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GST Reforms for Livelihood Security and Inclusive Employment in Vellore District, Tamil Nadu

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Abstract

The Goods and Services Tax (GST) introduced in India on 1 July 2017 marked one of the most significant indirect tax reforms in the country's economic history. GST aimed to simplify the taxation system, improve compliance, increase transparency, and create a unified national market. While GST has improved tax administration and revenue collection, its impact on livelihood security, employment generation, and the informal economy has been uneven across regions. In districts such as Vellore in Tamil Nadu, where agriculture, leather industries, small-scale enterprises, retail trade, and informal labour constitute the backbone of the economy, GST reforms have created both opportunities and challenges. This article examines the role of GST in shaping livelihood security in Vellore district and proposes policy reforms to ensure inclusive growth and employment protection. The study analyses the structure of the local economy, the impact of GST on various sectors, and the challenges faced by micro, small, and medium enterprises (MSMEs), workers, traders, and vulnerable groups. It further suggests institutional, fiscal, and administrative reforms that can improve livelihood security under the GST regime. The paper argues that GST must evolve beyond a revenue-centric framework into a developmental instrument that supports employment generation, social equity, and regional economic resilience. Strengthening digital infrastructure, simplifying compliance mechanisms, expanding tax awareness, protecting informal workers, and encouraging local entrepreneurship are essential for sustainable and inclusive economic development in Vellore district.

Keywords: GST, Livelihood Security, Inclusive Growth, Employment Protection, Vellore District, Tamil Nadu, MSMEs, Informal Sector, Policy Reforms.

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1. Introduction

The introduction of GST transformed India's indirect taxation system by replacing multiple central and state taxes with a single unified tax structure. The reform was expected to reduce cascading taxes, improve ease of doing business, promote formalization of the economy, and increase tax revenues. However, the implications of GST for livelihood security and employment protection remain a matter of policy debate, especially in districts dependent on labour-intensive industries and informal economic activities. Vellore district in Tamil Nadu is known for its leather industries, agriculture, educational institutions, retail trade, and small-scale manufacturing units. The district contributes significantly to Tamil Nadu's industrial and commercial economy. However, a large section of the workforce is employed in informal and semi-formal sectors, where workers are vulnerable to income fluctuations, low wages, and economic shocks.GST compliance requirements such as digital filing, invoice matching, and tax registration have affected small traders and informal enterprises differently. While organized firms have benefited from input tax credits and market integration, many small businesses faced challenges related to technology adoption, compliance costs, and working capital constraints. Therefore, there is a growing need to reform GST policies in a way that balances revenue generation with social protection and employment security. Inclusive GST reforms can support local industries, encourage entrepreneurship, reduce regional disparities, and improve the livelihoods of vulnerable communities.

2. Objectives of the Study

The major objectives of the study are:

1. To examine the impact of GST on livelihood security in Vellore district.
2. To analyze the effect of GST on MSMEs, workers, and informal sector enterprises.
3. To identify challenges faced by businesses and workers under the GST regime.
4. To evaluate employment-related issues associated with GST implementation.
5. To suggest policy reforms for strengthening inclusive growth and employment protection.

3. Research Methodology

The present study is descriptive and analytical in nature. The study focuses on examining the impact of GST on livelihood security, employment protection, and inclusive growth in Vellore District of Tamil Nadu. The study is based on both primary and secondary data sources.Primary data were collected from workers, traders, MSME owners, retail shopkeepers, leather industry employees, and self-employed persons through a structured questionnaire and personal interviews. Secondary data were collected from GST Council reports, Tamil Nadu Economic Review, MSME Ministry

publications, RBI reports, Economic Surveys, journals, books, newspapers, and official government websites.

4. Sources of Data

The study is based on both primary and secondary sources of data collected from various government and academic reports. GST Council Reports provide detailed information regarding GST policies, reforms, and implementation measures. The Tamil Nadu Economic Review offers district-level economic indicators and development statistics. MSME Ministry Reports help in understanding MSME growth, employment generation, and industrial performance. RBI Reports and the Economic Survey provide insights into national economic trends, inflation, taxation, and overall economic performance. Research Journals contribute academic perspectives and empirical studies related to GST and its economic impact. In addition, Labour Department Reports supply valuable information regarding employment conditions, labour participation, and the status of informal workers affected by GST reforms.

