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Goods and Services Tax and its Effect on Textile Traders in Kerala: A Study of Kochi City

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ABSTRACT

The introduction of GST is regarded as an important landmark in the history of tax reforms in India and it has brought so many acclaimed advantages like the removal of cascading effects of tax, reduction in transportation time and smooth flow of business activity etc. This new tax was expected to benefit states like Kerala which depends on other states for consumption activities. In the given context, this study tries to understand the effect of GST implementation on textile traders in the Kochi district of Kerala. The study found that majority of the traders were not well prepared for the transition to GST and there was an increased tax compliance after the transition to GST. There was no improvement in the business performance and there was a delay in getting the input credit tax. However, there was a fall in the prices and transport time in the post GST period.

Keywords: *GST; Textiles; Traders; CGST; SGST.*

1.0 Introduction

The introduction of Goods and Services Tax (GST) on 1 July 2017, under the Constitution (One Hundred and First) Amendment Act 2016, is heralded as a landmark in the field of indirect tax reforms in India. It is considered as the biggest tax reform since 1947 and a significant mile stone in the reform of domestic trade taxes in India. The main aim of GST is to reduce the cascading effect or double taxation and paves the way for common market.

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It is believed that the introduction of GST would make Indian products competitive in The domestic as well as international market. GST has replaced a number of state and central taxes. The important taxes that have been subsumed in GST are cenvat and service tax at the central level and state VAT/sales tax, central sales tax, and entry tax at the state level along with a number of additional or special duties and cesses and surcharges. GST embodies the principle of 'one nation, one tax and one market.' The government has categorized GST into five major slabs: 0 percent, 5 percent, 12 percent, 18 percent and 28 percent.

There are certain specific features of GST which distinguishes it from the previous indirect tax system. GST would be applicable on 'supply' of goods or services as against the existing concept of tax on the manufacture and sale of goods or on provision of services. It is a destination based consumption tax. The tax shall be levied as Dual GST concurrently by the Union (Central tax- CGST) and the states (including the Union Territories with legislatures) (State tax- SGST)/ Union territories without legislatures (Union Territory tax – UTGST). Inter-state supply of goods or services would attract an Integrate GST (IGST) which would be collected by the central govt. Import of goods and services would be treated as inter-state supplies and would be subject to IGST. Import of goods would have the applicable customs duties along with the IGST. Export of goods would be zero rated. The threshold exemption would be common for both CGST and SGST. Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. Tax payers with an annual turnover of Rs.20 lakhs (Rs.10 lakhs for special category states as specified in article 279 A of the Constitution) would be exempted from GST. To ensure that the credit of SGST used for payment of IGST is transferred by originating state to the centre, accounts have been settled periodically between the centre and the state. A composition tax scheme option[1] would be available to small tax payers having an annual turnover of uptoRs. 1.5 Crore[2]. Composition scheme may not be applicable for inter- state suppliers and specified category of manufacturers (CBIC, 2019).

GST implementation is claimed to have various advantages over the previous tax regime. Under GST regime, if a firm has to claim the input tax credit they must procure the supplies only from a registered dealer. Once registered they will have to file returns and upload invoices to enable them to get the input credit. Once registered all sales and purchases and income flow can be tracked by the income tax departments, making the tax evasion difficult. The continuation of ITC chain across tax jurisdictions is expected to reduce cascading of taxes, improve tax compliance (by capturing paper trails of transactions) and reduce transaction costs associated with inter-state transactions. The introduction of E Way (Electronic Way) is a major shift from the previous tax regime. One e-way bill for movement of the goods throughout the country ensures a hassle free movement for transporters throughout the country (Mukherjee, 2019).

2.0 Background for GST

The ultimate objective of equity in taxation is to bring benefits to poor. There are two types of equity in taxation: vertical and horizontal. The former one bears a high marginal rates while the latter stand for broad based, simple and translucent tax system (Rao, 2000). Horizontal equity also refers to the firming of administration and execution of the tax rules, and development of proper information systems and automation.

