

Impact of GST on Textile Shops in Ernakulam District.



Sreelakshmi V. S, Varsha Baiju, K.G.Rajani

Abstract: Goods and services tax (GST) is an indirect tax charged on the supply of various goods and services. Its principle of destination based taxation consumption. This study looks into the effect of GST on textile shops in Ernakulam District, Kerala, India. In India, this tax system plays a significant role not in the ground of textile sectors but also in the field of many other sectors that deals with money matters. The study is done by way of data collection. 50 questionnaires were issued for the collection of data in different textile shops. The conclusion of the study is that there is a makeover in sales volume with respect to GST and a great impact in the cost of textile products after the arrival of GST. At the same time there is a slight change in the profitability of textile shops.

Keywords: Central Excise Duty, GST, Octroi, Service Tax, Value Added Tax.

I. INTRODUCTION

GST was introduced in India from 1st July, 2017. It is popularly endorsed as, “one nation one tax will do away with a host of indirect taxes”. Tax is levied when a consumer buys a goods or renders a services. The current tax system has various taxes paid at various points in the process of the production of a product. The main object of GST is to unite most of the current taxes with the single, comprehensive tax. This single tax engages several taxes such as Central Excise Duty, Services Taxes, Additional Customs Duty, Surcharges, State level Value Added Taxes, and Octroi. Sales, purchase, transfer, barter, lease, imports of various goods and services etc. are some of the transactions in which GST is imposed on. The changes under interstate transportation of goods and services have also come under GST regime. The role of GST is vital in eradicating the cascading effect of taxes on the production and distribution of prices. In the supply chain the final consumers bears the tax charged by the final dealers. Thus it presented an opportunity to stop the black money and corruption in the country. It would also give people a chance to do honest business which means reducing the occurrence of illegal businesses to some extent.

The introduction of GST is not just a tax or social reform that will judge people on the path to honesty and also benefit the poor the most. This has created many opportunities to the Government for improving tax system of the nation.

II. CONTRIBUTORIES

The M.S.Shebazbano Khan and Dr.Rashmisoni (2018) conducted a “study on impact of GST on textile hub in Mumbai”. The study concludes that GST empowers a constructive input credit system. It also suggests that GST would help textile industry by getting more register tax payers under a well regulated system. According to them, “in a textile industry there a positive impact of GST in terms of both global and national competition.”

A.S Sreeshma, M. Aswamalika and V. Aparna (2018) examine “the impact of GST on branded textile products.” The conclusion of the study is that “after the arrival of GST many consumers realized that no discounts and offers are allowed for the branded products. It was also found that there is a great change in the purchasing behaviour of the consumers.”

Indus s, Kirubagaram k (2018) is observed about a study on GST and its impact on textiles shop in Coimbatore Tamil Nadu. The opinion about this study is the motive of GST is to remove the multiple taxes that are levied from all sectors including textile shops. People with low level income suffer a lot due to implementation of GST.

Meenusrivastava (2018) has expressed the view in title GST effect on textile and apparel industry of India – An overview. The researcher concluded the study with the opinion that that there is a huge tax levied on textiles due to which the depending on GST rates is finally undaunted. In textile sector GST radically change the path of current taxes in India.

Urvashi Gupta (2018) scrutinizes the “impact of GST on textile industry in India.” According to her study “GST is introduced to break in input credit claim. The purpose is to decrease themanufacturing cost and also to permit the input credit on capital goods.”

Jyostnaoberoi (2017) analysed GST as a “game changer” for the textile sectors in India. The study concludes that by bringing a positive impact on the textile sector, GST will aide a drastic changes in the textile business in India. According to the researcher

“In the Indian economy GST plays a key role in preventing the overspill of revenue which is occurring in the current system and at the same time it will provide consolation to tax payers in terms of less amount in tax burden.” Tanushree Gupta (2016) learned “an impact of good and service tax on the Indian textile industry.”

