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Impact of Changes in Taxation Policies on Small Business Sustainability in Buldhana District: A Survey-Based Analysis

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ABSTRACT: This study examines the impact of changes in taxation laws on small businesses in Buldhana district through a comprehensive survey-based approach. This study aims to identify the mindset, challenges, and responses taken by small businesses as response to such change. By a systematic survey design, information will be collected from a representative sample of small businesses of various industries and locations in Buldhana district. The impact of reforms in tax law on business behaviour, compliance costs, investment levels, and business environment will be analysed in the study. The findings will give valuable knowledge regarding the mechanisms whereby tax reforms influence small business expansion, viability, and competitiveness and thus inform policymakers, practitioners, and stakeholders towards developing effective policy and support programs.

KEYWORDS: Taxation policies, small business sustainability, Tax impact, Business growth, Survey analysis.

I. INTRODUCTION

Small firms are the engines of economic development and activity, particularly in semi-urban and rural regions. Small and medium businesses in India have a major impact as they contribute to innovation, jobs, as well as national and local economies. Small businesses cannot be underscored enough, particularly in rural regions like Buldhana, where they represent the livelihood for the inhabitants. Small and medium sized businesses in Buldhana range from agriculture-based industries to small-sized manufacturing units, retail shops, and service outlets, thus establishing a diversified economic base for district development.

The sustainability of these small and medium-sized businesses is, however, threatened by a number of factors, with tax policies being one of the most critical. Tax structures, rates, as well as compliance rules change, affecting the working dynamics of small businesses both negatively and positively. Tax reforms may ease the financial burden on small business, stimulate growth, as well as invite compliance on one hand. In contrast, poor or too complicated tax policies could translate into a higher administration burden and reduced profitability for industries, particularly the micro and small-scale industries lacking adequate resource to address problems of taxability.

The Indian Government has integrated many changes from the past in an effort to increase the ease of doing business and introduce in an operational tax regime. The Goods and Service Tax (GST) introduction in 2017 was, for instance, a second try at remodelling the tax framework, reducing cascading of taxation, and keeping in line with taxes. Still, the process of introducing the above reforms has not been flawless for rural town businesses. The small business owners are also burdened to understand the technicalities of new taxation structure with strict compliance regulations in the majority of documentary, reporting, and filing parameters. Also, altered taxation structures and indefiniteness on some areas of taxing guidelines have a high tendency to confuse as well as to make wrong decisions in crucial situations. In Buldhana district, where there is limited financial literacy, professional guidance, and access to technology, the tax code complexity might be out of their reach. Small business owners might struggle with the complications of taxation and hence might not be compliant or might report inaccurately, incurring penalties, fines, and extra financial expenses. Moreover, despite the fact that large corporations normally have departments that handle taxation issues, small



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businesses do not, thereby being at a unprofitable position of having to suffer the adverse effects of policy realignments in taxation.

The overall aim of this study is to investigate the impact of taxation policies on the financial health and growth of small businesses Buldhana. Survey will be conducted among small business owners in various sectors in Buldhana district. Survey data will be collected on their experience of tax compliance, awareness of new tax reforms, and perceived impact of these on profitability and efficiency of their business. Besides that, the awareness and readiness of entrepreneurs for adapting to the evolving tax scenario will also be examined through this study and that will provide knowledge on whether they need special trainings and programs or not for assisting small business persons. Justification for conducting the present research is due to the understanding of the fact that small business commonly forms the back bone of rural economy and exists and is developed as a part of regional development.

II. TAX POLICIES FOR SMALL BUSINESSES IN BULDHANA DISTRICT- A LITERATURE REVIEW

The small Businesses role in economic growth.

Small businesses have been referred to as the backbone of the economy, especially in developing nations like India. They offer employment, entrepreneurship, and variety in the domestic economy. Small business are a major source of GDP and Indian employment, especially rural regions, according to the ministry of micro, small and Medium Enterprises (MSME). Small and medium-sized enterprises in Buldhana district constitute a robust part of the local economy, including agriculture, manufacturing, retail, and service industries.

