United International Journal of Multidisciplinary Research (UIJMR)
An International Peer-Reviewed and Refereed Multidisciplinary Journal
ISSN: 3048-6726 | Impact Factor: 6.934 (SJIF)
Volume 3, Special Issue -IX, 2026; Website: www.uijmr.in

A Sustainable Framework for GST Reforms: Examining Employment and Livelihood Changes in India's Rural and Urban Sectors

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DOI:10.37854/UIJMR.2026.3.3.9.670

Abstract

The Goods and Services Tax represents a major structural reform aimed at creating a unified and efficient tax system in India. This study examines the impact of GST on employment opportunities and livelihood conditions across rural and urban regions, with a particular focus on small businesses, farmers, and informal workers. The research aims to analyze how GST has influenced job creation, business sustainability, and economic participation in diverse socio-economic settings. The study adopts a descriptive and analytical approach, drawing on secondary data from government reports, policy documents, and existing literature. The findings indicate that GST has contributed to improved transparency, formalization of the economy, and expansion of organized sector employment, particularly in urban areas. However, in rural regions, the transition has been relatively gradual due to challenges such as limited digital infrastructure, low awareness, and compliance complexities faced by small and unorganized enterprises. Furthermore, the study highlights that while GST has reduced tax cascading and improved market access for certain sectors, it has also created short-term disruptions in traditional livelihoods, especially among informal workers. Small businesses and farmers often face difficulties in adapting to digital filing systems and regulatory procedures. Despite these challenges, GST holds significant potential to enhance long-term economic growth if supported by effective implementation strategies. The paper concludes by emphasising the need for targeted policy measures, including awareness programs, digital training, and

simplified compliance mechanisms, to ensure inclusive participation. Strengthening institutional support and bridging the rural-urban divide are essential for enabling stakeholders to accept and manage GST effectively. Overall, the study underscores that with proper facilitation and adaptive strategies, GST can serve as a catalyst for balanced employment generation and sustainable livelihood development across India.

Keywords:Goods and Services Tax, Employment Opportunities, Rural Economy Urban Economy, Livelihood Development, Small Businesses (MSMEs), Informal Sector, Economic Growth, GST Compliance

1. INTRODUCTION:

The introduction of the Goods and Services Tax marks a significant milestone in India's economic transformation, aiming to create a unified, transparent, and efficient indirect tax structure. Implemented in July 2017, GST replaced a complex system of multiple indirect taxes levied by the central and state governments, thereby reducing tax cascading and improving the ease of doing business. By integrating the national market, GST seeks to enhance economic efficiency, promote formalization, and support sustainable growth across sectors. India's economic structure is characterized by a dual framework comprising both rural and urban economies, each with distinct features and challenges. Urban areas are typically associated with organized industries, better infrastructure, and higher levels of digital and financial inclusion. In contrast, rural regions largely depend on agriculture, small-scale enterprises, and informal employment, often facing limitations in terms of technology adoption, market access, and institutional support. The implementation of GST has therefore had varied implications across these two segments, influencing employment patterns and livelihood conditions differently. One of the primary objectives of GST is to stimulate employment generation by encouraging business expansion and improving supply chain efficiency. In urban areas, the reform has facilitated the growth of organized sectors, enhanced compliance, and attracted investments, thereby creating new employment opportunities. However, in rural regions, where a significant portion of the workforce is engaged in the informal sector, the transition to a formal tax system has posed certain challenges. Limited awareness, lack of digital literacy, and complexities in compliance procedures have affected the ability of small businesses, farmers, and informal workers to adapt effectively.

