An International Multidisciplinary Journal
अनन्यशास्त्रम्
(A Unique Treatise of Knowledge)
ISSN:3049-3927 (Online)
Volume: 02 | Issue: 01| June: 2026
Research Article

ANANYAŚĀSTRAM:
An International Multidisciplinary Journal
(A Unique Treatise of Knowledge)
Peer-Reviewed | Refereed | Open Access Journal
DOI: https://doi.org/10.64328/aimjv2i1027

Digitalization of Taxation in India: Evaluating GST's Contribution to Ease of Doing Business

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Abstract

The introduction of the Goods and Services Tax (GST) in India represents one of the most significant tax reforms in the country's economic history. GST replaced multiple indirect taxes with a unified tax structure and introduced a technology-driven taxation system through the Goods and Services Tax Network (GSTN). The GST regime integrates several digital mechanisms such as online registration, return filing, e-invoicing, e-way bills, and digital tax payments, which contribute to improving tax compliance and transparency. The present study examines the role of GST in enhancing ease of doing business in India through digital transformation of taxation. The study is based on secondary data collected from government reports, research journals, and policy documents. Statistical techniques such as reliability analysis, factor analysis, ANOVA, chi-square test, and regression analysis have been used to evaluate the relationship between digital GST mechanisms and ease of doing business. The findings reveal that digital GST systems have simplified taxation procedures, reduced compliance burden, and facilitated interstate trade. However, challenges such as technological barriers and procedural complexities still exist. The study concludes that GST has significantly improved the business environment in India by promoting transparency and efficiency in tax administration.

Keywords: GST, Digital Transformation, Ease of Doing Business, Tax Compliance, GSTN, Digital Governance.

Introduction:

Taxation plays a crucial role in economic governance, revenue generation, and the promotion of sustainable economic development. An efficient tax system facilitates resource allocation, enhances compliance, and creates a conducive environment for business growth. Prior to the implementation of the Goods and Services Tax (GST), India's indirect taxation system was characterized by a complex structure comprising multiple taxes levied by both the Central and State Governments, including excise duty, service tax, value-added tax (VAT), central sales tax, octroi, entry tax, and luxury tax. The

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coexistence of these taxes resulted in administrative inefficiencies, tax cascading, and increased compliance costs for businesses. To address these challenges, the Government of India introduced the Goods and Services Tax (GST) on 1 July 2017 as a comprehensive indirect tax reform. GST was designed to integrate various indirect taxes into a unified taxation framework under the principle of "One Nation, One Tax, One Market." The reform aimed to simplify tax administration, eliminate the cascading effect of taxation, improve compliance, and enhance economic efficiency across the country.

GST possesses several distinctive features that contribute to its effectiveness as a modern taxation system. One of its most significant characteristics is its destination-based taxation principle, under which tax revenue accrues to the state where goods or services are consumed rather than where they are produced. This approach promotes equitable distribution of tax revenues among states and strengthens fiscal federalism. Furthermore, India follows a dual GST model comprising Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), and Integrated Goods and Services Tax (IGST), thereby accommodating the federal structure of governance while ensuring coordinated tax administration. Another important feature of GST is its value-added taxation mechanism. The tax is levied only on the value added at each stage of production and distribution, thereby eliminating the cascading effect commonly known as "tax on tax." This mechanism is supported by the Input Tax Credit (ITC) system, which allows businesses to claim credit for taxes paid on inputs against their output tax liability. As a result, GST reduces the overall tax burden, improves efficiency, and enhances the competitiveness of businesses. GST also represents a comprehensive indirect tax regime by subsuming multiple central and state taxes into a single framework. This consolidation has simplified the tax structure, improved transparency, and reduced compliance complexities. In addition, the GST system is supported by a robust digital infrastructure through the Goods and Services Tax Network (GSTN), which facilitates online registration, electronic return filing, e-invoicing, e-way bill generation, refund processing, and digital tax payments. The technology-driven nature of GST has significantly improved transparency, reduced paperwork, and streamlined tax administration.

The introduction of GST was guided by several policy objectives. These include the creation of a unified national market, simplification of the indirect tax structure, elimination of cascading taxation, enhancement of tax compliance, and promotion of transparency through digital governance. Furthermore, GST seeks to improve the ease of doing business by reducing compliance burdens and creating a predictable tax environment. By minimizing distortions in production and distribution activities, GST contributes to greater economic efficiency, long-term growth, and fiscal stability.

