A STUDY ON IMPACT OF GST IN TIRUPPUR TEXTILE INDUSTRY

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Abstract: Goods and Service Tax or GST as it is known is all set to be a game changer for the Indian economy. The Finance Minister in his budget speech of Budget 2015 has announced time and again that the tax will be introduced on 1 April, 2016. Conceptually GST is expected to have numerous benefits like reduction in compliances in the long run since multiple taxes will be replaced with one tax. It is expected to bring down prices and hence the inflation since it will remove the impact of tax on tax and enable seamless credit.

The present study is conducted in Tiruppur garment industry and to consider the impact of GST in small and large scale industry. This study helps to know the factors which influencing the

Exporters according to the GST. This study helps to know the benefits of GST in Tirupur textile industry. From this study the researcher had gained lot of practical exposure the GST implementation in export industry .

Key Words: GST, Tax, Impact, Garment, Industry

INTRODUCTION:

GST is a consumption based tax levied on sale, manufacture and consumption on levied by state and central government. Exports and direct tax like income tax, corporate tax and capital gain tax will not be affected by GST. GST would apply to all goods other than crude petroleum, motor spirit, diesel, aviation turbine fuel and natural gas. It would apply to all services barring a few to be specified. With the increase of international trade in services, GST has become a global standard. The proposed tax system will take the form of "dual GST" which is concurrently levied by central and state government. This will comprise of:

- Central GST (CGST) which will be levied by Centre
- State GST (SGST) Which will be levied by State
- Integrated GST (IGST) – which will be levied by Central Government on inter-State supply of goods and services.
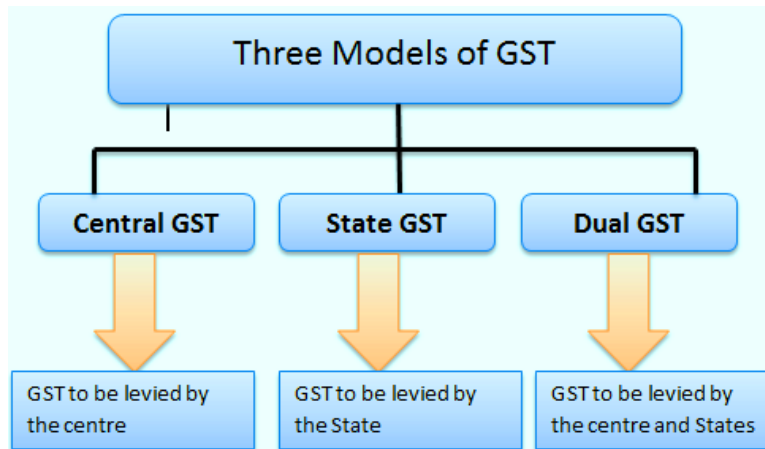
Many taxes has been subsumed under GST which are as under. Thus the research paper starts with the existing issues faced by the industry under service tax laws and based on the available information in the public domain and the issues faced captures the issues which need to be addressed from a financial industry perspective for GST. Further the paper has analyzed data collected from research articles and information for global practices for similar issues and data collected through interview and questionnaire from people in the field. Based on this analysis, the paper goes on to suggest changes or requirements that GST should address from a financial service industry perspective in Tiruppur garment industry

OBJECTIVES OF THE STUDY:

- To Analyze the reason for GST implementation in India.
- To study the effect of GST on large scale & small scale industry.
- To portray the benefits of GST in Tiruppur textile industry.
- To offer the Suggestions to groom the Tirupur textile industry based on GST.

NEED FOR THE STUDY:

The Need of the study brings the GST in uniform tax laws across all the states spanning across diverse industries. Here, the taxes would be divided between the Central and State government based on a predefined and pre-approved formula. In addition, it would become much easier to offer services and goods uniformly across the nation, since there won't be any additional state-levied tax. GST rollout missed several deadlines due to disagreement among many states over certain important issues on the new tax reform.

SCOPE OF THE STUDY:

To study the primary aims at analysing the development of Tiruppur textile industry according to the effect of GST. The study focuses on the impact of GST in Tiruppur city the scope of the study encompasses the Tiruppur textile industrialist and the impact of GST in apparel industry. The future will be focused on the study of GST in various sectors..