5. Analytical Tools

The study used various analytical tools to interpret and evaluate the collected data effectively. Percentage analysis was used to understand the distribution of responses, while comparative analysis helped compare pre- and post-GST conditions. Sectoral analysis examined the impact of GST on different sectors, and the policy evaluation approach assessed the effectiveness of GST reforms. Tabular analysis was also used to present the data clearly and systematically.

6. Overview of Vellore District Economy

Vellore district occupies an important place in Tamil Nadu's economy due to its industrial and educational activities. The district has a mixed economic structure involving agriculture, leather industries, textiles, construction, transport, retail trade, and services.

Sector	Major Activities	Employment Contribution
Agriculture	Paddy, sugarcane, groundnut, horticulture	High
Leather Industry	Tanneries, footwear manufacturing	Very High
MSMEs	Engineering, garments, food processing	Moderate
Retail Trade	Wholesale and retail markets	High
Services	Education, healthcare, banking	Increasing

Major Economic Activities in Vellore

The leather industry is one of the largest employment providers in the district. Thousands of workers are employed directly and indirectly in tanning, footwear manufacturing, packaging, and exports. Most enterprises in the district are MSMEs and family-based businesses.

7. Concept of Livelihood Security

Livelihood security refers to the ability of individuals and households to access adequate income, employment opportunities, food, healthcare, education, and social protection for a decent standard of living. It includes: Stable employment opportunities, Regular income generation, Access to productive assets, Social and economic protection, Resilience against economic shocks. GST affects livelihood security through its influence on prices, business profitability, employment generation, investment, and market access.

Components of Livelihood Security

Component	Description
Economic Security	Stable income and employment
Food Security	Access to essential commodities
Social Security	Insurance and welfare benefits
Occupational Security	Protection against job loss

Financial Security	Access to savings and credit

8. **GST and Its Impact on Vellore District Economy**

GST has both positive and negative implications for the district economy.

Positive Impacts of GST

1 Simplification of Tax Structure: GST replaced multiple taxes such as VAT, excise duty, service tax, and entry tax. This reduced tax complexity and improved transparency.

2 Increased Formalization: Businesses registering under GST entered the formal economy. This increased financial inclusion and access to institutional finance.

3 Expansion of Market Access: GST created a unified national market, enabling industries in Vellore to sell products across states more efficiently.

4 Growth of Digital Transactions: Digital invoicing and online tax filing encouraged digital transformation among enterprises.

Negative Impacts of GST

1. Compliance Burden on Small Businesses: Many MSMEs in Vellore faced difficulties in filing returns, maintaining digital records, and understanding GST procedures.

2. Working Capital Problems: Delayed refunds and tax payments created cash flow constraints, especially for exporters and small manufacturers.

3. Impact on Informal Sector Workers: Informal businesses with low technological capacity experienced reduced competitiveness, affecting employment opportunities.

4. Cost Increase for Consumers: Certain goods and services experienced price increases, affecting low-income households.

9. **Employment Trends in Vellore District**

Employment trends in Vellore show a gradual shift from traditional agriculture to industrial and service sector employment. The leather industry remains the major source of employment in the district, especially in areas such as Ambur, Ranipet, and Vaniyambadi, where numerous tanneries and leather-based MSMEs operate. Service sectors such as transport, trade, education, healthcare, and small businesses have also expanded significantly in recent years. At the same time, agriculture continues to provide livelihood opportunities in rural areas, though its share in total employment has declined gradually. The growth of MSMEs, manufacturing units, and export-oriented industries has increased employment opportunities, particularly for skilled and semi-skilled workers.

Sector Wise Employment Trends in Vellore District

Sector	Employment	Employment After	Trend

	Before GST	GST	
Leather Industry	High	Moderate	Decline in informal jobs
Retail Trade	High	Moderate	Shift towards organized retail
Transport	Stable	Moderate	Increased operational costs
MSME Manufacturing	High	Moderate	Reduction in small-scale employment
Agriculture-related Activities	Stable	Stable	Limited direct impact
Service Sector	Moderate	High	Growth in formal employment

10. Sample Size

The study selected a sample size of 150 respondents from different occupational groups in Vellore district using simple random sampling and convenience sampling methods.