The Indian Tax system and its evolution

The Indian taxation system has changed dramatically over the past couple of years, with the introduction of the Goods and Service Tax (GST) in 2017 being the most ambitious tax restructuring in the nation's history. Indian small firms had to navigate a complex taxation system of state and central levies before GST. This was sure to lead to confusion and inefficiencies, especially for smaller and unorganized businesses. GST introduction was intended to simplify the tax system by merging indirect taxes and having a single tax system.

Taxation policies and small business sustainability: Global perspectives

Research by Agrawal (2018) and Kumar & Sinha (2019) concluded that small businesses are disproportionately affected by tax changes, especially in the rural economy since businesses are likely to be in informal economy. It is argued by these papers that tax reform, while beneficial in theory, can be an addition to the economic load on small businesses unless there is a simultaneous exercise of educating and aiding in the aspect of tax compliance.

The impact of GST on small businesses in India

Goods and Services Tax (GST) was introduced with the vision of creating a business-friendly environment in India. The direct effect on small business has been uncertain. There have been several studies that analysed the effect of GST on small businesses in different parts of India, particularly its challenges and benefits for businesses in rural and semi-urban regions.

Challenges of GST for small Businesses: Studies by Chakrabarti (2019) and Chaudhary (2020) suggest that while GST aimed to create a unified tax system, small businesses, particularly in rural areas like Buldhana district faced challenges in adapting to the new system.

The majority of business corporations had an issue with the complicated process of registering GST, classifying the reporting mode, and dealing with various requisitions of the reporting procedure. This led to higher compliance costs and, in some cases, the option of small business persons to make use of the composition scheme under GST so that administrative expenses were kept down, even if this cut back on their input tax credit privilege. Impact on Profitability and Operations: Small firms that switched to GST, as per a report by Sharma and Singh (2020), had more operating costs because they had to invest in technology, hire accountants, and spend time reporting taxes. This led to lower profitability in the short term. Companies, however, that could not make such changes at times had to shut down or lay off employees.

Positive Effects of GST: In spite of all these issues, different studies have identified that GST also had certain positive effects.



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In a study carried out by Bhat & Nair (2019), businesses that were able to adapt to the new regime benefited from access to a broader market through enhanced supply chain efficiencies. Apart from this, the facility to claim input tax credits under GST enabled businesses to reduce the cascading effect of taxes, thus leading to possible long-term cost benefits. This was particularly beneficial for businesses already in the formal economy and had the required infrastructure to adopt the new tax system.

Perception of Taxation Policies Among Small Business Owners

There is a very extensive body of literature that places a great deal of emphasis on entrepreneurs' attitude as a catalyst for the impact of tax policy on small businesses.

Kumar & Gupta (2017) affirm that any kind of tax reform hinges to a great extent on what entrepreneurs think regarding fairness, complexity, and transparency in the system. In rural areas like Buldhana, business owners might not enjoy the same level of exposure to professional guidance and taxation learning as in urban areas, therefore, unfavourable attitudes towards taxation making them non-compliant or tax evaders, and hence affecting their sustainability. Tax Awareness: A study by Khan & Singh (2021) establishes that tax awareness of small business owners is a vital factor influencing tax compliance. Poor tax awareness among small business owners is likely to lead to their perception of tax reforms as burdens, and thus, non-compliance. This has a significant impact on the viability of rural small businesses.

Support Systems and Training: It is brought to the fore through a study conducted by Pandey (2018) that training and technical support for small business enterprises should be provided to equip them with the expertise of handling the complexity in taxation and how to overcome the same. Through such support systems, the unwanted impacts of tax reforms would reduce and promote proper compliance with taxation, leading to more stable enterprises.

III. RESEARCH METHODOLOGY

1. Research design

The goal is to identify, describe, and understand how changes in taxation policies affect the sustainability of small businesses in Buldhana district. The study will follow a quantitative research design using a descriptive survey-based approach.

