

Impact and Repercussion of GST in Surat city in 2018

-With splashing reflection on Textile Sector

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Abstract:

The term textile derived from the Latin 'texere' (to weave) and was originally applied to woven fabrics. Now, it is a general term for fibres, yarns and other material that can be made into fabrics or fabrics produced by interlacing or any other construction method. Textiles thus includes threads, cords, ropes, braids, lace, embroidery, nets and fabrics made by weaving, knitting, bonding, felting or tufting, etc. The study covers the whole of Surat city namely 5 zones Udhna, Varachha, Central, Athwa and Vesu. The survey covers all age groups from varied segments and data is collected through primary and secondary sources. Necessary statistical tests are applied to derive conclusions.

Keywords: Textile history, progression of textile sector, government initiatives, Surat textile industry.

Introduction:

Yarn and cloth were dyed and printed from very early times. Specimen of dyed fabrics have been found in Romanians of the 2nd century B.C. There is an evidence of production of printed textiles in India during 4th century B.C. By the early middle ages certain Turkish tribes were skilled in the manufacture of carpets, felted cloths, towels and rugs. In Mughal India (16th and 18th century) and perhaps earlier the fine muslins produced at Dacca (Bangladesh) were sometimes painted or printed. In Sicily in 827 A.D. beautiful fabrics were produced in palace workshops at Palermo. In 1266 after the conquest of Sicily by the French the weavers fled to Italy. French manufacture of woven silks began in 1480 and in 1520. Francis-I brought Italian Flemish weavers to Fontainebleau to produce tapestry under the direction of king's weaver. English textiles of 13th and 14th centuries were mainly linen and wool. Silk was being woven in London and Norwich in 1455 and 1564.

Effects of Industrial Revolution:

The textile industry remained essentially a cottage industry until 18th century. A co-operative group of workers operated a mill in Zurich and another in Derby, England, in 1717. Factory organization became most advanced in the north of England and the Industrial Revolution at its highest between 1760 and 1815 greatly accelerated the growth of mill sector.

The Textile Industry: History:

The term textiles include a broad range of other processes such as knitting, tufting, felting and so on. It has also been extended to include the making of yarn from natural or synthetic fibers as well as the finishing and dyeing of fabrics.

Textile Sector in India

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 13 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has split into broad segments. The unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The textile industry employs about 105 million people directly and indirectly. India's overall textile exports during FY 2017-18 stood at US\$ 37.74 billion.

Market Size

The Indian textiles industry is currently estimated at around US\$ 150 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP).

Indian exports of locally made retail and lifestyle products grew at a compound annual growth rate (CAGR) of 10 per cent from 2013 to 2016, mainly led by bedding bath and home decor products and textiles

Some of initiatives taken by the government to further promote the industry are as under:

- The Directorate General of Foreign Trade (DGFT) has revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for two subsectors of Textiles Industry - Readymade garments and Made ups - from 2 per cent to 4 per cent.
- The Government of India plans to introduce a mega package for the powerloom sector, which will include social welfare schemes, insurance cover, cluster development, and upgradation of obsolete looms, along with tax benefits and marketing support, which is expected to improve the status of power loom weavers in the country.
- The Government of India has taken several measures including Amended Technology Up-gradation Fund Scheme (A-TUFS), launch of India Handloom Brand and integrated scheme for development of silk industry, for the strategic enhancement of Indian textiles quality to international standards.

Progression of Textile Sector in Surat

Surat, an emerging city in the state of Gujarat, is known as the textile city of Gujarat. And, the tagline is perfectly suited to the city. The textile industry is one of the oldest and the most widespread industries in Surat. A humongous part of the city's population is associated with the textile industry.

Overview of the Surat textile industry

The textile industry in Surat is mainly engaged in the activities of yarn production, weaving, processing as well as embroidery.

Surat is well known for its synthetic products market. It is mainly engaged in the production and trading of synthetic textile products.

