

Goods and Services Tax (GST) and Its Impact on North East India: A Study of Revenue Generation and Public Utilities

Rabin Chandra Ray¹, Deva Kumar Das²

¹Assistant Professor, Department of Economics, Manikpur Anchalik College, Manikpur, Dist.: Bongaigaon (Assam)

²Assistant Professor, Department of English, Manikpur Anchalik College, Manikpur, Dist.: Bongaigaon (Assam)

Abstract:

India introduced the Goods and Services Tax (GST) in 2017 to replace multiple indirect taxes and bring in a united taxation system. The impact of this on North East India is investigated in this study with regard to revenue generation, public utilities and related sectors. However, the findings suggest that GST has made major strides in improving revenue collection for the region, but its effects on public utilities as well as agriculture and the SME sector are mixed.

Keywords: Utility, Revenue, Sustainable development

Introduction:

North East India, comprising with itself the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura, has a peculiar mix of culture, ecology and challenges that make available an enormous scope of growth and, at the same tie, presents for the nation an unbound potential for its own economic development. Its natural resources and strategic position are rich, but the region is beset with an ongoing lack of connectivity, poor infrastructure, and a largely informal economy. The GST was introduced to provide for simplification of taxes in the country and to increase the revenue from across states. Nevertheless, the implications of the policy on North East India require to be studied under the different unique socio economic characteristics of the region.

Objectives of the Study:

1. To analyze the impact of GST on revenue generation in North East India.
2. To evaluate the effects of GST on public utilities such as healthcare, education, electricity, and transportation.
3. To assess the implications of GST on small and medium-sized enterprises (SMEs) in the region.
4. To examine the influence of GST on the agriculture sector, particularly concerning input costs and market integration.
5. To identify challenges faced during GST implementation in North East India.
6. To provide recommendations for improving the GST framework for the region's socio-economic growth.

Literature Review:

GST's implications for Indian economy have been studied by numerous studies but research relating to the Indian economy and North East India is scarce. As per the North Eastern Council (NEC, 2017), GST was going to increase regional revenue by 10 to 15%. But a study commissioned by the Indian Institute of Management (IIM) said the restructuring could lead to job cuts in the region's manufacturing sector (IIM, 2017). Moreover, during GST, research by the National Institute of Agricultural Economics and Policy Research (NIAP) indicated that the increase in agricultural inputs costs has been severely affecting farmers (NIAP, 2017). This work highlights the need for a region specific analysis to gauge the complete impact of GST on North East India.

Methodology:

The data used in this study is secondary from credible sources like Ministry of Finance, Reserve Bank of India as well as pertinent academic and institutional reports. The study analyzes GST revenue trends, sectoral impact, and policy implications to bring about a holistic outlook of GST in North East India.

Revenue Generation:

The revenue collection in North East India has positively benefitted from GST. In 2017-18, GST revenue collected was ₹1,436 crore, and it rose to ₹2,034 crore during 2018-19. During the same period, the average monthly GST revenue also increased from ₹120 crore to ₹170 crore. In part, this surge can be explained by improved compliance with tax and incorporation of informal businesses into the formal economy. But states with lower revenue bases have still to get used to the reliance on central compensations under the GST regime.

Impact on Public Utilities:***Positive Impacts:***

The implementation of GST has led to reduction in cost of essential services like healthcare and education. Services included in these have come at an affordable price thanks to the exemptions and zero-rated GST. For example:

Healthcare: This exemption of healthcare services under GST ensures the treatments available without a congestion of tax burdens.

Education: Taxing this at 0% GST thereby makes for an affordable and encourages higher enrollment.

Negative Impacts:

Though, GST has increased costs for utilities for example electricity and transportation:

Electricity: The higher operational costs from the 5% GST on electricity are driving up the operational costs for the industries, as well as households.

Transportation: The transportation services have attracted GST rates of 5% and 12%, which have increased the logistics costs and ultimately, indirectly impacted consumer prices in the region.

