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GST Refund Process for Individuals in India: Challenges, Efficiency, and Policy Implications

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ABSTRACT: The Goods and Services Tax (GST) refund process in India plays a crucial role in ensuring liquidity for individuals, particularly exporters and those claiming input tax credits. While the framework aims to enhance transparency and ease of compliance, inefficiencies persist, leading to delays and financial burdens for taxpayers. This study critically examines the challenges faced by individuals in claiming GST refunds, emphasizing procedural bottlenecks, documentation requirements, and administrative inefficiencies. A review of existing literature from Scopus, Web of Science, ABDC, and UGC-listed journals highlights key issues, including refund delays, lack of digital integration, and inconsistent implementation across states. The research identifies gaps in the current system, such as the absence of a streamlined mechanism for individuals compared to businesses and the need for enhanced policy measures to address fraudulent claims without overburdening genuine taxpayers. A comparative analysis with global best practices in tax refund mechanisms suggests that automation, artificial intelligence-based risk assessment, and a unified refund processing system could enhance efficiency. The study proposes a policy framework to improve the GST refund process, focusing on process simplification, regulatory clarity, and technology-driven solutions. Addressing these challenges is essential for strengthening taxpayer trust, enhancing compliance, and aligning with India's broader goal of tax reform.

KEYWORDS: GST refund, India, tax compliance, input tax credit, policy efficiency, procedural challenges, automation, tax administration, regulatory framework.

I. INTRODUCTION

Goods and Services Tax (GST) came into force in India on 1st July 2017 as a revolutionary taxation reform to make the system of indirect tax simple and encourage ease of doing business. GST is a destination-based taxation system and has substituted a multitude of central and state taxes, hence enjoying the distinction of having one and single regime of taxation. One of the key elements of the GST framework is the refund process, which plays a very significant role in preventing taxpayers from being put into financial difficulties through their working capital being locked up. For individuals, especially small taxpayers and exporters, timely GST refunds are essential in keeping them liquid and encouraging tax compliance. But even as its stated mission, the mechanism of GST refunds in India has traditionally been plagued by issues of procedural intricacies, delay in processing, and administrative inefficiency. These have raised questions over the overall effectiveness of the GST regime and the impact on the individual taxpayer.

The individual mechanism of GST refunds is mainly for claiming Input Tax Credit (ITC) on acquisitions, refund on inverted structures of duty, and tax exemption on exports. Refund under the Goods and Services Tax Act can be claimed by both individuals and corporations through an online platform, and the government has to process it within a certain time period. In reality, refunds are normally delayed because of complicated documentation, manual checks, and the lack of a smooth automated system. Some research has pointed out that there is a policy implementation gap where taxpayers face lengthy delays even after filing correct claims (Sharma & Verma, 2021). Further, the absence of harmonization in the tax refunding process in states makes it worse, creating various tax administrations.

II. CHALLENGES IN THE GST REFUND PROCESS FOR INDIVIDUALS

Procedural complexity is one of the key disadvantages with refund under GST for a taxpayer. Whereas corporate taxpayers can take the help of in-house finance professionals for dealing with tax compliances, an individual taxpayer



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would have to follow complex refund procedures by themselves. The requirement to produce tedious documents like invoices, payment vouchers of taxes, and reconciliations is cumbersome for those who are not used to dealing with tax policies. Additionally, faults in refund filing, although minute, result in rejection or postponed examination, hence the loss of money to taxpayers (Rajan & Iyer, 2020).

Delay in processing is the second key concern. Though there is a default period of 60 days given by the GST regime for paying refunds, more than this takes processing time owing to manual processing and bureaucratic holdups (Bose & Mishra, 2023). Tax administrator use for verification is not an effective process. A number of taxpayers have complained that refunds are still withheld for months and affect their cash flow and lead to compliance costs.

In addition, operational and technological inefficiencies delay the refund process. Even with up to the GST Network (GSTN), established for electronic tax returns and refunds, technical glitches, incessant system failures, and irregular data collation are issues (Gupta & Kumar, 2022). Lack of real-time tracking facilities also presents an issue since it does not help the parties determine the status of their claims.

