

ANALYSIS OF TAXES AND EXPANSION OF SMALL BUSINESS IN COIMBATORE AN EMPIRICAL STUDY

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ABSTRACT:

This empirical study examines the intricate relationship between taxation policies and the expansion of small businesses in Coimbatore, a burgeoning economic center in India. Through a comprehensive analysis of tax structures, incentives, and their impact on small enterprises, this research sheds light on the challenges and opportunities faced by entrepreneurs in navigating the tax landscape. Overall, this research contributes to a deeper understanding of the complex interplay between taxation and entrepreneurship, offering valuable insights for policymakers, practitioners, and researchers seeking to support small business development in emerging markets.

INTRODUCTION

Coimbatore is a thriving center of industry and trade, known for its dynamic business environment and spirit of entrepreneurship. Coimbatore, one of the fastest-growing cities in India, has a diversified economy driven mostly by a vibrant network of small enterprises that

serve as the foundation of the city's economic life. In light of this, it becomes imperative to investigate how tax laws affect the trajectory of these small businesses' growth. Even though taxes are necessary to fund infrastructure and public services, they can be very difficult for small business owners to manage since they have to deal with intricate regulatory environments and high operating costs. Furthermore, taxes have an effect on more than just compliance; they also have an impact on investment trends, strategic decision-making, and eventually, total growth.

SCOPE OF THE STUDY:

Conducting a detailed analysis of the current taxation framework applicable to small businesses in Coimbatore, including income tax, GST, property tax, and other local taxes. This analysis will cover tax rates, thresholds, compliance requirements, incentives, and exemptions available to small businesses. using a combination of quantitative and qualitative research techniques to collect information from Coimbatore stakeholders such as tax specialists, policymakers, and owners of small businesses. We'll be doing focus groups and surveys to learn more about the difficulties small businesses encounter when negotiating tax laws and how they affect expansion.

STATEMENT OF THE PROBLEM:

Coimbatore's small business scene has many obstacles, and tax laws stand out as one of the biggest barriers to development and expansion. The region's small business owners have financial difficulties in fulfilling their tax duties, complicated tax legislation, and expensive compliance expenses. The insufficiency of customized incentives and focused assistance for small businesses exacerbates these difficulties, impeding their capacity to invest in innovation and expansion as well as to effectively compete. Furthermore, tax laws have an effect on small enterprises that goes beyond simple compliance; they also have an impact on market competitiveness, strategic decision-making, and Coimbatore's general economic vibrancy. Even while small enterprises are essential to the region's economic growth, employment creation, and social mobility, the current tax system

OBJECTIVE OF THE STUDY:

- To analyze the current taxation policies and frameworks applicable to small businesses in Coimbatore, including income tax, GST, property tax, and other local taxes.
- To assess the impact of taxation policies on the growth trajectory of small businesses in Coimbatore, including their financial health, investment decisions, and market competitiveness.
- To identify the specific challenges faced by small business owners in complying with taxation regulations and meeting their tax obligations, including administrative burdens, compliance costs, and access to tax-related information and support services.
- To examine the role of taxation policies in shaping strategic decision-making, innovation, and entrepreneurship among small businesses in Coimbatore.
- To explore potential policy interventions and reforms aimed at addressing the challenges faced by small businesses in navigating the taxation landscape and supporting their growth and sustainability.

RESEARCH METHODOLOGY:

Research methodology is defined as the systematic method to solve a research problem through data gathering using various techniques, providing an interpretation of data gathered and drawing conclusion about the research data.

AREA OF THE STUDY

The study has been undertaken in Coimbatore district.

SOURCES OF DATA

Both primary and secondary data were used for the study

SOURCE OF DATA COLLECTION

The present study is based on a survey conducted in Coimbatore city with the help of both primary data and secondary data.

REVIEW OF LITERATURE

Bansal, S.K. (2013), analyzed the data of Balance sheet with P/L statement of some selected small scale sectors using statistical techniques which states health of units. The findings and suggestions of the study expected to guide the Entrepreneurs, Financial Institutions, state, and Central Government to provide an environment in which the entrepreneurs will be strong enough for growing health of their enterprises. The book provides useful insights relating to financial problems and industrial sickness of small scale industry.

