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Bridging the gap between GST policy and ground realities of women-led handloom MSMEs in Assam

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Abstract
The implementation of the Goods and Services Tax (GST) in India was intended to improve tax uniformity, transparency, and economic formalization (Mohan & Ali, 2018) [9]. However, its effects on women-led micro-enterprises, particularly in traditional sectors such as Assam's handloom industry, remain underexplored (Mishra & Mishra, 2026) [8]. This study examines the gap between GST policy objectives and the lived realities of women operating MSMEs at the grassroots level. Using a micro-level study of trade-licensed retail units near Gauhati and a primary survey of women weavers producing the traditional Mekhla Chador, the research highlights GST's indirect effects on production, pricing, and income stability. The findings indicate that, despite the policy push toward formalization, all surveyed micro-enterprises remain unregistered due to high compliance complexity and low turnover (B, 2023) [2]. Barriers such as limited digital literacy and rising raw material costs further constrain participation (Gupta, 2026) [4]. The study argues for more inclusive policy measures and simplified compliance systems to better integrate informal women entrepreneurs into the formal economy.

Keywords: GST, women entrepreneurs, handloom industry, micro-enterprises, tax compliance, policy-practice gap, Assam

Introduction
The handloom industry in Assam is not only an economic activity but also a living cultural heritage and the second-largest source of employment in India after agriculture (Mahanta & Sultana, 2018) [7]. Women weavers are the primary stakeholders in this sector, particularly in the production of the traditional Mekhla Chador (Mishra & Mishra, 2026) [8]. The introduction of the Goods and Services Tax in 2017 marked a major reform aimed at establishing a "one nation, one tax" framework (Mohan & Ali, 2018) [9].

However, the transition from an informal to a formal tax regime has been uneven. Although the policy is designed to promote transparency, the lived realities of small-scale, home-based women producers involve systemic barriers such as digital exclusion and rising input costs (Gupta, 2026) [4]. This paper examines the extent of GST integration among women-led MSMEs in semi-urban Assam and identifies the structural gaps that prevent these entrepreneurs from realizing the intended benefits of tax formalization.

Literature Review
1. Economic Impact of GST on the Informal Sector
Recent empirical evidence suggests that GST implementation has had a disproportionately negative effect on India's informal economy. A 2023 study using a Difference-in-Differences approach found that employment in the informal textile sector declined by 5.7% after GST implementation, contributing to an estimated loss of approximately 15.7 million jobs across the informal sector (B, 2023) [2]. For micro-enterprises, compliance costs are a substantial burden, often accounting for 12% to 18% of total turnover (Monachan *et al.*, 2024) [10].

2. Gender Gaps and Institutional Barriers
Women entrepreneurs face unique institutional barriers that limit their performance (Mishra & Mishra, 2026) [8]. These include gaps in policy awareness, gendered power relations, and limited access to digital infrastructure (Gupta, 2026) [4]. In the handloom sector, many women-led units remain unregistered to avoid the administrative burden of accounting and digital filing, which in turn excludes them from claiming input tax credits and accessing government subsidies such as Swanirbhar Naari (Adak & Singha, 2026; Shetty, 2019) [1, 11].

Objectives of the Study
This study aims to examine the relationship between GST policy implementation and the operational realities of women-led handloom enterprises.

The specific objectives are to:
1. Examine the level of awareness and understanding of GST among women entrepreneurs.
2. Identify why small women-led handloom enterprises remain outside the GST registration net.
3. Analyze the perceived impact of GST on business operations, including input costs and pricing.
4. Explore the role of handloom enterprises in promoting women's economic participation.
5. Identify policy support mechanisms that can improve the integration of women-led units into formal systems.