Excessive fraud through refunds also results in delay and wastage. The authorities in an attempt to avert evasion, have established rigorous checking procedures, which will cause innocent claims to remain stagnated under scrutiny. Though as much as detection of fraud is required in the maintenance of integrity of the tax system, control and enforcement of formalities do more harm to honest persons than to the fraudsters.

III. OBJECTIVES OF THE STUDY

With the identified loopholes, the current research sets out to:

- Analyzing the most immediate challenges that individuals are confronted with when it comes to GST refund, identifying procedural inefficiencies, administrative delays, and compliance costs.
- Describe the effect of delay in refund to individual taxpayers in terms of liquidity problems and planning.

IV. LITERATURE REVIEW

Implementation of Goods and Services Tax (GST) in India has been a giant reform that has attracted widespread interest from academics given its complexity and potential to reshape the Indian economy. Mahanta (2016) presents one of the initial efforts at a study of GST, providing an initial overview of the expected benefits and pitfalls of the tax reform. Although this study is not entirely focused on the process of refund, it provides foundation for knowledge regarding the overall system of GST necessary to understand many mechanisms, from refunds to others, related to the system. Nayyar and Singh (2018) provide an overall picture of GST in India based on various areas of concern encompassing the refund process as well. They explore the difficulties encountered by taxpayers in navigating the new tax regime, exploring the impact of GST complexity on compliance and timing of refunds. They also dive into the policy ramifications of these difficulties, proposing reforms to streamline the process and alleviate the burden on firms and taxpayers. Kumar (2019) also makes a contribution to the topic by concentrating precisely on the impact of GST refunds on businesses and how the latter influence working capital needs.

His research points out how the piling up of GST refunds can weigh very heavily on the cash flows of businesses, particularly in the event of delayed refunds, thus raising the working capital needs of industries. Kumar articulates some of the dominant reasons causally responsible for this problem, such as legal rules, e-filing problems, technical issues, and transaction fees. These, according to him, lead to long waiting time for refunds, thereby worsening working capital deficiencies and slowing down business processes. Samaddar (2018) takes a wider perspective, taking into account the economic effects of GST in India as a whole. His research brushes against the tax refund process in the broader economic context, pointing out its function to keep companies adequately hydrated in terms of liquidity and keeping the GST system running. By putting the refund process in the economic context, Samaddar points out the function of timely refunds towards keeping the overall economy healthy. Last but not least, Kumar and Mishra (2019) offer a subnational analysis of India's implementation of GST with emphasis on state-level tax administration effectiveness as well as state revenue effects.

Their study involves analysis of the state-level refund mechanism with emphasis on how decentralized GST implementation can cause inefficiency and delay in refund realization. The research indicates that while GST has the



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ability to make tax collection more effective and improve state revenue collection, issues in the refund process need to be sorted out for the system to function at its optimum level at the state level. Put together, these bits of research can depict a multi-dimensional perspective of India's GST both theoretically and what the actual implications of implementing it are. The process of refund happens to be at the forefront of most of them, but somehow the general implication of GST on working capital, business process, and generally on the economy needs consideration in terms of the metric used for measuring this reform's success and problems.