Soundarapandian, M. (2014) , in the book, stated the backbone of developing the country as India is small scale sector. SSIs have become an effective weapon in fetching into existence a tunelessly balanced mobilized socio-economic order in our economy. The book has been covered different function of SSI units that have the most effective outcome in respect of employability and value-added mostly in developing economies. Author has explained that the appropriate management and useful utilization of indigenous resources for the development of industries provides the way for the spreading out and strengthening of small scale sectors.

DATA ANALYSIS AND INTREPRETATION

In this chapter the analysis and interpretation of the data from the study of taxation and expansion of small business sector in Coimbatore city based on the information supplied by the sample of 150 respondents is shown.

4.1 PERCENTAGE ANALYSIS

Table No: 4.1 Showing Age of the respondents

S. no	Age	No Of Respondents	Percentage
1	Under 25	60	40
2	25-35	40	27

3	36-45	30	20
4	46-55	20	13
	Total	150	100

INTERPRETATION:

The above table shows 14% of the respondents are falling under the age group of below 18 years, 65% of the respondents fall under the age group of 18-25 years and 14% of the respondents are 26-35 years and 4% of the respondents are 36-50 years and 4% of the respondent are falling under the age group of above 51 years.

Majority (65%) of the respondents are under the age group of 18-25years

Table No: 4.2 Showing Educational Level

S. No	Educational qualification	No Of Respondents	Percentage
1	High School	38	25
2	College	36	24
3	Bachelor's degree	40	27
4	Master's degree	36	24
	Total	150	100

INTERPRETATION

As per the above table the educational qualification of the respondents are 25% are High School or Equivalent and 50% of them are Bachelor's Degree holders and 14.2% of them are Master's Degree and 2.5% are Doctorate or Professional Degree and 8.3% of them are Other.

Majority (50%) of the respondents are Bachelor's Degree holder

Table No: 4.3 Showing business type

S. No	Role and Position	No Of Respondents	Percentage
1	Textile and Garment Business	40	27
2	Food and Catering Services	30	20
3	Automobile Spare Parts Business	15	10
4	Information Technology (IT) Services	50	33
5	Organic Farming or Horticulture	10	6
6	Others	5	3
	Total	150	100

INTERPRETATION

The above table shows that 72% of the respondents Textile and Garment Business and 20% of them are Food and Catering Services and 10% of them are Automobile Spare Parts Business and 33% of them are Information Technology (IT) Services and 6% of them are Organic Farming or Horticulture and 3% of them are others.

Majority (27%) of the respondents are Textile and Garment Business.

Table No 4.4 Showing taxes impact the expansion of your business

S. No	Major factors	No Of Respondents	Percentage
1	Strongly negative	30	20
2	Negative	20	13
3	Neutral	20	13
4	Positive	50	33
5	Strongly positive	30	20
	Total	150	100

INTERPRETATION

From the above table 20% of the response are say that Strongly negative , 13% of the response are Negative , 13% of the response are Neutral and 33% of the response are Positive, 20% of the response are Strongly positive.

Majority (20%) of the response are Strongly negative.

Table No: 4.5 showing the level the government provides sufficient support for small business expansion

S. No	Opinion	No Of Respondents	Percentage
1	Agree	40	26.66667
2	Neutral	50	33.33333
3	Disagree	25	16.66667
4	Strongly disagree	35	23.33333
	Total	150	100

INTERPRETATION

The above table shows 27% of the respondents are agree, 33% the response are neutral, 17% of the response are disagree and 23% of the response are strongly disagree.

Majority (27%) of the respondents are said Agree

Table No: 4.6 Showing the level of satisfied with the overall business environment in Coimbatore

S. No	Opinion	No Of Respondents	Percentage
1	Very Satisfied	40	27
2	Satisfied	30	20
3	Neutral	25	17
4	Dissatisfied	35	23

5	Very Dissatisfied	20	13
	Total	150	100

INTERPRETATION:

The above table shows 27% of the respondents are Very Satisfied , 20% of the response Satisfied, 17% of the response are netural , 23% of the response are dissatisfied, 13%of the response are dissatisfied.

Majority (27%) of the respondents are Very Satisfied.