In order to achieve above scenario, Government of India initiated many reforms through certain committee reports. A Tax reform Committee was appointed in 1953 to find ways of financing Second Five Year Plan (Rao, 2000). Kaldor was invited to India to trace new sources of revenue in 1957-58 and recommended expenditure tax. Though it was introduced, it was withdrawn after three years as the net proceeds were not sufficient to meet additional resources. An Indirect Tax Committee was deployed in 1972 to find more resources for public expenditure. A drastic reform took place with the commencement of MODVAT (modified value added tax) in 1986 for a limited number of commodities at the central level. There was recommendation for a broad based value added tax system by the Tax Reform Committee, 1991. By 2000, MODVAT was renamed as Central Value Added Tax (CENVAT) which was a tax on the production of movable and marketable goods (Leem Put & Wiencek, 2017). CENVAT expanded to more goods to ensure horizontal equity. However, value added tax concept was not very popular among states. Introduction of VAT at state levels in the place of state sales tax was a major tax reform in 2005 before the emergence of GST.

3.0 Kerala and GST

Kerala being a consumer state largely depends upon the neighbouring states for its requirement of different goods like rice, vegetables, milk, meat, eggs, pulses, textiles and industrial goods. In the pre GST regime, the consumers in Kerala had to pay higher prices for many commodities due to the existence of inter-state tax and several other taxes. It is widely believed that the removal of interstate sales tax under GST will reduce the prices of many commodities (Patrick, 2016). The industrial sector was expected to have long term gain due to the removal of cascading effect of taxes as well as an improvement in the ease of doing business due to the introduction of e way bill. Table 1 shows the trend in the collection of tax revenue from GST for Kerala since the inception till Jan 2020. It can be seen from Table 1 that the highest revenue collection was in 2018-19 to the extent of Rs.24650.91 crores where the major contribution was from IGST. In 2017-18 the revenue collection was only to the extent of Rs.14302.crores. This figure is from July 2017 to March 2018.

Table 1: GST Tax Collection in Kerala (Rs.in Crs)

Year	SGST	IGST	Adhoc settlement	Compensation	Total
2017-18	5399.11	6065	736	2102	14302.1
2018-19	8269.59	10114.95	2734.37	3532	24650.91
2019-2020 (Till Jan 2020)	931.33	816.91			1748.24

Source: Keralataxes.gov.in

4.0 Review of Literature

This section tries to review the articles related to the various aspects of GST in India. The studies can broadly be divided into facts relating to GST pre-implementation and post-implementation stages.

4.1 Expectations: Pre-implementation stage

Studies on pre- GST execution stage raise two issues: one related to development and the other one concerns the requirements, benefits and cost of the implementation. Vasanthagopal (2011) tried to understand the proposed positive impact of GST on the various development areas viz. agriculture, manufacturing industry, MSME, housing, poverty reduction, employment, price level, EXIM trade, GDP and government revenue. Sehrawat & Dhanda (2015) tried to give an overview of GST and its impact on Indian economy. According to the study, GST would lead to more employment, higher output and GDP. Poonam (2017) threw light upon the status of GST and its present structure. She discoursed that Indian products would become more competitive in the domestic and international marketafter the introduction of GST. Abda (2017) argued that GST will give a strong and smart system for economic development in India. Sury (2015) opined that the implementation of GST would clean up the Indian tax system and it would also help to improve the efficiency of tax system and the revenue tax collection and thereby improve the government finance.

The studies demanded a few requirements and concerns about the implementation of GST. The expected positive impact would depend on a neutral and rational design of the GST and balancing the conflict of different stake holders (Vasanthagopal, 2011). Kumar (2014) argued that the implementation of GST was expected to bring about an unbiased tax structure in India and it would help in removing the economic distortion in the indirect tax system. Execution of GST would reduce the cost of doing business and it is an effective tool for fiscal policy management if successively implemented (Sehrawat & Dhanda, 2015). Garg (2017) tried to understand the features, structure and challenges related to the implementation of GST in India. The study concluded that the implementation of GST would increase the tax revenue of the govt. as it would increase the tax compliance. They also suggested that awareness classes should be given for the different stake holdersto make the implementation of GST more effective. A single rate would help to maintain simplicity and would also accelerate economic growth (Poonam, 2017). Abda (2017) reported that the advantages associated with GST would be more than the challenges. But building a strong mechanism could be necessary for reaping such advantages.