V. RESEARCH METHODOLOGY

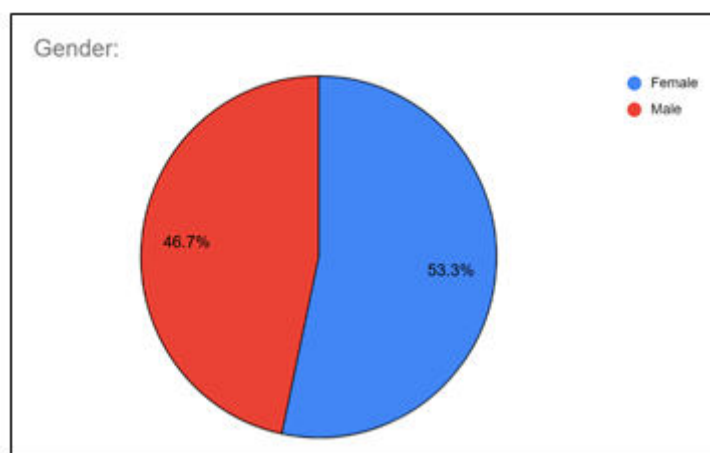
This research employs mixed methods, and both qualitative and quantitative approaches are employed to research the GST refund procedure in India. The study is intended to develop procedural issues, analyze the efficiency of a system, and provide policy recommendations. A descriptive-analytic methodology is applied wherein the descriptive aspect captures field realities among the refund applicants while the analytical part identifies efficiency tendencies and expert attitudes. Surveys, case studies, and interviews are employed in collecting data. Primary data involve structured surveys of self-employed, exporters, service providers, and regular taxpayers to measure refund times, documentation issues, and GST portal experiences. In-depth interviews with chartered accountants, tax consultants, and policymakers are used to solicit inefficiencies and policy failure. Case studies of successful and unsuccessful refund claims determine common problems. Secondary data involve official reports, policy notifications, and GSTN processing time and rejection rates. The sample consists of more than 200 survey respondents and 15–20 expert interviews, all engaged with GST refunds in the past two years. Quantitative analysis employs Excel and SPSS for comparative and descriptive statistics and thematic and SWOT analysis for qualitative analysis. In spite of such constraints as limited access to government information and changing policies, the paper is ethical in approach and provides input to policy-making through the promotion of tech-based, simplified refund processes.

VI. ANALYSIS AND RESULTS

This section offers an in-depth analysis of the survey results to comprehend participants' views on different dimensions of the topic. The information has been graphically represented in the form of graphs and charts to emphasize important trends and patterns. Every question has been examined to obtain meaningful conclusions, providing a clear picture of the respondents' experiences and opinions.

The results intend to determine the strengths, room for improvement, and areas with potential for more improvements. Interpretation through these findings will facilitate actionable suggestions toward any challenges unearthed.

1. Demographic Profile:



Interpretation: - The survey involved a wide range of respondents, with the 26-35 years (25.3%) age group holding the majority followed by the 36-50 years (19.9%) age group. The relatively less representation of individuals below 18 years (18.7%) and above 50 years (16.9%) indicates that working professionals constitute the core category of people applying for the GST refund process. This is probably due to the fact that the younger population lacks substantial taxable spending, while older people may experience fewer cases in need of tax refunds. In terms of gender

