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IMPLICATIONS OF GST ON WOMEN NON-FARM ENTREPRENEURS; A CASE STUDY OF BARAK VALLEY IN ASSAM

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Abstract: *The Government of any country needs money for its functioning and taxes (both direct and indirect) are a major source of revenue for a Government. GST is one indirect tax for the entire country, which has replaced many indirect taxes laws that previously existed in India. GST (Goods & Services Tax) Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and the Act came into effect on 1st July 2017. The GST – consisting of CGST, SGST and IGST - is another attempt to smoothen the myriad tax laws that govern interstate transfer of goods. While the VAT tried to remove the double counting of taxes applicable for sales between companies in creating the final product, the GST will remove the layers of taxes and documentation that need to be done now to get goods across state borders. Now that the GST has become a reality, the business world in India needs to redeem itself and chart a new path of development, wealth creation and equitable distribution, sustainable growth and world class quality.*

No doubt, the change in environment through the introduction of GST is greater in big metro cities like Delhi, Mumbai or Bengaluru, however, in places like Barak Valley in Assam, where overall, women entrepreneurs are still small in number, lacking functional and managerial skills which are required to run their business smoothly, question emerges how far GST paradigm will affect the business of those small women entrepreneurs? In this background, the present paper focuses on the implications of GST on women non-farm entrepreneurs in Barak Valley. The study is based on both primary and secondary data. It is observed that the female non-farm entrepreneurs who are comparatively lower in rural areas than that of urban areas, and lacking functional and managerial skills have a doubtful eye regarding the impact of GST.

Index Terms – GST, GST Implications, Women Entrepreneurs, Barak Valley, Managerial Skills.

1. Introduction

The goods and services tax (GST) is an indirect federal sales tax that is applied to the cost of certain goods and services. The business adds the GST to the price of the product and a customer who buys the product pays the sales price plus GST. The GST portion is collected by the business or seller and forwarded to the government. GST breaks the complicated structure of separate central and state taxes which often overlap with each other to create a uniform taxation system applicable across the country. Taxes are implemented more effectively since a network of indirect taxes like excise duty, service tax, central sales tax, value added tax (VAT) are replaced by one single tax. The state still have a say in taxation, as the number of taxes are reduced to three with Central GST, State GST and Integrated GST for inter-state dealings.

Under GST, the government has fixed GST rates on 1,211 goods and 500 services in the range of five to 28 per cent. Certain items such as alcohol, petrol, diesel and natural gas are exempted under the GST. In addition to these, the GST Council has also classified certain items under the 0 per cent tax rate, implying that GST will not be levied on them. This list includes items of daily use such as wheat, rice, milk, eggs, fresh vegetables, meat, fish, sindoor, bindi, stamps, judicial papers, printed books, newspapers, bangles, handloom, bones and horn cores, bone grist, bone meal, kajal, children's' picture, drawing or colouring books, human hair. In other words, The GST – consisting of CGST, SGST and IGST - is another attempt to smoothen the myriad tax laws that govern interstate transfer of goods.

Since India is a country that speaks a lot about women empowerment and gender equality, it is very crucial to analyze every key government policies through the gender perspective. Here in this case implication of GST particularly on women non-farm entrepreneurs is studied.

2. OBJECTIVE

No doubt, the change in environment through the introduction of GST is greater in big metro cities like Delhi, Mumbai or Bengaluru, however, in places like Barak Valley in Assam, where overall, women entrepreneurs whatever their number is, large or small, lacking/not lacking functional and managerial skills, which are required to run their business smoothly, the present study aims to achieve the following objectives:

- 1) To highlight the advantages and disadvantages of GST on entrepreneurs in general and businesswomen in particular.
- 2) To analyse the impact of GST paradigm on the business of women entrepreneurs in Barak Valley?

3. METHODOLOGY

The present study (based on both primary and secondary data), is descriptive in nature. Secondary data has been collected from different publications of Governmental agencies like Directorate of Economics & Statistics, Government of Assam, Directorate of agriculture, etc., and also non-governmental agencies. Primary data has been collected from sample survey. For the present study, the data for has been collected by using multi-stage random sampling method. In the first stage, out of twenty seven blocks in the concerned study area, number of blocks has been selected in the ratio of 3:2:1 from Cachar (with fifteen blocks), Karimganj (with seven blocks), and Hailakandi (with five blocks) districts purposively on the consideration of availability of both urban and rural population. In the 2nd stage, two villages each had been selected randomly from the rural areas. In case of urban areas, sample has been collected from two wards from municipal ward/town committees/newly declared town area randomly. Sufficient care has been taken to select samples equally distributed between urban and rural area. Moreover, investigation has been done in the concerned areas by asking questions to the randomly selected rural and urban female sample keeping in mind the objectives of the present study as prepared and taken along with in the Schedule form during the investigation process.