STATEMENT OF THE PROBLEM:

GST is one of the important factors in the tax rate system ,Where it was conceived to be a single uniform rate across all product categories. The implementation GST has so many problems like Fear of high tax rate and it has less awareness about the peoples who is in various Enterprises. One of the earlier expectations from GST was moderate tax rates on goods and services. The demerit GST have dashed all the hopes of a moderate tax regime at least in the near future.

LIMITATIONS OF THE STUDY: The researcher had the following limitations while conducting the study.

This study was carried out only among the exporters in Tiruppur

The sample size was restricted to 100 due to time constraints.

The sample was taken on the basis of convenience; therefore the shortcomings of the convenience sampling may also be present in this study.

7. REVIEW OF LITERATURE:

.**NISHITA(2014**) [1]examined "Goods And Service Tax: It's Impact On Indian Economy", and concluded in her research paper that GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed services tax – a justified step forward. She also stated that a single rate would help to maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services.

SHEFALI (2016) [2] she studied "A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy" and found that GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

AKANSHA and ASTHA (2016) [3] They observed that the article named " Goods And Services Tax In India - A Positive Reform For Indirect Tax System" that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. They further concluded that GST will have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Thus, necessary steps should be taken

POONAM (2017) [4] she studied "Goods and Services Tax in India: An Introductory Study' and concluded that GST would be a really necessary step in the field of indirect taxation. Paper has tried to relinquish information

concerning GST system. She additionally quoted in her research paper that Consumer's tax burden can just about scale back to 25% to 30%. Indian manufactured products would become a lot more competitive in the domestic and international markets. This taxation system would instantly encourage economic growth. GST with its transparent mode will prove easier to administer.

NITIN KUMAR(2014)[5] He explained that studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

RESEARCH METHODOLOGY:

The primary methods of data collection that is questionnaire technique was used to collect the data required. No of Respondents include both male and female. Convenience sampling method has been adopted under the non probability sampling technique and about 100 samples have been collected for the study.

RESEARCH DESIGN: A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure"

DESCRIPTIVE RESEARCH: Descriptive research is designed to describe something, such as demographical characteristics of exporters in Tiruppur textile industry. It deals with determining frequency with which something occurs or how two variables vary together. This study is also guided by and initial hypothesis.

SAMPLING SIZE: The study was conducted towards exporters. The size of the population is 100 and the survey was conducted in Tiruppur city.

SAMPLING METHOD: Convenience sampling was adopted in the research work under non-probability sample method.

PRIMARY DATA& SECONDARY DATA: To achieve the objective of the study, the primary data have been collected through questionnaire. This questionnaire aims to gather information related to exporters view and observations (satisfaction).The secondary data means already available data. (Books, library)

STATISTICAL TOOLS USED:

a. PERCENTAGE ANALYSIS: The percentage procedure provides statistics and graphical displays that are useful for describing many types of variables. The percentage procedure is a good place to start looking at your data.

$$\text{Percentage analysis} = \frac{\text{No of respondents}}{\text{Total no of respondents}} * 100$$

b. WEIGHTED AVERAGE ANALYSIS: The weighted average method, where the importance of the items varies, it is essential to allocate weights to the items. Thus weight age is a number standing for the relative importance of the items. Weighted average can be defined as an average of component items.

$$\text{Weighted average} = \frac{\Sigma wx}{\Sigma x} * 100$$

c. CHI- SQUARE ANALYSIS:

Chi – Square is a non parametric test of statistical significance for bivariate tabular analysis. Non parametric test, like chi – square, is a rough estimate of confidence. Chi – Square is used most frequently to test statistical significance of results reported in bivariate tables is integral to interpreting the results of chi – square test. This was used to find out the significance of relation between the factors that are compared. The quality $x2$ describes the magnitude of discrepancy between theory and observation and we are in a position to know whether a given discrepancy between theory and observation may be attributed to chance or whether it results from inadequacy of the theory to fit observed facts. If $x2$ is zero it means observed and expected frequencies coincide completely.

