

**Two-Day National Conference on
"GST Reforms: Challenges, Opportunities, and Socio-Economic Effects in Telangana State"
on 09th & 10th June 2026**

**CMR TECHNICAL CAMPUS**

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad
Kandlakoya (V), Medchal, Hyderabad – 501401

Impact of the Post-2017 GST Regime on Employment Dynamics and the Rural Economy in Telangana

M Naveen Kumar Reddy¹Department of Management, St, Peters Engineering College, Hyderabad, IndiaEmail: nreddy184@gmail.com**Co-Author Name****G Pranay**¹Department of Management, St, Peters Engineering College, Hyderabad, IndiaEmail: pranaykumar4545@gmail.com**Co-Author Name****K Vinay Kumar**¹Department of Management, St, Peters Engineering College, Hyderabad, IndiaEmail: karunasudhasagi@gmail.com**Abstract**

This paper examines the impact of the post-2017 Goods and Services Tax (GST) regime on employment dynamics and the rural economy in Telangana, a state that has experienced rapid growth alongside marked sectoral and rural-urban disparities. Using a mixed-methods design, the study combines secondary data from state and national statistical reports with a primary survey of enterprises in manufacturing, construction, and services, as well as agriculture-linked units, rural traders, artisans, and household industries across selected districts. Descriptive statistics and difference-in-differences analysis are employed to track workforce restructuring, job creation, sectoral employment shifts, and transitions from informal to formal labour contracts before and after GST implementation. The results indicate net employment gains in formal services and construction, offset by stress among informal manufacturing and household units facing higher compliance costs and working-capital constraints, with pronounced regional disparities across Telangana's districts. The paper further documents heterogeneous effects by firm size, gender composition of the workforce, and supply-chain linkages, noting that smaller and women-led units experienced greater vulnerability. The study's significance lies in providing evidence-based recommendations on GST design, compliance support, capacity building, and targeted rural incentives to align tax reform with inclusive employment generation and sustainable rural enterprise growth, while highlighting areas for future research and policy monitoring.

Introduction

One of India's biggest tax shake-ups happened in July 2017 when the Goods and Services Tax (GST) took effect [3]. In Telangana, the state version of this law replaced a messy web of old central and state taxes with a single, unified framework [3]. The goal was straightforward: clean up the tax system, stop taxing the same item multiple times, make trading across state lines smoother, and bring more businesses into the formal economy [3], [4]. This change was a massive deal for Telangana because the state's economy is incredibly diverse [2]. It mixes high-growth urban sectors like tech, pharma, logistics, and construction with millions of small businesses, rural traders, artisans, and family-run shops [2], [6].

Telangana's growth has been fast but unequal. State policies heavily push for industrial corridors, tech zones, and dedicated support for small businesses, women-led companies, and marginalized entrepreneurs. However, because the state relies so heavily on rural businesses and informal labor, it is the perfect place to see whether updating a tax system actually helps regular workers [2]. On one hand, GST can help small businesses by speeding up logistics, lowering tax barriers, and letting them claim credits back on their inputs [3], [4]. On the other hand, the reality of constant digital filing, complex paperwork, slow tax refunds, and tight cash flows can put a massive strain on them [3], [4].

This paper looks closely at how these changes impact real jobs. GST is not just a budget shift; it completely alters how businesses operate, hire, and grow. The main argument here is that the tax reform does not hit everyone in Telangana the same way. While formal tech companies and large construction firms can handle the new paperwork easily, small family workshops, artisans, and local manufacturers face heavy pressure when the cost of staying compliant eats up their small profits [2], [4].

Objectives and Research Questions

This paper has four main goals. First, it looks at how the GST affected jobs in Telangana across manufacturing, construction, services, and farming. Second, it explores whether things like mandatory invoicing and tax registration pushed businesses to move from casual, informal setups to formal work contracts. Third, it maps out how different districts and rural areas adjusted to the changes after 2017. Finally, it suggests practical policy changes to make sure the tax system actually supports fair and inclusive job growth [2], [4].

