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Impact of GST on MSME Performance in Bihar, India: A Thematic Review and GST Enabler–Barrier Framework

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ABSTRACT

Goods and services tax (GST) is one of the most important tax reforms in India which influenced the micro, small and medium enterprises (MSMEs) to manage taxation, compliance, input tax credit and working capital issues. Past research on GST and MSMEs has largely focused on the national level, while limited work has examined state-level contexts, especially less industrialised states like Bihar. This study explores the relationship between benefits of GST and its related challenges with respect to tax compliance and performance of MSME in Bihar, India. The study adopts a hybrid review approach. Keyword co-occurrence analysis was conducted using VOSviewer on a Scopus dataset of 86 articles for the period 2016-2026. The study also undertakes a thematic review of relevant studies and recent government policy documents. Tax compliance emerged as a central theme in the keyword co-occurrence map. Other important themes include GST reform, compliance cost, input tax credit, refund delays, digital filing, and firm performance. The review shows that GST has created both opportunities and challenges for MSMEs. Although, GST implementation simplified the indirect tax structure and created a unified market but MSMEs are facing challenges related to documentation, software use, classification, invoice matching, blocked credit, refund delays and working-capital pressure. These issues become more serious in Bihar because most enterprises are micro enterprises with limited credit access, heterogeneous clusters and lack of professional tax support. The novelty of this study lies in connecting GST–MSME research trends with Bihar's state-level context and proposing a GST Enabler–Barrier Framework for MSME performance.

Keywords: GST, MSMEs, MSME Performance, Tax Compliance, Input Tax Credit, Bihar, Enabler–Barrier Framework
JEL Classifications: H25, H71, L25, L53

1. INTRODUCTION

Micro, small and medium enterprises (MSMEs) are one of the most important pillars of the Indian economy. They support in the inclusive growth and rural development by local industrialisation and employment generation with relatively low capital investment (Beemabai and Krishnakumar, 2019; Murugan, 2021; Vasani and Abdulkareem, 2024). MSMEs are also described as the growth engine of India because of their contribution to GDP, exports, manufacturing output and employment generation (Beemabai and Krishnakumar, 2019; Kaur et al., 2024). In India, MSMEs contribute around 30% to GDP and more than 45% to exports, and they are the second-largest employment generator after agriculture (PIB, 2025a). In a state like Bihar, the role of MSMEs becomes even more important because large industries are limited and available young workforce are dependent on them for employment and income generation.

1.1. Msmes in India and Bihar

The definition of MSMEs in India has evolved over the years, from MSMED Act, 2006 to revision under the Atma Nirbhar Bharat package, 2020. As per MSMED Act, 2006, separate criteria were there for service and manufacturing sector based on investment and turnover of the firm. In Atma Nirbhar Bharat package, 2020, composite criteria were introduced by removing the distinction between service and manufacturing sectors. The latest revision,

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announced in the Union Budget 2025-2026, increased investment thresholds by 2.5 times and doubled turnover limits to broaden the eligibility of MSME for government support (Department of MSME, 2025; Ministry of Finance, 2025). The definition of MSME as per Atma Nirbhar Bharat package, 2020 and consequent revision as per Union Budget 2025-2026 is displayed in Table 1.

MSMEs contribute substantially to employment generation in India. As per data retrieved on June 11th, 2026 from the website of Ministry of MSME, total 8.65 crore MSMEs are registered on Udyam plus UAP platform out of which 98.8% are micro units. Total employment provided by these units are 38.33 crore (Udyam +UAP). Bihar also has a substantial MSME base. As per Udyam and UAP data, Bihar has 47.8 lakh MSMEs, of which 99.5% are micro enterprises. This shows that the MSME ecosystem in Bihar is largely micro-enterprise driven and needs focused policy support. Tables 2 and 3 shows Udyam registration data of India and Bihar respectively.

1.2. Goods and Services Tax (GST) Conceptualisation and Evolution

The goods and services tax (GST) is one of the most significant tax reforms introduced in India after independence (Kanimozhi, 2023). It was implemented to replace multiple indirect taxes such as excise duty, service tax, value added tax, central sales tax, octroi and entry tax with a unified tax structure (Nayyar and Singh, 2018). GST aimed to remove the cascading effect of taxes, create a common national market, improve transparency, widen the tax base and strengthen revenue collection (Kumaraswamy, 2020; Lourdunathan and Xavier, 2017; Nayyar and Singh, 2018).

The idea of a unified GST in India dates back to 2000, when the Kelkar task force on indirect taxes recommended it to address the inefficiencies of India's fragmented indirect tax system (GST Council). Prior to GST, various taxes were imposed by the centre, states and local bodies resulted in cascading effect of taxes and creates economic distortions, inter-state trade barriers and compliance complexity (Nayyar and Singh, 2018; Shokeen et al., 2017). After detailed deliberations, the constitution (122nd Amendment) bill was enacted in 2016, leading to the implementation of GST on July 01, 2017 (GST Council). GST introduced a unified tax structure with multiple rate slabs and special rates for selected items. However, petroleum products and alcohol for human consumption continue to remain outside GST. It is administered through the GST Council and supported by the goods and services tax network (GSTN). GST also shifted India's indirect tax system from origin-based taxation to destination-based taxation, where tax revenue accrues to the state where goods or services are consumed (GST Council, 2025). In principle, GST aimed to eliminate tax-on-tax, create a common national market, improve transparency, widen the tax base, strengthen revenue collection and promote fiscal federalism (Kumaraswamy, 2020; Lourdunathan and Xavier, 2017; Nayyar and Singh, 2018). The GST reforms of 2025 mark another policy shift toward simplification and competitiveness by rationalising the tax structure into two principal slabs of 5% and 18%, replacing the earlier multi-tiered system (PIB, 2025b). These reforms also seek to address inverted duty structures and improve the cost competitiveness of MSMEs, exporters and domestic manufacturers.