2. Population and sampling.

Population: I have included small business owners, managers of small businesses situated in Buldhana district. These businesses may be retail shops, manufacturing units, service providers, and other small-scale enterprises.

Sampling Method: I have used stratified random sampling method. This is because Buldhana district have businesses operating in different sectors. Example, manufacturing, services, agriculture based.

Sample size: It includes 100 (approx.) small business owners, managers.

Data collection.

Survey questionnaire: I have designed a structured questionnaire to collect primary data. The questionnaire will include following information.

Demographic information: Industry type, years of operation etc.

Awareness about taxation policies: Such as GST, income tax etc.

Perception of tax changes: Positive or negative impact.

Questions on financial impact and how such changes have affected their revenue, expenses, and profitability.

Data collection method: Online with the help of google forms.

Data analysis tools: Statistical analysis conducted using google forms and gathered using excel sheet using Likert scale.

IV. RESEARCH OBJECTIVES

To study the impact of recent tax policy changes on the economic sustainability of small businesses in Buldhana district.



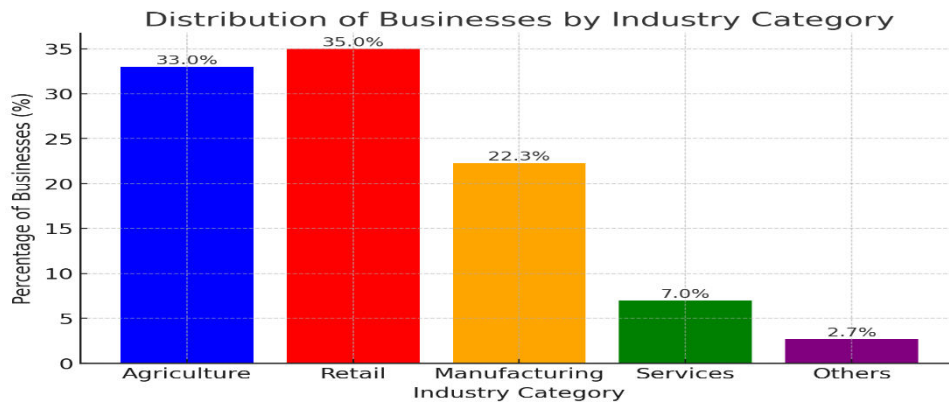
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To analyse the effect of taxation on business profitability, investment, and growth in the district.
 To assess awareness and adaptability of small business owners regarding tax regulations and compliance requirements.
 To identify the challenges of small businesses resultant from tax policy reviews and how they adjust to it.
 To examine the degree of government incentives and assistance in reducing the negative effect of taxation on small businesses.
 To provide policy recommendations for improving the viability of small enterprise in the face of evolving taxation policies.