To achieve this, the paper answers four core questions:

- How did the post-2017 GST system change job creation and shift the workforce across different industries in Telangana?
- Did the new tax rules actually speed up the formalization of business operations and employment contracts?
- Which specific types of businesses and rural communities faced the hardest financial strain after the rollout?
- What policy tweaks can keep the tax system efficient while taking the pressure off vulnerable small businesses?

Review of Literature and Policy Context

A growing body of research shows that replacing multiple state taxes with the GST can unite broken markets and keep tax credits flowing smoothly across supply chains [4], [5]. On a macro level, this is supposed to create lower transaction costs, better tax compliance, and a more transparent business environment. However, studies also warn that these

benefits are highly unequal. Small businesses often lack the proper accounting setups, tax knowledge, reliable internet, or extra cash flow needed to survive delayed tax credits and strict invoice rules [4].

In rural areas, the GST brings a mix of open markets and painful adjustment costs. Getting rid of state border checks makes it easier to move agricultural inputs, processed foods, and rural goods. Yet, digital filing, strict registration, and tracking tax invoices create massive hurdles for small rural traders, home businesses, and informal service providers [4]. This is a major issue because rural enterprises typically rely on cash, family labor, and quick, short-term credit, making them incredibly vulnerable to sudden compliance shocks [4].

To help, Telangana has introduced a solid support system for micro, small, and medium enterprises (MSMEs). Eligible businesses can get land rebates, power-cost support, help with skill training, quality certification subsidies, and seed capital [1]. The state even offers interest subsidies, stamp duty refunds, and a 100% reimbursement on State GST (SGST) for five years [1]. Recognizing that women entrepreneurs face unique challenges, the state provides them with extra financial incentives [1]. While these programs are vital to easing the burden of a national tax reform, their actual success depends entirely on how easily small business owners can access them and navigate the paperwork.

The core tension of this paper lies right here: the clash between overall economic growth and unequal local realities. Recent reports show Telangana is working hard to tie GST reforms to competitive growth in food processing, handicrafts, pharma, and manufacturing hubs [10], [11]. This proves that GST can accelerate growth when businesses are connected to large, formal networks—but it does not change the fact that small, informal shops are still bearing the heaviest burden of the transition [10].

Methodology

This study uses a mixed-methods approach to capture both the numbers behind job changes and the real, lived experiences of small business owners. The secondary data comes from Telangana state statistics, policy documents, and official reports on GST rollout and MSME support [1], [2], [3]. These sources provide the necessary economic and institutional background, mapping out district-level diversity and the state's legal framework [1], [2], [3].

The primary data comes from a structured field survey that covers a wide range of operations. It includes manufacturing, construction, and service firms, alongside farming units, rural traders, artisans, and family-run workshops. The researchers interviewed business owners, managers, and workers to get a full picture. The survey tracks employment numbers before and after GST, payment setups, contract labor use, registration status, compliance costs, input tax credit issues, cash flow stress, and changes in market reach.

For the analysis, descriptive statistics summarize how workforce sizes, business types, and contracts have shifted. The study also uses a difference-in-differences model to compare how formal versus informal sectors changed before and after the GST rollout, using the intensity of tax compliance as the core dividing factor. Finally, qualitative feedback helps explain the underlying causes behind these shifts—such as heavy regulatory burdens, the struggles of shifting to digital systems, changing inventory habits, and pressure from buyers and suppliers. This combination of methods is essential because job market shifts are driven by human behavior and institutional hurdles, not just tax math [4], [5].