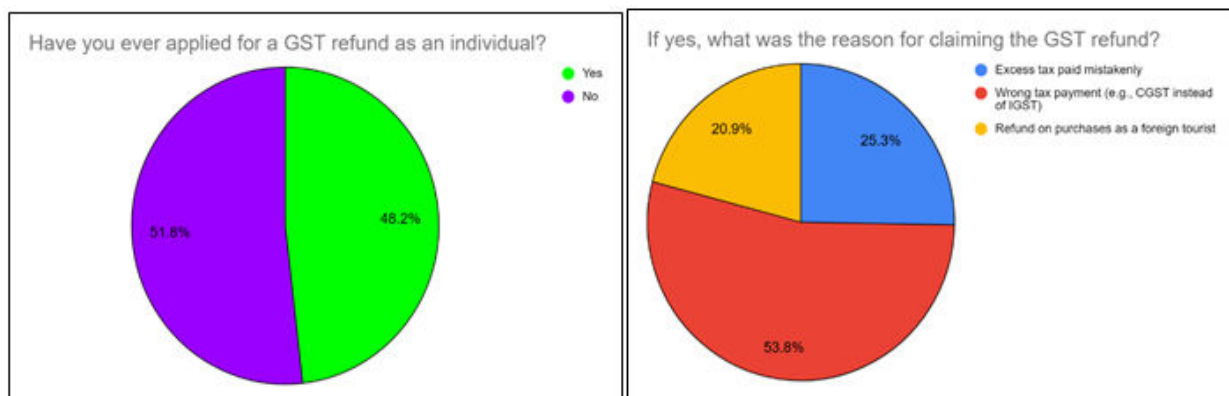


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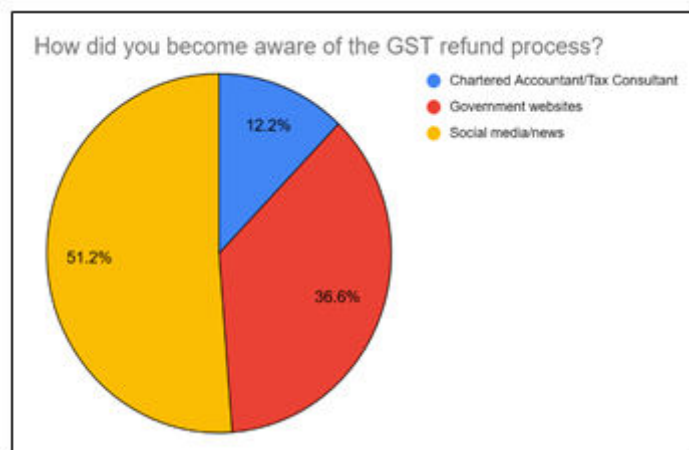
representation, 53.3% of the respondents were female and 46.7% were male. This even split guarantees a balanced analysis of experience by gender.

1. Awareness and Application

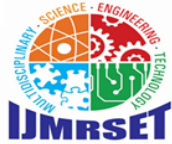


A significant 51.8% of respondents had never filed for a GST refund, highlighting a major gap in utilization possibly due to lack of awareness, perceived complexity, or doubts about successful processing. Among those who did apply, 53.8% cited incorrect tax payments as the main reason, while 25.3% applied due to excess tax paid by mistake, pointing to common issues in tax accuracy. Additionally, 20.9% of refund claims were filed by foreign visitors, indicating the policy's reach to non-residents.

2. Awareness of the GST Refund Process:



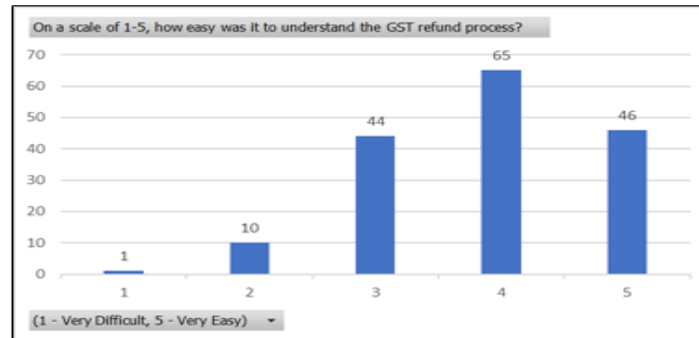
Interpretation: - The findings show that 51.2% of respondents heard about the GST refund process via news and social media, indicating the increased influence of new media in tax knowledge but the reliability of the sources. Only 12.2% heard from chartered accountants or tax consultants, pointing to the use of self-help versus professional guidance. But 38.6% heard from government websites, suggesting official sites are a rich but untapped source of good tax information.



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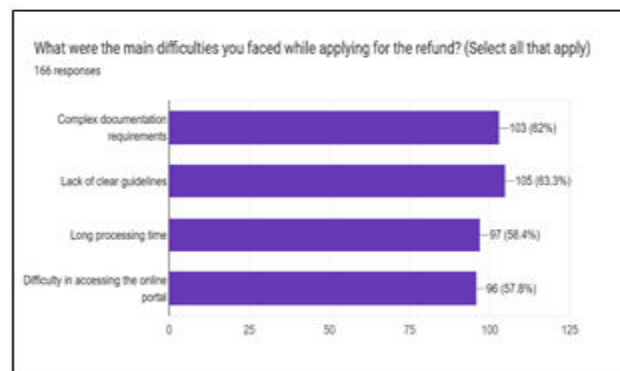
2. Understanding the Refund Process



Interpretation: -

The bar graph shows that the majority of the respondents experienced the GST refund procedure as fairly easy with 65 while 46 experienced it as very easy. The same number of 44 respondents experienced the process as neutral while mere few—10 and 1—experienced it as fairly difficult and very difficult, respectively. This means that with complexity, the total user experience with the GST refund process is favorable for the majority of taxpayers.