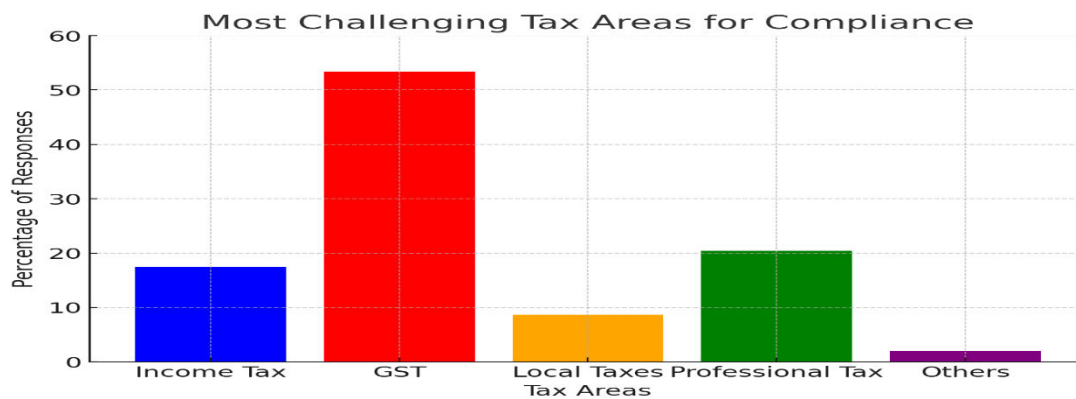
V. DATA ANALYSIS AND INTERPRETATION

Bar chart for distribution of businesses by industry category



The data shows that, the industries comprise various distribution percentage of businesses. The retail businesses are most in number at 35% of the total, followed closely by the agriculture sector 33%. Manufacturing businesses account for 22.3% of the total indicating the presence of many businesses in this sphere. On the other hand, service sector represents only 7%. This means that retail and agriculture are the backbone of economy, taxation policies should prioritize their sustainability to ensure economic stability. Manufacturing sector needs consideration, by giving tax relief on production-related expenses could enhance growth.

Bar chart for most challenging tax areas for compliance



The data shows that GST compliance is the most difficult for businesses, with 53.4% of respondents struggling with it. The second most challenging were statues on professional tax with 20.4%, income tax with 17.5% and other regional taxes that bothered only 8.7% of participants, while others did not consider the rest as very complicated under their conditions. All this suggest that GST simplification can therefore relieve the tax burden from business to a great extent

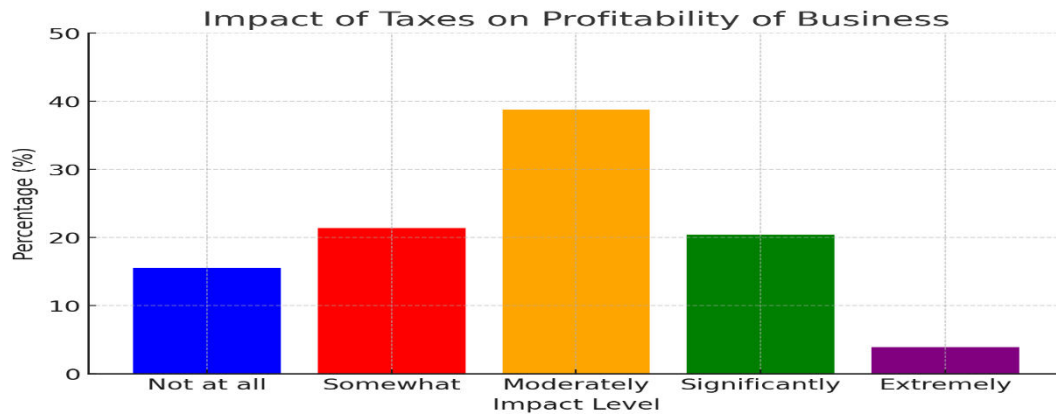


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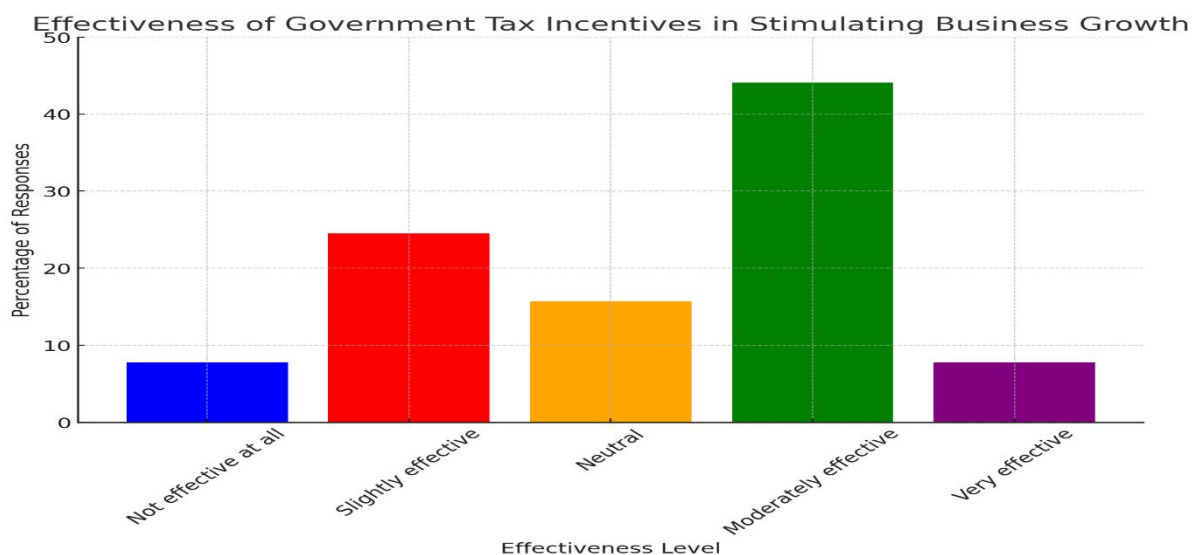
by simplifying the filling processes and better awareness programs. The government should introduce GST workshop and digital filling support.