Methodology
This study adopts a qualitative, micro-level research design to examine the gap between GST policy intentions and the lived realities of women-led handloom MSMEs in the semi-urban areas surrounding Gauhati, Assam. A qualitative

approach is appropriate because the study is concerned not only with measurable compliance outcomes, but also with how women entrepreneurs understand, experience, and respond to GST in practice (Creswell, 2014) [3]. Since the handloom sector in Assam is deeply embedded in household production, informal labor arrangements, and culturally rooted enterprise systems, a micro-level design allows for a more grounded and context-sensitive interpretation of the evidence (Mahanta & Sultana, 2018) [7].

Primary Data

Primary data were collected through a structured questionnaire administered to five women entrepreneurs engaged in handloom production and retail. The respondents were drawn from semi-urban areas near Gauhati, where handloom-based enterprise functions as both a livelihood activity and a cultural form of production. The questionnaire captured demographic characteristics, business structure, GST awareness, registration status, reasons for non-registration, and perceived business impacts. Although the sample size is small, it is suitable for exploratory research focused on descriptive patterns and policy interpretation rather than statistical generalization (Creswell, 2014) [3].

Analytical Tools

The study used frequency distribution, percentage analysis, and qualitative interpretation. Frequency and percentage measures were applied to identify the distribution of responses across key categories such as age, education, business type, GST awareness, and perceived economic effects. These descriptive operations are particularly useful in small-sample studies because they reveal concentration patterns, relative dominance, and structural tendencies (Kothari, 2004) [6]. Qualitative interpretation was then used to examine what the observed patterns mean in relation to policy exclusion, informal entrepreneurship, and compliance barriers.

Secondary Data

Secondary data were used to contextualize the primary findings within broader debates on GST implementation, informal-sector vulnerability, and Assam's handloom policy environment. Existing literature on GST's impact and local handicraft policies provided the wider institutional background against which the respondents' experiences could be interpreted interpreted (Mohan & Ali, 2018; Adak & Singha, 2026) [1, 9]. This enabled the study to link micro-level evidence with macro-level policy issues.

Data Analysis and Interpretation

The data reveal a clear and consistent policy-practice gap. Across demographic structure, business scale, compliance behavior, and perceived economic effects, the evidence shows that women-led handloom enterprises in the study area remain largely outside the formal GST framework. The findings do not indicate a lack of enterprise activity; rather, they point to a strong mismatch between the administrative demands of GST and the operational realities of very small, informal, women-led businesses.

1. Demographic structure of respondents

Table 1: Demographic Profile of Respondents

Category	Classification	Respondents	Percentage
Age Group	25–35	1	20%
	36–45	2	40%
	46–55	1	20%
	Above 55	1	20%
Education	Primary	1	20%
	Secondary	2	40%
	Higher Secondary	1	20%
	Graduate	1	20%

The demographic profile shows a fairly even spread across age categories, but with a clear concentration in the 36–45 group, which accounts for the largest share of respondents. This suggests that women in their mid-career and mid-household stage form the core of handloom entrepreneurship in the study area. The age structure is therefore not heavily skewed toward either very young entrants or older traditional artisans; rather, it indicates that the sector is sustained by economically active women who are likely balancing enterprise responsibilities with household and care work.

The educational pattern is similarly moderate, with secondary education forming the modal category. While there is representation across all levels, only one respondent is a graduate, indicating that the sample is largely composed of women with limited to moderate formal education. This has direct implications for tax compliance, as GST-related registration, documentation, digital filing, and procedural literacy require administrative familiarity that may not be equally available across the sample. In statistical terms, the education distribution suggests a medium-low human capital base, which is important when interpreting the very low compliance outcomes reported later.

Overall, the demographic data indicate that the respondents are not socially or educationally positioned to absorb complex formalization demands easily. Thismatters because tax policy often assumes a level of business literacy that small women-led enterprises may not possess.