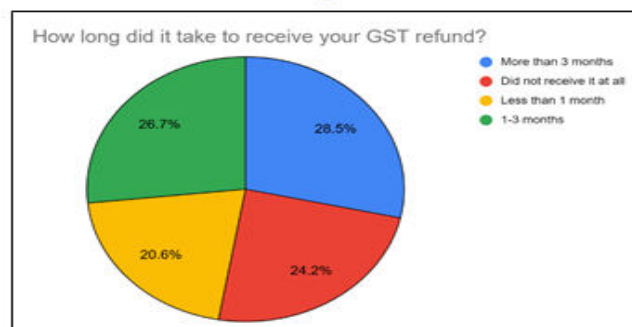
3. Challenges Faced During the Refund Process

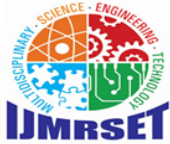


Interpretation: -

survey found that 82% of taxpayers struggle with complicated documentation, causing errors and delays, while 63.3% cited unclear instructions as a major hurdle. Additionally, 58.4% reported long processing times and 57.8% faced difficulties accessing the online portal. These issues highlight the need for streamlined procedures, simpler documentation, and better digital infrastructure.

4. Refund Processing Time



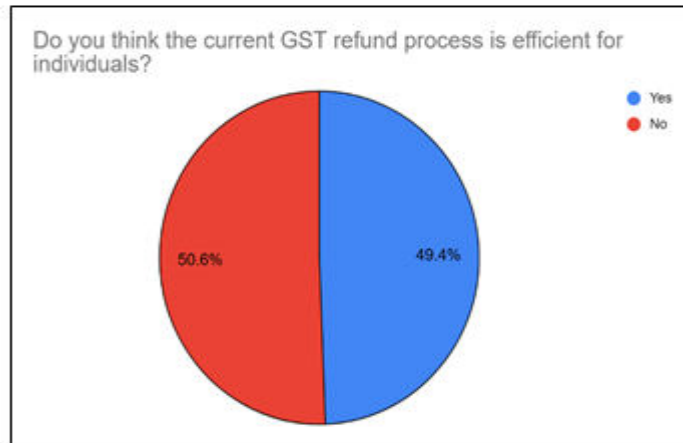


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Interpretation: - Refund timelines varied among respondents: 26.7% received refunds within 1–3 months, 20.6% got theirs in under a month, while a concerning 24.2% never received a refund. This reflects significant inefficiencies in the system, where inconsistent processing, documentation errors, and verification delays lead to unequal outcomes for taxpayers.

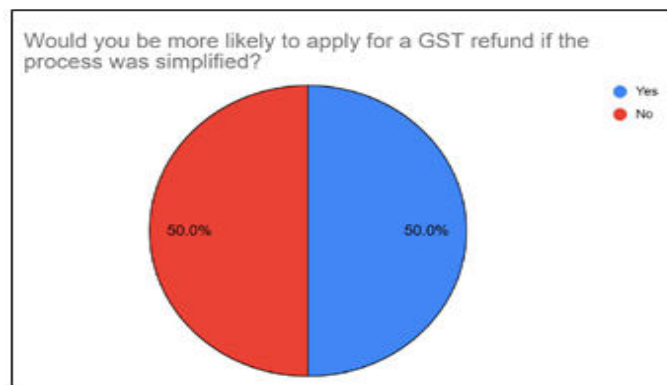
5. Efficiency Perception



Interpretation: -

On querying if the existing GST refund system was effective, 50.8% believed that it was, while 49.4% believed it was effective. This approx. even split follows on from earlier reported problems, which indicated that although a few taxpayers enjoyed hiccups-free experiences, there were some who had problems eroding their confidence in the system. An effective refund system still continues to be important to increase tax payer satisfaction and deliver compliance.