Bar chart for impact of taxes on profitability of businesses.



The data shows that most of the respondents 38.8% are of the opinion that taxes moderately affect their business profitability. 21.4% feels that taxes somewhat impact their profits, while 20.4% experience significant affects. 15.5% thinks that taxes do not affect their businesses any way, while only 3.9% think the effect is extreme. The data indicates that taxation is a major factor impacting business profitability, with most businesses experiencing at least a moderate effect. Small businesses should work with tax consultants to create financial strategies that legally reduce taxable income while maximizing reinvestment.

Bar chart for effectiveness of government tax incentives in stimulating business growth.



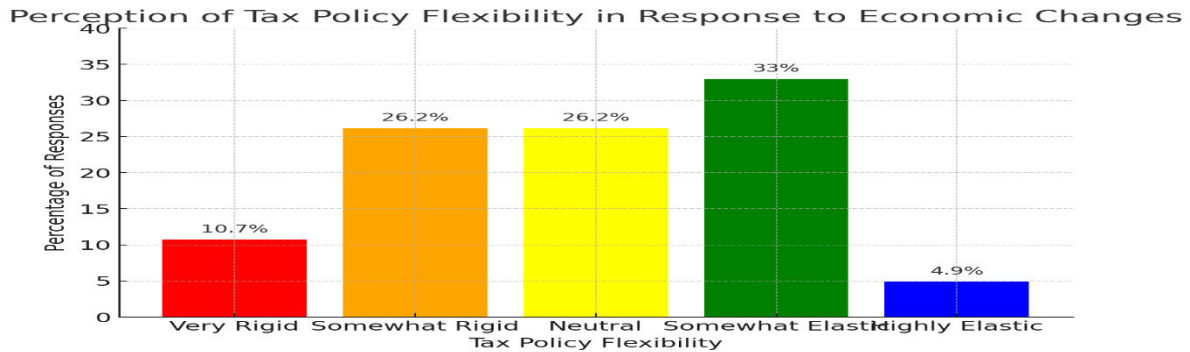
The data shows that most of the respondents 44.1% consider government tax incentives to moderately effective in stimulating business growth. A significant proportion 24.5% believes these are only slightly useful, while 15.7% remain neutral. At the same time, 7.8% of the respondents rate the incentives very useful, while equal percentage feel they are entirely ineffective. This suggests that while tax incentives have positive impact, but there is room for improvement to make them more beneficial for businesses.



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Bar chart for perception of tax policy flexibility in response to economic changes.



The data shows that most of the respondents 44.1% believe that these incentives are moderately effective, indicating that while they provide some benefits, they may not be fully sufficient to drive substantial growth. Meanwhile, 24.5% of respondents consider these incentives only slightly effective, and 15.7% remain neutral, suggesting that a notable share of businesses does not see strong benefits from these policies. A smaller fraction, 7.8%, views the incentives as either completely ineffective or highly effective, indicating a divergence in opinions. Introducing and implementing dynamic tax policies based on economic indicators such as GDP growth, inflation, employment rates can provide timely relief to struggling businesses.

