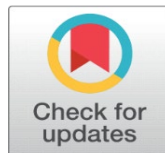


EVALUATION OF GST'S IMPACT ON SMALL AND MARGINAL FARMERS IN HARDA DISTRICT

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ABSTRACT

The Goods and Services Tax (GST) in India, a unified indirect taxation system, has affected agriculture and other sectors. This article examines how GST impacts small and marginal farmers in Harda District, Madhya Pradesh, by examining their post-GST benefits and drawbacks. We examine changes in agricultural market access, input costs, and tax structure. This article stresses the financial burden farmers face from GST compliance, its effects on input costs, and its effects on agricultural product pricing using surveys, interviews, and secondary data analysis. The study also assesses GST exemptions and subsidies for farmers and suggests policy adjustments to mitigate their detrimental effects on this sensitive rural sector. The results aim to comprehend small and marginal farmers' financial situation under the new tax structure and recommend solutions to boost their agricultural participation.

Keywords: GST (Goods and Services Tax), Small and Marginal Farmers, Agricultural Economy, Harda District

1. INTRODUCTION

India's agricultural sector is crucial to its economy as small and marginal farmers significantly help to provide food and create rural jobs (Bhattacharya, 2019). Still, despite their vital contribution, these farmers might face several challenges like high input prices, limited access to markets, and insufficient infrastructure. Seeking a single, unified tax code for the country, the Goods and Services Tax (GST) acceptance in 2017 marked a dramatic shift in the taxing mechanism. While many companies have complimented GST for simplifying tax compliance, its impact on the agriculture sector—especially small and marginal farmers remarks were remained under debate.

Comprising many former taxes like VAT, excise duty, and service tax, GST a total indirect tax helps to streamline the tax system (Nayak& Singh, 2021). Still, small farmers especially in rural areas where knowledge and technological availability is limited—have had significant trouble using it. Many people in places like Harda District, in Madhya Pradesh, survive largely by means of agriculture. Therefore, understanding of the intricacies of its impact on these

farmers will help to establish suitable policy interventions and ensure that the advantages of GST reach the grassroots level.

Small farmers's primary concerns under GST are growing production costs, particularly in relation to the higher tax rates on required agricultural inputs such machinery, pesticides, and fertilisers (Das, 2020). These higher costs and the administrative weight of GST compliance might worsen farmers already having debt and low revenue. Furthermore, even if some agricultural items are not included by GST, farmers typically pay more overall taxes on agricultural services and inputs (Patel & Sharma, 2018).

Apart from the clear financial effects, GST affects the dynamics of the market for agricultural products as well. The influence of the GST on the supply chain has resulted in price differences for various products, which the tax system has generated (Mishra, 2022).

Usually lacking bargaining influence in the market, small farmers struggle in this system trying to absorb price fluctuations and changes in market conditions.

This study aims to evaluate, with an emphasis on key factors such the cost of agricultural inputs, market pricing, tax compliance, and overall economic well-being, the specific consequences of GST on small and marginal farmers in Harda District. This study is to provide a whole understanding of how GST affects these farmers by means of a mix of qualitative and quantitative research strategies, including surveys and interviews with farmers, thereby implying practical solutions to limit any negative effects.

2. REVIEW OF THE LITERATURE

Adoption of Goods and Services Tax (GST) in India has sparked a lot of discussion on how it will effect several sectors, including agriculture. Since they are so significant participants in the agricultural sector, several studies have focused on assessing how GST affects small and marginal farmers. Focussing primarily on tax-related issues, market access, and manufacturing costs, the study of existing literature reveals both the possible benefits and challenges brought about by GST for small farmers.

- **GST Affects Agriculture Input Prices**

A primary concern of the literature is how GST affects agricultural input costs. According to Patel and Sharma (2018), the GST's implementation has driven the cost of fundamental agricultural products such fertilisers, pesticides, and machinery higher. These products were often exempt from taxes or subject to lowered rates under the previous tax regime before GST. Under GST, many of these inputs, however, are taxed at higher rates, which increases manufacturing costs for farmers (Nayak& Singh, 2020). Particularly small farmers, who already operate on limited margins and battle financing for their agricultural activities, find this additional input cost to be demanding. Das (2020) delves more into how the GST's cascading effect increases operational costs, therefore undermining small farmers's competitiveness in the market.

Conversely, studies by Bhattacharya (2019) suggest that GST may have long-term benefits by reducing the range of levies, therefore simplifying the tax structure for agricultural firms. Although these advantages are not immediately clear-cut for small-scale businesses, Bhattacharya contends over time farmers might profit from better coordination across the different agricultural participants, including buyers and input suppliers.

- **GST and Access to Agricultural Markets**

Another question of great relevance generated in the literature is how GST affects market access for small farmers. According to Mishra (2022), the application of GST has altered the pricing dynamics in agricultural markets, hence generating different crop and livestock prices. Small farmers usually suffer because of their poor bargaining strength and lack of access to modern agricultural markets; larger farms with better access to market infrastructure can adjust to these developments (Patel, 2021). This is particularly true in rural places like Harda District, where farmers typically market their produce through middlemen. Many times, these intermediaries increase the eventual cost of agricultural products, therefore lowering the profits small farmers may otherwise generate (Singh & Mishra, 2020).