1.3. Impact of GST on MSMEs

In principle, GST was expected to benefit MSMEs by simplifying the indirect tax structure, improving input tax credit (ITC) flow, reducing inter-state trade barriers and encouraging formalisation (Jayalakshmi and Venkateswarlu, 2018; Lourdunathan and Xavier, 2017). However, the actual impact of GST on MSMEs is mixed. While GST has created opportunities through market integration and formalisation, it has also increased compliance requirements for many micro and small enterprises (Kumar and Kalla, 2025; Reena, 2024). MSMEs face difficulties related to frequent return filing, digital documentation, invoice matching, e-invoicing, classification of goods and services, ITC claims, blocked credit, refund delays and working-capital pressure (Ghosh, 2020; Mongia and Singh, 2025; Singh and Nandal, 2020; Sureka and Bordoloi, 2024b). Many MSMEs also depend on accountants or tax consultants for GST compliance, which increases their operating cost (Sidik et al., 2019). These challenges become more serious for micro and small enterprises that work on thin margins and limited financial capacity.

In this context, assessing the impact of GST on MSMEs in Bihar becomes important. MSME ecosystem of Bihar is largely micro-enterprise driven and many enterprises operate on thin margins, limited digital readiness, weak access to formal credit and inadequate professional compliance support (Hussein et al., 2025; Maheshkar and Soni, 2021). Therefore, GST may not affect MSMEs of Bihar in the same way as it affects some other industrialised states. While GST can support formalisation and market integration, its benefits for MSMEs of Bihar depend upon how effectively compliance burden, ITC-related issues, delay in refunds, digital filing requirements and local support gaps are addressed. Therefore, Bihar specific policy review stating how GST impact on business performance of the MSMEs is necessary.

Previous studies conducted on GST, tax compliance and MSMEs are either at the national level or on other industrialized states of India. Many studies discuss GST as a reform that promotes transparency, formalisation and ease of doing business (Jayalakshmi and

Table 1: Evolution of MSME classification

Classification	As per Atma Nirbhar Bharat package, 2020		Revised as per Union Budget 2025-2026	
	Investment in plant and machinery or equipment (in INR)	Annual turnover (in INR)	Investment in plant and machinery or equipment (in INR)	Annual Turnover (in INR) (excluding export turnover)
Micro enterprise	≤1 crore	≤5 crores	≤2.5 crore	≤10 crores
Small enterprise	≤10 crores	≤50 crores	≤25 crores	≤100 crores
Medium enterprise	≤50 crores	≤250 crores	≤125 crores	≤500 crores

Source: Author's compilation based on (Ministry of finance, 2025; Dept. of MSME, 2025)

Venkateswarlu, 2018; Kumaraswamy, 2020; Lourdunathan and Xavier, 2017). Other studies highlight its challenges, especially compliance cost, input tax credit issues, refund delays and digital filing burden (Ghosh, 2020; Mongia and Singh, 2025; Sidik et al., 2019; Sureka and Bordoloi, 2024a). However, limited research has connected GST–MSME literature with a state-level policy context, particularly for less industrialised states like Bihar, India. There is also a need to understand the academic structure and research trends in GST, tax compliance and MSME literature and the same was done through keyword co-occurrence analysis. Such analysis can help to identify dominant clusters and provide a basis for thematic literature review. The present study further attempts to identify linkages among key constructs and connect them with Bihar-specific policy issues (Donthu et al., 2021; Page et al., 2021; van Eck and Waltman, 2010).

To address this gap, the present study reviews the relationship between GST, tax compliance and MSME performance in India, using Bihar as a focused policy context. The study combines keyword co-occurrence analysis, thematic review and policy synthesis. Firstly, it examines the dominant themes and research trends in GST, tax compliance and MSME research using Scopus dataset and VOS viewer. Then review was done for the major GST-related challenges faced by MSMEs in India. Finally, it discusses why these challenges become more significant in Bihar and proposes policy interventions to strengthen GST compliance, formalisation and competitiveness of MSMEs in the state.

The study is guided by the following research questions:

RQ1: What are the dominant themes and research trends in GST, tax compliance and MSME research?

RQ2: What GST-related challenges affect MSME in India?

RQ3: How do these challenges become more significant in Bihar's MSME context?

RQ4: What policy interventions can improve GST compliance, formalisation and competitiveness of MSMEs in Bihar?

The novelty of this study is that it connects GST–MSME research trends with the Bihar context and shows how a national tax reform like GST impacts MSMEs differently in less industrialised states like Bihar.

2. RESEARCH METHODS

To answer the research questions, the study adopted a hybrid review approach combining bibliometric keyword co-occurrence analysis and thematic literature review. Keyword co-occurrence analysis was used to identify dominant themes in the area of GST, tax compliance and MSME research. Thematic review was then used to examine GST-related benefits, challenges and policy issues from the MSME and Bihar context. PRISMA 2020 protocol was used to identify, screen and assess and final selection of articles which is presented in Table 4 (Page et al., 2021).

