

A STUDY ON EXPLORING THE CHALLENGES AND SWOT DIMENSIONS OF GST IN RURAL INDIA

G. Pavithra

Assistant Professor, Department of Commerce

Hindustan Business School, Bangalore, India

Abstract

The Introduction of the GST in India is significant amend aimed at unifying the Indirect tax system & enhancing economic growth. While GST has streamlined taxation in urban areas, its implementation in rural India presents unique challenges. This study finds out the strengths, weaknesses, opportunities, and threats (SWOT) cognate with GST in rural regions. It highlights the problems such as lack of awareness, limited digital infrastructure, and concurrence difficulties, alongside opportunities for financial facilities and economic transparency. The data interpretation provides important discoveries by addressing barriers and maximizing GST's potential for sustainable rural development.

Keywords: *Indirect Tax, GST, Rural India, SWOT Analysis, Taxation Challenges, Digital Infrastructure*

Introduction

The Goods and Services Tax in India is a vital step in the field of Indirect tax reforms. By integrated more number of taxes into a single tax, it can curtail deluge or increase taxation in a major way and cover the common national market. From the consumer point of view, the main advantage will be in terms of mitigation in the market, charge on goods and services. GST encourages the competitive of Indian products both in domestic and foreign, significantly impacting economic growth.

Due to its transparency and regulation, it can be easier to control.

GST is an Indirect Taxation which levy on the manufacturing process, selling process and consumption of goods and services at national level. GST brings the uniformity in the country “one nation one tax” so that in all over the nation the rate will remain same. There are four types of GST, Central goods and Service tax, State goods and Service tax, Integrated goods and service tax & Union territory goods and service tax.

GST rate are further split into different tax slabs: 0%, 5%, 12%, 18% and 28%. Few products are exempted from GST such as petrol, alcoholic beverages, electricity etc, but taxed separately by respective state government. The tax rates, rules and regulations are governed by the GST council which consists of the finance ministers of the central government and all the states.

Kinds of Goods & Service Tax

- Central Goods and Service Tax- It is collected by the central government of India, example if the any goods and service are transferred between the states (inter-state) transaction.
- State Goods and Service Tax- It is collected by the respective state government, in case if an intra-state supply of goods and service, it is applicable for both central and state government.
- Union Territory Goods and Services Tax- It is levied on the supply of goods and services which is transferred within the union territories of India and these regions are directly governed or controlled by the central government.
- Integrated Goods & Service Tax- IGST is a tax levied on all inter-state supplies of goods and service tax across many states & union territories. It deals with

international imports & exports of goods & services. Export will be zero rates in case of international transaction and the tax amount will be levied by central government.

Review of Literature

Sharma et al. (2018) highlighted that the implementation of GST ensures uniformity of taxation across India irrespective of the unit of manufacture or distribution. Their study emphasized that the GST integrates the tax form, enables the continue flow of input tax credit, and reduces overall cost of goods and services compared to the VAT system. They concluded that if implemented effectively, GST would enhance transparency, curb tax evasion, and contribute to economic growth.

Devi (2016) conducted a SWOT analysis of GST in India and found that while the government benefits from higher tax revenues, weaknesses and threats such as conflicts in GST Council recommendations need to be addressed. She suggested establishing an independent dispute settlement mechanism to strengthen the GST framework.

Shinde (2019) studied the impact and challenges of GST on different sectors of the Indian economy. The findings revealed that tax policies significantly influence efficiency and equity in the economy. The

study underlined that a sound tax system should ensure adequate revenue generation for public services and infrastructure while maintaining fairness in income distribution.

Surbhi (2019) analyzed GST through a SWOT framework and observed that it has facilitated considerable growth in revenue from goods and services. The researcher further noted that GST has improved the transparency of the tax system and suggested measures to enhance feasibility, coverage, and responsiveness for stakeholders such as manufacturers, traders, consumers, and the government.

Waghmode (2020) examined the opportunities and challenges of GST and found that it had a positive impact on resource mobilization and tax compliance. The study concluded that seamless credit mechanisms and return processing under GST reduced the generation of black money, thereby ensuring productive use of capital and improved revenue collection for both central and state governments.

Singla (2020) focused on the vision of GST for the Indian economy, concluding that GST enhances international competitiveness, boosts exports, and attracts foreign investment. However, the researcher cautioned that weaknesses and threats of GST could only be overcome through proper training, seminars, and workshops for both consumers and

manufacturers to ensure effective implementation.

Jindger (2017) specifically analyzed the impact of GST on rural India and found that GST removes the cascading effect of taxes and provides significant relief to manufacturers through input tax credit mechanisms. The study highlighted that GST supports economic development, fosters international competitiveness, and creates a transparent taxation system. Nevertheless, similar to Singla's findings, the researcher emphasized the need for awareness programs and training sessions to address the challenges of implementation in rural areas.

Objectives of the Study

- To determine the strength, weakness, threat & opportunities of GST in rural area.
- To find out the challenges faced in rural areas by GST.