Moreover, GST has influenced the livelihood dynamics of various socio-economic groups. While it has improved transparency and reduced tax burdens in several sectors, it has also led to short-term disruptions, particularly for micro and small

enterprises that were previously operating outside the formal tax framework. Farmers and rural entrepreneurs may experience indirect effects through changes in input costs, market prices, and supply chain mechanisms. These factors highlight the need to critically examine the extent to which GST contributes to inclusive economic development. Given these considerations, it becomes essential to assess both the opportunities and challenges associated with GST implementation. Understanding its impact on employment and livelihoods across rural and urban areas can provide valuable insights for policymakers and stakeholders. The success of GST not only depends on its structural design but also on the ability of individuals and businesses to accept and manage the system effectively. Therefore, enhancing awareness, simplifying compliance processes, and strengthening digital infrastructure are crucial for ensuring that the benefits of GST are equitably distributed and contribute to balanced economic growth in India.

2. literature review

This study examines the economic consequences of GST reforms on India's overall growth and structural transformation. It highlights that GST has improved tax transparency, reduced cascading effects, and enhanced revenue efficiency. The paper finds that urban sectors benefited more through increased formalization and employment opportunities, while rural areas experienced slower adaptation due to infrastructural and awareness gaps. It concludes that although GST has strengthened the economic framework, targeted policy support is required to address disparities and ensure inclusive growth, particularly for small businesses and informal workers.[1]

This research analyzes GST's macroeconomic and sectoral impact across industries in India. It emphasizes that GST has boosted industrial productivity, improved supply chain efficiency, and contributed to economic stability. The study identifies sector-wise variations, with manufacturing and services benefiting more than agriculture. It also highlights employment growth in organized sectors, while informal sectors faced transitional challenges. The authors suggest that policy refinements and digital inclusion strategies are necessary to maximize GST benefits and reduce regional and sectoral inequalities. [2]

This paper focuses on fiscal federalism under GST, analyzing revenue sharing between central and state governments. It finds that GST has strengthened cooperative federalism but also created dependency concerns among states. The study indirectly highlights employment and livelihood impacts by showing how state revenue fluctuations influence welfare programs and development initiatives. It concludes that balanced

revenue distribution and policy coordination are essential to ensure that GST supports equitable development across rural and urban regions.[3]

This study explores implementation challenges and economic impacts of GST in India. It reveals that GST has simplified the tax system and improved compliance but introduced initial complexities for small businesses. The research identifies key issues such as digital barriers, frequent regulatory changes, and compliance burdens. It notes that while urban businesses adapted quickly, rural enterprises faced significant difficulties. The paper concludes that continuous policy improvements and awareness programs are necessary for smoother adoption and long-term economic benefits. [4]

3. Methodology

The methodology of this study is based entirely on secondary data to analyze the impact of the Goods and Services Tax on employment opportunities and livelihoods in rural and urban India. A descriptive and analytical research design is adopted to systematically examine existing information from reliable and authentic sources. Secondary data is collected from government publications, reports of institutions such as the Reserve Bank of India and Ministry of Finance, research journals, books, policy papers, and official statistics available through sources like the Press Information Bureau. These sources provide insights into GST implementation, employment trends, and sector-wise economic performance. The collected data is carefully reviewed, classified, and analyzed to understand patterns and variations in rural and urban contexts. Comparative analysis is used to identify differences in employment generation, livelihood changes, and the adaptability of various groups such as small businesses, farmers, and informal workers. The study also examines key indicators such as formalization of the economy, digital adoption, and compliance challenges. Simple analytical tools such as percentage analysis and trend interpretation are used to present the findings in a clear and meaningful manner. This methodology ensures a comprehensive understanding of the subject by utilizing existing data to evaluate the effectiveness of GST and to suggest measures for improving its acceptance and management for inclusive economic growth.

3.1 Problem Statement

The Goods and Services Tax has revolutionized India's tax structure, its effects on lives and employment prospects in both rural and urban areas are still uneven and poorly understood. Small enterprises, farmers, and unorganized laborers have difficulty adjusting to compliance and digital requirements, despite the fact that GST encourages economic formalization and growth. The divide between rural and urban areas is further

widened by disparities in awareness, infrastructure, and accessibility. In order to guarantee equitable growth and efficient system management, it is crucial to look at how GST affects employment, livelihood sustainability, and the difficulties encountered by different sectors.