Nearly 30 million metres of raw fabric and 25 million metres of processed fabric are produced in Surat daily. The city has several textile markets that exist since times immemorial. Zampa Bazaar, Bombay Market, JJ Textile Market and Jash Market are among them. Katat Gam, Magdalla and Udhana are the areas of Surat where manufacturing is mainly concentrated. In the course of time, people from various other places like Rajasthan and Kolkata settled in Surat in order to carry out their textile business.

Gst incorporated into textile sector

In the pre-GST regime, every purchaser including the final consumer paid tax on tax. This tax on tax is called Cascading Effect of Taxes.

GST avoids this cascading effect as the tax is calculated only on the value-add at each stage of transfer of ownership. This indirect tax system under GST improve the collection of taxes as well as boost the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate.

Review of literature:

- NISHITA(2014) [5] 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.
- Nitin (2014) [1] studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India will help in removing economic distortion by current indirect tax system and is expected to encourage unbiased tax structure which is indifferent to geographical locations.
- Monika And Upasana (2015) [3] studied “GST in India: A Key Tax Reform” and concluded that implementation of GST provides a simple, user- friendly and transparent

tax system. GST stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. Its execution will also result in lower cost of doing business that will make the domestic products.

- Shefali (2016) [4] 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.
- Akanksha and Aastha (2016) [2] in their 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) [6] 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.
- Mahender (2017) [7] studied “GST Effect on Manufacturing Industry – India” and concluded that manufacturing industry is playing a significant role in Indian business scenario hence manufacturing sector is economic growth of nation. The research paper stated that “The cemetery industry can enjoy operating and transportation expenses with the introduction of GST”. Automobile industry will also get benefits of the GST. Consumer and durable sector expenditure will also reduce. Telecom and banking and financial services will face the risk of rise in operating expenses. Textile and garment industry maybe negatively impacted with the introduction of GST. Media companies (DTH) may also have negative scenario.

Research Methodology

The study is based on a vast source of primary data which is collected through a well designed scientific structured questionnaire. Pilot survey was conducted by a team of researchers and necessary changes were incorporated. The survey was conducted in 5 zones of surat city viz. Udhna, Varachha, Athwa , Central and Vesu to cover all age groups above 14 yrs and respondents from all sectors to have a detailed insight of the study .

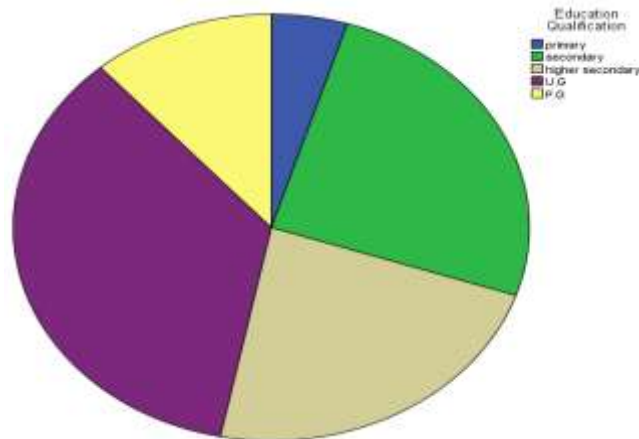
The study is also based on secondary sources of data and information, different newspaper articles, relevant websites. Different opinions of companies involved in textile industry in order to make study effective one.

Objectives of the study:

1. To study the awareness about GST amidst the population in Surat.
2. To study the difference in the awareness level amidst the population as per gender quotient.
3. To study product wise impact of GST in textile trade.
4. To obtain the views of the respondent regarding the effect of GST on future Indian economy.

Data Analysis

Educational qualification



Awareness about GST application amidst the population in Surat city. The pie Chart states that maximum awareness is among the students of UG level.

Gender wise awareness of GST

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Gender	.541	252	.000	.217	252	.000

a. Lilliefors Significance Correction

Ho: Male & female awareness level about implication of GST is same
 H₁ : Male & female awareness level about implication of GST is different.