4.2 Post- implementation stage

Parmar & Ghosh (2020) analysed the revenue compensation received by West Bengal after the implementation of GST by comparing the expected revenue from GST with the subsumed projected revenue. The study showed an increased trend in the compensation amount. The research also showed that the state may have a revenue shock after the post compensation period and it has to be mitigated by increasing tax efficiency and widening tax base.

Suman (2017) conducted a survey to analyse the effect of implementation of GST on the Small and Medium Enterprises by targeting four types of dealers on the basis of their annual turnover. The study found that level 1 (D1) dealers (annual income less than 20 lakh) were unaware about GST as they were not in GST criteria. In level 2 dealers (D2) which have turnover 25-75 lakh per annum and opted GST composition scheme, were highly confused with the working process of the GST. The level 3 (D3) were retailer and wholesaler and they hired someone to do the GST work and did not involve in the paper work. While level 4 were the typical wholesaler who brought goods from the manufacture and sold to the distributer. They were least affected by the GST as their process were remain same except the paper work increased which were their real headache.

Nayyar & Singh (2018) probed in to the background of the GST introduction and also tried to compare the Indian GST with other world economies and also threw light upon the advantages and challenges of GST implementation. The study pointed out that the implementation of GST would improve tax collection and boost up India's economic development. At the same time, GST implementation also opens up various challenges like the uniformity in the tax rate, tax management and the technological upgradation. Along similar lines Samantara (2018) attempted a critical appraisal of GST with an emphasis on major sector of Indian economy. GST has eliminated the multiplicity of taxes and thereby ensured a common market. It was expected to increase the revenue generation by increased tax base.

Kumar & Ramya (2017) discussed the implications of introducing GST on Kerala economy. GST bestowed many benefitson the nation in the form of increasing indirect tax proceeds and enhancing the efficiency in economic activities. Diksha & Nandal (2018) investigated the perceptions of the traders and manufacturers as well as their satisfaction level with respect to GST implementation in the regions of Rohtak,Gurgaon and Faridabad of Haryana state. The study revealed that 73 percent of the respondents are satisfied with GST implementation. The study also suggested that the govt. should reduce the technical error of GSTN and expand the digital infrastructure to make the implementation more effective. It was also suggested for the organisation training programs to increase the GST knowledge. Manjunatha & Girish (2019) analysed the implication of GST on traders in Karnataka. The study found that most of the traders considered GST as the most beneficial tax reforms compared to the previous VAT system and there is a favourable perception towards GST. The impact of goods and service tax (GST) on small scale industries in Karnataka found that GST reduced the cost of doing business that increased tax compliance and improved the ease of doing business (Lichchavi & Greeshma, 2019). They recommended reforms with respect to separation ofdefinition of job work and labour work, penalties for non-payment of GST, dualadministration and issues pending from the previous tax regime. It established that composition scheme had been a non-performer and the reverse chargemechanism must be re-introduced later or revamped to balance its costs and benefits. GST also reduces operational cost of transporting goods from one state to another (ClearTax.in, 2010). Pre-GST required to set up warehouses at multiple locations and thereby enhanced the operating costs. As GST facilitates direct transportation of goods from manufacturing unit to the distributors or retailers, larger trucks with higher tonnage can be inducted. This reduces cost of transport which in turn saves much time too.

Govindan (2019) examined the change in the tax revenue collection due to the implementation of GST as well as the total number of GST returns filed in India since the inception of GST. The results of the study showed that as on April 30,2019, there were totally 1,31,88,052 tax payers (around 1.32 crore) and a total amount of Rs.20,31,884 (Thousand Crores) were collected in the form of tax revenue. Tax revenue showed a positive growth in the first eleven months of its inception and a negative growth in the last nine months of the study.

Jain (2019) analysed the benefit of GST implementation with respect to the real estate sector as it is an important sector in terms of its contribution to GDP. The study suggested that there has to be proper monitoring of the real estate sector in order to ensure that the benefits of lower tax has been passed on the middle class home buyers. The real estate sector is expected to get a boost in the post GST period.