4. ADVANTAGES AND DISADVANTAGES OF GST

GST is applicable mainly for businesses and hence won't directly affect the salaried class and self-employed professionals such as doctors, lawyers etc. However, it will impact their expenses due to the change in rates of goods and services they avail. The GST is all set to change the way businesses have operated until now. The elimination of multiple levies and creation of a single market with fewer tax rates and fewer tax exemptions will improve the ease of doing business and reduce avoidable litigation. It also untangles a complex web of taxes that businesses have been subjected to under the existing system. However, these advantages are only going to be visible in the long run. Some of the advantages that will come on the way for the entrepreneurs in general and businesswoman in particular, are:

- 1) **Uniform tax rates:** There isn't any distinction between any good or service with GST as it is all combined into a single tax system. This reduces tax evasion. GST will ensure that indirect tax rates and structures are common across the country, thereby increasing compliance and facilitating ease of doing business. This is because with GST implementation, doing business in our country will now be tax neutral, irrespective of the choice of place of doing business which in turn may pave the way for women entrepreneurship in the country on large scale.
- 2) **Ease of doing business:** With GST, there is going to be a seamless system of tax-credits throughout the value chain across States. This helps facilitate minimal cascading of taxes thereby reducing hidden costs of doing business. Additionally, invoicing is also made easier for businesses with the adoption of a single rate which will be more advantageous for businesswomen.
- 3) **Faster delivery:** GST is beneficial with the removal of entry tax into states. This means goods can be delivered to any part of India without having to pay tax towards it. This removal of taxation is expected to reduce expenses of most businesses by 20% approximately. If an SME is into e-commerce, it would be beneficial in terms of deliveries being made faster with an efficient logistics team in place. Aggressive SMEs with a healthy balance sheet might even look at loan procurements like equipment financing or working capital loans. This will help the businesswomen to scale up and take their business to a new level of growth.
- 4) **Low tax burden for new ventures:** Post GST implementation, businesses with an annual sales turnover of Rs. 10 lakhs to Rs. 50 lakhs, would be levied a lower rate of GST. Businesses with a sales turnover of under 20 lakhs would be exempted from GST and would be out of the tax net thereby relieving them from the collection and filing of GST returns. This is a much easier system than the previously existing VAT system wherein businesswomen will get more prospects for investment.

Along with these advantages, the disadvantages of GST which will be faced by businesswomen in particular, cannot also be overlooked. The main forthcoming disadvantages would be:

1) **Enhancement of Operational costs:** The new GST system has a lot of added knowledge in terms of the software and otherwise which will help the businesses in the long term. However, in the interim, for GST implementation, an expert has to be hired to set systems in place. SMEs particularly female business owner, will face additional costs while they look to hire one.

2) **Software Changes:** GST implementation is an online process and it is imperative for businesses to be tech-savvy to achieve that. Whilst most of India is moving towards the digital route, businesses in smaller cities of India like Barak Valley are still burdened with the technology problem and will need a cloud-based software to solve their problems. This incurs costs and need to train personnel in uploading the invoices online as any discrepancy in the invoice will be caught by the software thereby increasing efficiency. Thus, SME's will need to train their employees too in GST compliance, thereby incurring further costs. Businesses might need to take small business loans to equip themselves to face the additional cost burden which in most cases, may become a barrier for women entrepreneurs, particularly in Barak Valley.

3) **Disruption of Business Cycles:** GST came into power in July 2017, until then businesses were used to an older system. Soon after they had to switch to raising invoices under the GST norms. This has been chaotic as SMEs cannot adopt the new system within in a day. Some industries like cloth merchants are on strike opposing the tax rate on their industry. It has also affected the finance industry by a small extent with the tax rate increasing from 15% to 18% on small business loans or working capital loans. Whilst this percentage change is a small one, with processing fees increasing, collateral-free loans from online platforms with transparent charges might be a faster option for SMEs in need of funds.

4) **Enhancement of Tax burden:** Due to GST, the SMEs will dedicate a large amount for taxation. The current GST regime has increased the tax burden on manufacturing SMEs with the turnover limit of manufacturers being reduced to 20 lakhs becoming taxable under GST. Previously, turnovers up to 1.5 crores were exempted from excise duty. GST does not differentiate between normal and luxury goods which make it difficult to compete with large enterprises, thus, leading to the increase in the cost of products.