The significance of GST within India's economic framework extends beyond tax reform. It has played a transformative role in strengthening the country's fiscal architecture by improving revenue collection and administrative efficiency. The system has encouraged the formalization of economic activities by

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bringing a larger number of businesses into the tax net and promoting greater accountability. Additionally, GST has facilitated smoother interstate trade by removing tax-related barriers and reducing logistical inefficiencies. Through its digital compliance mechanisms and integrated market structure, GST has enhanced transparency, improved business operations, and contributed to the overall Ease of Doing Business (EODB) in India.

Given the substantial changes introduced by GST and its technology-driven framework, it is essential to examine its role in the digital transformation of taxation and its impact on the business environment. This study seeks to evaluate how GST has contributed to improving tax compliance, transparency, and ease of doing business in India while identifying the challenges that continue to affect its effective implementation.

Review of Literature

(Gaur & Padiya, 2017) analyzed the ease of doing business in India and highlighted the role of government reforms in improving the business environment. Studied the impact of GST on the Indian economy and found that GST has simplified taxation and reduced policy barriers.

(Nayyar & Singh, 2018) conducted a comprehensive analysis of GST and concluded that GST reduces cascading taxes and improves tax transparency. observed that although businessmen consider GST a fair tax system, compliance procedures remain complex for small businesses. studied the impact of GST on MSMEs and suggested strengthening digital infrastructure to improve the effectiveness of the GST system. emphasized that GST contributes to improving the efficiency and transparency of the taxation system. A review of the existing literature indicates that GST has significantly contributed to simplifying taxation, improving transparency, and promoting ease of doing business. However, previous studies have also identified challenges such as technological barriers, compliance complexity, and adaptation issues among small businesses. Furthermore, limited research has specifically examined the relationship between digital GST mechanisms, such as e-invoicing, e-way bills, and online return filing, and their impact on ease of doing business. Therefore, the present study seeks to address this gap by evaluating the role of digital GST systems in enhancing business efficiency and tax compliance in India.

Objectives of the Study

The primary aim of this study is to analyze the role of Goods and Services Tax (GST) in transforming India’s taxation system, particularly in the context of digital governance and ease of doing business. In order to achieve this broad aim, the following specific objectives have been formulated:

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1. To examine the role of GST in the digital transformation of taxation

This objective focuses on understanding how GST has modernized the Indian taxation system through the integration of digital technologies. It aims to study the functioning of the Goods and Services Tax Network (GSTN), including online registration, e-filing of returns, e-invoicing, and electronic payment systems. The objective also explores how digitalization has reduced manual intervention, improved transparency, and strengthened accountability in tax administration.

2. To analyze the impact of GST on ease of doing business in India

This objective evaluates how GST has influenced the business environment in India by simplifying the indirect tax structure and reducing inter-state barriers. It seeks to assess whether GST has contributed to creating a unified national market, lowering compliance costs, and improving operational efficiency for businesses. The objective also examines its role in enhancing investor confidence and promoting business-friendly reforms.

3. To evaluate the effectiveness of digital GST systems in improving tax compliance

This objective aims to assess the efficiency and effectiveness of digital tools under GST, such as GSTN portals, e-way bills, and automated return filing systems. It investigates whether these systems have improved tax compliance, reduced tax evasion, and enhanced real-time monitoring of transactions. It also examines the extent to which digitalization has simplified compliance procedures for taxpayers.

4. To identify challenges faced by businesses under the GST regime

This objective focuses on understanding the practical difficulties experienced by businesses after GST implementation. These challenges may include frequent changes in tax rules, technological issues in GST portals, compliance burden on small and medium enterprises, classification disputes, and delays in refunds. The objective aims to highlight the gap between policy design and ground-level implementation.

5. To provide suggestions for improving the GST system

This objective is aimed at developing practical and policy-oriented recommendations for improving the GST framework. It focuses on enhancing digital infrastructure, simplifying compliance procedures, reducing the burden on MSMEs, and improving taxpayer awareness. The suggestions are intended to make the GST system more efficient, transparent, and inclusive.

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Research Methodology

Research Design

The study adopts a descriptive and analytical research design. Data Sources

The study is based on secondary data collected from:

- Research journals
- Government reports
- GST council publications
- Ministry of Finance reports
- Policy papers Analytical Tools

The following statistical techniques were used:

- Reliability Analysis
- Factor Analysis
- ANOVA Test
- Chi-Square Test
- Regression Analysis

Conceptual Framework of the Study

The conceptual framework explains the relationship between digital GST components and ease of doing business.