Most of the reviewed studies have focused upon an overview of the GST scenario and its probable implications on the economy. There is also a dearth of literature related to the impact of GST specifically on textile traders. This study is an attempt to fill this gap in the existing literature.

5.0 Focus of the Study

Indian textile industry has been characterized by interstate movements both in respect of inputs and finished products. This sector has very few integrated units and huge amount of job work is involved in the various stages of textile manufacturing before it reaches as the final product. It also draws inputs from many other sectors consisting of both goods and services including dyes and chemicals, petroleum products and transport services. Given the inter-state and inter-industry movement of goods and services and interdependence of organized and unorganized sectors in the textile industry, taxation becomes more challenging in the changed policy regime.[3] In the pre GST era, most of the textile outputs were either exempt under the central and state tax regime and were subjected to relatively low tax rates. Textile exports were supported through payments of un-rebated taxes (duty drawback) on textile inputs and other subsidies. On the whole the textile sector was lightly taxed and heavily subsidized. Implementation of GST has brought 80 percent of the textile traders who were under the unorganised sector under the tax net. This can have huge ramifications on this sector. It is expected that this big reform will affect the growth and productivity of this sector. There are differences of opinion and uncertainty about the short term and long terms benefits of this policy change.

Under the GST, differential taxes are imposed on readymade garments. 5 % tax is levied on readymade garments priced under ₹1,000 and 12 percent tax is levied on garments priced over ₹1,000. With the introduction of GST, there would be 10% increase in purchase price when the product reaches the consumer, which would reduce sales. In the given context, the present study is an attempt to understand the effect of GST on textile traders.

6.0 Research Methods

This study is based on primary survey which has been collected with the help of structured questionnaire from the textile traders. The area of study is Kochi city of Kerala. The respondents have been selected from five areas in the city viz. Broad way, Kadvanthra, Kaloor, Pachalam and Vypin as retail textile traders are spread over the city. Data is collected from those traders who is responded to the queries. The sample size is 80 textile traders who have been involved in the selling of different textile products. Along with traditional tools, Kruskal-Wallis Test has been used to understand the differences in responses of various groups of traders. Likert scaling method is followed to represent the responses of the traders.

7.0 Analysis and Interpretation

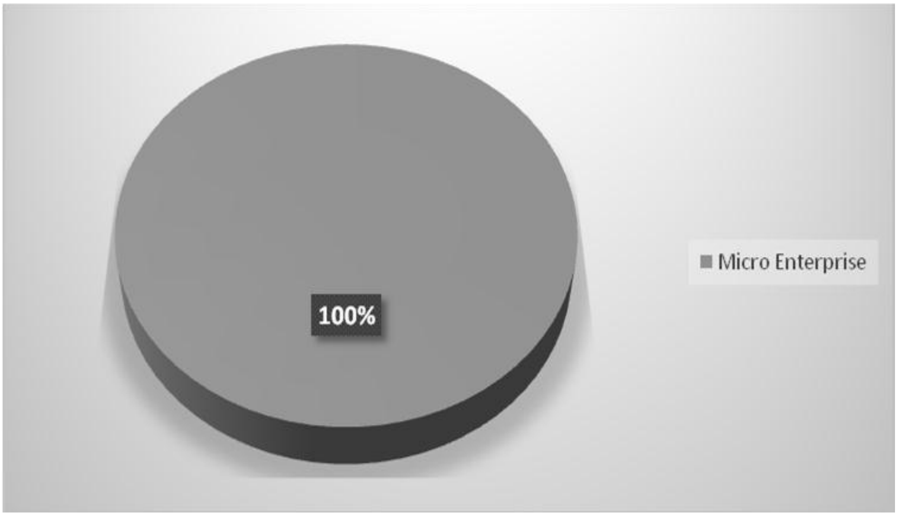
The first part of this analysis gives an overview of the background of the respondents in terms of the nature of business, form of business ownership, investment limit, years of experience in the trade as well as the nature of the product.

Figure 1 shows the nature of businessof the respondents. There is an overwhelming presence of the micro enterprises category which had an investment limit upto Rs.5 Crore. 94 percent of the respondents belong to this category. There were only 6 percent of the respondents who were in the category of small scale enterprises which had an investment limit between Rs.5 – Rs. 75 crore.