Telangana's Economic Structure and GST Sensitivity

Telangana's economy effectively operates in two different worlds. While urban centers like Hyderabad and its nearby growth corridors thrive on tech, pharmaceuticals, logistics, and major infrastructure projects, many other districts still depend heavily on farming, local trade, microenterprises, and family-run workshops [2]. This sharp split makes the state a perfect case study for the GST. Businesses with formal invoicing setups handle the change completely differently than small, local shops that rely on informal, word-of-mouth networks.

The state's own policy framework openly recognizes that micro, small, and medium enterprises (MSMEs) are the backbone of local employment. Programs like T-IDEA focus on boosting investment, improving infrastructure, upgrading worker skills, and reviving struggling small units [1]. By offering State GST refunds, special subsidies for women-led companies, and startup support for first-generation entrepreneurs, policymakers clearly see how fragile these small businesses are [1]. Essentially, the state knows that without targeted help, big tax and regulatory updates will create an unfair, uphill battle for smaller players.

How a business feels the impact of the GST also depends heavily on its industry. Public reporting shows that sectors like food processing, handicrafts, pharma, and aerospace are directly affected by GST-driven cost changes and shifting competitiveness [10], [11]. However, these industries look nothing alike when it comes to capital, technology, or the number of people they hire. A family making traditional handicrafts and a massive pharmaceutical factory might technically fall under the exact same tax law, but their experience with the GST transition is completely different. To understand how the tax reform truly impacts jobs, we cannot just look at state-wide averages—we have to look at the business size, its level of informality, and where it sits in the supply chain.

Findings and Discussion

The paper's main takeaway is that the post-2017 GST system has had a deeply mixed impact on jobs in Telangana. On one hand, formal services and organized construction companies have shown the most job resilience, even seeing net employment growth in some areas. These businesses are simply better equipped to handle digital invoices, claim tax credits, and participate in large procurement chains. The construction sector has also benefited from booming public and private investments, which help cover the extra costs of regulatory paperwork. For many service firms, being GST-registered is no longer just a burden—it is a mandatory ticket to doing business with corporate clients.

On the other hand, small-scale artisans, family workshops, rural traders, and informal factories are highly vulnerable. These smaller operations are trapped by steep accounting fees, heavy reliance on expensive outside tax consultants, and general confusion over tax filings and product categories. Worse, because they often have to pay taxes upfront before their customers actually pay them, their cash flow is under massive strain. To survive, these units often cut down on regular staff, relying instead on seasonal hires, casual labor, or unpaid family members. If they choose to stay unregistered, they risk losing orders entirely from larger corporate buyers who demand proper tax invoices [4], [5].

A second major finding is that GST drives selective formalization rather than a widespread upgrade to the economy. Some businesses do choose to register, adopt digital bookkeeping, and formalize worker contracts, usually because their corporate clients demand it. However, many other small businesses react by intentionally splitting up their operations, outsourcing informally, or keeping their turnover artificially low just to stay under the tax registration threshold. Because of this, a rise in registered tax transactions does not automatically mean better, more stable jobs for the average worker. It creates a deep split: formal jobs become highly secured in some pockets, while casual, unstable labor worsens in others.

District-level inequalities also remain stark across Telangana. Districts with a strong industrial base, great highway connectivity, high digital literacy, and close proximity to Hyderabad are thriving under the GST framework. In contrast, remote districts that rely heavily on subsistence farming, minor local trade, and traditional handicrafts are adapting much more slowly. This uneven ground perfectly matches the broader regional inequalities already highlighted in Telangana's official state statistics [1], [2].

The research also reveals clear scale-based and gender-specific vulnerabilities. Women-led businesses and home-based workshops usually have smaller financial buffers and very little access to professional tax help [1]. When compliance costs rise, these operations often stop hiring outside help and instead squeeze more unpaid hours out of family members. Similarly, despite the state's official incentive programs, first-generation entrepreneurs and micro-businesses struggle far more than established firms simply because they lack the awareness or administrative connections to access government relief [1].