Table-1: Composition of Sample Respondents

Category of Respondents	**Number of Respondents**	**Percentage (%)**
MSME Owners	35	23.33%
Retail Traders	30	20.00%
Leather Industry Workers	25	16.67%
Self-employed Persons	20	13.33%
Agricultural Labourers	20	13.33%
Service Sector Employees	20	13.33%
Total	**150**	**100%**

The above table-1 shows the composition of sample respondents selected for the study. Among the total 150 respondents, MSME owners constitute the highest share with 23.33%, followed by retail traders with 20.00%. Leather industry workers account for 16.67% of the respondents. Self-employed persons, agricultural labourers, and service sector employees each represent 13.33% of the sample. The distribution indicates that the study includes respondents from different occupational sectors, providing a balanced view of the impact of GST on various economic groups.

Table 2: Age-wise Distribution of Respondents

Age Group	**Number of Respondents**	**Percentage**
20–30 Years	40	26.7%

31–40 Years	45	30.0%
41–50 Years	38	25.3%
Above 50 Years	27	18.0%
Total	**150**	**100%**

Table-2 shows that the majority of respondents (30%) belong to the age group of 31–40 years, indicating active participation of middle-aged workers and entrepreneurs in economic activities. Young workers in the 20–30 age group also constitute a significant share, reflecting the importance of GST reforms for youth employment and entrepreneurship in Vellore district.

Table 3: Occupational Distribution of Respondents

Occupation	**Number of Respondents**	**Percentage**
20–30 Years	40	26.7%
31–40 Years	45	30.0%
41–50 Years	38	25.3%
Above 50 Years	27	18.0%
Total	**150**	**100%**

Table-3 occupational distribution indicates that MSME owners and retail traders together account for more than 43% of respondents. This reflects the significant role played by small businesses and trade activities in the economy of Vellore district. The leather industry also remains an important source of employment.

Table 4: Awareness about GST among Respondents

Level of Awareness	**Number of Respondents**	**Percentage**
Highly Aware	42	28.0%
Moderately Aware	60	40.0%
Slightly Aware	30	20.0%
Not Aware	18	12.0%
Total	**150**	**100%**

The table-4 reveals that 40% of respondents possess moderate awareness regarding GST policies and procedures, while only 28% are highly aware. Lack of awareness among certain groups highlights the need for more GST education and digital literacy programmes, especially among rural and informal sector workers.

Table 5: Major Problems Faced under GST

Problems Faced	Number of Respondents	Percentage
Complex Filing Procedures	45	30.0%
Working Capital Issues	35	23.3%
Lack of Digital Knowledge	28	18.7%
Delay in Refunds	22	14.7%
High Compliance Cost	20	13.3%
Total	**150**	**100%**

The table-5 shows the major problems faced by respondents under the GST system. Among the total respondents, 30.0% stated that complex filing procedures are the biggest challenge under GST. Working capital issues were reported by 23.3% of respondents, while 18.7% faced difficulties due to lack of digital knowledge. Delay in GST refunds was identified as a problem by 14.7% of the respondents, and 13.3% reported high compliance costs. The findings indicate that procedural complexity and financial burden are the major concerns experienced by businesses and workers after the implementation of GST.

Table 6: Opinion on Policy Reforms Required under GST

Suggested Policy Reform	Number of Respondents	Percentage
Simplified GST Returns	40	26.7%
Faster Refund System	32	21.3%
MSME Financial Support	30	20.0%
Digital Literacy Programmes	25	16.7%
Social Security for Workers	23	15.3%
Total	**150**	**100%**

Table-6 presents the opinions of respondents regarding policy reforms required under the GST system. Among the total respondents, 26.7% suggested the need for simplified GST return procedures to reduce compliance difficulties. Faster refund systems were preferred by 21.3% of the respondents, while 20.0% emphasized the importance of financial support for MSMEs. Digital literacy programmes were suggested

by 16.7% of respondents to improve awareness and technical skills related to GST compliance. Further, 15.3% recommended social security measures for workers affected by GST reforms. The findings indicate that respondents expect a more simplified, supportive, and worker-friendly GST policy framework.