$x2 = \Sigma \ (O-E)^2/E$

Degrees of freedom = (row-1) (column-1)

Where O = Observed frequency

E = Expected frequency

The calculated value of $x2$ is compared with the table value, of x 2for given degrees of freedom at a certain specific level of significance (generally 5% level)

If calculated value is greater than the table value the difference is considered to be significant and null hypothesis is rejected

If calculated value is less than the table value the difference is not considered as significant and null hypothesis is accepted

8. DATA ANALYSIS AND INTERPRETATION:

S.NO	VARIABLES	CLASSES	PERCENTAGE
1	GENDER	MALE	75
		FEMALE	25
2	AGE	25-35	33
		35-45	58
		45-55	9
		ABOVE 55	0
3	EDUCATIONAL LEVEL	UG	14
		PG	78

		OTHERS	8
4	EXPERIENCE	BELOW 5 YEARS	20
		5-10 YEARS	60
		10-15 YEARS	10
		ABOVE 15 YEARS	10

INTERPRETATION: The above table shows that majority 75 percent of the respondents are male.58 per cent of the respondents are age group from 35 to 45 years, 78 percent of the
Respondents are post graduate. 60 percent of the respondents have experience from 5 to 10 years.

FACTORS EFFECTING LARGE SCALE INDUSTRY

S.NO	PARTICULARS	TOTAL SCORE	INFERENCE
1	Break in input credit chain.	4.2	Satisfied
2	Reduction in manufacturing cost.	3.95	Satisfied
3	Input credit allowed on capital goods.	3.9	Dis-satisfied
4	Input credit allowed on services	3.65	Dis-satisfied
	TOTAL	15.7	

MEAN SCORE= 3.92

INTERPRETATION: The above table shows that the Weighted average mean score is 3.92. The factors such as break in input credit chain, reduction in manufacturing cost are score above 3.92 respectively. Hence the respondents found these attributes to be highly satisfactory .The factors such as input credit allowed on capital goods , input credit allowed on services are below 3.92 .therefore the factors are dissatisfied by respondent.

FACTORS EFFECTING SMALL SCALE INDUSTRY:

S.NO	PARTICULARS	TOTAL SCORE	INFERENCE
5	Higher tax burden	4	Satisfied
6	Higher accounting problems	3.8	Satisfied
7	High cost of input	3.3	Satisfied

8	Problem towards competitive in large scale	2.7	Dis-satisfied
9	Burden on statutory regulations	2.65	Dis-satisfied
	TOTAL	16.45	

MEAN SCORE=3.29

INTERPRETATION: The above table shows that the Weighted average mean score is 3.29.factors such as higher tax burden, higher accounting problems, high cost of input are score above 3.29 respectively. Hence the respondents found these attributes to be highly satisfactory. The factors such as problem towards competitive in large scale, burden on statutory regulation levels are below 3.29 .therefore the factors are dissatisfied by respondent.

FACTORS OF BENEFITS FOR GST

S.NO	PARTICULARS	TOTAL SCORE	INFERENCE
10	Escaping tax evasion.	3.9	Satisfied
11	Allied market	3.5	Satisfied
12	Tax rates lowered	2.8	Dis-satisfied
13	Broader tax on tax	3.15	Satisfied
14	Eradicate tax on tax	2.75	Dis-satisfied
15	Brings buoyancy to the govt. revenue	3.5	Satisfied
	TOTAL	19.6	

MEAN SCORE=3.26

INTERPRETATION: The above table shows that the Weighted average mean score is 3.26 .factors such as escaping tax evasion, allied market, broader tax on tax brings buoyancy to the govt. revenue are score above 3.26 respectively. Hence the respondents found these attributes to be highly satisfactory. The factors such as tax rates lowered, eradicate tax on tax levels are below 3.26. therefore the factors are dissatisfied by respondent.