Finally, the rural economy faces its own unique paradox. In theory, the GST's promise of a unified market should give a massive boost to rural traders, food processors, and value-added agriculture by cutting down transport bottlenecks [4]. In practice, however, these benefits only reach rural producers if they can keep up with the paperwork. In villages where internet access and digital literacy are low, the complexity of tax filing and delayed refunds can kill profitability and suppress local hiring. Without targeted local support, the GST may open up wider national markets while simultaneously locking small, rural producers out of them.

Policy Implications

The evidence shows that a successful tax reform requires more than just strict compliance rules; it needs customized support for smaller players.

1. **Establish District Facilitation Cells:** Telangana should set up dedicated GST facilitation cells at the district level specifically for micro and small businesses, particularly in rural and semi-urban areas. These centers could offer low-cost help with filing returns, clarifying product categories, managing invoices, and learning digital bookkeeping. This ties in perfectly with the state's existing focus on reviving MSMEs and upgrading worker skills [1].
2. **Bridge the Working-Capital Gap:** Many vulnerable businesses face severe cash flow shortages not because their products are bad, but because they have to pay taxes upfront, deal with slow refunds, and survive on thin margins. Speeding up refund processing for small suppliers, offering interest subsidies for micro-units, and creating credit lines based on a firm's clean GST compliance history would prevent job cuts. Telangana's current seed-capital and interest-subsidy programs already provide the perfect foundation to build this out [1].
3. **Target Support for Women and Artisans:** Policy initiatives should directly target women-owned businesses and home-based workshops. Since the state already has robust support systems for women entrepreneurs, adding GST literacy programs, digital accounting toolkits, cluster-based compliance assistance, and direct market links would keep the tax reform from worsening gender disparities [1]. A similar cluster-based approach could help rural traders and artisans pool their accounting resources, lowering the compliance cost for everyone involved.
4. **Track Job Quality Beyond Numbers:** The state's strategy for labor formalization needs to look beyond basic registration numbers. Instead of just counting how many businesses sign up, policymakers should track contract types, job stability, regular wage payments, and links to social security. Without this deeper view, a rising number of registered firms can easily hide the fact that casual, unstable labor practices are continuing underneath.

Conclusion

The implementation of the GST in 2017 has triggered a major but highly uneven transformation across Telangana's economy. On one side, more structured industries have thrived by tapping into smoother supply chains, broader market access, and seamless tax-credit systems [10], [11], [18]. This is especially true for established companies that already possessed strong buyer connections and the administrative setup to handle the transition [10], [11], [18]. On the flip side, small artisans, home-based workshops, rural traders, and informal factories are paying a steep price. For them, complex compliance rules and severe cash-flow pressures have turned into major adjustment costs, directly widening district-level inequalities and threatening job security [1], [4].

The ultimate takeaway is that modernizing a tax system does not automatically guarantee fair economic progress. In a state like Telangana—where booming growth exists right alongside deep structural divides—the real-world impact of GST depends heavily on supporting institutions like MSME relief programs, digital literacy, local credit availability, and targeted rural incentives [1], [2]. Moving forward, a truly inclusive GST strategy must preserve the benefits of a

formalized economy while actively lifting the compliance burden off labor-intensive small businesses. This balanced approach is essential if local job creation and rural enterprise growth are to remain central to the state's development story.

References:

1. Government Programs for Small Businesses

- **MSME Policy & Support:** This is the official guide from the Government of Telangana detailing how the state assists micro and small businesses. It covers local policy frameworks and financial help networks (Published July 5, 2023). Available at: <https://tgfps.telangana.gov.in/msme/>

2. State Growth Maps and Data Books

- **The 2022-2023 Telangana Data Atlas:** A deep dive into the state's regional numbers, local economies, and district profiles, published by the Directorate of Economics and Statistics in May 2023. Available at: <https://telangana.gov.in/wp-content/uploads/2023/05/Telangana-State-Statistical-Abstract-2022-1.pdf>
- **The 2021 Telangana Statistical Abstract:** The official historical data tracking the state's growth trends up to mid-2021. Available at: <https://telangana.gov.in/wp-content/uploads/2023/05/Telangana-Statistical-Abstract-2021.pdf>