Table No: 4.7 Showing the challenges that perceive in expanding your business in Coimbatore

S. No	Opinion	No Of Respondents	Percentage
1	High Tax Rates	40	27
2	Regulatory Compliance	10	20
3	Access to Finance	25	17
4	Skilled Labor Shortage	35	24
5	Infrastructure Issues	20	13
6	Market Competition	15	10
7	Other	5	3
	Total	150	100

INTERPRETATION:

The above table shows 27% of the respondents are High Tax Rates, 20% of the response Regulatory Compliance, 17% of the response are Access to Finance , 24% of the response are Skilled Labor Shortage, 13%of the response are Infrastructure Issues, 10% of the response are Market Competition, 3% of the respondent are Other.

Majority (27%) of the respondents are High Tax Rates.

CHAPTER-V

FINDING AND SUGGESTION

5.1 FINDINGS:

- Majority (65%) of the respondents are under the age group of 18-25years
- Majority (53%) of the response are Female.
- Majority (50%) of the respondents are Bachelor's Degree holder
- Majority (27%) of the respondents are Textile and Garment Business.
- Majority (33%) of the respondents say that they are in the field less than 10 years.
- Majority (27%) of the respondents are saying that there are very poor in understanding of the current tax regulations
- Majority (33%) of the respondents are showing the have faced challenges in complying with local tax
- Majority (47%) of the respondents are say that advantage of any tax incentives provided by the government for small business.
- Majority (20%) of the response are Strongly negative.
- Majority (53%) of the response are say yes that there planning expand your business in the near future
- Majority (33%) of the response are say Too High that there current tax burden on your business
- Majority (33%) of the response are say Strongly disagree that government provides adequate support for the expansion of small businesses

- Majority (27%) of the respondents say yes for the utilized any government financial assistances or incentive for business expansion.
- Majority (33%) of the respondents are said Regularly.
- Majority (47%) of the respondents are said Somewhat unfavorable
- Majority (27%) of the respondents are said Agree
- Majority (26%) of the respondents are market demand.
- Majority (27%) of the respondents are very aware.
- Majority (40%) of the respondents are Does not influence.
- Majority (65%) of the respondents are some what easy.
- Majority (27%) of the respondents are Very Satisfied.

5.2 SUGGESTION:

Based on the empirical analysis of taxes and the expansion of small businesses in Coimbatore, it is recommended that both policymakers and business owners take proactive steps to foster a more supportive environment for the growth of small enterprises. Policymakers should consider implementing more streamlined and simplified tax processes, along with offering tax incentives specifically designed to encourage small business expansion and innovation. Additionally, the introduction of educational programs to help small business owners understand tax obligations, benefits, and efficient financial planning could significantly ease the tax burden and promote business growth.

For small business owners, it is advisable to engage in thorough tax planning and seek professional advice to navigate the complexities of tax regulations effectively. Leveraging available tax benefits, reinvesting profits wisely, and staying informed about any changes in tax policy are crucial strategies. Furthermore, small businesses should explore diversification and adopt new technologies to enhance their competitive edge and operational efficiency, facilitating smoother expansion processes.

By fostering a collaborative effort between the government, financial institutions, and the small business community, Coimbatore can enhance its entrepreneurial ecosystem. Such measures will not only support the current landscape of small businesses but also attract new ventures, contributing to the region's overall economic prosperity and sustainability.

CONCLUSION:

The empirical study on the analysis of taxes and expansion of small businesses in Coimbatore has underscored the intricate relationship between taxation policies and the growth trajectory of small enterprises within this vibrant economic landscape. The findings reveal that while taxation represents a significant operational cost, strategic planning and utilization of available tax incentives can mitigate its impact, fostering an environment conducive to expansion. Moreover, the study highlights the critical role of government support and simplified tax regulations in enhancing business confidence and encouraging reinvestment into growth-oriented activities. Ultimately, for small businesses in Coimbatore to thrive and scale effectively, a balanced approach that considers the nuanced effects of taxation, coupled with robust financial management and market expansion strategies, is essential. This holistic approach not only promises sustained growth and competitiveness of small businesses in the region but also contributes to the broader economic development of Coimbatore, reinforcing its position as a burgeoning hub for entrepreneurial activity.

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