2.1. Identification

The Scopus database was selected for its comprehensive coverage of peer-reviewed journals in business, management and accounting, economics, econometrics and finance and social sciences. Data exploration was conducted on June 11th, 2026 using the following search string:

TITLE-ABS-KEY ("*Goods and Services Tax*" *OR GST OR* "*indirect tax reform*" *OR* "*value added tax*" *OR VAT) AND (MSME OR MSMEs OR SME OR SMEs OR* "*micro small and medium enterprise**" *OR* "*micro, small and medium enterprise**" *OR* "*small and medium enterprise**" *OR* "*small business**" *OR* "*micro business**").

The search yielded 188 articles.

2.2. Screening

Subsequent screening was done using period as 2016-2026 (till June 11th, 2026); subject area as Business, Management and

Table 2: Udyam registration: MSME count and employment (India)

Category	Udyam registration	Udyam assist platform (UAP)	Consolidated total
Micro enterprises	4,92,84,813	3,65,71,258	8,58,56,071
Small enterprises	5,37,916	—	5,37,916
Medium enterprises	41544	—	41544
Total registration	4,99,12,480	3,65,71,258	8,64,83,738
Employment	33,26,63,120	5,06,88,806	38,33,51,956

Source: Udyam Registration, India (retrieved on June 11, 2026). https://www.udyamregistration.gov.in/default.aspx

Table 3: Udyam Registration: MSME count (Bihar)

Category	Udyam registration	Udyam assist platform (UAP)	Consolidated total
Micro enterprises	21,35,536	26,28,731	47,64,267
Small enterprises	13,720	—	13720
Medium enterprises	665	—	665
Total registration	21,49,921	26,28,731	47,78,652

Source: Udyam Registration, Bihar, India (retrieved on June 11, 2026). https://dashboard.msme.gov.in/Udyam_Statewise.aspx

Table 4: Literature search strategy using PRISMA protocol (Page et al., 2021); data extracted on June 11th, 2026

PRISMA heads	Search filters	Recommended choice	Documents qualified
	Database	Scopus	
Identification	Search field	TITLE-ABS-KEY	188
Screening	Period	2016-2026	135
	Subject area	Business, management and accounting; economics, econometrics and finance; social sciences	105
	Document type	Article and review	88
	Source type	Journals only	86
	Language	English	86
Eligibility and inclusion		Final dataset for bibliometric keyword analysis	86
		Manual screening based on citations and relevance for thematic literature review	29

Accounting; Economics, Econometrics and Finance; Social Sciences; document type as articles and reviews; source type as journals only; and language as English. This resulted into the final selection of 86 documents.

2.3. Eligibility Assessment and Inclusion

The initial search yielded 188 records. After applying year, subject area, document type, source type and language filters, 86 journal articles were retained for bibliometric keyword analysis. These records were processed in VOSviewer for keyword co-occurrence mapping. A minimum keyword occurrence threshold of three was applied to balance thematic coverage with clarity of interpretation (van Eck and Waltman, 2010). From the final dataset, 29 highly relevant articles were selected manually based on citation strength and relevance for thematic review. The thematic review was guided by the antecedent–decision–outcome (ADO) framework, which helped to classify the literature into antecedents, decisions and outcomes related to GST adoption, compliance burden and MSME performance (Paul and Benito, 2018). Finally, GST enabler - GST Barrier framework for MSME performance in Bihar was developed.

3. RESULTS

The results are presented through Scopus dataset screening, keyword co-occurrence analysis, cluster-wise interpretation, ADO-based thematic reviews, Bihar-specific contextual findings and the proposed GST enabler–Barrier framework.

3.1. Search Outcome and Dataset Profile

The Scopus search and screening process resulted in a final dataset of 86 journal articles for keyword co-occurrence analysis. From this dataset, 29 highly relevant articles were selected through manual screening for thematic review. This final dataset provided the basis for identifying dominant research themes, keyword clusters and GST–MSME-related policy issues.

3.2. Keyword Co-Occurrence Analysis

For keyword co-occurrence analysis, a minimum occurrence threshold of three was applied. Out of 340 keywords, 31 met the threshold and were retained for network visualization. The shortlisted records were analysed for keyword co-occurrence mapping using VOSviewer (van Eck and Waltman, 2010). The result, as exhibited at Figure 1, indicates that the literatures are mainly concentrated around GST reform, tax compliance, MSME taxation and firm-level implications.

3.3. Cluster-wise Thematic Interpretation

Five clusters generated during the keyword co-occurrence analysis using major research themes such as GST, tax compliance and MSME and depicted in Table 5.

Cluster 1 has nine keywords which contain GST, India, MSMEs, input tax credit, tax reform and business performance. This cluster shows that GST research is strongly connected with MSME performance, tax reform and input tax credit issues in the Indian context. GST has the highest occurrence in this cluster and indicates its central role in the overall network.