Impact on Small and Medium-Sized Enterprises (SMEs):

With a large share in the economy of North East India, SMEs are found to operate mostly in the informal sector. GST's introduction has brought both opportunities and challenges:

Compliance Costs: Reason for escalation of operational expenses for the SMEs is increased compliance requirements of monthly tax filings and audits.

Market Access: The GST has eliminated state level tax barriers, allowing SMEs to compete on national and international markets, thereby creating GST enabled broader market access.

Although these opportunities exist, the burden of compliance as well as the need to adapt technology are considerable obstacles to overcome for SMEs.

Impact on the Agriculture Sector:

A critical economic driver in North East India is agriculture that has faced challenges under GST:

Rising Input Costs: Input costs have gone up with fertilizers and pesticides charged at 5 percent and 18 percent respectively, which in turn has lowered profits for farmers.

Market Integration: The positive side of GST has been its effort at streamlining inter-state agricultural trade, which has made the logistical tangles of farmers reaching out to the broader markets easier.

Impact on Employment:

The manufacturing and service sectors have experienced varied impacts:

Job Losses: Because of automation and GST compliance pressures, the manufacturing sector has witnessed workforce reduction.

Employment Opportunities: In the process of formalizing businesses under GST, a whole new set of jobs such as accounting, IT and related roles in compliance have been created.

Challenges Faced in Implementation:

- 1. Awareness Gaps:** Most businesses and individuals in the region are still unaware of GST rules and benefits.
- 2. Technological Barriers:** There is a limited digital infrastructure to provide seamless GST compliance.
- 3. Revenue Dependence:** States' dependence on GST compensation from the Centre raises concerns about fiscal autonomy.

Key Findings:

- GST has increased revenue collection for the government, with a total GST revenue collection of ₹8.2 lakh crore in 2017-18 and ₹11.7 lakh crore in 2018-19.
- The GST rate on healthcare services is exempt, and the GST rate on education services is 0%, reducing the cost of these essential services for the common people.
- However, GST has increased the cost of other public utilities like electricity (5% GST rate) and transportation (5% and 12% GST rates).

Recommendations:

- 1. Reduce GST Rates on Utilities:** Lowering GST rates on electricity and transportation can alleviate financial burdens on residents and businesses.
- 2. Support for SMEs:** The government should give financial incentives and training programs that help the SMEs to adjust GST compliance.
- 3. Focus on Agriculture:** Review GST rates on agricultural inputs to help farmers to be profitable.
- 4. Increase Awareness:** Conduct workshops and campaigns to educate stakeholders about GST's benefits and processes.

5. **Strengthen Digital Infrastructure:** It improves internet connectivity and digital literacy to make the smooth compliance process.
6. **Regular Impact Assessments:** Monitor impact of GST across sectors in order to balance regional development.

Conclusion:

Introduction of GST in North East India has changed revenue generation and sectoral dynamics greatly. The measures have boosted government revenues and simplified tax compliance, however, all is not well in such areas as public utilities, SMEs and agriculture. By seeking to address these challenges by means of targeted policies and interventions we can build a path whereby GST becomes an enabler of sustainable development in North East India.

References:

1. National Institute of Public Finance and Policy (NIPFP). (2017). Goods and Services Tax (GST): A Study of its Impact on the Indian Economy.
2. Indian Council for Research on International Economic Relations (ICRIER). (2017). GST and Its Impact on the Indian Economy.
3. North Eastern Council (NEC). (2017). Goods and Services Tax (GST): A Study of its Impact on North East India.
4. Indian Institute of Management (IIM). (2017). GST and Job Creation: A Sectoral Analysis.
5. National Institute of Agricultural Economics and Policy Research (NIAP). (2017). Impact of GST on Agriculture in India.
6. Ministry of Finance, Government of India. (2018). GST Revenue Reports.
7. Reserve Bank of India (RBI). (2019). Annual Report.
8. World Bank. (2019). India Development Update: Fiscal Policies and Their Impact.
9. Federation of Indian Chambers of Commerce & Industry (FICCI). (2018). GST and SMEs: Opportunities and Challenges.
10. Centre for Monitoring Indian Economy (CMIE). (2018). Economic Impacts of GST Implementation.