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THE IMPACT OF GST ON THE NON-PROFIT SECTOR: ASSESSING OPERATIONAL SATISFACTION IN SELECTED TRUSTS AND RELIGIOUS INSTITUTIONS IN TAMIL NADU

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ABSTRACT

The present study evaluates the impact of the Goods and Services Tax (GST) on non-profit organizations such as trusts and religious institutions in Tamil Nadu, India. The main aims of the study are to assess the factors influencing and their impact of GST on the operational satisfaction of Non-Profit Organizations (NPOs). This study adopts a descriptive research design with data collected from 50 NPOs through structured questionnaires using stratified random sampling. The collected data were analysed using factor analysis, correlation analysis and regression analysis. Correlation and regression analysis revealed a significant relationship and influence of GST on the Operational satisfaction of NPOs. The findings of the study found that GST improves transparency and operational efficiency in the trusts and religious institutions. The study suggests offering simplified GST procedures, clarifying exemption policies, and providing financial relief support to enhance the sustainability and efficiency of the non-profit sector under the GST framework.

Keywords: Non-Profit Organizations, Goods and Services Tax, Trusts, Religious Institutions

INTRODUCTION

Non-profit organizations (NPOs) play an essential and transformative role in addressing various societal needs. They often act as critical intermediaries in areas such as education, healthcare, and religious or spiritual activities, offering services and support that supplement or even replace government efforts. In the Indian context, especially within the state of Tamil Nadu, trusts and religious institutions represent a significant segment of the non-profit ecosystem. Tamil Nadu, known for its deep-rooted cultural traditions and philanthropic spirit, is home to a large number of charitable and service-oriented institutions. These organizations are distinctive in their structure and function, as they operate under



financial and operational frameworks that differ substantially from those of traditional for-profit businesses. Most of them rely heavily on donations, grants, and volunteer work to sustain their missions and operations.

The rollout of the Goods and Services Tax (GST) in July 2017 marked a landmark shift in India's taxation structure. It aimed to consolidate a wide array of indirect taxes into a unified system, thereby streamlining tax administration across states and sectors. The intended benefits of the GST regime included improved efficiency in tax collection, increased transparency, and stronger regulatory compliance. While the policy has had widespread implications across the commercial and industrial sectors, its specific effects on non-profit organizations particularly in terms of their operational processes and satisfaction have not been thoroughly examined. This lack of focused research leaves a critical gap in understanding how GST influences the day-to-day functions and long-term sustainability of NPOs, especially smaller entities like trusts and religious institutions that may face unique administrative and compliance challenges under the new tax framework.

REVIEW OF LITERATURE

Lakshmi Narendran et al. (2024)¹ examine the implementation of the Goods and Services Tax (GST) in India, highlighting its primary objectives of simplifying the taxation system, reducing corruption, and fostering interstate trade. The researchers note that the introduction of simplified forms like ITR-4 has led to increased compliance, particularly among small businesses, thereby improving tax collection. The study also emphasizes the significant impact of the COVID-19 pandemic on tax revenues, with initial declines followed by recovery due to the implementation of digital tax reforms. Despite these advancements, the frequent rationalizations of GST rates have led to revenue shortfalls and created uncertainty. Furthermore, the literature identifies gaps in understanding GST's sectoral and regional impacts, suggesting that stable policies and targeted measures are crucial for improving compliance, ensuring revenue neutrality, and promoting sustainable economic growth.

Bhavinkumar Amrutlal Patel (2024)² examines the transformative impact of the Goods and Services Tax (GST) in India, which has been a pivotal reform since its introduction in July 2017, aiming to reduce cascading effects and standardize taxation across the country. The author highlights customer perception as a critical determinant of the success of GST reforms, with factors such as education, profession, and geographic location playing significant roles in shaping awareness and acceptance of the tax system. Research



conducted in Rajkot District reveals that over 95% of customers possess a basic understanding of GST, coupled with observable shifts in consumption patterns, pricing, and expenditure behavior. This evidence underscores the necessity of customizing GST policies to consider demographic and regional diversity, ensuring that the tax system delivers optimal outcomes across various sectors and communities.

Deepak Devgan (2024)³ investigates taxpayer awareness and perceptions of GST implementation, rates, return filing, and its impact on businesses, focusing on various occupational perspectives. Analyzing data from 125 respondents, including manufacturers, traders, and service providers, using structured questionnaires and statistical tools, the study reveals that while most taxpayers are satisfied with GST, dissatisfaction remains concerning tax rates on goods and services. Additionally, challenges in GST return filing are highlighted. The findings provide valuable insights into taxpayer concerns, contributing to a deeper understanding of GST-related issues and offering a basis for policy refinement and taxpayer-focused reforms.

