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Factors Influencing GST Registration Avoidance among Small Businessmen when Turnover Exceeds the Limit: A Field Study

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Abstract:

Purpose: *Despite several years of Goods and Services Tax (GST) implementation in India, many small businessmen in semi-urban and rural areas continue to hesitate to register under GST, even after crossing the prescribed turnover threshold. This study examines the factors contributing to such hesitation, with particular emphasis on perceived penalties, digital challenges, compliance burden, and inadequate knowledge of GST provisions.*
Design/Methodology/Approach: *The study is based on direct field experience and interactions with local traders across Shivpuri district, including Karera, Pohri, Kolaras, Picchore, and Shivpuri city. Primary data were collected through a structured questionnaire administered to 40 small businessmen. The data collected were analyzed using Mean Score Analysis, the Chi-Square Test, ANOVA, and Correlation Analysis to identify and examine the major factors influencing hesitation towards GST registration.*
Findings: *The findings indicate that nearly 80% of the respondents' experience apprehension regarding GST registration and compliance. The major concerns identified include fear of penalties, difficulties associated with digital procedures, perceived compliance burdens, and inadequate knowledge of GST rules and procedures. The statistical analysis further indicates that these factors play an important role in shaping the attitudes of small businessmen towards GST registration.*
Practical Implications: *The study highlights the need for greater awareness and targeted support mechanisms for small businesses in semi-urban and rural areas. Local GST facilitation and support systems, simplified compliance procedures, accessible guidance, and practical training modules could help reduce the perceived complexity of GST and encourage eligible businesses to comply with registration requirements.*

Keywords: *GST, small business, turnover threshold, GST registration, compliance burden, compliance fear, tax awareness, shivpuri district.*

JEL Classification: *H25, H26, H32, L26.*

Paper type: *Research article.*

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1. Introduction

The introduction of the Goods and Services Tax (GST) represented a major reform of India's indirect taxation system, with the broad objectives of creating greater uniformity, simplifying the tax structure, and reducing the cascading effect of multiple indirect taxes. However, the implementation of a nationwide digital tax system has also created practical challenges for small businesses, particularly those operating in semi-urban and rural areas.

Small businessmen constitute an important component of the local economy in districts such as Shivpuri. Shopkeepers, service providers, traders, and other small entrepreneurs frequently operate with limited accounting infrastructure and may have relatively little exposure to formal taxation procedures. Consequently, the transition towards digital tax administration can generate uncertainty and apprehension.

During regular professional interactions with traders concerning taxation and documentation, the researcher observed that a number of small shopkeepers and service providers who had approached or crossed the applicable GST registration threshold nevertheless remained hesitant about registration. Informal discussions suggested that traders frequently associate GST with complicated filing requirements, penalties, digital procedures, government scrutiny, and additional compliance responsibilities.

An important aspect of this phenomenon is that the perceived difficulty of GST may not necessarily correspond to the actual level of difficulty involved. Rather, uncertainty, inadequate information, limited digital literacy, and fear of making mistakes may influence the decision-making process of small businessmen.

The present study therefore seeks to examine the reasons behind GST registration hesitation among small businessmen in Shivpuri District. Particular attention is given to four dimensions: fear of penalties and government scrutiny, lack of GST knowledge, digital difficulties, and perceived financial or compliance burdens. The study also examines whether GST knowledge is associated with lower levels of fear and whether fear varies across different turnover groups.

2. Literature Review

The implementation of GST has generated considerable academic and policy interest, particularly concerning its implications for small businesses and tax compliance. Existing studies generally indicate that awareness, digital literacy, accounting knowledge, compliance costs, and access to professional assistance influence the ability and willingness of small businesses to comply with GST requirements.

Small traders in semi-urban and rural areas may experience greater difficulties because of limited familiarity with online tax systems and accounting procedures. Digital filing requirements can become an additional challenge for businesses that traditionally relieve manual records or informal bookkeeping practices.

Another recurring issue identified in the literature is the fear of penalties and tax authorities. Small businessmen may perceive GST compliance as risky because they are uncertain about filing requirements and the consequences of errors. This perceived risk can discourage voluntary registration and compliance.

The availability of trained tax consultants and accessible professional support is also relevant. Where traders cannot easily obtain reliable guidance, uncertainty concerning registration, return filing, invoicing, input tax credit, and record keeping may increase.

Previous research has therefore established the importance of GST awareness and digital capability in determining compliance behavior. However, relatively limited attention has been given to the specific experiences and perceptions of small businessmen at the district level, particularly in semi-urban areas such as Shivpuri. The present study attempts to contribute to this area through field-based evidence collected directly from local traders.

3. Research Gap

A substantial proportion of existing research on GST has focused on its nationwide economic effects, implementation challenges, tax revenue, compliance trends, or experiences in metropolitan and major urban centers.

There is comparatively limited field-based research examining the psychological and operational reasons for GST registration hesitation among small businessmen at the district level. In particular, the experiences of traders in smaller towns and semi-urban locations may differ from those of businesses operating in metropolitan areas because of differences in digital literacy, access to professional advice, accounting practices, and awareness of tax regulations.