Conclusion

The implementation of the Goods and Services Tax (GST) has significantly transformed India's taxation system by integrating various indirect taxes into a unified structure. In Vellore district of Tamil Nadu, GST has influenced multiple sectors such as leather industries, MSMEs, retail trade, agriculture, and service activities. The reform has improved transparency, promoted digital transactions, and encouraged the formalization of businesses. At the same time, it has created several challenges for small enterprises, informal workers, and economically weaker sections who depend on labour-intensive occupations for their livelihood.The study reveals that while organized industries and larger enterprises benefited from input tax credits and improved interstate trade, many micro and small businesses experienced compliance burdens, working capital shortages, technological difficulties, and increased operational costs. Informal sector workers, who constitute a major share of employment in Vellore district, faced livelihood insecurity due to reduced employment opportunities and growing competition from organized businesses. The digital nature of GST compliance also created barriers for rural traders and small entrepreneurs lacking digital literacy and financial resources.

Inclusive growth under GST can be achieved only when taxation policies are combined with employment protection measures, social security programmes, skill development initiatives, and financial assistance for vulnerable groups. The leather industry, which plays a major role in employment generation in Vellore district, requires targeted policy support to maintain competitiveness and worker welfare. Similarly, women entrepreneurs, self-help groups, rural traders, and MSMEs must be encouraged through simplified compliance systems and institutional support.Therefore, GST should not remain merely a revenue collection mechanism but should function as an instrument of social and economic development. Policy reforms aimed at strengthening livelihood security, improving digital inclusion, expanding credit access, and protecting informal workers are essential for achieving sustainable and equitable economic growth in Vellore district. A balanced GST framework that promotes both economic efficiency and social justice can ensure long-term employment protection and inclusive development.

Suggestions

- Simplify GST return filing procedures for small traders and micro enterprises.
- Conduct regular GST awareness programmes and training camps in rural and semi-urban areas.
- Expand digital literacy programmes for traders, workers, and women entrepreneurs.
- Provide affordable and collateral-free loans for MSMEs and self-employed workers.
- Ensure timely GST refunds for exporters and small manufacturing units.
- Introduce social security schemes for informal sector workers affected by GST reforms.
- Promote women entrepreneurship through financial incentives and training support.
- Establish district-level GST facilitation centres to assist small businesses.
- Encourage skill development programmes related to digital accounting and taxation.
- Strengthen cooperative societies and self-help groups to improve livelihood opportunities.
- Provide tax incentives for industries generating local employment.
- Improve internet connectivity and digital infrastructure in rural areas.
- Reduce compliance burden and penalties for first-time small taxpayers.
- Promote sustainable industrial development and eco-friendly manufacturing practices.
- Increase coordination between government departments, financial institutions, and industrial associations.

Policy Recommendations

- The government should design a simplified GST compliance mechanism for MSMEs and small traders. Quarterly filing systems, single-page returns, and mobile-based applications can reduce administrative burdens and improve participation in the formal economy.
- Tax incentives should be provided to industries that generate local employment opportunities, especially in labour-intensive sectors such as leather, textiles, food processing, and retail trade.
- Special credit schemes, subsidized accounting software, and technical assistance should be provided to MSMEs to improve their competitiveness and financial sustainability.

- Rural digital centres, community internet facilities, and digital literacy campaigns should be expanded to bridge the digital divide among small businesses and workers.
- GST refund systems should be streamlined to ensure timely payments for exporters and small industries, particularly in the leather sector of Vellore district.
- The leather industry should receive targeted support in the form of export promotion, technology modernization subsidies, worker welfare programmes, and environmental compliance assistance.
- Dedicated entrepreneurship programmes should be introduced for women and youth through financial support, startup incubation centres, skill training, and marketing assistance.
- Government-supported GST facilitation centres should be established to provide tax guidance, legal support, digital training, and compliance assistance to local businesses.
- Future GST reforms should incorporate livelihood protection measures and assess the social impact of taxation policies on employment, income distribution, and vulnerable communities.

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