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The conclusion of this study is that, "it is difficult to implement zero rating and involves a powerful contrivance for refunds and even advanced tax jurisdictions."

III. OBJECTIVES

- To examine the effect of GST on sales volume in textile shops.
- To understand the change in cost of textile products after GST.
- To ascertain whether there is any change in the profitability of textile shops after the arrival of GST.

IV. METHODOLOGY

The study is directed based on both primary and secondary data.

A. Primary data:

As part of primary data collection, 50 questionnaires were collected from the textile shops in Ernakulam District.

B. Secondary data:

The secondary data collection for the study is developed through using information available on different websites, newspapers and journals.

C. Tools for data analysis:

Chi-square test and frequency analysis are the two main statistical tools used for the analysis of data.

V. HYPOTHESIS

H₀ – The analysis of the data do not show any significant change in the sales volume with respect to the introduction of GST.

H₁–The analysis of the data do show any significant change in the sales volume with respect to the introduction of GST.

VI. ANALYSIS AND INTERPRETATION

A. Table 6.1 showing effect of GST on sales volume in textile shops.

	value	df	Asymp. Sig.(2-sided)
Pearson chi-square	6.235	2	0.044
Likelihood ratio	6.356	2	0.042
Linear-by-linear association	5.157	1	0.023
N of valid cases	50		

Chi-square test

(Source: primary data)

The following study indicates the relationship between sales volume and GST. The data is collected through questionnaires.

From table 6.1 under the study of chi-square analysis there is a significant relationship between sales volumes of textile businesses with that of the GST. Since the table value is less than 0.05 i.e. 0.0444 **H₁** is accepted and **H₀** is rejected.

B. Table 6.2 showing change in cost of textile products after GST.

Valid		Frequency	Percentage
	Increase	23	46
	Decrease	12	24
	Remains same	15	30
	Total	50	100

Frequency analysis

(Source: primary data)

In order to study the changes that take place in the costs of textile products after GST. The information is collected through questionnaire.

From table 6.2 out of 50 textile shops, 23 of them are of the opinion that there is an increase in the cost of their products after GST. Only 12 are in the state of decline and the remaining 15 are showing no change in the costs of their products. The tool used for the study is frequency analysis.

C. Table 6.3 showing change in profitability after GST.

Valid		Frequency	Percentage
	Increase	12	24
	Decrease	18	36
	Remains same	20	40
	Total	50	100

Frequency analysis

(Source: primary data)

In order to ascertain the changes that take place in the profitability of the textile shops after GST. The following data is collected by way of questionnaire.

From table 6.3 out of 50 textile shops, 20 of them shows no change in their profitability. 18 of them are complaining that there is a decrease in the amount of profit after GST. It is clear from the above table that only 12 are with the opinion of increase in profitability. The tool used for the study is frequency analysis.

VII. FINDINGS

1. Under the chi-square test analysis the study shows effect of GST on sales volume in textile shops. From the analysis made through chi-square test the result shows the acceptance of (**H₁**) and rejection of (**H₀**). As per the hypothesis set before, it is clear that there is a significant relationship between sales volume and GST.



2. Out of 50 textile shops around 46% of them shows an upward trend in the cost after the arrival of GST. Only 24% is indicating a downward trend in the change in cost of products and remaining 30% indicates no change in their cost trends.
3. Out of 50 textile shops around 40% of them are showing no change in their profitability. Only 24% are with the opinion of increase in profit for their textile shops and remaining 36% shows decline in their profit trends

VIII. CONCLUSION

The study examined the impact of GST on textile shops in Ernakulam District.

The main purpose behind the study is to understand the effect of GST on sales volume in textile shops, to know the change in cost of textile products after GST and also to ascertain the profitability of the textile shops.

From the study, it is concluded that there is high change in cost of the textile products after the arrival of GST. Majority are with the opinion that the profitability of the textile shops remain same even after the implementation of GST.

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