6. Willingness to Apply for Refunds



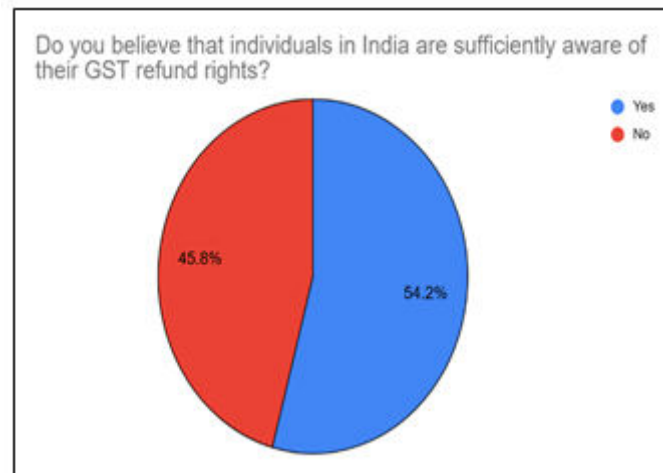
Interpretation: - When questioned whether they would be more inclined to claim a GST refund if the process were made easier, 50% of respondents said yes. This suggests that a significant number of taxpayers are willing to use the refund system if obstacles are eliminated. Simplified procedures, improved communication, and increased transparency could encourage higher usage.



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7. Awareness of GST Refund Rights:



Interpretation: - The last question gauged whether the respondents thought people in India are aware enough of their GST refund rights. 54.2% said yes, showing moderate awareness. But 45.8% said no, which proves that more education campaigns are necessary. Government offices and banks can fill this gap by conducting awareness programs, seminars, and simplified information.

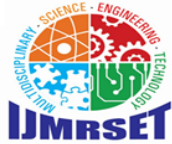
V. DISCUSSION

The responses obtained through the survey give a general sense of the experience of the taxpayers with the GST refund process. While some respondents had a smooth experience, others encountered serious problems with documentation, transparency, and delay in processing. These results indicate the need to streamline procedures, increase transparency, and use technology to make the system more user-friendly. These enhancements would not only raise the level of taxpayer satisfaction but also see refunds processed smoothly, with minimal inconvenience. Educational campaigns could further inform taxpayers about the refund process, empowering them with the correct information to process it confidently. Drawing from survey statistics, a few key suggestions can simplify the process of GST refunds.

Automation of verification and validation systems can decrease processing time and reduce human error. **Simplified documentation** by linking refund claims with tax returns can minimize unnecessary documentation. **Reduced processing times** would instill taxpayer confidence by having refunds sent at the earliest. **Real-time monitoring system** via a simple-to-use portal to verify refund status would introduce transparency, while an **improved user interface** of the online GST portal can minimize glitches to simplify the process. These reforms, if enacted, would greatly enhance the overall quality of the taxpayer experience and motivate more eligible taxpayers to easily obtain their rightful refunds.

VI. CONCLUSION

The effectiveness of India's GST refund mechanism is key to sustaining taxpayer confidence and business liquidity. Nevertheless, the mechanism is marred by serious problems, such as slow processing, tedious documentation, and technical inefficiencies, that cause taxpayer frustration. These problems disproportionately affect small businesses, causing financial hardship and diminishing confidence in the tax regime. The technical intricacy of refund vouchers and manual check also slow down the process, while system glitches in the e-filing application clog the process, rendering smooth filing impossible. All such inefficiency discourages compliance, diluting the effectiveness of the GST regime as a whole. To address these concerns, a systemic overhaul in the procedure for GST refund is necessary. Delays can be lessened and efficiency can be improved by shrinking documentation, computerizing scrutiny, and exploiting technology like artificial intelligence and machine learning. Making the e-platform more reliable and user-friendly will further facilitate transactions for taxpayers.



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Apart from technical enhancement, awareness and education of taxpayers also have to be addressed. Most taxpayers are ignorant of what their rights are and proper procedures to follow in requesting refunds, resulting in confusion and wastage. Issuing unequivocal guidelines on the documents needed, the procedure for processing, and how to handle refused claims will instill confidence in the system.

Enforcement of these reforms will enhance the efficiency, transparency, and ease of use of the GST refund system. A good system will result in greater compliance, timely refund, and coordination between taxpayers and the authorities. In the long run, these reforms will strengthen India's GST regime with credibility that will fuel economic growth and re-establish the tax regime's role in national development.

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