedures have affected their ability to fully benefit from the new tax system (Kumar & Sharma, 2020). Addressing these constraints is essential to ensure that GST contributes effectively to inclusive growth.

Objectives of the Study

The study seeks to achieve the following objectives:

1. To assess the impact of GST on the formalization and expansion of MSMEs in India.
2. To examine how GST influences the participation of women entrepreneurs in the MSME sector.
3. To analyze the contribution of women-led MSMEs to inclusive economic growth.
4. To identify the key challenges faced by women entrepreneurs under GST.
5. To propose policy recommendations for improving inclusivity and effectiveness.

Literature Review

Existing literature underscores the importance of the Goods and Services Tax (GST) as a structural reform that enhances efficiency, transparency, and uniformity in India's indirect taxation system. Kelkar (2019) argues that GST has simplified the tax regime by integrating multiple indirect taxes into a single framework, thereby reducing cascading effects and improving overall economic efficiency. Similarly, Purohit (2017) highlights that GST has widened the tax base and strengthened compliance mechanisms through digitization and better monitoring. Supporting this view, Rao (2019) notes that GST has contributed to fiscal consolidation and improved revenue buoyancy by enhancing tax administration.

The role of MSMEs in economic development has been extensively documented in both global and Indian contexts. Beck and Demirgüç-Kunt (2006) emphasize that MSMEs are critical for employment generation, poverty alleviation, and inclusive growth, particularly in developing economies. Ayyagari, Beck, and Demirgüç-Kunt (2007) further demonstrate that small firms contribute significantly to job creation and economic dynamism. In the Indian context, Singh (2020) highlights that MSMEs play a vital role in export promotion, regional balance, and industrial diversification. Additionally, Gherghina et al. (2020) argue that MSMEs contribute to sustainable economic growth by fostering innovation and entrepreneurship.

Research on women entrepreneurship indicates its growing importance in achieving inclusive development. Women-owned enterprises are increasingly recognized as drivers of socio-economic transformation, contributing to income generation and gender equality. According to Minniti (2010), women entrepreneurs play a significant role in enhancing household welfare and community development. However, they often face structural barriers such as limited access to finance, lack of business networks, and socio-cultural constraints. The International Finance Corporation (2021) identifies a substantial financing gap for women entrepreneurs in India, which restricts their business expansion. Similarly, Brush et al. (2019) emphasize that institutional and financial constraints continue to hinder the growth of women-led enterprises globally. Several studies have examined the impact of GST on MSMEs, presenting mixed outcomes. While GST has encouraged formalization and improved transparency, it has also increased compliance costs and administrative burdens for small businesses. Kumar and Sharma (2020) argue that the complexity of GST procedures disproportionately affects micro and small enterprises. In contrast, Ehtisham Ahmed and Poddar (2018) suggest that GST has long-term benefits for MSMEs by creating a level playing field and improving supply chain efficiency. Furthermore, Aggarwal (2020) observes that GST has facilitated digitalization and integration of businesses into formal economic systems, thereby enhancing their growth prospects.

Recent research also highlights the role of GST in promoting financial inclusion. By linking businesses with formal tax and banking systems, GST has improved access to credit and financial services (World Bank, 2020). However, the benefits are not uniformly distributed, particularly among women entrepreneurs who face additional challenges such as digital illiteracy and limited awareness (NITI Aayog, 2022). Despite the growing body of literature on GST, MSMEs, and women entrepreneurship, there remains a significant research gap. Most studies analyze these dimensions in isolation, with limited focus on their interlinkages. There is a lack of comprehensive empirical analysis examining how GST influences women-led MSMEs and contributes to inclusive economic growth. This study seeks to bridge this gap by providing an integrated perspective on GST, women entrepreneurship, and MSME development in India.

Research Methodology

Research Design: This study adopts a quantitative, descriptive, and analytical research design to examine the relationship between the implementation of GST and inclusive economic growth, with particular emphasis on women entrepreneurs in the MSME sector in India. The design is appropriate as it enables systematic analysis of trends, patterns, and relationships using secondary macroeconomic and sectoral data. The study is grounded in a positivist research paradigm, where empirical evidence is used to test associations between GST-driven formalization and indicators of women entrepreneurship and inclusivity.

