

# Effect of GST on MSME Growth and the Financial Performance of Non-Banking Financial

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**Abstract:** *The introduction of the Goods and Services Tax (GST) in India marked a significant structural reform aimed at unifying the indirect tax system and promoting economic formalization. This study examines the impact of the Goods and Services Tax on the growth and operational performance of Micro, Small, and Medium Enterprises (MSMEs) and analyzes its effect on the financial performance of Non-Banking Financial Companies (NBFCs) in India. The research adopts a descriptive and analytical design using both primary and secondary data. Comparative analysis was conducted between pre-GST (2014–2017) and post-GST (2018–2023) periods. Statistical tools such as ratio analysis, paired t-tests, regression models, and panel data analysis were applied to evaluate changes in revenue growth, compliance costs, working capital management, loan disbursement, asset quality, and profitability indicators.*

*The findings reveal that GST has contributed positively to MSME formalization, increased revenue transparency, and expanded interstate trade. However, compliance costs and working capital constraints increased during the transition period. For NBFCs, GST enhanced credit appraisal efficiency through improved availability of tax-based financial data, leading to increased MSME lending. Nevertheless, a temporary rise in non-performing assets was observed due to transitional stress among small enterprises. The study concludes that while GST has generated short-term operational challenges, it has strengthened long-term financial integration between MSMEs and NBFCs. Policy measures focusing on compliance simplification, faster input tax credit refunds, and fintech-enabled credit assessment can further enhance the positive impact of GST on economic growth and financial stability..*

**Keywords:** GST, MSME, NBFC, Financial Performance