2. Business structure and scale

Table 2: Business Activity and Scale

Category	Classification	Respondents	Percentage
Activity Type	Production	2	40%
	Retail	1	20%
	Both	2	40%
No. of Weavers	1–5	3	60%
	6–10	1	20%
	11–20	1	20%

The business profile shows that the enterprises are predominantly micro-scale. The most common workforce size is 1–5 weavers, which covers 60% of respondents. This is a strong indicator that the enterprises are small, labor-constrained, and likely household-based. Such a structure is highly significant because very small enterprises often function with limited surplus, irregular income, and minimal administrative slack. These conditions reduce the likelihood that owners will voluntarily engage with a compliance-heavy tax regime unless there is a clear and immediate benefit.

The activity-type data show that the enterprises are not purely production-oriented. Forty percent engage in production only, 20% in retail only, and 40% in both. This suggests a mixed value-chain structure where many women are involved not just in weaving but also in selling their products directly. That is an important sign of entrepreneurial agency. However, it also means that the same individual or unit must manage production, procurement, marketing, and retail operations with very limited support. In practical terms, this increases the transaction burden and leaves little room for the added administrative load of formal registration and tax filing.

From a statistical perspective, the data point to a highly concentrated micro-enterprise structure. The dominance of the smallest workforce category, combined with the dual production-retail model, shows that these are not growth-oriented firms in the conventional sense. They are survival-oriented, flexible, and embedded in local livelihood systems. This helps explain why GST formalization may be perceived as disconnected from business reality.

3. GST awareness, understanding, and registration

Table 3: Awareness and Registration Status

Question	Response	Respondents	Percentage
Heard of GST?	Yes	4	80%
	No	1	20%
Knowledge Level	Somewhat understand	2	40%
	Very little / None	3	60%
Registration	Registered	0	0%
	Not Registered	5	100%

This table reveals the most important statistical pattern in the study

awareness is relatively high, but functional understanding and compliance are extremely low. Eighty percent of respondents had heard of GST, yet only 40% reported even partial understanding, while 60% stated that they knew very little or nothing about it. This means that awareness does not translate into policy literacy. In other words, GST is visible in the social environment, but it is not adequately understood as a workable business system.

The most striking figure is the 0% registration rate. Within this sample, every respondent remains outside the formal GST framework. This is not a minor compliance shortfall; it is complete non-integration. The implication is that GST has not penetrated this segment of women-led handloom MSMEs in any meaningful operational sense. The policy may exist at the macro level, but at the grassroots level it has not been translated into registration behavior.

A useful statistical interpretation here is the disconnect between exposure and compliance. If four out of five respondents have heard of GST, yet none are registered, the barriers cannot be explained by ignorance alone. Instead, the pattern indicates a deeper structural problem involving procedural complexity, lack of support, low turnover, and weak institutional outreach. This is a classic policy-practice gap: visibility without conversion into action.

Table 4: Reasons for Non-Registration

Reason	Number of Respondents
Low business turnover	3
Lack of knowledge/awareness	3
Complicated GST procedures	2
Lack of professional/accounting support	2

The reasons for non-registration further clarify why compliance has failed. Low turnover and lack of knowledge/awareness are the most frequently cited reasons, each mentioned by three respondents. Complicated procedures and lack of professional support were also significant, each cited by two respondents. Because the sample is small, these frequencies should be interpreted as intensity indicators rather than population-level estimates. Even so, the ranking of barriers is highly revealing.

Low turnover indicates that the respondents do not view themselves as sufficiently large or financially stable to justify formal registration. This is rational from the perspective of micro-enterprise survival. If profit margins are already narrow, then the added burden of registration, record-keeping, and filing may be seen as unnecessary or even risky. At the same time, equal frequency for lack of knowledge shows that informational exclusion is equally important. Women may know that GST exists, but not how it applies to them or what registration requires.

The procedural and accounting barriers point to a more institutional problem. GST compliance is not just a matter of willingness; it requires documentation, digital interaction, and sometimes professional assistance. For women operating small, home-based handloom units, these are substantial obstacles. The data therefore suggest that non-registration is not a simple choice to evade regulation. It is a rational response to a system that is too complex and too poorly supported for micro-scale women entrepreneurs.

