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# POST-GST SHIFTS IN AGRICULTURAL INPUT COSTS: EVIDENCE FROM HARDA DISTRICT

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## ABSTRACT

The Indian economy receives vital support from agriculture which makes up 15% of GDP and employs 43% of the population. The Goods and Services Tax (GST) launched in 2017 introduced major modifications to India's indirect taxation structure. Although farmers do not pay GST directly the taxation system applies to various agricultural commodities and farming equipment. Production expenses have risen because of this. The majority of Indian small-scale and marginal farmers face considerable difficulties because of rising costs. The research evaluates farming cost variations after GST implementation through primary data collected from 100 farmers in Harda district of Madhya Pradesh across all landholding categories. The study collected additional data from journals and online resources and performed statistical analysis using SPSS's paired t test on primary data.

**KEYWORDS:** GST, agricultural inputs, landholdings, farming costs

## 1. INTRODUCTION

The GST launch in July 2017 replaced multiple indirect taxes, including VAT, service tax, purchase tax, and excise duty, with a single unified tax. This modification expanded the tax base and removed cascading effects. Farmers are now required to pay GST on inputs such as pesticides, micronutrient fertilizers, agricultural machinery, and dairy equipment, even though they do not pay GST on their produce. Small and marginal farmers with low incomes have been particularly badly struck by this cost surge. The National Agriculture Market was established by the government to increase market accessibility, enabling farmers to sell across state lines without incurring additional costs. But a lot of growers are still unaware of this platform.

## 2. REVIEW OF LITERATURE

Numerous academics have examined the effects of the Goods and Services Tax on agriculture, particularly on farmer livelihoods and production costs. GST's impact on agricultural inputs has generated debate, despite the fact that it was implemented as a single tax to streamline the system and

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reduce inefficiencies.

**Aziz et al. (2018)** examined how the GST affected fisheries and agriculture, paying particular attention to changes in tax rates for various agricultural inputs. According to their findings, seeds are fully exempt from GST, fertilizers are subject to 12% tax, tractors are likewise subject to 12% tax, and crop protection products are subject to 18% tax. They maintained that the price structure for agricultural inputs is altered by these tax rate variations, which subsequently impacts import/export margins, manufacturers, and distributors. Even though the increase in cultivation costs may not seem like much, the cumulative effect over a number of production cycles might significantly affect agricultural prices and farmers' earnings.

**Singh et al. (2018)** highlighted that as 87% of farmers are small or marginal, the majority of them are disproportionately impacted by higher tariffs on necessary agricultural supplies. They noted that over half of the population makes their living from agriculture, thus any additional expenses would be especially detrimental. Higher GST rates on machinery, equipment, and accessories could impede farm mechanization, which is essential for increasing production in rural India, according to their analysis.

**Balamurugan (2019)** criticized the situation, pointing out that the GST structure levies almost all essential inputs, including seeds, fertilizer, insecticides, and tractors, even though it does not impose direct taxes on agricultural products. According to his research, this increases farm output costs without ensuring that farmers will receive better crop prices. Farmers are forced to pay higher prices as a result of this imbalance, which frequently puts them in more debt. According to the report, Indian farmers are already struggling financially, and any more cost rises will make them much more vulnerable.

**Bansal and Sharma (2020** offered a more impartial viewpoint. They noted that the GST provided some relief in some sectors, like chemical fertilizers, where a minor drop in tax rates resulted in lower input costs. They did point out, though, that the GST increased taxes on regulators and plant protection chemicals, which raised the total prices in those areas. According to their findings, the impact of GST varies depending on the product category, either increasing or decreasing input costs.

**Kaur (2022)** focused on the agricultural industry in Haryana but provided information relevant to the larger Indian context. Her research confirmed that agriculture plays a significant role in India's economy, accounting for roughly 16% of GDP. She estimated a 4–8% increase in essentials such maize flour and contended that high GST rates, particularly the 18% on pesticides, might exacerbate food price inflation. Positively, Kaur noted that the GST eliminated diverse state-level taxes and established a single tax system, enabling farmers and businessmen to sell their produce wherever in India. In the long run, this can contribute to the development of a more integrated agricultural market.