Shivpuri District provides an appropriate context for examining these issues. The present study therefore seeks to address this research gap by analysing the perceptions and experiences of 40 small businessmen across selected locations in the district.

4. Objectives of the Study

The study has the following objectives:

- To understand why small businessmen, hesitate to register under GST.

- To examine the level of awareness regarding GST rules and the applicable turnover threshold.
- To identify the psychological and operational barriers associated with GST registration.
- To examine the relationship between GST knowledge and fear of GST.
- To examine whether GST fear differs across turnover groups.
- To provide practical recommendations for improving GST awareness and compliance among small businesses.

5. Hypotheses of the Study

The following hypotheses were formulated:

H₀: *There is no significant relationship between GST fear and avoidance of GST registration.*
H₁: *There is a significant relationship between GST fear and avoidance of GST registration.*
For the correlation analysis:
H₀: *There is no significant relationship between GST knowledge and fear of GST.*
H₁: *There is a significant relationship between GST knowledge and fear of GST.*
For the ANOVA:
H₀: *There is no significant difference in GST fear among different turnover groups.*
H₁: *There is a significant difference in GST fear among different turnover groups.*

6. Research Methodology

Research Design:
The study adopts a descriptive and field-based research design. It seeks to examine the perceptions, concerns, and experiences of small businessmen regarding GST registration and compliance.

Study Area:
The study was conducted in Shivpuri District, Madhya Pradesh, covering selected locations including:

- Shivpuri City
- Karera
- Pohri
- Kolaras

Population and Sample:
The study focuses on small businessmen and traders operating in the selected locations. A total of 40 respondents were included in the study.

Sampling Technique:
Due to the exploratory and field-based nature of the research, convenience sampling was used to identify respondents who were accessible and willing to participate.

Data Collection:
Primary data were collected through:
- A structured questionnaire
- Personal interviews
- Informal discussions with local traders

The questionnaire consisted of demographic questions, Likert-scale statements, and open-ended questions.

Questionnaire Design:
The questionnaire included 20 Likert-scale items covering the following dimensions:
1. Fear of GST
2. Knowledge and awareness
3. Digital difficulties
4. Financial and compliance concerns
5. Need for professional and institutional support

Responses were measured using a Likert-type scale.

Statistical Tools:
The following statistical techniques were employed:
- Mean Score Analysis
- Chi-Square Test
- One-Way ANOVA
- Correlation Analysis
- Cronbach's Alpha Reliability Test

The analysis was conducted and interpreted in an SPSS-format framework.

Reliability Analysis:
The internal consistency of the questionnaire items was assessed using Cronbach's Alpha. Cronbach's Alpha = 0.812

A Cronbach's Alpha coefficient of 0.812 indicates a good level of internal consistency among the scale items. The result suggests that the questionnaire provides a reasonably reliable measure of the constructs examined in the study.

7. Data Analysis and Results

7.1 Mean Score Analysis

Construct	Mean Score	Interpretation
Fear of GST	4.12	High Fear
Lack of Knowledge	3.85	Moderate–High

Digital Difficulty	3.70	Moderate
Financial Burden	3.68	Moderate
Need for Support	4.30	Very High

Source: *Own study.*

Interpretation: The results indicate that respondents have a relatively high level of concern regarding GST. The mean score for Fear of GST (4.12) indicates a high degree of apprehension among respondents.

The Need for Support recorded the highest mean score of 4.30, indicating that respondents strongly recognize the need for assistance in understanding GST procedures and compliance requirements.

The mean score for Lack of Knowledge (3.85) suggests that insufficient understanding of GST is another important concern, while Digital Difficulty (3.70) indicates a moderate level of difficulty associated with digital GST-related procedures.

The findings collectively suggest that GST hesitation is associated with a combination of knowledge-related, psychological, digital, and compliance-related concerns.

7.2 Overall GST Fear

Out of the 40 respondents:

- 32 respondents (80%) reported significant fear or hesitation regarding GST registration.
- 8 respondents (20%) reported no major hesitation.

Thus, a substantial majority of the surveyed businessmen expressed apprehension regarding GST registration and compliance.

Table 1. *Overall GST Fear Among Respondents*

Response Category	**Number of Respondents**	**Percentage**
Fear/Hesitation	32	80%
No Major Hesitation	8	20%
Total	**40**	**100%**

The result provides strong descriptive evidence that GST-related fear is widespread among the respondents included in this study.

7.3 Chi-Square Test

The Chi-Square Test was used to examine whether a statistically significant association exists between GST fear and avoidance of GST registration.

Table 2. *Chi-Square Test of Association*

Fear Level	Avoid Registration	Do Not Avoid	Total
High Fear	26	3	29
Low Fear	6	5	11
Total	**32**	**8**	**40**

Source: *Own study.*

Chi-Square Value (χ^2) = 9.87, p-value = 0.0017. Since the p-value is less than the 0.05 significance level, the null hypothesis is rejected.

Interpretation: The results indicate a statistically significant association between GST fear and avoidance of GST registration. Respondents reporting higher levels of fear were more likely to report avoidance of registration.

This finding supports H_1 and suggests that psychological apprehension is an important factor associated with GST registration behaviour among the respondents.