Independent Variables

- Online Registration
- Online Return Filing
- E-Way Bill System
- E-Invoicing
- Digital Tax Payment
- Input Tax Credit

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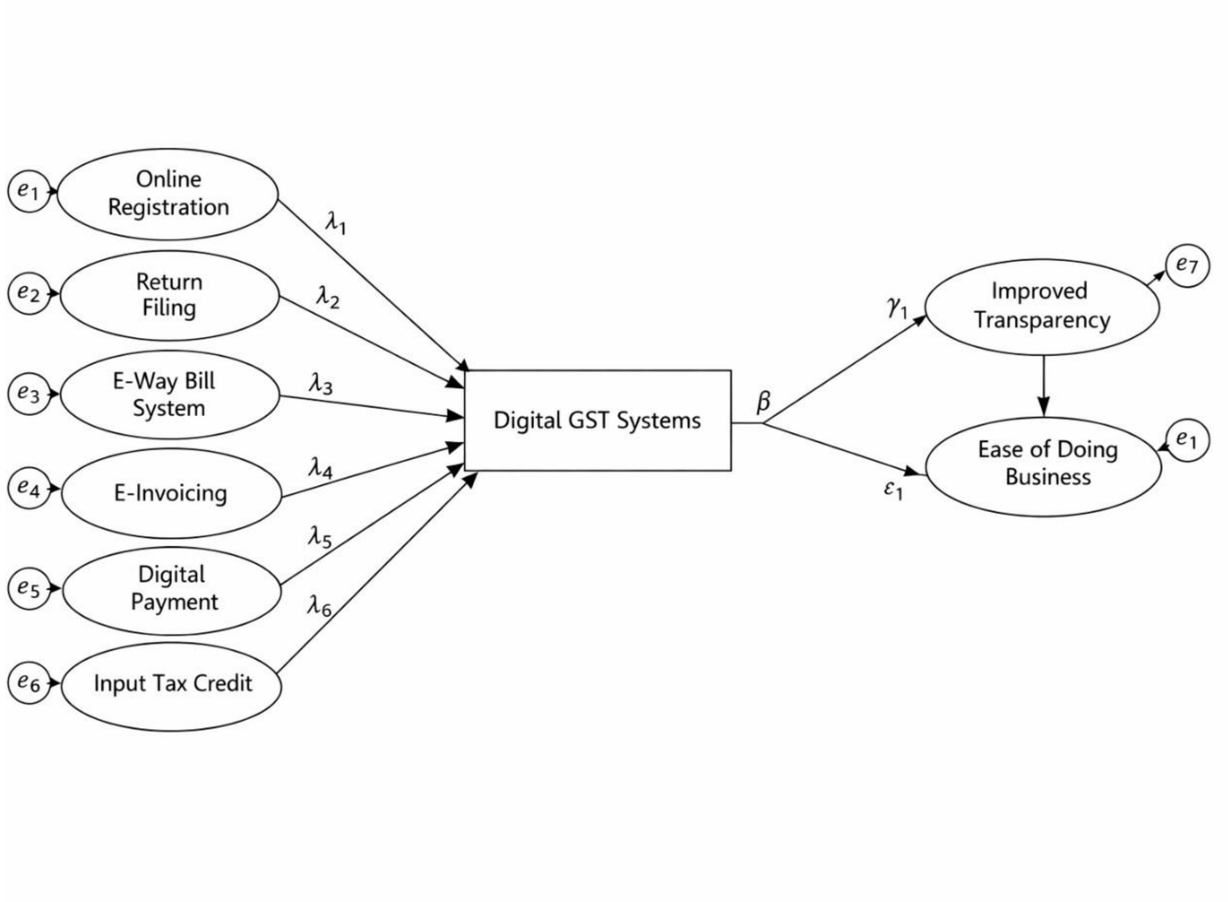
Dependent Variable

Ease of Doing Business

Figure 1: Conceptual Model of Digital GST Systems and Ease of Doing Business



Source: Author's Conceptual Framework

Questionnaire Design

The questionnaire uses a 5-point Likert Scale

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

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Digital GST System

Code	Statement
DGST1	GST online registration system is easy
DGST2	GST return filing process is simple
DGST3	E-way bill system improves goods movement
DGST4	E-invoicing increases transparency
DGST5	Digital tax payments are convenient

Ease of Doing Business

Code	Statement
EODB1	GST simplified business operations
EODB2	GST reduced compliance time
EODB3	GST improved interstate trade
EODB4	GST improved business environment

	Cronbach Alpha	Internal Consistency	Items
1.	0.82	Excellent	10

Reliability Analysis Table 1: Reliability Statistics

The Cronbach Alpha value of 0.82 indicates strong internal consistency among the questionnaire items.

Factor Analysis

Table 2: KMO and Bartlett Test

Test	Value
KMO	0.81
Bartlett Test	Significant

The results indicate that the data is suitable for factor analysis.