5. GST AND WOMEN ENTREPRENEURSHIP IN BARAK VALLEY

Women entrepreneurship is an important source of economic growth for any country. When women have productive, paying jobs either as employees or as business owners, it has a positive impact on their family as well as society which reflect in overall higher human development indices. Few initiatives initiated recently by the government that encourage Women entrepreneurship includes Co-working spaces for women, Stand-up India Scheme for Women (2016), MUDRA Funds (Micro Unit Development and Refinance Agencies), Mahila E-haat, Online Lending platforms. The GST doesn't discriminate between entrepreneurs with respect to gender, the goods and the services and will therefore tax every entrepreneur at a flat rate. This will remove the multiplicity of taxes and hassles of computation, leading to improved collections and participation in tax net and improving the overall ease-of-doing business. With businesses and enterprises saving on taxes as well as complexities, companies stand to gain. Moreover, the new tax law will remove the root cause for the temptation for tax evasion and help in streamlining supply chains. Despite having its advantages, question still emerges how far GST paradigm will affect the business of small women entrepreneurs in a country like India? Against the background of various merits and demerits of GST, an attempt has been made to look for the status of women entrepreneurs with respect to their identification, size and concentration of non-farm economic activities in Barak Valley with an objective of determining to what extent the women entrepreneurs of the concerned area will be benefitted through the implication of GST.

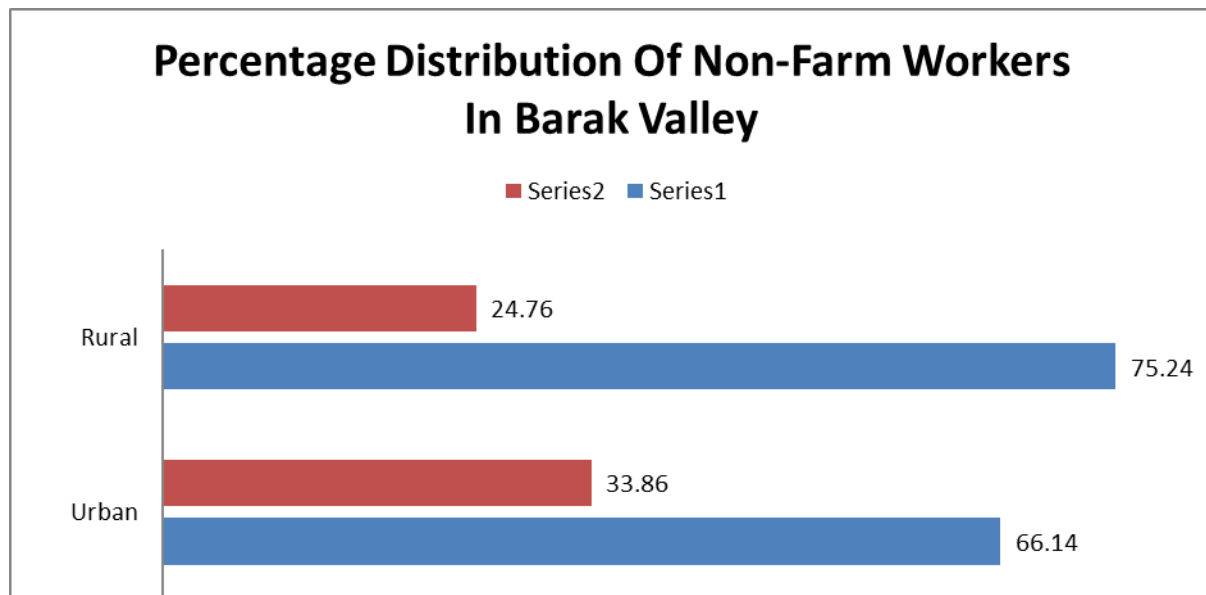
Occupational structure refers to the percentage of workforce employed in different type of economic activities in an economy. Accordingly, percentage share of non-farm workers in Barak Valley region is presented in Table-1.