Anurag Singh Parihar and Gujar C.P. (2024)⁴ examine the dual impact of the Goods and Services Tax (GST) on businesses and consumers, highlighting its role in reducing tax burdens and enhancing ease of doing business in India. Focusing on small entrepreneurs in Satna, the study analyzes their awareness and the challenges they face post-GST implementation using data from 50 business owners through structured questionnaires. The findings suggest that while traders perceive GST as fair, procedural complexities necessitate reliance on professionals for compliance. The authors recommend simplifying and clarifying GST processes to enhance its effectiveness and impact.

Gowtham Ramkumar (2023)⁵ explores Indian taxpayers' perceptions of the Goods and Services Tax (GST) after five years of its implementation, using a descriptive approach and Structural Equation Modelling (SEM) to analyze responses from 200 participants. The study identifies key exogenous factors, such as tax knowledge, equity, and fairness, as significant influences on taxpayers' attitudes, with real-world implications mediating these perceptions. The findings underscore the role of knowledge and fairness in shaping tax attitudes, offering valuable insights for policy refinement. The author suggests that future research should explore additional variables like tax rates, amendments, and technology adoption.

STATEMENT OF THE PROBLEM

The implementation of the Goods and Services Tax (GST) in India aimed to simplify the tax system, but its impact on non-profit organizations, particularly trusts and religious institutions, remains underexplored. These organizations, which play a vital role in community development, face unique challenges due to their dual role as service providers and charitable entities. While they primarily rely on donations and exempt revenue streams, many of their operations still involve GST-taxable transactions, complicating compliance.

In Tamil Nadu, non-profit organizations have expressed concerns over the administrative burdens imposed by GST, such as unclear exemption rules and difficulties in claiming input tax credits. These challenges place a strain on their financial resources and divert attention from their core mission of community service.

This study seeks to assess the operational impact of GST on non-profit organizations in Tamil Nadu, focusing on their level of satisfaction with GST compliance and identifying key challenges and benefits. By providing insights into these issues, the research aims to offer recommendations for refining GST policies to better support the sustainability and efficiency of the non-profit sector, ensuring that GST does not hinder the growth of these organizations.

RESEARCH GAP

While existing literature on GST predominantly focuses on its impact on industries and businesses, there is a notable lack of research examining its effects on non-profit organizations, particularly trusts and religious institutions. Non-profits operate under distinct financial and legal frameworks, relying heavily on donations and grants. The introduction of GST has introduced complexities such as the classification of taxable versus non-taxable activities and the administrative burden of compliance—issues that current studies do not adequately address.

Furthermore, the specific challenges faced by non-profit organizations in Tamil Nadu, a region with a rich cultural and religious heritage, remain largely unexplored. This research aims to fill this gap by providing a focused analysis of GST's impact on non-profit organizations in Tamil Nadu, offering practical recommendations for aligning GST policies with the unique needs of the sector.



OBJECTIVES OF THE STUDY

1. To identify the factors influencing Goods and Services Tax (GST) on the operational satisfaction of non-profit organizations.
2. To find out the impact of Goods and Services Tax (GST) on the operational satisfaction of non-profit organizations.

RESEARCH METHODOLOGY

This study adopts a descriptive research design using a case study approach to examine selected trusts and religious institutions in Tamil Nadu. Data was collected through a structured questionnaire that captured information on satisfaction levels with GST, challenges faced in compliance, and operational impacts. A total of 50 non-profit organizations (including religious trusts and institutions) were selected through a stratified random sampling technique, ensuring that both large and small organizations were included. The sample includes institutions from urban and rural areas of Tamil Nadu to capture a representative view. The collected data were analyzed by using statistical tools like factor analysis, correlation and regression analysis.

NEED AND SCOPE OF THE STUDY

Non-profit organizations, especially trusts and religious institutions, occupy a distinctive space in India's socio-economic fabric. Despite their critical role, limited research exists on how tax policies, such as GST, influence their operations. This study addresses the need for a comprehensive analysis of GST's impact on the administrative efficiency, financial sustainability, and overall satisfaction of non-profit organizations. Understanding these implications is vital for ensuring that taxation policies do not hinder the sector's ability to serve society effectively.