Strengths of GST in India

- It aids to mitigate the cascading effects of tax on production and distribution of goods and services, which helps to will increase the competitive modes and consequently GDP will increase.
- It helps to reduce the corruption
- It mitigates the inflation rate

- Some necessary goods and services are exempted from GST, such as vegetables, milk, healthcare services, fruits etc.
- There is no GST for petrol, electricity services, certain products which is used for agricultural purpose & horticulture services are exempted from GST
- GST is a double taxation system such as CGST & SGST.

Weaknesses of GST in India

GST's increased cost in the business, leads to higher price for traders and service providers due to increased conformity requirements, potentially making it more expensive to function. In India GST is not applicable for alcohol

GST is replacing several taxes, some key areas like electricity and alcohol are still excluded. This incomplete coverage limits the system's output.

The GST structure with separate components for states and central government can be complicated. Further differentiation based on location, the GST slabs will be more complicated for the commuters and business. Geography could add more complexity.

The ability of state to adjust GST rates based on their financial needs could lead to

variations across different regions, forging inconsistencies.

The GST system highly relies on technology, which could be a challenge in India, where not everyone is tech-savvy.

Opportunities of GST in India

1. GST streamlines tax collection, potentially boosting the revenue for both state and central governments.
2. It reduced the cost and improved efficiency by enabling businesses to operate across states with a single registration, GST cuts down on transaction costs and optimizes resources use.
3. GST has replaced several taxes into single tax and it simplified the process.
4. GST aims to reduce the overall tax burden on consumers and increase transparency, which can help to reduce, the tax evasion

Threats of GST in India

- GST system requires concurrence which is strict and difficult. This may cause the trader to involve themselves in unlawful practices.
- Most of the businessman considers GST is very difficult to file the returns for their income due to lack of awareness and not being skilled, trained. so training the layman should

be the first priority before implementing GST

- Goods and service tax council will set the bench mark for tackling the issues in accordance with recommendation of GSTC, it have a tendency to resting the criteria for GSTC itself.
- When inter-state transaction takes place, IGST is applicable and 1% additionally charged as the customs duty which is heavy for small scale industries.

Challenges Faced by GST in Rural Areas

Current population are not updated with GST rules and concepts

A lay man is not yet understood the procedure to calculate the GST as it keeps Varying from year to year When it comes to challenges there are many draw-back , such as lack of knowledge among the people, working staffs, poor technology etc.

- Lack of skilled and trained staffs: in any rural department for tax administration the staffs should be trained properly for the robust performance and for the better flow of work.
- Lack of Awareness and lack of soft wares: The GST system depends upon the digital platforms, but in many rural

states, they are lagging with poor internet, software, maintenance, and improper infrastructure for the implementation of the GST administration.

Lack of GST knowledge in rural area : facts about GST to ill-iterate people with ZERO knowledge about the system and its progress has to be developed

- Complication in GST filing - public should have the awareness about the different GST forms and application for filing
- GST portal: Glitches in software leads to nagativation problem, server down time, wrong input data.
- GST is cost effective: yes, as start-up and small business companies cannot afford for the upgradation of software, which is leading to cost effective.

Opportunities which are sufficient in making the taxation system more possible and responsive for different participants, key players and as well the government bodies. It aids the GST streamlines tax collection, potentially boosting the revenue for both state and central governments.

Threats to GST, which requires a timely review to address the internal as well as external of Goods & Services Tax so that the modified taxation system may attain the Total Quality Management

position in the coming years & due to the strict practice some traders are indulged to enter into unfair trade practices in the market,

Here, are some of suggestions which have been recommended for the benefit of the functioning of GST in terms of its government, traders, manufactures and the consumers.

The initial challenges, continuous improvement and cooperation among the government, businesses, and professionals are essential. GST has also lead the way to increase transparency in tax collection, rules of earlier unstructured sectors, and efficient movement of goods all over the country, positively changed various industries and rural areas. As India continues to address the ongoing challenges and develop the GST system, it is strengthened to propel the further economic growth and development.

Conclusion

GST represents the landmark reform aimed at facilitates the indirect taxation system and promoting the economic growth. It has aided in forging a unified tax structure, reducing corruption, curbing inflation, & bringing greater transparency. SWOT analysis demonstrates that GST has provided significant improvements over the earlier tax system, especially through

streamlined processes and exemptions for essential goods and agricultural products.

However, weaknesses such as complex structures, technological dependence, and the exclusion of certain sectors continue to pose challenges. Rural India, in particular, faces barriers including lack of awareness, poor digital infrastructure, and insufficient training, which limit the effective implementation of GST.

Despite these challenges, GST provides ample opportunities to enhance revenue collection, improve efficiency, and strengthen India's position in global markets. To achieve this, the government must focus on capacity building, digital literacy, and awareness programs, particularly in rural areas. Continuous review and reform, coupled with collaboration among stakeholders, will be critical for ensuring that GST fulfills its potential as a transparent, growth-oriented taxation system for India's sustainable development.

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