



**Special Issue of First International Conference on Advancements in Research and Development
GST-Triggered Issues That Confront the Country's Textile Sector**

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Abstract

Implementation of GST in a country like India is easier said than done. Now GST is a reality. The dust has settled down and some call in a pyrrhic victory. But the GST plant has grown new shoots. Rising imports have been eating into the profit of the SME players. Import barriers have been whittling down. So have the export incentives. Hence the researcher concludes that the government ensure that delays in the release of ROSL are avoided. ROSL disbursements and IGST refunds stifle the capital inflow for the units. The schemes are laudable but their inefficient implementation plays the spoilsport. None can pardon the delay that accompanies the disbursements of ROSL and refunds of IGST. The government should ensure that such delays do not hurt the textile players given that the GST regime has lent more transparency to the sector's operations. Input tax credit or ITC is available in respect of all the tax paid on capital goods. Hence the units should import state-of-the-art technology to manufacture textile goods. The GST regime has almost done away with the duty drawback system. This will go a long way in promoting the export of textile products.

Key words: barriers; capital; dust; incentives pyrrhic victory; shoots; stifle; whittling

1. Introduction

1.1 Theoretical background

GST is a multi-stage tax; the item concerned changes hands many times as it goes through the supply chain -- from manufacture to final sale to the consumer. Typically, the supply chain stages, from manufacture to final sale to the consumer, involve purchase of raw materials, production, warehousing, etc.

1.2 Statement of the problem

The consequences of the implementation of the GST regime in India was chaos, pure and simple. Some sectoral players who catered to the domestic market alone felt let down while players who catered to the export market were laughing all the way to the bank. One such sector has been the textile sector and given its contribution to the

country's economy, the GST regime was required to ensure a level playing field for all the players in the sector. It is this problem that the present study seeks to address.

1.3 Review of literature

1. The proposed GST rate structure for the textile industry considers the current effective incidence of tax and tries to eliminate the inefficiencies of the pre-GST structure, while protecting the end-customer from an abnormal rise in prices (texmin.nic.in, 2017).

2. The Goods & Service Tax or GST was rolled out on July 1st 2017 (News Mobile Business Bureau, 2017). The handloom sector has been one of the worst hit by the new GST regime, more so the weavers, who are the backbone of this major sector of the Indian textile industry.

3. The GST rate on apparels is determined on a category basis, as apparels up to INR 1000 will attract five percent GST while those above this mark will be taxed at 12 percent. (Saurabh, 2017). According to the Apparel Export Promotion Council (AEPC) the positive impact of GST is yet to be felt by the garment industry.

4. Apparel makers and wholesalers highlight that the implementation of the goods and services tax has brought business to a standstill as their unregistered suppliers and customers try to stay out of the ambit of the new tax regime (Soumya, 2017). There are about 25 percent of dealers who do not pay tax at all according to informed sources. About 10-20 percent of the business comes from unregistered dealers, who only want cash deals. What happens to the business if they refuse to comply with GST is anybody's guess?

1.4 Research gap

The reviewed literature could have covered the various other thorny issue that the implementation of the GST regime has engendered. It is this gap the present study proposes to bridge.

1.5 Scope of the study

The study confines itself to the two major stakeholder categories associated with the textile space, namely, textile businesses and textile industry consultants.

1.6 Objectives of the study

The objectives of the study are to identify and analyse the GST-triggered issues that confront the textile sector

1.7 Hypothesis proposed to be tested

The study proposes to test the following hypothesis:

“Import barriers have been whittling down”

1.8 Research design

The following paragraphs explain how the research is designed.

1.8.1 Research methodology

The study is descriptive in nature and uses the ‘fact-finding’ survey method. Interview schedules specially designed for the purpose were administered to the respondents for collection of primary data.

1.8.2 Sources of data

Data required for the research has been collected from both primary and secondary sources. Primary data has been collected from textile manufacturers and textile industry consultants. Secondary data

has been collected from various sources relating to the topic, like articles from the financial press, house journals of industry associations / trade bodies and the websites of the Ministry of Textiles of the government of India

1.8.3 Sampling plan

Textile manufacturers: Given the limited number of textile manufacturers operating in the area covered by the study and the limited time at the disposal of the researcher, purposive or judgement sampling under the non-probability method was undertaken. The researcher selected 30 textile manufacturers operating in the area at least for the past 15 years.

Textile industry consultants: Given the limited number of such consultants operating in the area covered by the study, purposive or judgement sampling under the non-probability method was used. The researcher selected 30 such consultants operating in the area covered by the study at least for the past 10 years.

1.8.4 Data collection instruments

Interview schedules, specially designed for the purpose, were administered to the respondents for collection of primary data. The Interview Schedules featured open questions and closed questions.

1.8.5 Data processing and analysis plan

Non-parametric statistical units were used to test the association between some qualitative characters and conclusions were drawn on the basis of formation of H_0 and H_1 . To be specific, Likert scale and chi-square test were applied to test the hypotheses.

1.8.6 Limitations of the study

Primary data has at times been deduced through constant topic-oriented discussions with the respondents. It is possible that a certain degree of subjectivity, albeit negligible, has found its way in.