CHI-SQUARE TEST: educational level and Tax rates lowered tabulation

EDUCATIONAL LEVEL	STRONGLY AGREE	AGREE	NETURAL	DISAGREE	STRONGLY DISAGREE	TOTAL
UG	11	10	9	5	4	39

PG	5	5	10	4	13	37
OTHERS	7	5	2	7	3	24
TOTAL	23	20	21	16	20	100

H_0 - There is no significant Association between educational level and tax rates lowered

H_1 – There is a significant Association between educational level and tax rates lowered

STATISTICAL TEST	CALCULATED VALUE	DEGREES OF FREEDOM	TABLE VALUE	LEVEL OF SIGNIFICANCE	HYPOTHESIS
Pearson Chi-Square	10.87	4	9.49	5%	Rejected

INFERENCE: It is inferred from the above that the calculated value of chi square is greater than the table value. Hence the null hypothesis is rejected so there is a significant association between educational level and tax rates lowered

FINDINGS:
In demographic profile it shows that Majority.75 percent of the respondents are male.58 per cent of the respondents are age group from 35 to 45 years,78 per cent of the respondents are post graduate.60 per cent of the respondents have experience from 5 to 10 years

In weighted average result clearly infer that the factors are satisfied and not satisfied by the factors which know the impact of small and large scale industry, the result clearly infer that the factors are satisfied and not satisfied by the respondents for the benefits of GST.

In chi-square test is inferred from the above that the calculated value of chi square is lesser than the table value. Hence the null hypothesis is accepted so there is a significant relationship between educational level and tax rate lowered. In chi square test is inferred from the above that the calculated value of chi square is greater than the table value. Hence the null hypothesis is rejected so there is no significant relationship between educational level and tax rate lowered.

SUGGESTIONS:
With the implementation of GST, India took a step towards unified common national market. It aims to bring in increased efficiency and compliance and also boost government's 'ease of doing business' initiative. However, being a new, evolving law, there are certain improvements required. Few areas that need consideration are as given below:

▶ **Processes must be reduced** so that business can operate efficiently in the best interest of the people and for economic growth. **Filing of 37 returns** per GSTIN could be a very time consuming exercise, wherein everyone would not even have the bandwidth to comply with.

▶ . Relief must be given to small scale operators and particularly reduced processes should be applicable to them. They do not have finance or resource to comply. Much of India's business is one or two man show. The **facility to file quarterly returns** should be extended to assesses with up to 10 crore turnover.

▶ **Rates should be rationalized and reduced** to make India competitive and in interest of compliance and economic growth. The highest rate should be kept at 18% and there should be only few items that fall in 28% slab. Daily use items such as soaps, cremes, movie tickets, electrical goods should not be taxed at 28%.

▶ **Technological glitches of the GST network** should be sorted out on a war footing basis

▶ Further, there is also no provision to **amend GST Return** once uploaded, in case some clerical error is found later. Provision should urgently be made to allow rectification of returns.

▶ The **matching concept of input credits** requires large volume of data of the supplier to be matched with that of the receiver. This process should be simplified, wherein only broad main criteria may require matching like the invoice value and the tax amount and matching of specific, precise wide variety of data should not be required like invoice number and date.

▶ **Valuation Rules** lack clarity and are debatable. This is likely to lead to litigation and transfer pricing issues / litigation. These rules need to be rationalized, simplified and be fair to one and all.

▶ In case **IGST is paid instead of CGST and SGST**, and vice-versa, the recourse available is only refund. Assesses should be allowed to self-adjust in such cases.

▶ In respect of **capital goods** received on (Capital goods in transit), **transitional credit** of tax paid in earlier regime should also be available. **Transitional input credit** should also be available on goods or services are delivered or received before the appointed date and the assesses received the **invoices after appointed day**.

▶ . **Anti-profiteering provisions** need reconsideration as these may unnecessarily cause hardships to businesses. System should be made to ensure that this is not misused so as to cause difficulties.

▶ Composition scheme should also be provided to **small scale service providers**.

▶ **Exempt supplies** should be excluded from the term Aggregate Turnover ('AT') for the purposes of determination of registration requirements.

CONCLUSION:

This study deals with the discussion with GST and it describes the benefits for the exporters in Tirupur garment Industry. This introduction of GST will usher in a plethora of changes in the textile business of India with an overall positive impact on the sector However GST would help exporters. The cash dealing would significantly reduce. The unorganized industry would not be advantaged. The compliant would find their goods competitive and this protected sector would also join in contributing to tax in addition to employment etc which was there even today. Stocking pre GST would reduce in this industry. Most smaller players whether in the textile processing, job workers, fabric manufacturers or garment units would have to bring in discipline in their recorded purchases and proper accounting which has not been strong in the past.

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