The scope of this research extends to selected trusts and religious places in Tamil Nadu, a state renowned for its cultural and spiritual institutions. By focusing on this specific region, the study aims to capture a nuanced understanding of the challenges and benefits experienced by non-profits under GST. The findings will inform policymakers, stakeholders, and academics, contributing to the development of a more equitable and supportive tax framework for the non-profit sector.

**RESULTS AND DISCUSSIONS****a. Exploratory Factor Analysis****Table 1: Factors of Goods and Services Tax**

Factor and Variance Explained	Components	Rotated Factor Loadings
Administrative and Compliance Burden	The process of registering for GST was complicated and time-consuming.	.742
	The requirement to file regular GST returns has increased our administrative workload.	.734
	The documentation and record-keeping required for GST is cumbersome.	.719
	The frequent changes in GST regulations have made compliance difficult for us	.791
	The time spent on complying with GST has diverted focus from our core activities.	.801
Financial Impact	We are facing a financial strain due to the implementation of GST	.787
	The tax on donations or religious activities under GST has negatively affected our funding.	.721
	We have incurred additional costs for accounting and auditing related to GST compliance	.744
	The GST system has added a financial burden on our financial operations	.764
	The implementation of GST has made it difficult to manage our budgets efficiently.	.711
Transparency and Accountability	GST has brought more transparency to our financial operations	.723
	The implementation of GST has helped us in better tracking of financial transactions.	.828
	With GST, our financial records have become more organized and easier to audit.	.864
	The GST process has made our financial reporting clearer and more transparent.	.739
	The GST system has improved our accountability to donors and stakeholders.	.791
Operational Efficiency	GST has improved the overall efficiency of our financial operations.	.731
	GST has made our organization's internal processes more structured.	.766
	The implementation of GST has simplified our financial operations in some areas.	.715
Satisfaction and General Perception of GST	The benefits of GST outweigh the challenges it presents to our operations.	.824
	We believe that GST will have a long-term positive impact on our organization.	.834
	Despite the challenges, we view GST as an important step for non-profit organizations.	.918
	The GST system, in the long run, will lead to better management of funds in non-profits.	.730

Source: Primary data

The above table 1 presents the results of factor extraction using Principal Component Analysis (PCA), identifying five key factors from 22 statements. These factors include Administrative and Compliance Burden, Financial Impact, Transparency and Accountability, Operational Efficiency, and Satisfaction and General Perception of GST. Each factor reflects distinct aspects of the GST's impact on non-profit organizations. The analysis highlights both the challenges and benefits non-profits experience under the GST framework. These insights offer a comprehensive understanding of GST's influence on operational satisfaction.

b. Correlation Analysis

Relationship between Goods and Services Tax on the Operational Satisfaction of NPOs

H₀ – There is no significant relationship between the Goods and Services Tax and the Operational Satisfaction of NPOs

Table 2: Coefficients of Correlation between Goods and Services Tax on the Operational Satisfaction of NPOs

S.No.	Goods and Services Tax	Pearson Correlation	Sig.	Result
1	Administrative and Compliance Burden	0.731	0.012*	Significant
2	Financial Impact	0.496	0.000*	Significant
3	Transparency and Accountability	0.693	0.001*	Significant
4	Operational Efficiency	0.595	0.000*	Significant
5	Satisfaction and General Perception of GST	0.450	0.000*	Significant
Source: Primary Data				
* Significant at 5 % level				

The above table 2 shows the Pearson correlation coefficients between Goods and Services Tax (GST) factors and operational satisfaction in Non-Profit Organizations (NPOs). Administrative and Compliance Burden (0.731) has the strongest positive correlation with operational satisfaction, significant at $p = 0.012$. Financial Impact (0.496) shows a moderate positive correlation, significant at $p = 0.000$. Transparency and Accountability (0.693) also has a strong positive correlation, significant at $p = 0.001$. Operational Efficiency (0.595) shows a moderate positive correlation, significant at $p = 0.000$. Satisfaction and General Perception of GST (0.450) has a moderate positive correlation, significant at $p = 0.000$. Therefore, the null hypothesis is rejected and there is a significant relationship between NPOs performance and GST compliance criteria.

c. Regression Analysis

Impact of Goods and Services Tax on the Operational satisfaction of NPOs

H₀- There is no significant impact of Goods and Services Tax on the operational satisfaction of Non-Profit Organizations.