4. Perceived economic effects of GST

Table 5: Perceived Impact of GST on Business

Factor	Perceived Change	Respondents	Percentage
Raw Material Cost	Increased	3	60%
	No change	2	40%
Market Demand	No significant change	3	60%
	Decreased	2	40%

The impact data show that even unregistered micro-enterprises are not insulated from the economic consequences of GST. Sixty percent of respondents reported that raw material costs had increased. This is a crucial result because it suggests that tax-related cost pressures are transmitted through the supply chain, affecting informal producers indirectly. The implication is that being outside the GST registration net does not mean being outside GST's economic effects. The burden is simply shifted downstream.

The remaining 40% reported no change in raw material cost, which suggests that the effect is not uniform across all respondents. However, the majority perception of cost escalation is enough to establish a broad trend. In micro-enterprise settings, even a modest rise in input costs can significantly affect profitability. Handloom production depends on inputs such as yarn and related materials, so cost inflation can quickly compress margins and undermine household earnings.

Market demand presents a more mixed picture. Sixty percent reported no significant change, while 40% reported a decrease in demand. This suggests that GST has not produced a clear positive market effect for the respondents. Instead, the market response is uneven and weakly favorable at best. The absence of strong demand growth is important because it means that GST-related costs are not being offset by higher sales or better market access. The result is a net pressure on micro-enterprises rather than a compensating benefit.

Discussion

The overall pattern from the data is highly consistent. Women-led handloom MSMEs in the study area are small, informally organized, moderately educated, and only partially aware of GST. Yet despite this awareness, they are entirely unregistered and remain outside the formal compliance system. This makes the central issue not a lack of contact with the policy environment, but a mismatch between policy design and entrepreneurial reality (Mishra & Mishra, 2026) [8].

A major statistical insight from the study is the contrast between high awareness and zero registration. This gap shows that policy visibility alone is insufficient. The state may have succeeded in making GST known, but not in making it usable for micro-enterprises. In effect, the respondents have exposure to the reform without access to its benefits. This is an important finding because it suggests that formalization policies can fail even when nominal awareness exists (Gupta, 2026; Mohan & Ali, 2018) [4, 9].

The second major insight is the concentration of enterprises at the smallest scale. With 60% of units employing only 1–5 weavers, these businesses are clearly operating on a fragile, low-resource basis. Such enterprises are unlikely to absorb compliance costs unless there is strong practical support. The data therefore support the argument that GST is structured in a way that aligns more easily with formal firms than with informal women-led micro-enterprises (B, 2023; Monachan *et al*., 2024) [2, 10].

The third key finding is the reported increase in raw material costs. This indicates that GST affects informal producers indirectly through the supply chain. Even without registration, the respondents experience the consequences of the tax regime in the form of higher input expenses and reduced financial flexibility. This is significant because it shows that exclusion from formalization does not protect women entrepreneurs from policy side effects. Instead, they may bear costs without receiving countervailing benefits such as input tax credits or formal market recognition (Shetty, 2019; Mishra, 2023) [11].

Taken together, the findings point to a policy-practice gap that is both structural and gendered. The women in this study are active economic agents, but they operate in an institutional environment that does not sufficiently recognize the realities of micro-scale, home-based, semi-formal handloom enterprise (Mahanta & Sultana, 2018) [7]. The data suggest that effective reform would require simplified registration procedures, targeted GST literacy programs, local accounting support, and special policy attention to women-led informal businesses. Without such measures, GST is likely to continue functioning as a compliance burden rather than an inclusion tool for this sector (Gupta, 2026; Adak & Singha, 2026) [1, 4].