Table 5: VOSviewer keyword clusters and thematic interpretation

Cluster	Main keywords	Suggested theme
Cluster 1	GST, India, MSME, ITC, tax reform, business performance	GST reform, MSMEs and performance
Cluster 2	Goods and Services Tax, indirect tax, SME, small businesses, compliance costs	Indirect tax and compliance cost
Cluster 3	VAT, value added tax, SMEs, small business, tax compliance cost	VAT and small business taxation
Cluster 4	Tax system, taxation, compliance, business	Tax system and business compliance
Cluster 5	VAT rate, Tax compliance	Tax rate and compliance behaviour

Cluster 2 has eight keywords containing goods and services tax, indirect tax, small businesses, SME, value-added tax and tax compliance costs. This cluster reflects the relationship between indirect tax reform and compliance cost borne by MSMEs. It shows that GST and VAT-related studies often focus on the cost and tax compliance burden for small firms.

Cluster 3 has seven keywords, including SMEs, tax, tax compliance cost, value added tax and VAT. This cluster mainly represents VAT and SMEs taxation literature. It indicates that GST-related research is also connected with the broader international literature on VAT, small enterprises and tax compliance cost.

Cluster 4 has five keywords, including business, compliance, tax system, taxation and small and medium-sized enterprises. This cluster shows the broader tax system and compliance-related perspective. It highlights how businesses and SMEs interact with the taxation system and how compliance becomes an important concern.

Cluster 5 has two keywords, tax compliance and VAT rate. Although this is a smaller cluster, it is important because it directly links tax compliance with tax rates. This indicates that rate structure and compliance behaviour are closely connected in the literature.

Overall, the five clusters show that the research field is concentrated around GST reform, indirect taxation, MSME performance, tax compliance cost, VAT literature and business compliance behaviour. These themes provide the base for the thematic review and further discussion on GST-related challenges for MSMEs in India and Bihar.

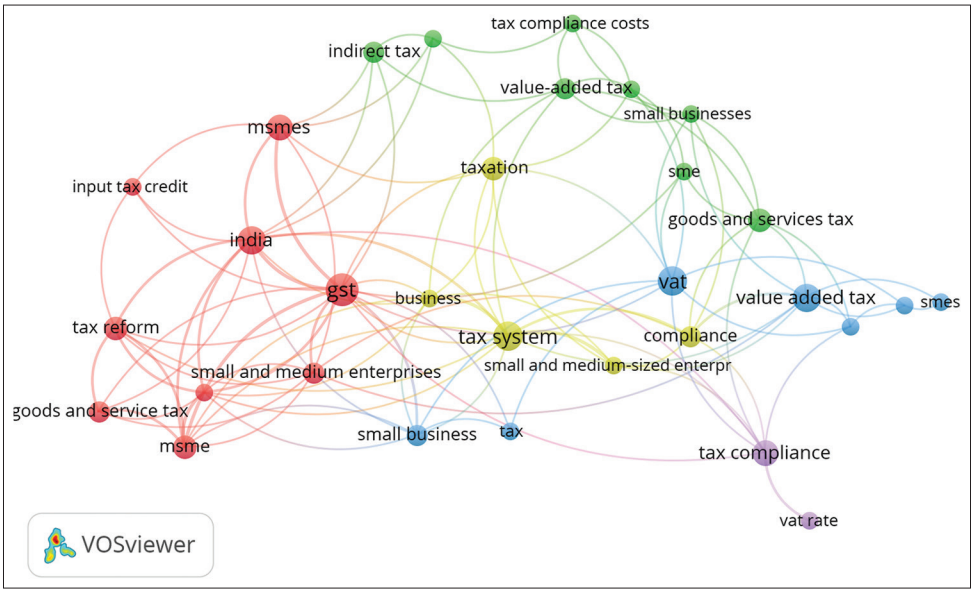
3.4. ADO-Based Thematic Findings

The thematic review of 29 selected articles was organised using the antecedent–decision–outcome (ADO) framework, as exhibited at Table 6. This helped in understanding how GST-related factors influence MSME compliance behaviour and business performance. The review shows that the impact of GST on MSMEs is not uniform but depends on the size of firm, awareness, digital readiness, accounting capability, access to credit and availability of professional support (Bhalla et al., 2023; Kumar and Kalla, 2025; Reena, 2024).

Table 6: ADO-based thematic synthesis of GST–MSME literature

ADO dimension	Key themes	Interpretation for GST–MSME literature
Antecedents	GST policy structure, tax rates, ITC rules, digital readiness, awareness, accounting capability, credit access	These factors shows experience of MSME towards GST compliance.
Decisions	GST registration, return filing, invoice matching, use of accounting software, ITC claims, consultant support, formal supply-chain participation	MSMEs take operational decisions to manage GST burden and benefits.
Outcomes	Formalisation, market access, transparency, compliance cost, delayed refund of ITC, blocked credit, working-capital pressure, business performance	GST creates both opportunities and challenges for MSMEs.

Figure 1: Keyword co-occurrence map of GST, tax compliance and MSME research



The main antecedents are GST policy structure, tax rates, ITC provisions, digital return filing requirements, readiness of MSMEs, etc. Studies show that MSMEs with better awareness, accounting systems and digital capability are able to manage GST compliance issues more effectively (Kanimozhi, 2023; Murari and Chettri, 2020; Singh and Nandal, 2020). On the other hand, micro and small enterprises often face difficulty due to limited knowledge, lack of trained manpower, weak digital infrastructure and dependence on external consultants (Dhillon and Gautam, 2022; Joseph and Jacob, 2020; Reena, 2024).