Table 3: Model Summary

Model	R	R-Square	Adjusted r-square	Standard error of estimates
Impact of Goods and Services Tax on the Operational Satisfaction of NPOs	.692	.503	.513	.217
Predictors: (Constant), <i>Administrative and Compliance Burden, Financial Impact, Transparency and Accountability, Operational Efficiency, and Satisfaction and General Perception of GST.</i>				

Source: Primary Data

The model summary table 3 shows the R-Square value for this model is 0.692, indicating that 69% of the variation in the performance of Non-Profit Organizations (NPOs) - dependent variable - is explained by the 5 independent variables included in the analysis.

Table 4: Multiple Regression – ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	MS	F	Sig.
Impact of Goods and Services Tax on the Operational satisfaction of NPOs	Regression	21.810	5	2.513	69.805	.000
	Residual	12.144	45	.036		
	Total		50			
a. Dependent Variable: Operational satisfaction of NPOs						
b. Predictors: (Constant), <i>Administrative and Compliance Burden, Financial Impact, Transparency and Accountability, Operational Efficiency, and Satisfaction and General Perception of GST.</i>						

Source: Primary data

The ANOVA table 4 shows the F value is 69.805 and the significance value is .000 which is less than 0.05, so the null hypothesis is rejected. Hence there is a significant effect of Goods and Services Tax on operational satisfaction of NPOs’.

Table 5
Coefficients

Model	Variables	Unstandardized		Beta	t-test	Sig.	Collinearity Diagnostics	
		Beta	Std error				TOL	VIF
Impact of Goods and Services Tax on the Operational Satisfaction of NPOs	Constant	.671	.075		2.031	.000		
	Administrative and Compliance Burden	.304	.055	.033	4.709	.000	.348	2.914
	Financial Impact	.044	.041	.495	.548	.003	.394	3.067
	Transparency and Accountability	.180	.053	.045	2.471	.000	.406	3.023
	Operational Efficiency	.657	.074	.051	5.096	.000	.923	2.240
	Satisfaction and General Perception of GST	.349	.064	.105	4.701	.004	.743	3.152
Dependent Variable: Operational Satisfaction of NPOs								
Significant at 5 % level								

Source: Primary Data

The outcome of the regression coefficient table 5 shows that all the independent variables are significantly predicting the dependent variables. Administrative and compliance burden, operational efficiency, and satisfaction with GST have the strongest positive impact on the operational satisfaction of NPOs, with all factors showing significant relationships ($p < 0.05$). Transparency and accountability also significantly influence satisfaction, while financial impact has a relatively weaker effect. The collinearity diagnostics indicate no multicollinearity issues among the variables.

Operational Satisfaction of NPOs = .671 + .304 (Administrative and Compliance Burden) + .044 (Financial Impact) + .180 (Transparency and Accountability) + .657 (Operational Efficiency) + .349 (Satisfaction and General Perception of GST)



FINDINGS OF THE STUDY

- Factor analysis reveals that Administrative and Compliance Burden, Financial Impact, Transparency and Accountability, Operational Efficiency, and Satisfaction and General Perception of GST are considered as the major five factors, carefully named to reflect their thematic relevance, offer a comprehensive framework for assessing and enhancing operational satisfaction of NPOs’.
- There is a significant relationship between factors of Goods and Services Tax on the Operational satisfaction of NPOs.
- There is a significant influence of Goods and Services Tax on the Operational satisfaction of Non-Profit Organizations.

CONCLUSION

The study concludes that the Goods and Services Tax (GST) has had a mixed impact on the operational satisfaction of non-profit organizations (NPOs) in Tamil Nadu. While GST has introduced benefits such as enhanced transparency, accountability, and operational efficiency, it has also imposed significant challenges, particularly in terms of administrative compliance and financial strain. Larger NPOs have been better equipped to adapt, while smaller organizations have struggled with the increased burden of tax-related procedures and costs.

To improve operational satisfaction and alleviate these challenges, several measures are suggested. The government should simplify compliance processes, introduce clearer guidelines on tax exemptions for NPOs, and provide financial relief or incentives for smaller organizations. Additionally, regular training programs and a dedicated advisory service should be established to help NPOs navigate the complexities of GST. A feedback mechanism should be set up to continuously refine the GST framework based on input from NPOs, and region-specific adjustments could be considered for areas with a high concentration of trusts and religious institutions.

By implementing these suggestions, the government can ensure that the GST system supports the non-profit sector more effectively, helping organizations focus on their core charitable missions while complying with the tax framework.



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