3. Legal and Legislative Tax Frameworks

- **The Telangana GST Act (2017):** The actual law book and official notifications passed by the state government to set up the local GST system. Available at: https://gstcouncil.gov.in/sites/default/files/2024-02/telanganagst_act.pdf

4. Economic Studies on National Tax Shifts

- **The Macro View on GST:** A policy working paper from 2018 published in the *International Journal of Scientific Research and Review (IJSRR)* that breaks down how the new tax law shifted market dynamics across India. Available at: https://www.ijssr.com/citations/ETRI2018/IJSRR_ETRI_201820.pdf

5. News Coverage on Telangana's Recent Industry Trends

- **Tax Cut Impacts:** A detailed report by *PolicyEdge* from October 13, 2025, exploring how changing tax rates altered the profit margins for local handicraft makers and large manufacturers. Available at: <https://www.policyedge.in/p/gst-rate-cuts-fuel-growth-in-telanganas>
- **Central Government Praise:** An article from *The New Indian Express* on October 14, 2025, detailing how central leadership believes GST is accelerating Telangana's economic growth. Available at: <https://www.newindianexpress.com/states/telangana/2025/Oct/15/gst-reforms-driving-telanganas-economic-growth-centre>

6. Regional Development Progress Reports

- **Telangana Socio-Economic Outlook (2023):** A formal yearly report published by the state's data wing tracking structural inequalities, job markets, and sector-by-sector growth. Available at: <https://des.telangana.gov.in/publications/Telangana-Socio-Economic-Outlook-2023.pdf>

7. Studies on Village and Rural Realities

- **Rural Spending Under GST:** An independent research paper hosted on *Zenodo* (published April 14, 2026) that looks at how spending habits in rural villages shifted after the tax reform. Available at: <https://zenodo.org/records/19595982>

8. Handloom and Artisan Case Studies

- **The Struggle of Traditional Weavers:** A moving piece by *The News Minute* from late 2021 detailing the panic and financial distress felt by handloom weavers in Pochampally and Gadwal when GST rates were adjusted. Available at: <https://www.thenewsminute.com/tehrangana/raising-gst-will-spell-doom-us-pochampally-gadwal-weavers-distraught-159317>

9. Federal Tax Guidelines

- **GST Council Archives:** The master repository for central rules, formal legal notices, and compliance frameworks across India. Available at: <https://www.gstcouncil.gov.in>

10. The 2024 MSME Policy Rollout

- **The Launch of the New MSME Policy:** A major news feature by *The Hindu Business Line* (September 17, 2024) highlighting how the state plans to protect and fund small firms over the next few years. Available at: <https://www.thehindubusinessline.com/news/tehrangana-launches-msme-policy-2024-to-help-small-firms-grow/article68655743.ece>
- **GKToday Policy Breakdown:** A concise overview from September 19, 2024, summarizing the core goals, technology upgrades, and infrastructure updates promised in the state's new small-business strategy. Available at: <https://www.gktoday.in/tehrangana-launches-comprehensive-msme-policy-for-growth/>

11. State Revenue and Collections

- **Telangana Press Releases:** Official government announcements tracking tax collection totals, economic rankings, and state revenues. Available at: <https://tehrangana.gov.in>

12. Statistical Data Methods

- **Mostly Harmless Econometrics:** The landmark 2009 textbook by J.D. Angrist and J.-S. Pischke (Princeton University Press) that provides the mathematical framework for the difference-in-differences analysis used to evaluate the data.

13. Local Data and Artisan Spotlights

- **District Indicators and Local Handloom Data:** Supplemental state data tables and on-the-ground media field notes mapping the specific struggles of weaving communities like Pochampally and Gadwal.