Data Sources and Data Collection. The study relies exclusively on secondary data, ensuring reliability and consistency by drawing from reputed national and international sources. The data has been compiled from:

- Ministry of Micro, Small and Medium Enterprises (Annual Reports, Udyam Registration Data)
- Reserve Bank of India (Financial Inclusion and MSME Reports)
- GST Council (GST statistics and policy updates)
- World Bank and International Finance Corporation databases
- Economic Survey of India (various years)
- Peer-reviewed journal articles indexed in Scopus and ABDC databases.

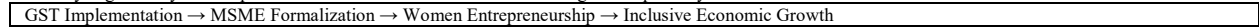
Time Horizon: The study covers the period **2017–2024**, which represents the post-GST implementation phase in India. This time frame allows for a longitudinal assessment of trends in MSME formalization, women entrepreneurship, and indicators of inclusive economic growth.

Variable Specification: To empirically examine the research objectives, the study identifies the following variables:

- Independent Variable : GST Implementation (proxied through GST registrations, compliance indicators, and digital tax filings)
 - Dependent Variables : Growth of women-led MSMEs (number of registered enterprises, participation rate), Employment generation in MSMEs, Indicators of inclusive economic growth (financial inclusion, income participation)
 - Control Variables: Access to institutional credit, Digital literacy levels, Government policy interventions (e.g., women entrepreneurship schemes)
 - Mediating Variables: Business formalization, Digital compliance adoption
- This multi-variable framework enables a comprehensive analysis of both direct and indirect effects of GST on inclusive growth.

Analytical Framework

The study is guided by a conceptual framework that establishes the following causal pathway:



This framework reflects the theoretical linkage between tax reforms, economic formalization, gender inclusion, and development outcomes.

Econometric Model (Suggested for Empirical Rigor)

To enhance analytical depth, the study proposes a regression-based model:

$$IEG_t = \alpha + \beta_1 GST_t + \beta_2 WMSME_t + \beta_3 FI_t + \beta_4 DL_t + \epsilon_t$$

Where: IEG= Inclusive Economic Growth indicators

GST= GST-related variables (registrations/compliance)

WMSME= Women-led MSME growth

FI = Financial inclusion indicators

DLt = Digital literacy

ϵ_t = Error term

This model helps quantify the impact of GST and mediating factors on inclusive growth outcomes.

Data Analysis Techniques

The study employs a combination of statistical and econometric techniques:

1. Descriptive Statistics: To summarize key trends in MSME growth and GST adoption
2. Trend Analysis: To examine changes over time in women entrepreneurship and GST registrations
3. Correlation Analysis: To identify relationships between GST variables and MSME performance
4. Multiple Regression Analysis: To assess the impact of GST and related variables on inclusive economic growth
5. Comparative Analysis: Pre- and post-GST comparison to evaluate structural changes

Limitations of Methodology: Despite methodological rigor, the study has certain limitations:

- Dependence on secondary data limits micro-level insight
- Lack of gender-disaggregated GST data in some dataset
- Potential variations in data reporting across sources

Data Analysis and Findings: Contribution of MSMEs to the Indian Economy

Indicator	Approximate Contribution
Share in GVA	30%
Share in Exports	45%
Employment	34 crore

Table 1- Source: Ministry of MSME (2023)

Women Participation in MSMEs

Indicator	Estimate
Women-owned MSMEs	~20%
Participation in workforce	Significant
Credit gap	Substantial

Table 2- Source: IFC (2021)