It is evident from Figure 2 that partnership is the dominant nature of ownership rather than sole proprietorship.61.3 percent of the respondents belong to the category of partnership where as 38.7 percent were in the form of sole proprietorship.

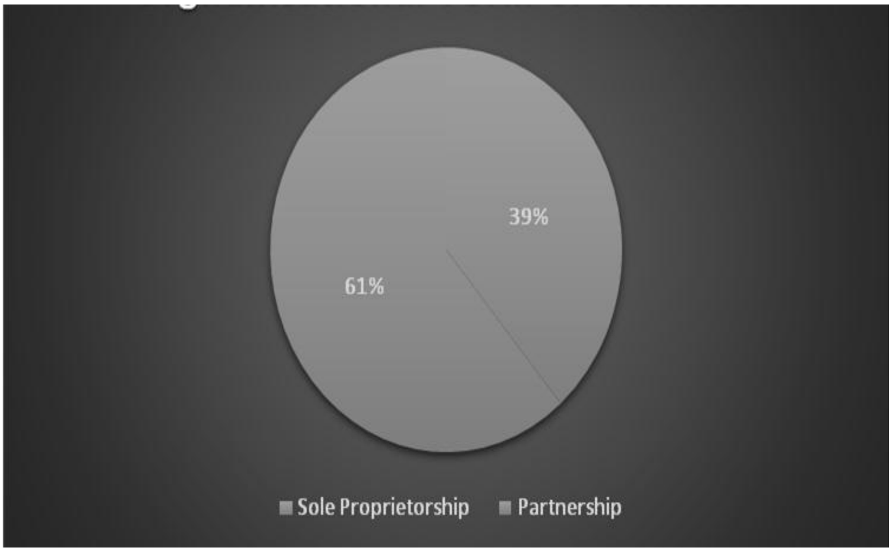
Experience is an important factor that would help an enterprise to adapt easily to GST regime. Figure 3 shows that around 63 percent of the respondents have the experience between 20 to 40 years.The size of enterprises having experience less than 10 years and more than 40 years is small.

Figure 1: Nature of Business (in %)



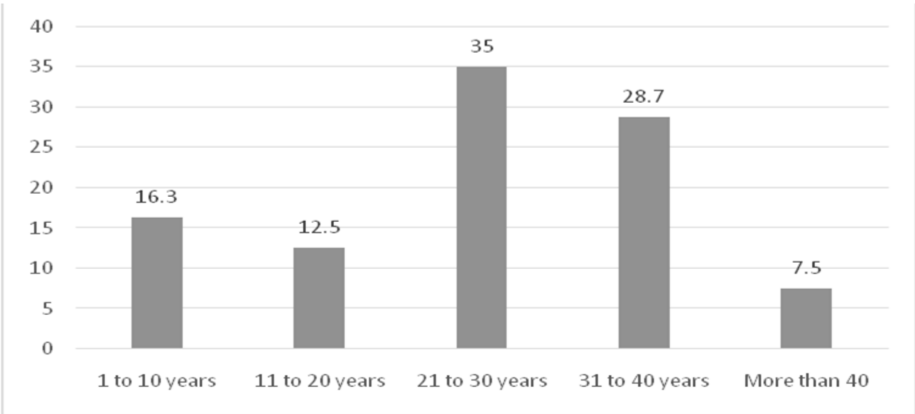
Source: Field Survey (2020)

Figure 2: Organisational Form of Business



Source: Field Survey (2020)