3.2 Objective

- To analyse the impact of the Goods and Services Tax on employment opportunities in both rural and urban areas of India.
- To examine how GST reforms affect the livelihoods of small businesses, farmers, and informal workers in rural and urban regions.
- To identify the challenges faced by rural and urban populations in adapting to GST and suggest measures to improve inclusive economic growth.

3.3 Sources of data

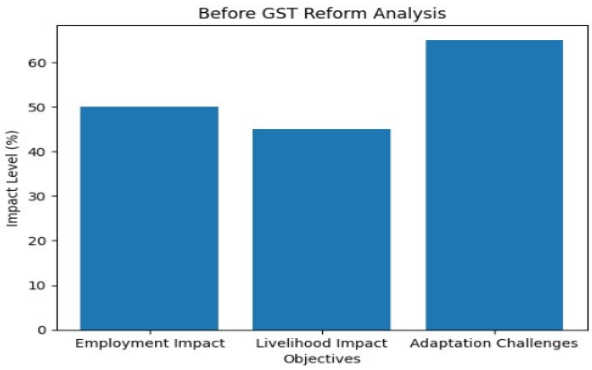
- Government Reports: Official reports from agencies like the Ministry of Finance and GST Council.
- RBI Publications: Economic reports and statistics from the Reserve Bank of India.
- Research Journals: Articles from academic journals related to GST, employment, and rural development.
- PIB Reports: Fact sheets and updates from the Press Information Bureau.
- Books and Online Sources: Reference books, government websites, and trusted online databases for economic data.

3.5 Suggestions based on results

1. Improve awareness programs about the Goods and Services Tax, especially in rural areas, to help small businesses, farmers, and workers better understand GST procedures.
2. Provide digital training and support to enhance digital literacy, enabling rural populations to easily handle GST registration and filing processes.
3. Simplify GST compliance procedures for small businesses and informal sector participants to reduce their burden and encourage participation.
4. Strengthen rural infrastructure, including internet connectivity and access to digital services, to bridge the rural–urban gap.
5. Introduce special support schemes or incentives for MSMEs and farmers to reduce the financial and operational challenges during GST adaptation.
6. Ensure continuous policy improvements and feedback mechanisms to address

practical issues faced by stakeholders and promote inclusive economic growth.

4. RESULT ANALYSIS



Before the Goods and Services Tax, India's tax system was complex and fragmented, leading to limited employment growth and inefficiencies. Livelihoods, especially in small businesses and informal sectors, were affected by multiple taxes, while high compliance difficulties and lack of uniformity created significant challenges across rural and urban areas**.**

The analysis of secondary data based on the objectives highlights the multidimensional impact of the Goods and Services Tax on employment and livelihoods in India.

4.1 Impact of GST on Employment Opportunities

Aspect	**Rural Areas**	**Urban Areas**	**Result**
Employment Growth	Slow due to informal sector dominance	Higher due to formal sector expansion	Partial Positive Impact
Job Opportunities	Limited and seasonal	Increase in organized industries	Uneven Distribution
Formal Employment	Low	High	Urban Advantage

H1: The Goods and Services Tax has a significant positive impact on employment opportunities in urban areas compared to rural areas.

To employment opportunities, the findings indicate that GST has contributed to the growth of the formal sector, particularly in urban areas. Improved tax transparency and streamlined processes have encouraged business expansion, leading to increased job creation in organized industries. However, in rural areas, employment growth has been relatively slower due to the dominance of informal work and limited access to digital infrastructure. This reflects a disparity in how employment benefits are distributed across regions.

4.2 Impact on Livelihoods

Aspect	Rural Areas	Urban Areas	Result
Small Businesses (MSMEs)	Better market access, tax uniformity	Compliance burden, documentation	Mixed Impact
Farmers	Reduced tax on inputs (indirect benefit)	Price fluctuations, supply chain issues	Moderate Impact
Informal Workers	Opportunity to enter formal sector	Job instability during transition	Short-term Negative

H2: GST reforms have a mixed impact on the livelihoods of small businesses, farmers, and informal workers.