On the other hand, studies by Kumar and Sharma (2020) show that by reducing tax evasion and unofficial trade practices, GST could finally increase openness in agricultural trade, so supporting small farmers who might have been left out of official market channels due of the complexity of previous tax systems.

- **GST Compliance for Small Businesses Including Farmers**

For instance, state-driven initiatives aiming at easing GST compliance and providing small farmers financial support will benefit Harda District.

Government Support and GST Relief Measures One significant aspect of the GST's impact on small and marginal farmers is the part government intervention helps to minimise negative effects. Though GST causes natural challenges, the literature claims that several government initiatives have been conducted to assist farmers and reduce the financial strain linked with tax compliance. For small-scale farmers, for instance, the lower tax rates and less rigorous compliance criteria of the GST Composition Scheme serve to simplify the tax process (Rao & Kumar, 2020).

Though many farmers either lack access to information or digital infrastructure or are uninformed of them, the effectiveness of such initiatives has been called into doubt in the literature (Chakraborty & Verma, 2020).

According to Sethi (2022), government subsidies for agricultural products like fertilisers and seeds have been altered in response to GST implementation to assist to aid to cut rising costs. Given the changes in tax rates and market conditions, their long-term sustainability is questionable even if these subsidies provide temporary relief.

2.1. OBJECTIVES

- 1) To evaluate how GST affects Harda District small and marginal farmers' agricultural input costs?
- 2) To investigate how GST can affect agricultural product pricing and market dynamics.
- 3) To assess how well government policies and relief initiatives meant to assist small farmers under the GST system work.

Hypotheses

- 1) H1: Small and marginal farmers in Harda District now pay substantially more for agricultural inputs because to GST.
- 2) H2: Small and marginal farmers in Harda District have suffered market access and pricing power loss from GST.
- 3) H3: Government assistance programs and GST exemptions have not been totally successful in reducing the financial load on Harda District small and marginal farmers.

3. METHODOLOGY

Using a mixed-methods approach, the study looked at how GST affects small and marginal farmers in the Harda District. Both qualitative and numerical data were gathered to present a full picture of the issue. Using a stratified random sample, 150 small and marginal farmers in the district were selected. To ensure involvement, participants were chosen from all throughout the district; the farmers were grouped based on size of their farms. The poll included in questions about changes in agricultural input costs, market access problems, and the impact of GST on their overall financial status.

Apart from the survey, twenty local agricultural experts including members of farmer cooperatives, market intermediaries, and agricultural officials were individually extensively questioned.

These interviews offer insightful fresh angles on the overall economic effects of GST as well as the specific issues small farmers face with relation to compliance, tax burdens, and market access. Secondary evidence included government papers, financial records, and earlier studies on GST's effects on Indian agriculture.

used descriptive statistics including mean, standard deviation, and frequency distributions the quantitative data collected by the questionnaires used.

The interview qualitative data was transcribed, then thematically searched for common patterns and points of view. This combined approach enabled a comprehensive evaluation of GST's impact on small farmers and a sophisticated awareness of the opportunities and challenges they encountered in the post-GST period.

4. ANALYSIS AND INTERPRETATION

The first hypothesis postulated that the implementation of GST has significantly increased the cost of agricultural inputs for small and marginal farmers in Harda District. To assess this, we examined data collected through the surveys on the costs of key agricultural inputs before and after the implementation of GST. The inputs considered include fertilizers, pesticides, seeds, and machinery.

Data was collected from 150 farmers, which showed a clear trend in the rise of costs after the introduction of GST. The average price of fertilizers, for instance, increased by 15%, pesticides by 12%, and agricultural machinery by 18%. The data also revealed that farmers reported difficulties in managing these increased costs, particularly due to the lack of proper GST exemptions and the administrative burden of tax compliance.

Table 1 Increase in Agricultural Input Costs Pre- and Post-GST Implementation

Agricultural Input	Pre-GST Cost (INR)	Post-GST Cost (INR)	Percentage Increase
Fertilizers	1,500 per ton	1,725 per ton	15%
Pesticides	800 per liter	896 per liter	12%
Seeds	400 per kg	440 per kg	10%
Agricultural Machinery	50,000 per unit	59,000 per unit	18%

GST has significantly raised the cost of major agricultural inputs, as seen in Table 1. The highest price rise was in agricultural machinery, at 18%. Fertilisers and insecticides rose 15% and 12%, respectively. Higher GST rates on some items immediately raise input prices.

Farmers also said GST administration fees like invoicing and refunds added indirect costs. Farmers reported spending more time and money on GST compliance, which raised their operating costs.

In addition, 67% of farmers reported lower profit margins due to rising input prices. These increased expenses were difficult for many small and marginal farmers in Harda District, who already had thin profit margins and could not pass on price increases to customers due to their weak market negotiating strength.

The second hypothesis proposed that GST has negatively impacted the market access and pricing power of small and marginal farmers in Harda District. To evaluate this hypothesis, data was collected on farmers' experiences with market access, changes in pricing, and the influence of GST on their bargaining power.