In the decision stage, MSMEs take several operational decisions to manage GST compliance requirements. These include GST registration, use of accounting software, hiring of tax consultants, return filing, invoice matching, ITC claim and participation in formal supply chains. These decisions increase operating cost and administrative burden of many MSMEs (Chitra et al., 2022; Durairaj and Princy J, 2022; Sidik et al., 2019). At the same time, GST registration can also improve formal identity, market access and eligibility for institutional credit for MSMEs (Jayalakshmi and Venkateswarlu, 2018; Lourdunathan and Xavier, 2017).

As far as the outcome is concerned, the literature shows both positive and negative effects of GST on MSMEs. On the positive side, GST has supported tax transparency, formalisation, market integration and input tax credit benefits (Bhalla et al., 2023; Garg et al., 2024; Mittal and Raman, 2021). On the negative side, MSMEs are facing the issues like compliance cost, refund delay, blocked credit, working-capital pressure, classification of items and technology-related burden (Ghosh, 2022; Murugan, 2021; Sureka and Bordoloi, 2024b). These outcomes are more serious for smaller firms because they operate on thin margins and having limited financial capacity (Kumar and Kalla, 2025; Murugan, 2021).

The ADO synthesis indicates that GST benefits depend on the compliance capacity of MSMEs. Wherever the awareness about GST provisions, digital readiness, accounting capability and credit access are strong, formalisation and business growth are achieved. At the same time, the lack of these capacities becomes a source of compliance burden and liquidity pressure on MSMEs (Bhalla et al., 2023; Singh and Nandal, 2020; Sureka and Bordoloi, 2024a). This finding is important for Bihar, where the MSME base is largely micro-enterprise driven and many firms need local support to comply with GST provisions (Gupta and Meher, 2021; NABARD, 2017).

3.5. Bihar-Specific Contextual Findings

MSME sector of Bihar is largely micro-enterprise driven. As per Udyam and UAP data, Bihar has 47.8 lakh MSMEs, and mostly fall under the micro category (MoMSME, n.d.). This structure makes GST compliance more challenging because micro enterprises generally operate on thin margins, having limited accounting capability and low access to professional tax support. The available literature shows that Bihar-specific studies on GST and MSMEs are limited. Available evidence suggests that MSMEs in Bihar face

challenges related to awareness, compliance cost, credit access, technology use and market linkage (Gupta and Meher, 2021; NABARD, 2017). These issues are similar to the national-level, but become more serious in Bihar due to weaker industrial base and uneven development of enterprise clusters. GST can support formalisation and market integration in Bihar, but its benefit depends upon MSME level compliance capacity. District-level support, simple digital tools, faster refund process and cluster-based training are important for improving GST compliance and competitiveness of MSMEs in Bihar.

3.6. GST Enabler–Barrier Framework for MSME Performance in Bihar

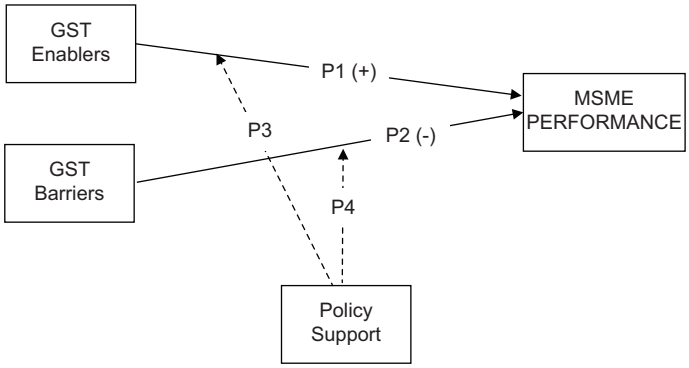
The proposed framework, as presented at Figure 2, explains the dual impact of GST on the performance of MSMEs. GST enablers such as tax simplification, unified market, input tax credit, formalisation and transparency can improve the performance of MSMEs through better market access, credit visibility and competitiveness (Bhalla et al., 2023; Jayalakshmi and Venkateswarlu, 2018; Lourdunathan and Xavier, 2017). At the same time, GST barriers such as compliance burden, difficulty in ITC claim, blocked credit, delay in refunds, dependency on software and working-capital pressure can negatively affect the performance of MSMEs (Kumar and Kalla, 2025; Murugan, 2021; Sureka and Bordoloi, 2024a).

Policy support can act as a moderator in this framework. Strong policy support can strengthen the positive effect of GST enablers and reduce the negative effect of GST barriers. Such supports are very important in Bihar state because most of the MSMEs are micro enterprises with limited digital readiness, weak access to professional tax support and thin financial margins. Therefore, local GST helpdesks, cluster-level training, faster refund mechanism, GST-linked credit facility and subsidised digital tools can help to convert GST implementation from a compliance burden to a growth engine mechanism for MSMEs in Bihar.

3.6.1. Proposition statements

P1: GST enablers positively influence MSME performance
P2: GST barriers negatively influence MSME performance
P3: Policy support strengthens the positive relationship between GST enablers and MSME performance

Figure 2: GST enabler–Barrier framework for MSME performance in Bihar



Source: Authors' own framework

P4: Policy support weakens the negative relationship between GST barriers and MSME performance.

4. DISCUSSION

This section discusses about the findings of this study. Firstly, it interprets the dominant themes and research trends identified through keyword co-occurrence analysis. Secondly, it discusses the major GST-related challenges affecting MSMEs in India. Thirdly, it explains why these challenges become more significant in Bihar's MSME context. Finally, it presents policy interventions and implications for improving GST compliance, formalisation and competitiveness of MSMEs in Bihar.