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**OBJECTIVE**

- To examine GST's effect on farming costs.

**3. RESEARCH METHODOLOGY**

For this research both Primary and Secondary data are put to use. An online survey was used to gather primary data from 100 farmers in the Harda district of Madhya Pradesh. Journals and websites provided the secondary data. The hypothesis was tested using SPSS's Paired t test.

Hypothesis

**$H_0$-**There is no significant difference in Farming costs Pre and Post GST.

**4. Data Analysis and Interpretation.**

**4.1 Comparison of GST Rates.**

**Table 1. Farm Input Tax Rates Pre and Post GST in Madhya Pradesh**

| ITEM | PRE GST RATE% | POST GST RATE% |
|---|---|---|
| Seeds | 0 | 0 |
| Organic Manure | 0 | 0 |
| Pesticides | 12 | 18 |
| Motor Pumps and Oil engines | 5 | 12 |
| Chemical Fertilizers | 5 | 5 |
| Harvesting Machinery | 5 | 12 |
| Micro nutrient fertilizers | 5 | 12 |
| Tractors and Power tillers | 5 | 12 |

**Interpretation**-The above table depicts surge in rates of maximum number of farm inputs Post GST.

**4.2 Awareness of GST.**

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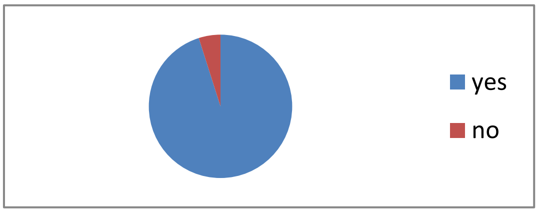
Figure 1. Are you aware about GST rates on Farm Inputs?




**Interpretation** – Majority of respondents are aware about GST rates on Farm inputs.

**4.3 Hypothesis Testing**

Hypothesis

**$H_0$-**There is no significant difference in Farming costs Pre and Post GST.

**Table 2. Paired t-test Results**

| Farm Cost Element | Mean (Pre GST) | Mean (Post GST) | t-value | p-value |
|---|---|---|---|---|
| Micro-nutrient Fertilizers | ₹4,000/acre | ₹7,500/acre | -6.14 | 0.010** |
| Irrigation Machinery(PerUnit) | ₹ 10,000 | ₹25000/acre | -5.45 | 0.000** |
| Pesticides | ₹3,000/acre | ₹5,200/acre | -7.48 | 0.030** |
| Tractor (Per Unit) | ₹5,00,000 | ₹7,50,000 | -4.26 | 0.016* |
| Harvesting Machinery Rent | ₹1,500/hour | ₹2,700/hour | -8.22 | 0.001** |

Interpretation-Since the P values of all Farm cost elements is less than 0.05,the null hypothesis stands rejected indicating that there is a significant difference in Farming Costs Pre and Post GST.

**5. FINDINGS**

- Majority of Farmers are aware about the GST tax rates on Farm inputs.
- Tax rates on majority of farm inputs have soared up Post GST.
- There is a significant increase in farming costs post GST which is adversely affecting the farmers.

**6. SUGGESTIONS**

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- To ensure that farming continues to be profitable the GST rates on Farm inputs must be reevaluated.
- There is need to boost awareness and adoption of the National Agriculture Market for better price realization of farm outputs.

## 7. CONCLUSION

Despite a decrease in its GDP share, agriculture continues to play a significant role in India's economy. The indirect consequences of the GST, especially the increased cost of inputs, are still having a detrimental effect on farmers' incomes five years after it was put into place. The stagnant crop prices and slow or adoption of the National Agriculture Market(E-NAM) further exacerbate the issue. To help small and marginal farmers, policymakers must cut the GST rates on necessary inputs, increase market access, and lessen intermediary abuse. Given that most Indian farmers are small and marginal farmers, such policies are not only beneficial but also essential to prevent additional financial hardship and preserve farming's sustainability as a source of income.

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