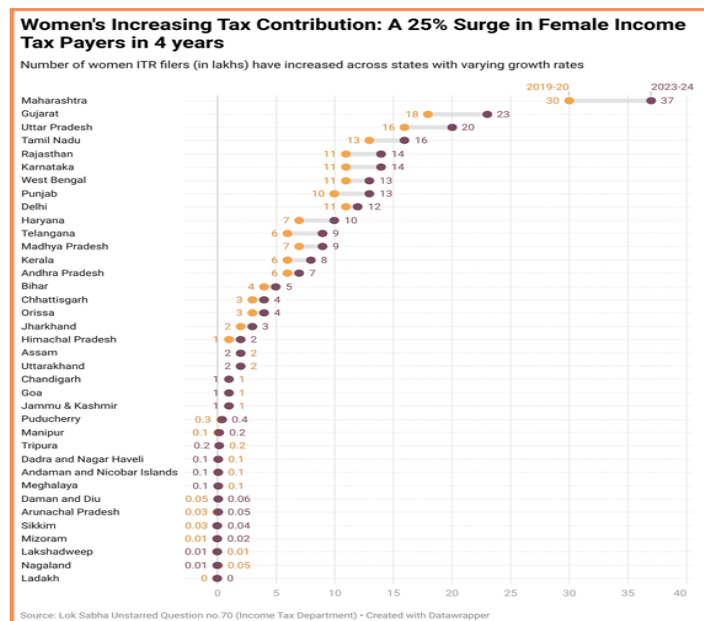


Table 3: Women's Increasing Tax Contribution: A 25% Surge in Female Income Tax Payers in 4years

Source: Lok Sabha Unstarred Question no.70 (Income Tax Department) Note: the figure shows state-wise number of women ITR filers (in lakhs) in 2019-20 vs 2023-24

Key Findings**1. Increased Formalization**

GST has contributed to bringing a large number of MSMEs into the formal economy by incentivizing registration and compliance (Purohit, 2017).

2. Rising Participation of Women Entrepreneurs

The participation of women in MSMEs has shown gradual improvement, supported by policy initiatives and better access to institutional support (NITI Aayog, 2022).

3. Improvement in Financial Inclusion

GST has facilitated integration with formal financial systems, thereby improving access to banking and credit services (World Bank, 2020).

4. Persistent Challenges

Despite these gains, women entrepreneurs continue to face significant challenges, including compliance complexity, limited awareness, and financial constraints (Kumar & Sharma, 2020).

5. Table 3- Between 2019–2024, the number of female ITR filers grew from 183 lakh to 229 lakh—an addition of 46 lakh women in just four years with varying growth rates across states (figure 1). Maharashtra, Gujarat, and Uttar Pradesh account for the highest number of new women filers. Smaller states and UTs, especially in the North-East (smaller in population base) show the sharpest growth—signalling wider inclusion. This rise suggests more women are entering formal employment and self-employment, directly contributing to the tax net

Discussion

The analysis suggests that GST has had a positive impact on the MSME sector by enhancing transparency and encouraging formalization. These developments have created new opportunities for women entrepreneurs to participate in formal markets and access financial services.

However, the transition has not been equally beneficial for all segments. Women entrepreneurs, especially those operating in smaller or rural enterprises, encounter greater difficulties in adapting to digital compliance systems. These findings align with existing literature that highlights structural barriers faced by women in business (IFC, 2021).

Thus, while GST provides a framework for inclusive growth, its success depends on complementary measures that address gender-specific challenges.

Recommendations

To promote inclusive growth and support women entrepreneurs, GST procedures should be simplified, particularly for micro and small enterprises, to reduce compliance burdens. Strengthening digital literacy programs is essential to enable women to effectively navigate GST systems and online business operations. Access to credit must be improved through targeted financial schemes designed for women-led enterprises. Additionally, awareness campaigns should be conducted to educate entrepreneurs about GST compliance and its benefits. Finally, adopting gender-sensitive policy frameworks can ensure that taxation and financial systems are more inclusive and responsive to women's needs.

Conclusion

GST has emerged as a pivotal reform with the potential to promote inclusive economic growth in India. By encouraging formalization and improving transparency, it has created opportunities for MSMEs and women entrepreneurs. However, the realization of its full potential requires addressing the challenges faced by women-led enterprises.

Targeted policy interventions, capacity-building initiatives, and financial support mechanisms are essential to ensure that women entrepreneurs can effectively leverage GST for business growth. Strengthening these areas will not only enhance women's participation in the economy but also contribute to sustainable and inclusive development.

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