VI. MAJOR FINDINGS

This study examines how taxation policy changes affect the sustainability of small businesses in Buldhana district. The findings highlight that while taxation serves as a crucial mechanism for economic governance, its complexity and financial burden pose significant challenges for small businesses. A large proportion of business owners struggle with tax compliance, income tax and with GST being the most challenging areas. Limited awareness and understanding of taxation policies further intensify these difficulties, emphasizing the need for better education and support for business owners and managers.

Moreover, the study reveals that unattractive tax policies could lead businesses to think about relocating to other areas with more favourable conditions, thus affecting local economic stability negatively. Although the government provides tax incentives to support businesses, opinions on their effectiveness are divided. Many entrepreneurs believe that existing incentives do not provide sufficient relief to ease financial burden.

To promote the sustainability of Buldhana's small businesses, the taxation system needs to be simplified, explain clearly, and structured to balance revenue collection with business growth. Implementing tax reforms that reduce administrative burdens, offer better incentives, and provide clearer guidelines can help strengthen small businesses. By addressing these concerns, policymakers can create a more supportive environment that encourages long term business resilience and economic development in the district.

VII. CONCLUSION

The study highlights the significant role that taxation policies play in shaping the sustainability of small businesses in Buldhana district. While taxation is essential for economic regulation, its complexity and financial implications can either support or hinder business operations. Many small business owners face difficulties in complying with tax regulations, particularly concerning GST and income tax, which are regarded as the most burdensome. Moreover, a moderate level of awareness about taxation policies among entrepreneurs highlights the need for more accessible and comprehensive tax-related information.

A key concern revealed by the survey is that a significant number of businesses may consider relocating if taxation policies become increasingly unfavourable. This indicates that high tax burdens and intricate regulations could weaken the local business landscape, discouraging long-term investment and growth. Although government tax incentives are



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available, their perceived effectiveness varies, with many business owners finding them inadequate in providing meaningful financial relief.

To strengthen the sustainability of small businesses in Buldhana District, taxation policies should be well organized, transparency should be enhanced, and measures should be introduced to create a more business-friendly environment. Obviously, a balance between government revenue generation and financial flexibility for businesses is essential to prevent taxation from becoming a barrier to entrepreneurial success. By addressing these challenges, policymakers can help cultivate a more stable and flourishing small business sector in the region.

VIII. SUGGESTIONS FOR IMPROVEMENT

To sustain small businesses in Buldhana District, a well-structured and supportive taxation system is essential. A major challenge faced by entrepreneurs is the intricate nature of tax regulations, particularly GST and income tax. Simplifying these policies by minimizing bureaucratic complexities can improve compliance and reduce the financial strain on businesses. Moreover, many small business owners lack sufficient knowledge about tax policies, making compliance more difficult. Organizing targeted workshops, training programs, and digital awareness initiatives can help equip entrepreneurs with a better understanding of their tax obligations.

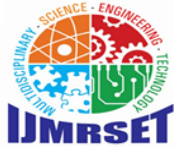
Excessive taxation remains a major concern, as high tax rates can hinder business expansion and deter investment. Introducing lower tax brackets, offering selective exemptions, and providing flexible payment methods can help ease financial pressures and ensure long-term stability. While government incentives exist, many business owners find them inadequate. Revising these incentive programs to offer more tangible benefits could significantly enhance their effectiveness in supporting business growth.

Additionally, simplifying tax compliance through digital solutions and automation can enhance transparency and reduce the likelihood of errors, making adherence to tax laws more accessible. Startups and financially struggling businesses, being more vulnerable, require additional assistance through tax relief measures and adaptable payment structures to maintain stability and growth.

Regular assessment of taxation policies is crucial to understanding their impact on small businesses and making necessary adjustments to create a more business-friendly environment. By implementing these improvements, policymakers can establish a balanced and efficient tax framework that not only aids small businesses but also drives economic progress and regional development.

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