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Hypothesis

H01: There is no significant relationship between digital GST implementation and ease of doing business.

Test	F Value	P Value
ANOVA	4.98	0.000

ANOVA Analysis

Table 3: ANOVA Results

Since $p < 0.05$, the null hypothesis is rejected.

Chi-Square Test

Table 4: Chi-Square Analysis

Test	Value
Chi-Square	32.761
df	4
p-value	0.000

The results indicate a significant relationship between GST implementation and ease of doing business.

Variables	Beta	t-value	Significance
Online Registration	0.28	3.24	0.002
Return Filing	0.25	2.91	0.004
E-Way Bill	0.22	2.78	0.006
E-Invoicing	0.30	3.51	0.001

Regression Analysis Table 5: Regression Results

Model Summary

R	R^2	Adjusted R^2
0.64	0.41	0.39

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Findings of the Study

The present study on the Goods and Services Tax (GST) and its role in the digital transformation of taxation in India has revealed several important findings. These findings are based on the analysis of secondary data and existing literature related to GST implementation and its impact on businesses and the economy. Firstly, the study finds that GST has significantly simplified the indirect taxation system in India. By subsuming multiple central and state-level taxes into a unified tax structure, GST has reduced complexity and created a more transparent and standardized taxation framework across the country. Secondly, the implementation of digital GST systems, particularly through the Goods and Services Tax Network (GSTN), has greatly improved tax transparency and compliance. Online processes such as e-registration, e-filing of returns, e-invoicing, and e-way bills have enabled real-time monitoring and reduced opportunities for tax evasion. Thirdly, GST has facilitated the smooth interstate movement of goods and services by eliminating multiple state entry taxes and check posts. This has contributed to improved logistics efficiency, reduced transportation delays, and strengthened the concept of a unified national market. Fourthly, the adoption of digital compliance mechanisms has significantly reduced paperwork, manual processing, and administrative burden for both taxpayers and tax authorities. This shift towards automation has enhanced efficiency and improved ease of doing business in India. However, the study also finds that small and medium enterprises (SMEs/MSMEs) continue to face challenges under the GST regime. These challenges primarily arise due to technological complexity, frequent system updates, and the need for digital literacy, which affect smooth compliance.

Suggestions of the Study

Based on the findings of the study, the following suggestions are proposed to further improve the effectiveness and efficiency of the GST system in India: Firstly, GST return filing procedures should be further simplified. A more user-friendly and less frequent filing system would reduce compliance burden, especially for small taxpayers and MSMEs, thereby encouraging higher compliance rates. Secondly, the infrastructure of the GST portal (GSTN) should be strengthened. Technical issues such as server downtime, system errors, and delays in processing returns should be minimized through improved digital capacity and regular system upgrades. Thirdly, structured digital training programs should be introduced for MSMEs and small traders. These training initiatives can enhance digital literacy and improve their understanding of GST procedures, compliance requirements, and online filing systems. Fourthly, the government should introduce faster and more efficient refund mechanisms, particularly for exporters and input tax credit claims. Timely refunds will improve business liquidity and strengthen working capital management. Lastly, the taxpayer grievance redressal system should be strengthened by making it more responsive, transparent, and accessible. A faster

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resolution mechanism will improve taxpayer trust and enhance overall satisfaction with the GST system.

Conclusion

The Goods and Services Tax (GST) represent a landmark reform in India's indirect taxation system, marking a significant shift towards a unified, transparent, and technology-driven tax structure. By subsuming multiple indirect taxes into a single comprehensive framework, GST has streamlined the taxation process and reduced complexities that previously existed under the fragmented tax regime. The introduction of GST has also facilitated the digital transformation of tax administration in India. Through the Goods and Services Tax Network (GSTN), key processes such as registration, return filing, tax payment, e-invoicing, and compliance monitoring have been digitized. This digital ecosystem has contributed to greater transparency, reduced manual intervention, and improved efficiency in tax governance. Furthermore, GST has played a crucial role in enhancing the ease of doing business in India. The elimination of interstate tax barriers, reduction in logistics delays, and availability of input tax credit across the supply chain have collectively contributed to the creation of a more integrated and competitive national market. Despite these advantages, the study acknowledges that certain challenges persist, particularly in relation to digital infrastructure limitations, compliance complexity for small and medium enterprises, and frequent procedural updates. These issues indicate the need for continuous refinement of the GST framework. In conclusion, GST stands as a transformative reform that has positively reshaped India's taxation landscape. However, sustained improvements in digital systems, procedural simplification, and taxpayer support mechanisms are essential to fully realize its long-term benefits and ensure inclusive economic growth.

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