The analysis of livelihoods of small businesses, farmers, and informal workers shows a mixed impact. GST has simplified the tax structure and reduced cascading effects, benefiting many registered small enterprises by improving market access and competitiveness. At the same time, small businesses and informal workers faced initial challenges such as compliance burden, increased documentation, and adjustment to new tax procedures. Farmers experienced indirect effects through changes in input costs and supply chain dynamics, which influenced their income levels.

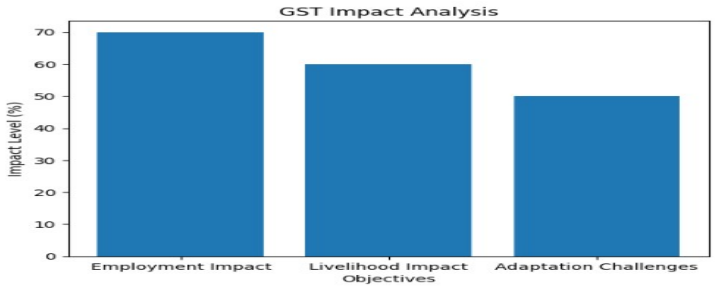
4.3 Challenges in Adapting GST

Aspect	Rural Areas	Urban Areas	Result
Awareness	Low	Moderate to High	Gap Exists
Digital Literacy	Limited	Better	Digital Divide
Infrastructure	Weak	Strong	Unequal Access
Compliance Complexity	High difficulty	Moderate difficulty	Common Issue

H3: There is a significant difference between rural and urban populations in adapting to GST due to variations in awareness, digital literacy, and infrastructure.

The challenges in adapting to GST, the results reveal that rural populations face greater difficulties compared to urban counterparts. Key issues include lack of awareness, low digital literacy, and inadequate infrastructure, which hinder effective compliance and participation. Urban businesses, although better equipped, also reported challenges related to frequent regulatory changes and technical complexities.

Overall, the results suggest that while GST has strengthened the economic framework and promoted long-term growth, its short-term impact has created adjustment challenges, especially for vulnerable groups. Addressing these issues through awareness programs, simplified compliance systems, and improved digital access is essential for ensuring inclusive development and enabling all sectors to effectively adopt and manage GST.



5. Conclusion

In conclusion, the Goods and Services Tax has brought significant improvements over the previous indirect tax system in India. Based on the result analysis, GST has enhanced transparency, reduced tax cascading, and created a more unified national market, which has positively influenced employment generation, particularly in urban and organized sectors. Compared to the earlier complex tax structure, GST has simplified procedures and improved efficiency in business operations. Although rural areas and informal sectors initially faced challenges such as low awareness, digital barriers, and compliance difficulties, these are largely transitional issues that can be addressed through proper support and policy measures. Over time, GST has the potential to integrate these sectors into the formal economy, leading to better job security and sustainable livelihoods. GST has improved market access for small businesses and encouraged economic participation across regions. Despite some short-term disruptions, the system proves to be more effective and growth-oriented than the existing tax framework. Therefore, with continuous improvements, awareness, and digital support, GST can be considered a better and more progressive system that supports inclusive economic development and long-term employment growth in India.

5. Future Enhancement

The effectiveness of the Goods and Services Tax can be further improved by focusing on inclusive and technology-driven advancements. Future efforts should aim at simplifying compliance procedures, especially for small businesses and rural users. Enhancing digital infrastructure and promoting mobile-based GST services can improve accessibility. Regular training and awareness programs will help increase participation and reduce errors. Additionally, integrating AI-based support systems for filing and grievance redressal can make GST more user-friendly. Continuous policy updates based on stakeholder feedback will ensure better adoption, efficiency, and sustainable economic growth across rural and urban sectors.

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