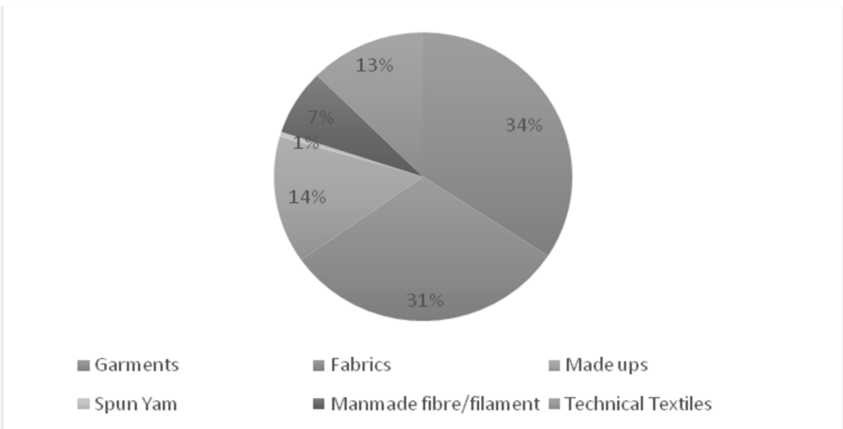
Figure 3: Years of Experience in Business



Source: Field Survey (2020)

When we analyse the nature of the product[4], majority of the respondents were involved in the trading of multiple products which is depicted in Figure 4. It is clear that 81.3 percent of the respondents were involved in the sale of garments followed by fabrics (73.8 percent), made ups (33.8 percent) and technical textiles (30 percent). There were only a small size of the respondents who were involved in the sale of manmade textiles. The general background of the enterprises show that they are dominated by micro sized, partnership andmainly with 20-40 years of experienced entities which engage in multiple textile products.

Figure 4: Nature of the Product



Source: Field Survey (2020)

7.1 Post-GST performance

In order to understand the post-GST performance of the textile traders a series of questions were asked. These statements were related to the various aspects of GST. The options were given on a four point Likert scale and respondents were asked to express their level of agreement or disagreement of the statement. The options provided varied from 'strongly agree' to 'strongly disagree' with each successive level indicating a lower level of agreement than the previous one.

The following Tables give an over view of the responses of the textile traders on various aspects related to the effect of GST on textile trade. Table 2 shows that 98.8 percent of the respondents agreed with the proposition that "Indian textiles were not prepared for GST introduction'. Among the respondents, 33.8 percent strongly agreed with the statement. This shows that the traders were not well prepared for the introduction of the new tax regime. This is a clear indication that the transition to the new regime was done without looking into the background for the introduction of the GST. One of the perceptions about the GST was that it will improve the business in the post GST regime. But the results given in Table 3 indicates that majority of the respondents (87.5 percent) disagreed with the statement that GST has improved their business while only 12.5 percent agreed that there was an improvement in their business in the post GST period.

Table 2: Indian Textiles Not Prepared for GST Introduction

	Frequency	**Percent**
Strongly Agree	27	33.8
Agree	52	65.0
Strongly Disagree	1	1.3
Total	80	100.0

Source: Field Survey (2020)

Table 3: Transition from Previous Tax to GST has Improved the Business

	Frequency	**Percent**
Strongly Agree	4	5.0
Agree	6	7.5
Strongly Disagree	30	37.5
Disagree	40	50.0
Total	80	100.0

Source: Field Survey (2020)

When it comes to the reduction in transportation time all the respondents unanimously agreed that there is a reduction in the transportation time in the post GST period, which is indicated in Table 4. This can be attributed to the introduction of E Way bill in the new tax regime which has reduced the waiting period of the transit of goods at the check post. As noted earlier in the section of review of literature, post-GST has reduced operational cost and time of transporting goods. The present study confirms the arguments given by the existing literature.

Table 4: Reduction in Transportation Time in the Post-GST period

	Frequency	Percent
Strongly Agree	9	11.3
Agree	71	88.8
Total	80	100.0

Source: Field Survey (2020)

The response to the query whether the implementation of GST has helped the sector to move towards the organised sector is shown in Table 5. It is clear from the table that 93 percent of the respondents agreed with the statement that the GST implementation have actually helped the industry to move towards the organised sector. This is in the expected line as reported in Economic Survey, 2017-18 (Govt. of India). To a very minor section, GST has not helped the textile industry to shift towards the organised sector.