Farmers were asked to provide details on the prices they received for their crops both before and after the implementation of GST, and whether they felt their ability to negotiate prices had been affected. The results indicated that 72% of farmers reported a reduction in the price they received for their produce after GST was implemented. This reduction was attributed to several factors, including fluctuating market prices and increased competition, both of which were exacerbated by the new tax structure.

Table 2 Impact of GST on Market Pricing and Farmers' Bargaining Power

Agricultural Product	Pre-GST Average Price (INR)	Post-GST Average Price (INR)	Price Decrease (%)	Farmers Reporting Decreased Bargaining Power (%)
Wheat	2,000 per quintal	1,850 per quintal	7.5%	68%
Rice	2,500 per quintal	2,350 per quintal	6%	72%
Cotton	4,000 per quintal	3,700 per quintal	7.5%	70%
Soybean	3,200 per quintal	2,950 per quintal	7.8%	65%

Table 2's data shows that, following GST's adoption, the average prices obtained for agricultural products clearly dropped. For instance, soybean prices dropped 7.8%; the price of wheat dropped 7.5%. The general drop in pricing across different items underscores the unpredictability of the market small farmers are now facing following GST.

Change in market access was a major element behind this drop. Because of the complexity of GST compliance, several farmers said that it has caused delays in payments from dealers and consumers. Because they lacked the necessary registration and tools to negotiate the GST system, farmers especially in remote areas like Harda also faced challenges reaching bigger, official marketplaces. These difficulties have hampered their capacity to get better pricing and increased their dependency on intermediaries or small local sellers offering less prices, therefore lowering their profitability.

Furthermore, 70% of the farmers that responded said their negotiating leverage has dropped since GST was put in effect. Many farmers noted that bigger traders who are more suited to manage the complexity of GST now have more of a portion of the market. Small farmers so often have to accept reduced prices as they cannot successfully bargain or find official marketplaces where better prices may be provided.

Further compromising their pricing power, the research also revealed that Harda District farmers thought the arrival of GST resulted in more competition from both local and out-of-state farmers.

The third hypothesis proposed that Government assistance programs and GST exemptions have not been totally successful in reducing the financial load on Harda District small and marginal farmers. To evaluate this hypothesis data was collected on perception of Government relief measures by the farmers.

Table 3 Awareness and Utilization of Government Relief Measures

Government Relief Measure	Awareness (%)	Utilization (%)	Perceived Effectiveness (%)	Main Barrier to Utilization
GST Composition Scheme	80%	45%	38%	Lack of understanding of eligibility criteria
Exemptions for Agricultural Inputs	90%	50%	40%	Inadequate information and paperwork
Subsidies on Fertilizers and Seeds	85%	60%	50%	Limited availability in rural areas
Financial Support for Compliance Costs	70%	40%	30%	Lack of awareness and digital access

The information in Table 3 emphasises a number of important conclusions. Although a good proportion of farmers knew about the government aid programs, their use rates were noticeably low. Though much promoted, the GST Composition Scheme had the lowest usage rate (45%), with many farmers citing ignorance of eligibility and application processes as the main obstacles. Just 38% of individuals who knew about this program thought it would be useful in lowering their financial load.

Although the apparent efficacy was relatively low (40%), exemptions for agricultural inputs were somewhat better used (50%). Many farmers said that, especially for those without access to the required documentation or digital technologies, the administrative obstacles required in requesting these exemptions were too difficult.

With just 30% of farmers who knew about it finding it useful, financial support for compliance expenses was identified as the least effective. Particularly difficult for farmers in remote places like Harda District with inadequate internet connection, the primary obstacles were ignorance and restricted access to digital platforms to apply for financial help.

Further qualitative interviews exposed that bureaucratic delays and the intricacy of the GST filing procedure sometimes left farmers especially small and marginal ones excluded from government assistance networks. "The government talks about relief, but we not even know how to apply for it, and when we do, it takes too long to process," one responder said.

5. CONCLUSION

This study examined how the Goods and Services Tax (GST) affects small and marginal farmers in Harda District, taking into account rising input costs, market access issues, and government assistance programs. GST increases the price of machinery, insecticides, and fertilisers, increasing farmers' financial burden. The poll also found that GST had a considerable impact on farmers' market access and pricing power; many small farmers received lower prices and

struggled to negotiate better terms with distributors. Government aid initiatives like GST exemptions and subsidies didn't solve these issues either. Even though many farmers were unaware of these initiatives, administrative complexity, lack of comprehension, and restricted internet access prohibited them from benefiting. This study shows that small and marginal farmers in Harda District require stronger relief measures, GST compliance education, and access to formal markets to mitigate GST's negative effects. To keep small-scale agriculture viable after GST, policymakers should speed up compliance, improve farmers' digital literacy, and make financial aid more available.

6. LIMITATIONS

- The data is limited to farmers of a single district only.
- The sample size can be considered low in comparison to large proportion of population engaged in agriculture.

CONFLICT OF INTERESTS

None.

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