4.1. RQ1: Dominant Themes and Research Trends

The keyword co-occurrence analysis identifies five major themes namely GST reform, input tax credit, compliance cost, compliance behaviour and MSME performance. The first theme connects GST with tax reform, input tax credit and business performance. This shows that GST is not only a topic to study as a tax reform, but also as a factor affecting MSME growth and performance. GST can support formalisation, market access and transparency for MSMEs if they adopt it's provisions (Jayalakshmi and Venkateswarlu, 2018; Lourdunathan and Xavier, 2017). The second theme relates to indirect tax and compliance cost. MSMEs needs to manage return filing, invoice matching, documentation and software use mostly with the help of tax consultant. These requirements increase compliance burden and cost, especially for micro and small enterprises (Dhillon and Gautam, 2022; Joseph and Jacob, 2020; Sidik et al., 2019). The third theme links GST with VAT and small business taxation literature. This shows that GST research is also connected with studies on VAT, tax rates, indirect taxation and small firm compliance (World Bank, 2017). The fourth theme focuses on tax system, taxation and business compliance issues among MSMEs. It shows that MSMEs having better awareness, IT infrastructure and knowledge of accounting and taxation are able to manage GST in a better way. Micro and small firms face more difficulty due to weak digital and professional support (Bhalla et al., 2023; Kanimozhi, 2023; Singh and Nandal, 2020). Study highlighted that the managers of MSMEs have high level of awareness and positive attitude towards introduction of GST (Bidin and Marimuthu, 2016; Marimuthu and Bidin, 2016). The fifth theme connects tax compliance with VAT rate. This shows that tax rates and classification issues also influence compliance behaviour of MSMEs. Multiple rates may create confusion among micro units and increase dependence on tax experts (Ghosh, 2020; Sureka and Bordoloi, 2024b). Overall, the findings show that GST–MSME research is moving from general tax reform discussion to the specific issues like compliance cost, ITC, digital filing, working capital and firm performance. These issues are more relevant for Bihar because most enterprises are micro in nature and have limited compliance capacity.

4.2. RQ2: GST-Related Challenges Affecting MSMEs in India

The second research question examines the major GST-related challenges affecting MSMEs in India. The review shows that GST has created benefits, but its implementation has also increased

compliance pressure on MSMEs. The most common challenges are compliance cost, return filing burden, digital filing requirements, ITC-related issues, refund delays, working-capital pressure and dependence on tax consultants. Compliance burden is one of the major challenges for MSMEs because they have to maintain proper invoices, file various returns, match invoices and follow frequent changes in GST rules. These challenges not only increases the administrative work of MSMEs but also requires good accounting and tax knowledge. For micro and small enterprises, this becomes difficult because they often lack trained staff and internal compliance systems (Dhillon and Gautam, 2022; Joseph and Jacob, 2020; Singh and Nandal, 2020). Non availability of Input Tax Credit (ITC) is another important issue. In principle, effective ITC mechanism can reduce tax burden and improve working-capital efficiency. However, MSMEs often face difficulty in claiming ITC due to complex invoice matching concept, blocked credit, delayed supplier compliance and procedural complexity. These difficulties affects the cash flow and increases input cost for many enterprises (Kumar and Kalla, 2025; Sureka and Bordoloi, 2024a). GST has also increased the dependence of MSMEs on digital systems because return filing, e-invoicing, e-way bill, etc. are totally online and requires IT infrastructure, digital readiness and knowledge. Smaller MSMEs units face difficulty due to lack of digital skills, software cost and technical glitches and heavily dependent on accountants, tax consultants and external service providers (Chitra et al., 2022; Kanimozhi, 2023; Reena, 2024). Moreover, skill-training centre, trust and capacity building measures and selective cost relief to MSMEs can work as a means for converting their intention into digital adoption (Xavier and Vanitha, 2026). Refund delay and working-capital pressure are also major concerns. MSMEs have to face working capital liquidity stress due to delayed refunds or blocked credit under GST. This is a big challenge because many MSMEs operate on thin margins and have limited access to formal credit. Studies show that delayed refunds and blocked working capital affect day-to-day operations and business performance of MSMEs (Durairaj and Princy J, 2022; Murugan, 2021; Sureka and Bordoloi, 2024b). Another challenge is classification of goods and services and rate complexity. Multiple rates and classification issues create confusion for MSMEs working on small scale. Similar products may fall under different tax rates, which increases uncertainty and compliance risk. This also increases dependency on professional tax and accounting experts (Ghosh, 2020; World Bank, 2017). Overall, the review indicates that GST-related challenges for MSMEs are not only tax-related, but also related to capability of taxpayers. MSMEs with better awareness, accounting systems, digital readiness and professional support are able to manage GST in a better way and get benefitted. At the same time, GST is burden for those MSMEs who have weak compliance capacity and awareness. This shows that impact of GST on MSMEs depends not only on the policy design, but also on the ability of enterprises to comply with the tax system.