Table 5: GST Helped Textile Industry to Shift Towards an Organised Sector

	Frequency	Percent
Strongly Agree	3	3.7
Agree	72	90.0
Disagree	5	6.3
Total	80	100.0

Source: Field Survey (2020)

One of the important features of the GST is the reimbursement of the input tax credit. Input tax in relation to a registered person, means central tax, state tax, integrated tax or Union Territory tax charged on any supply of goods or services or both made from or both made to him and incudes' IGST on imports among others. It excludes tax paid under composition levy. The credit of input tax is called as input tax credit. Table 6 displays that 94 percent of the respondents were in agreement with the statement that there is delay in getting the input tax credit.

Table 6: There is a Delay in Getting the Input Tax Credit

	Frequency	Percent
Strongly Agree	5	6.3
Agree	70	87.5
Disagree	5	6.3
Total	80	100.0

Source: Field Survey (2020)

Table 7 shows the response regarding the effect of delayed disbursal of input tax on the working capital of the traders. 66 percent opined that the delay in the disbursal of the input tax credit has affected the working capital requirement of the industry where as 33.8 percent disagreed with the statement. Delayed disbursement of tax credit would affect the cash flow and thereby the working capital available. This is compatible with the argument by Tomar *et al.,* (2018) that export firms primarily ran down cash and bank balance during the third quarter of 2017 due to the GST jolt.

Table 7: Delayed Disbursal of Input Tax Credit has Affected the Working Capital

	Frequency	Percent
Agree	53	66.3
Strongly Disagree	2	2.5
Disagree	25	31.3
Total	80	100.0

Source: Field Survey (2020)

Tax compliance is an inevitable aspect of a tax system. It is an array of rules, regulations, and procedures with three dimensions; they are tax bases and rates, remittance rule and enforcement rules. The third one entails procedures for enforcing compliance (Slemord, 2018). It also appears for fear of penalties and audits in line with the essence of the law. Hence the issues of tax compliance was tracked in this study too. When the respondents were asked to analyse the effect of GST on tax compliance 48.8 percent agreed and 7.5 percent strongly agreed with the statement of increased tax compliance in the new tax regime (Table 8). In the previous tax system, the traders had the option to join in the composite tax scheme where they would be taxed at a flat rate. But in the new tax system, if the traders have to claim the input tax credit they have to move into the new system from the composition tax scheme which means that these traders have to engage tax professionals for meeting their tax obligation. This would have resulted in an increased tax compliance. But there were 43.8 percent who disagreed with the statement of increased tax compliance (Table 8). These respondents would have already been under the input tax credit scheme so they might not have experienced increased compliance cost in the new system.

Table 8: Tax Compliance has Increased in the Post GST Period

	Frequency	Percent
Agree	39	48.8
Strongly Disagree	6	7.5
Disagree	35	43.8
Total	80	100.0

Source: Field Survey (2020)

Since the new GST regime has changed the tax rates of different textile items, majority agreed with the statement that in the post GST regime there is a decrease in the price of textile items (Table 9). Along with this, transition to Integrated GST (IGST) levied on interstate purchases, the credit of which would be available against the tax liability incurred on sale of goods also would have led to a reduction in the prices of textile items. In the pre-GST regime, when a trader used to make inter-state purchase of goods he was charged central sales tax(CST) at the rate of 2% which was not allowed as the input credit when he sold those products in his own state. It may be noted the argument of Poonam (2017) that products would become competitive after the implementation of GST.

Table 9: Decrease in the Prices of Textile Items in the Post GST Period

	Frequency	Percent
Agree	71	88.8
Strongly Disagree	2	2.5
Disagree	7	8.8
Total	80	100.0

Source: Field Survey (2020)

Performance analysis of the firms measured in terms of sales is depicted in Table 10. Majority of the respondents (68.8 %) opined that there was a deterioration in their sales after GST implementation whereas 21.3% opined that there was not much difference in the sales after the GST regime. The remaining approved with the statement that there was an improvement in their performance in the post GST period as pointed by few authors (Sehrawat & Dhanda, 2015).