1.9 Analysis of primary data collected from the 30 textile manufacturer respondents

In the following paragraphs, the primary data collected from the 30 textile manufacturer respondents is analysed.

1.9.1 GST-triggered issues that confront the textile sector

There are several GST-triggered issues that confront the textile sector, it is claimed in informed circles. They remain either unresolved or partly resolved. Hence the researcher requested

the respondents to disclose such issues as the sector is confronted with. Their replies to the query appear in the following Table-2. Rising imports eat into the profit of the SME players, remind 27 respondents. Delays in ROSL disbursements and IGST refunds block the capital

of the textile players, complain 26 respondents. Import barriers have been whittling down, rue 25 respondents. Delay in refunds to apparel exporters delays procurement of textiles, regret 25 respondents. Export incentives have been whittling down, assert 24 respondents.

Table-1 GST-triggered issues that confront the textile sector

GST-triggered issues	Number of respondents
Rising imports eat into the profit of the SME players	27
Delays in ROSL disbursements and IGST refunds block the capital of the textile players	26
Import barriers have been whittling down	25
Delay in refunds to apparel exporters delays procurement of textiles	25
Export incentives have been whittling down	24

1.10 Analysis of primary data collected from the 30 textile industry consultants

In the following paragraphs, the primary data collected from the 30 textile industry consultants is analysed.

1.10.1 GST-triggered issues that confront the textile sector

There are several GST-triggered issues that confront the textile sector, it is claimed in informed circles. They remain either unresolved or partly resolved. Hence the researcher requested the respondents to disclose such issues as the

sector is confronted with. Their replies to the query appear in the following Table-4.

Delays in ROSL disbursements and IGST refunds block the capital of the textile players, complain 27 respondents. Delay in refunds to apparel exporters delays procurement of textiles, regret 27 respondents. Government has not raised the duty drawback rates or ROSL for yarn fabric and garments, cite 26 respondents. Rising imports eat into the profit of the SME players, remind 24 respondents. Import barriers have been whittling down, rue 22 respondents. Export incentives have been whittling down, assert 19 respondents.

Table-2. GST-triggered issues that confront the textile sector

GST-triggered issues	Number of respondents
Delays in ROSL disbursements and IGST refunds block the capital of the textile players	27
Delay in refunds to apparel exporters delays procurement of textiles	27
Government has not raised the duty drawback rates or ROSL for yarn fabric and garments	26
Rising imports eat into the profit of the SME players	24
Import barriers have been whittling down	22
Export incentives have been whittling down	19

Conclusions

Conclusions are inferences / generalisations drawn from the findings and relate to hypotheses. They are answers to the research questions or the statements of acceptance or rejection of hypotheses. As explained already, this study proposes to test the following hypothesis:

“Import barriers have been whittling down”

Hence H_0 and H_1 are as follows:

Table.3. Reveals the computation made using MS-Excel.

Category	Observed Values		
	Yes	No	Total
Textile manufacturers	25	5	30
Textile industry consultants	22	8	30
Total	47	13	60
Category	Expected Values		
	Yes	No	Total
Textile manufacturers	23.5	6.5	30
Textile industry consultants	23.5	6.5	30
Total	47	13	60
	Yes	No	
o-e	1.5000	-1.5000	
	-1.5000	1.5000	
(o-e)^2	2.2500	2.2500	
	2.2500	2.2500	
((o-e)^2)/e	0.0957	0.3462	
	0.0957	0.3462	
CV	0.1915	0.6923	0.8838
TV			3.8415
P			0.9269

The calculated value of χ^2 is 0.8838, lower than the table value of 3.8415 for an alpha of 0.05 at one degree of freedom. Hence the null hypothesis is not rejected, and the research hypothesis is rejected. $p=0.9269$ is the inverse of the one-tailed probability of the chi-squared distribution.

Recommendations

The following are the researcher’s recommendations:

1. Delays in ROSL disbursements and IGST refunds stifle the capital inflow for the units. This is a common characteristic that underlies all well-meaning government schemes. The schemes are laudable but their inefficient implementation plays the spoilsport. None can pardon the delay that accompanies the disbursements of ROSL and refunds of IGST. The government should ensure

H_0 : Import barriers have not been whittling down
 H_1 : Import barriers have been whittling down
 On the basis of the primary data collected from the respondents, vide Tables: 1 and 2, a chi-square test was applied to ascertain the association, if any, between the three variables. The Table.3. Reveals the computation made using MS-Excel.

that such delays do not hurt the textile players given that the GST regime has lent more transparency to the sector’s operations.

2. Delays in refunds particularly hurt the apparel exporters since vendors will not supply textiles on credit. In the absence of textiles, one cannot expect the apparel exporters to manufacture apparels, let alone export them! This partly explains the falling apparel exports of the country in volume and value terms.

3. Input tax credit or ITC is available in respect of all the tax paid on capital goods. Hence the units will do well to import state-of-the-art technology to manufacture textile goods. Such imports will no longer be expensive, with ITC being available for all the tax paid on capital goods.

4. The GST regime has almost done away with the duty drawback system. This is because the input

tax credit will be provided in the form of a refund. This will go a long way in promoting the export of textile products.

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