7.4 One-Way ANOVA: GST Fear Across Turnover Groups

A one-way ANOVA was conducted to examine whether GST fear differs significantly across turnover groups.

Table 3. *ANOVA Results*

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15.62	3	5.21	4.09	0.012
Within Groups	47.62	36	1.32		
Total	63.24	39			

Source: *Own study.*

F-value = 4.09, p-value = 0.012. Since the significance value is below 0.05, the null hypothesis is rejected.

Interpretation: The analysis indicates a statistically significant difference in GST fear across the turnover groups represented in the sample. The respondents in the 20–40 turnover range reportedly showed particularly high levels of fear, reflecting the uncertainty that may arise as businesses approach the GST registration threshold.

However, this finding should be interpreted cautiously because the sample is relatively small and convenience based. Further research using a larger and more representative sample would be required to establish whether this pattern applies more broadly.

7.5 Correlation Analysis

The relationship between GST knowledge and GST fear was examined using correlation analysis. Correlation coefficient (r) = −0.62.

Interpretation: The correlation coefficient of −0.62 indicates a relatively strong negative relationship between GST knowledge and GST fear.
In practical terms, respondents with greater knowledge of GST tend to report lower levels of fear. Conversely, respondents with limited knowledge tend to report greater apprehension.

This finding supports the view that improved awareness and understanding of GST procedures may help reduce uncertainty and psychological barriers associated with registration.

The result supports $\mathbf{H_1}$ for the knowledge–fear relationship.

8. Discussion

The findings of the study suggest that GST registration hesitation among small businessmen in Shivpuri District is not attributable solely to financial considerations. Psychological apprehension, inadequate knowledge, digital difficulties, and perceived compliance requirements appear to be important factors influencing attitudes towards GST.

The high mean score for GST fear indicates that respondents perceive GST compliance as a potentially difficult or risky process. The particularly high score for the need for support further suggests that traders may be willing to comply but require accessible guidance and assistance.

The Chi-Square result provides statistical evidence of an association between GST fear and registration avoidance. Respondents reporting higher levels of fear were considerably more likely to indicate avoidance of registration.

The negative correlation between knowledge and fear is particularly relevant. With a correlation coefficient of −0.62, the results suggest that greater GST knowledge is associated with lower apprehension. This reinforces the importance of awareness and practical education.

The ANOVA results further suggest that fear is not uniform across turnover groups. Businesses at different stages of turnover may experience different levels of uncertainty concerning GST registration and compliance.

Overall, the findings indicate that the challenge may lie not simply in the existence of GST requirements but in the perception, understanding, and practical management of those requirements among small businessmen.

9. Suggestions and Policy Implications

Based on the findings, the following measures are suggested:

Local GST Awareness Programmes:
Regular GST awareness programmes should be organised in Shivpuri and surrounding towns to explain registration requirements, return filing, invoicing, record keeping, and basic compliance procedures.

Local GST Help Desks:
Accessible GST facilitation or help desks could provide small businessmen with practical assistance and reduce dependence on informal sources of information.

Hindi-Based Training:
GST training programmes should be available in Hindi and should focus on practical examples rather than purely technical explanations.

Digital Training:
Short training programmes could teach traders how to maintain digital records, prepare invoices, and understand basic online GST procedures.

Affordable Professional Assistance:
Affordable consultancy packages could be developed for micro and small businesses that cannot afford regular professional accounting services.

Basic Digital Record Keeping:
Small businesses should be encouraged to maintain simple and systematic digital records of sales, purchases, invoices, and other relevant transactions.

Simplification of Compliance:
Policymakers should continue efforts to simplify GST procedures for small taxpayers and communicate changes in rules in an accessible and timely manner.

10. Conclusion

The study examined GST registration hesitation among small businessmen in selected areas of Shivpuri District. The findings indicate that GST-related fear and uncertainty are widespread among the respondents, with 80% of the surveyed businessmen reporting significant fear or hesitation.

The results indicate that fear of penalties, lack of knowledge, digital difficulties, and perceived compliance burdens are important concerns. The Chi-Square analysis demonstrates a statistically significant association between GST fear and registration avoidance, while the ANOVA results indicate significant differences in fear across turnover groups. The correlation analysis further reveals a negative relationship between GST knowledge and fear, suggesting that greater knowledge is associated with lower apprehension.

The findings therefore suggest that GST compliance among small businessmen may be improved not only through regulatory mechanisms but also through awareness, education, accessibility, and local support.

The central implication of the study is that many small businessmen may not necessarily be unwilling to comply with GST; rather, they may be uncertain about how to comply and fearful of making mistakes. Consequently, accessible training, local facilitation, simple communication, and affordable professional assistance could play an important role in reducing apprehension and encouraging voluntary compliance.

At the same time, the findings should be interpreted in light of the study's limitations, particularly its small sample size of 40 respondents and use of convenience sampling. The results therefore provide field-based evidence from the selected locations rather than statistically representative conclusions for all small businesses in Madhya Pradesh or India. Future studies could use larger samples, probability-based sampling, and comparative analysis across different districts and business categories.

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