4.3. RQ3: How these Challenges become more Significant in Bihar's MSME Context

The third research question examines how GST-related challenges become more significant in the context of MSME in Bihar state. GST challenges faced by MSMEs in Bihar are due to the structure and capacity of the MSME sector of the state as huge proportion are of micro-enterprise. As per Udyam and UAP data, most of the MSMEs in Bihar fall under the micro category (MoMSME, n.d.). These enterprises generally operate on thin margins with limited financial capacity and have very low turnover. These challenges are also linked with limited credit access, weak institutional support and uneven enterprise development (Gupta and Meher, 2021; NABARD, 2017). Even small increases in compliance cost, software cost or consultant fees can create pressure on their working capital and business operations. IT infrastructure and digital readiness is another important issue because GST compliances like registration, return filing, invoice matching, etc. are totally online. Micro and small enterprises working in Bihar may not have adequate IT infrastructure, digital skills, accounting systems and trained manpower and resulting in dependent on accountants, tax consultants and external service providers. It increases their operating cost and reduces ability to manage compliances independently. Access to formal credit is also limited for many MSMEs in Bihar. When input tax credit is blocked or GST refunds are delayed, enterprises face working-capital pressure. This problem becomes more serious for micro units because they do not have strong cash reserves or easy access to bank finance. Bihar also has uneven development of enterprise clusters. Many districts do not have strong industrial support systems, professional compliance services or regular training facilities. This creates a gap between GST policy design and local implementation capacity. Enterprises located in weaker clusters or rural and semi urban area may face more difficulty in understanding GST rules, classification issues, ITC claims and refund procedures. Therefore, GST-related challenges become more significant in Bihar because of micro-enterprise dominance, lack of IT infrastructure, weak digital readiness, limited professional support, low access to credit and uneven cluster development. GST can support formalisation and market access for MSMEs, but it's benefits can be fully realised only when capacity are improved and institutional support are strengthened.

4.4. RQ4: How Policy Interventions can Improve GST Compliance, Formalisation and Competitiveness of MSMEs in Bihar

The fourth research question examines the policy interventions needed to improve GST compliance, formalisation and competitiveness for MSMEs in Bihar. The findings show that GST can support MSME growth if compliance burden is reduced and local support systems are strengthened. Since Bihar's MSME sector is largely micro-enterprise driven, policy intervention should focus on capacity building, compliance support, credit access and cluster-level handholding at rural and semi urban area. Firstly, Bihar needs district-level GST support centres for MSMEs so that it can help enterprises with GST registration, return filing, invoice matching, ITC claims, refund procedures and classification issues. Such local helpdesks can reduce dependence on private consultants and make compliance easier for micro and small enterprises. Secondly, regular GST awareness and training programmes should be organised at cluster, district, block and panchayat levels. These programmes should be conducted in simple language and should focus on practical issues such as return filing, e-invoicing, documentation, ITC eligibility, refund

process and common compliance errors. This will improve the compliance capacity of MSMEs. Thirdly, the digital support should be strengthened because many MSMEs face difficulty in using GSTN, accounting software and online filing systems. Subsidised accounting tools, mobile app-based compliance support and digital literacy programmes can help MSMEs to manage GST requirements more effectively. Fourthly, faster refund and ITC support is important because delayed refunds and blocked credit create working-capital pressure for MSMEs. A special support mechanism for MSMEs can help in tracking refund claims, resolving ITC mismatch and reducing liquidity stress. Fifthly, a GST-linked credit facilitation mechanism should be promoted to build financial credibility of MSMEs in Bihar. Banks and financial institutions can use GST data to assess business activity and provide credit support. This can improve access to finance for micro and small enterprises.

Since MSME sector of Bihar is largely micro-enterprise driven, policy intervention should focus on capacity building, compliance support, credit access and cluster-level handholding (Calub, 2026; Gupta and Meher, 2021; MoMSME, n.d.; NABARD, 2017). Finally, cluster-based policy support is needed because MSME clusters may face different type of GST-related challenges. Therefore, policy support should be designed according to local industry needs. Bihar can benefit from sector-specific support for food processing, textiles, handicrafts, leather, agro-based enterprises and other local clusters. Overall, policy interventions in Bihar should aim to convert GST from a compliance burden into a growth-supporting mechanism for MSMEs working in the state. Local GST helpdesks, cluster-level training, digital tools, faster refund support and GST-linked credit can improve compliance capacity and strengthen MSME performance in Bihar.

4.5. Framework and Proposition-based Interpretation

Unified and simplified tax system, ITC provisions, digitalisation and transparency are GST enablers and can improve performance of MSMEs by easy access to world market, credit availability and competitiveness (Bhalla et al., 2023; Jayalakshmi and Venkateswarlu, 2018; Lourdunathan and Xavier, 2017). This supports P1. At the same time, GST barriers such as compliance burden, ITC claim difficulty, blocked credit, refund delays, software dependence, need of tax expert and working capital pressure can negatively affect MSME performance (Kumar and Kalla, 2025; Murugan, 2021; Sureka and Bordoloi, 2024a). This supports P2.

The framework also shows that policy support plays a moderating role. In Bihar, policy support is important because most enterprises are micro in nature and have limited compliance capacity. Local GST helpdesks, cluster-level training, local-language support, faster refund assistance, GST-linked credit and subsidised digital tools can strengthen the benefits of GST enablers and reduce the negative effect of GST barriers. This supports P3 and P4. Therefore, GST can enhance growth of MSMEs in Bihar if policy design is supported by local institutional and government capacity.