Conclusion :- Since our data is not normal (sig-0.000 < 0.05), so we apply Non-parametric test (Run test).

Runs Test 2

	Gender
Test Value ^a	1.0476
Cases < Test Value	240
Cases >= Test Value	12
Total Cases	252
Number of Runs	23
Z	-.608
Asymp. Sig. (2-tailed)	.543

From the run test we can see that p-value is significant i.e. ratio is different.

krushkal wallis test run on the data reveals the impact of GST the most on threads and miscellaneous products.

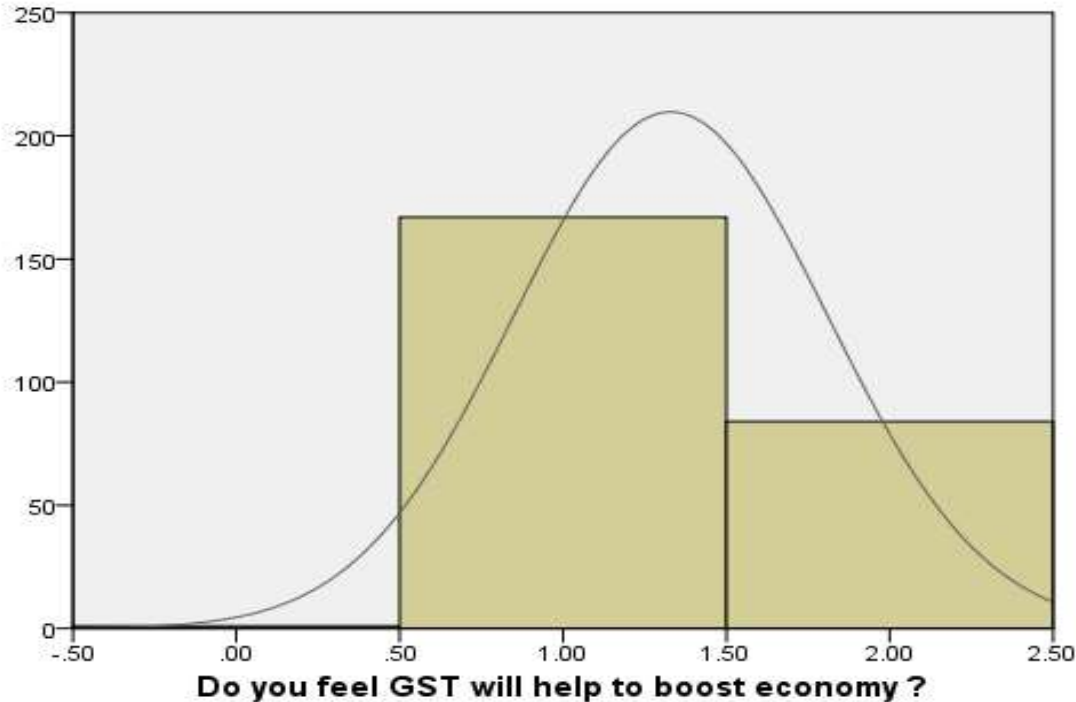
Test Statistics^{a,b}

	Sarees	Dress	Fabrics	Duppata	Threads	Others
Chi-Square	1.163	.534	.021	1.023	.011	.011
df	1	1	1	1	1	1
Asymp. Sig.	.281	.465	.884	.312	.915	.915

a. Kruskal Wallis Test

b. Grouping Variable: Gender

Histogram with normal curve



H0: GST will not help to boost economy.

H1: GST will help to boost economy.

Here curve is normal,

From the graph we conclude that, GST will help to boost economy.

Conclusion:

The study concludes that there is a growing awareness amidst the population of Surat city. However the information is deeply acquired by UG students. The effect of this tax structure is mostly experienced by threads manufacturers and other traders. The researcher from the study derives that the population is optimistic that GST will boost up the economy after initial disturbances and misconceptions.

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