Table 1: Percentage Share of Non-Farm Workers

| Population | Barak Valley | |
|--------------|--------------|-------|
| | Urban | Rural |
| Male | 66.14 | 75.24 |
| Female | 33.86 | 24.76 |
| Barak Valley | 100 | 100 |

Source: Field Survey, 2019

Figure-1: Percentage Share of Non-Farm Workers



It is evident from table-1 and figure-1 that both male and female are participating in non-farm sector of Barak Valley. In urban areas of the region, male participation rate is 66.14 percent while 33.86 percent of females are engaged in non-farm sector. Similarly, in rural areas of Barak Valley, 75.24 percent of males and 24.76 percent of females are participating in non-farm sector. This indicates that female participation as against of male participation in non-farm sector are lower in both urban and rural areas of Barak Valley. However, percentage of female workers in non-farm sector are more in urban areas than that of rural areas in Barak Valley, that is 33.86 in urban areas and 24.76 in rural areas of Barak Valley. Moreover, in comparison to female workers, percentage of male workers in non-farm sector are more in rural areas in comparison to urban areas of Barak Valley, that is 75.24 in rural areas and 66.14 percent in urban areas of Barak Valley respectively.

As per field survey, non-farm activities include Private School Teacher, Anganwadi Helper, Tet Teacher, Banker, Parlour, Cosmetic shops, pottery, bamboo products manufacturer etc. The scenario that exists in Barak Valley reveals that women are now coming in a large proportion in each and every sector of employment both in the rural and urban areas. Women in rural areas are absorbed in Govt. sector in comparison to urban areas. However, self-employed women are more in urban areas in comparison to rural areas. This is due to their low capital, less skill and efficiency, early marriage etc. Moreover, some women are participating in non-farm sector of rural areas without any pay that is, work without pay like in pottery, bamboo products manufacturing. Women in urban areas are not confined to Govt. jobs only they are participating in all the sectors despite having any level of education.

Now the area where women still prefer security in their employment and with micro status entrepreneurship it is observed that the female non-farm entrepreneurs who are comparatively lower in rural areas than that of urban areas, and lacking functional and managerial skills have a doubtful eye regarding the impact of GST. It is observed that despite having advantages of GST, businesswomen with micro status entrepreneurship in Barak Valley finds difficulties in understanding and adopting the required requirements to deal with the new system of indirect taxation. All the necessary GST compliances have to be done online which has become a difficult task for the women entrepreneur as most of them lack the necessary technical resources for the same. Moreover, in Barak Valley, the organization and digitization that is part and parcel of the Goods and Service Tax regime will also bring to light a lot of inconsistencies in income tax paid by women entrepreneurs. No doubt, the change in environment through the introduction of GST is greater in big metro cities like Delhi, Mumbai or Bengaluru, however, in places like Barak Valley in Assam, where overall, women entrepreneurs whatever their number is, large or small, lacking/not lacking functional and managerial skills, which are required to run their business smoothly, implication of GST itself has to undergone through the process of experimental status. Apart from disruption in business cycles, increased tax burden, the GST involves more training of personnel in uploading the invoices online as any discrepancy in the invoice will be caught by the software thereby increasing efficiency. Moreover, GST implementation looks for hiring of expert to set systems in place for which additional costs will be incurred.

6. CONCLUSION

To conclude, despite having disadvantages, GST is set to benefit entrepreneurs of all kind, with a transformational shift in the indirect tax administration in India. There is no doubt that GST is aimed to increase the base of taxpayer, mainly in small business of women entrepreneurs into its scope and will put the burden of rules and regulations and cost on them, however, in the long run, GST will be an enabler and facilitator for these entrepreneurs when it comes to doing business. GST will be an enabler in helping businesses to ensure best prices for their products and services. The prices will no longer have tax embedded in costs and as a result entrepreneurs will be in a much better position to offer competitive prices and attract customers. The following observation appears from the above theoretical and statistical analysis:

- 1) To have positive impact of GST on economy of Barak Valley, skilled women workforce is required. There is need to increase the focus on the advancement of skill for businesswomen for the emerging competition and economic environment. Women entrepreneurs need to be trained with ICT skills, problem solving and analytical skills at the grass root level for effective work in unorganized sector like construction, agriculture and related trade.
- 2) Nation's GST model is the key for the leadership development in women entrepreneurs. It makes the women aware about gender specific technologies, thereby equality for women and enhancing their personality. Women needs more awareness regarding the GST model for their overall development through awareness programmes.
- 3) Women entrepreneurs face numerous challenges to financing, owning, and growing a business, that is, limited access to capital particularly needed to equip themselves to face the additional cost burden incurred on business relating to maintenance of managerial staff oriented with technological skill due to implication of GST. Thus, to break down barriers to financial access and provide complementary services such as capacity building, access to networks and mentors, and opportunities to link with GST implications initiatives need to be undertaken in Barak Valley region for easy access to financial support for women-owned or women-led SMEs across the region.

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