4.6. Theoretical, Policy and Practical Implications

The study offers theoretical, policy and practical implications. At the theoretical level, the study contributes to GST–MSME literature by connecting bibliometric keyword co-occurrence findings with thematic review in Bihar-specific policy context. Past studies have mainly discussed GST either as a national tax reform or as a compliance issue for MSMEs. This study adds value to theory by proposing a GST Enabler–Barrier Framework, which explains positive impact of GST enablers and negative influence of GST barriers on MSMEs performance. Also, moderating effect of government policy support signifies GST benefits can be strengthened when firm receive adequate policy support, training, digital assistance, refund support and credit facilitation. This adds a contextual understanding to GST–MSME research, especially for less industrialised states like Bihar.

At the policy level, the study suggests that GST policy should not be viewed only as a tax administration issue. It should also be linked with MSME's development, formalisation and competitiveness. In Bihar, policy support should focus on district-level GST helpdesks, cluster-level training, local-language compliance support, faster refund assistance and GST-linked credit facilitation. These interventions can reduce compliance burden and help micro and small enterprises to participate more effectively in formal markets. The findings also suggest that single uniform policy approach may not be effective for all MSMEs working in Bihar state since every clusters has their own characteristics. Since MSME base of Bihar is largely micro-enterprise driven, policy support should be simple, local and practical. Cluster specific and sector specific policy support can be useful for food processing, textiles, handicrafts, leather, agro-based enterprises, etc. These policy supports can improve GST compliance capacity of MSMEs and reduce dependence on external consultants.

As far as practical implication is concerned, the study is useful for MSME owners, tax consultants, industry associations and support institutions in various ways. MSME owners can understand that GST compliance is not only a statutory requirement, but also a route towards formalisation, credit availability, market expansion and avenues for new business. Tax consultants and industry bodies can use the findings to design targeted training modules on statutory compliances, ITC claims, documentation, refund procedures and classification issues. Banks and financial institutions can also use GST records as a basis for assessing business activity, financial status and credibility of MSMEs to extend easy credit for them. Overall, the study shows that GST can become growth engine for MSMEs of Bihar if they receive continuous handholding, digital support, credit linkage and local institutional support.

5. CONCLUSION

The study examined the relationship between goods and services tax (GST) compliance and MSME performance working in Bihar in the policy context. The study used a hybrid review approach by combining bibliometric keyword co-occurrence analysis, thematic literature review and policy synthesis. The purpose was to understand how GST related benefits and challenges affect the performance of MSMEs and why these issues become more significant for the study in Bihar. The findings show that research on GST and MSME is mainly concentrated around five themes:

GST reform, input tax credit, compliance cost, compliance behaviour and MSME performance. GST has created important enablers for MSMEs namely tax simplification, unified market, input tax credit, transparency, formalisation and better credit availability. At the same time, compliance burden, requirements of documentation, dependence on software, classification issues, ITC claim difficulty, blocked credit, refund delays and working-capital pressure are barriers for MSMEs. These challenges are more difficult for micro and small enterprises because they generally operate with very limited financial and compliance capacity.

The novelty of this study lies in connecting research trends on GST and MSME with the specific context of MSMEs in Bihar. Past studies have mainly discussed GST and MSMEs at the national level as well as other industrialised states. This study extends the discussion by showing that GST do not affect all states and enterprises in the same way due to difference in their characteristics and parameters. MSME sector in Bihar is largely micro-enterprise driven and GST-related challenges become more complex due to thin margins, weak digital readiness, limited access to formal credit, lack of professional tax support and uneven cluster development. Thus, the study adds a state-level policy perspective to the research held on GST and MSME.

Another important contribution of the study is the proposed 'GST Enabler–Barrier Framework' for performance of MSMEs in Bihar. The framework explains that GST implementation has a dual impact on MSME performance. GST enablers can improve MSME performance, while GST barriers can reduce it. Policy support acts as a moderator by strengthening the positive effect of GST enablers and reducing the negative effect of GST barriers. This framework provides a structured way to understand GST not only as a tax reform, but also as a policy instrument that can influence the formalisation, competitiveness and growth of MSMEs.

The study has important theoretical, policy and practical implications. The benefit of GST for MSMEs in Bihar can be realised more effectively when compliance capacity is strengthened at root level. District/block/panchayat level GST helpdesks, cluster-level training program, compliance support in local language, faster refund assistance, GST-linked credit facilitation and subsidised digital tools can help MSMEs to manage GST requirements more effectively. Such measures can reduce compliance burden among MSMEs in Bihar and help them by converting GST compliance pressure to a supporting mechanism for their growth.

The study also has some limitations. It is based on Scopus-indexed literature and selected policy documents. The thematic review is based on selected relevant studies and the proposed framework is conceptual in nature. The study does not use primary survey or interview data from MSME owners in Bihar. Future research can empirically test the proposed 'GST Enabler–Barrier Framework' using primary data collection from MSMEs, tax consultants, industry associations and policymakers. Future studies may also be conducted by selecting particular cluster or district or sector or industry type, etc. Moreover, a comparative study between Bihar and more industrialised states can also be conducted to understand how GST impact varies across different MSME ecosystems.

Overall, the study concludes that GST can support MSME performance only when tax reform is matched with enterprise-level compliance capacity and local policy support. For Bihar, strengthening this support system is essential for improving GST compliance, formalisation and competitiveness of MSMEs.

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