Policy Recommendations

The findings of this study indicate that the challenges faced by women-led handloom micro-units in Assam are not caused by unwillingness to comply, but by a structural mismatch between GST requirements and the operational realities of very small, informal enterprises (Mishra & Mishra, 2026) [8]. Accordingly, policy responses must move beyond a uniform compliance framework and adopt a differentiated, sector-sensitive approach. The following interventions are recommended

1. Introduce a Simplified "Micro-GST" Tier

A separate simplified GST mechanism should be created for handloom micro-units with very low turnover. This could include quarterly filing, minimal documentation, and a reduced compliance burden designed specifically for informal women-led enterprises. A tiered structure would better reflect the economic scale of these businesses and would reduce the deterrent effect of procedural complexity (Monachan *et al*., 2024) [10]. Such a reform would not only improve voluntary registration but also make the tax system more accessible to enterprises that currently operate at the margins of formal regulation.

2. Provide Direct Raw Material Subsidies

Since many unregistered weavers cannot benefit from input tax credit, the state should compensate through direct subsidies on key raw materials such as yarn and dyes. These subsidies could be channelled through schemes like Swanirbhar Naari, with a focus on unregistered women weavers and micro-producers (Adak & Singha, 2026) [1]. This would help offset the indirect cost pressures created by GST and protect fragile enterprise margins. In practical terms, direct input support is likely to be more effective than expecting very small units to navigate formal tax mechanisms that they are not yet equipped to use (Shetty, 2019) [11].

3. Establish Localized GST Clinics

The government should set up community-based GST support centers near Gauhati and in other handloom clusters. These clinics could provide free assistance with digital bookkeeping, registration procedures, invoicing, and basic tax compliance. They should be staffed by trained personnel who can work directly with women entrepreneurs in local languages and in a non-intimidating environment. Such localized support would address both the literacy barrier and the procedural barrier, making compliance less dependent on private accountants or external consultants (Gupta, 2026) [4].

4. Strengthen GST Literacy and Digital Capacity

Beyond immediate compliance assistance, the state should invest in regular GST awareness and digital literacy programs for women entrepreneurs. Training should be practical, short, and field-based, rather than highly technical. It should focus on how GST works, when registration is required, what records must be kept, and how entrepreneurs can manage basic digital tasks. Building this capacity is essential if policy is to move from mere awareness to actual participation (Mohan & Ali, 2018) [9].

5. **Link Formalization with Incentives**

Formal registration should be paired with visible benefits such as access to subsidized inputs, easier credit, market linkage support, and participation in government procurement or handloom exhibitions. If registration is seen only as a tax burden, compliance will remain weak. If it is linked to tangible advantages, however, women entrepreneurs are more likely to view formalization as worthwhile. Policy design should therefore reward registration rather than simply demand it (Harishekar & Manoj, 2021) [5].

Conclusion

The handloom sector remains a vital source of livelihood, identity, and women's economic participation in Assam (Mahanta & Sultana, 2018) [7]. However, the findings of this study show that the current GST framework does not adequately accommodate the realities of women-led micro-enterprises in the sector. The issue is not simply low compliance; it is a deeper structural mismatch between the demands of formal taxation and the limited administrative, financial, and digital capacities of informal entrepreneurs (Mahanta & Sultana, 2018) [7].

The evidence suggests that GST operates less as an enabling system and more as a barrier to formalization for these women. Although most respondents were aware of GST, none were registered, and the reasons for non-registration were rooted in low turnover, weak tax literacy, procedural complexity, and lack of professional support (Gupta, 2026) [4]. At the same time, many respondents still experienced higher raw material costs, showing that informal enterprises are exposed to the indirect burdens of GST without receiving its formal benefits.

The policy implication is clear: reform must shift from a compliance-driven model to a support-driven model. Rather than expecting micro-entrepreneurs to adapt to a complex tax system on their own, the state should create simplified pathways, direct subsidies, local assistance structures, and incentive-based formalization measures. Only then can GST become more inclusive and more responsive to the needs of women handloom entrepreneurs in Assam (Adak & Singha, 2026; Mohan & Ali, 2018) [1, 9].

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