Table 10: Rate of Performance of the Firm in the Last One Year

	Frequency	Percent
Better	8	10.0
Worse	55	68.8
No change	17	21.3
Total	80	100.0

Source: Field Survey (2020)

GST has specified special rules for definite supplies to achieve a better result. These rules provide greater certainty and clarity in situations where the place of location of the supplier or the recipient may not be well defined or easily ascertainable at the time of the supply. When the respondents were asked question related to whether there is a legal clarity for the GST, 96.3 percent were satisfied with the legislation clarity (Table 11). This is a clear indication that the state has actually smoothened the process of tax transition from the previous regime. However, there are reports of confusion regarding GST system among traders with lower turnover (Suman, 2017).

Table 11: Legislation Clarity for the GST

	Frequency	Percent
Satisfactory	77	96.3
Need more Clarity	3	3.8
Total	80	100.0

Source: Field Survey (2020)

Table 12 shows the effect of GST on tax compliance cost. 70 percent were of the opinion that there is a reduction in the tax compliance cost in the post GST period while only 30 percent disagreed with the statement. In the previous tax system, the existence of multiple VAT rates had become a source of complexity, and disputes which had the effect of adding to the costs of tax administration and compliance. Along with this, the harmonisation of tax rates among the centre and states also would have reduced the compliance cost (Ahmad & Poddar, 2009). If one reads this along with facts that an increase in tax compliance (Table 8) and fall in prices of textile products (Table 12) during the post GST regime represent the positive aspects of the new system in the textile sector.

Table 12: Tax Compliance Cost have Come Down in GST Period

	Frequency	Percent
No	24	30.0
Yes	56	70.0
Total	80	100.0

Source: Field Survey (2020)

Electronic way bill is a document which must be mandatorily produced for Inter-State movement of goods of consignment value exceeding Rs.50, 000 in motorized conveyance. The consignor or consignee, as a registered person or a transporter of the goods can generate the e-way bill. Earlier for transportation of goods in relation to all types of transactions such as outward supply whether within the State or interstate, inward supply whether from within the State or from interstate including from an unregistered persons or for reasons other than supply also e-way bill was mandatory. The e-way bill was rolled out nationwide on 1st April 2018. But now, the bill is compulsory only for inter-state movement of goods (gstcouncil.govt.in). Respondents were asked to give their opinion regarding the e way bill procedure in the changed tax system which is given in Table 13. There are more (45 %) respondents who opined that the e way bill procedure has become more complicated in the changed structure than who expressed (30%) the opinion that the procedure has become simpler. There is an argument that e-way bill system would make business hassle free (Mukherjee, 2019) but all traders in the present study do not feel so.

Table 13: E Way Bill Procedure in the Post GST Period

	Frequency	Percent
Procedure has become complicated	36	45.0
Same as the Pre GST era	20	25.0
Procedure has become simpler	24	30.0
Total	80	100.0

Source: Field Survey (2020)

Table 14 shows the impact of GST on the selected parameters of business performance. With regard to the effect on profit, 68 percent agreed with the statement that there is a decrease in the profit in the post GST period. In the GST system a registered trader has to file three tax returns every month: GSTR-1, GSTR-2 and

GSTR-3. If a trader fails to file these three returns they will not only be denied of tax credit but also invite penalties from the GST authorities. Apart from this a trader has to file GST returns in every state where he does business. This means an increase in the cost of compliance and increase in the operating expenses of the traders. This would have led to the reduced profit of the traders (Kumar & Ramya, 2017).

Table 14: GST and Selected Indicators (Figures in bracket indicates %)

Parameter	**Increased**	**Decreased**	**No change**	**Total**
Profit	--	55 (68.75)	25 (31.25)	80 (100)
Employment	6 (7.5)	12 (15)	62 (77.5)	80 (100)
Input Cost		34 (42.5)	46 (57.5)	80 (100)
Domestic Demand		66 (82.5)	14 (17.5)	80 (100)

Source: Field Survey (2020)

When it comes to the employment, majority of the respondents (77.5 percent) was of the view that there is not much change in the employment in the post-GST period. But, it was expected that GST would enhance employment (Sehrawat & Dhanda, 2015)

Table 14 also throw light upon the effect of GST on input cost. Majority of the respondents (57.5) were of the opinion that there is not much change in the input cost in the new tax regime while 42.5 percent opined that there is a decrease in the input cost in the post GST regime. With respect to domestic demand 82.5 percent agreed that there is a decrease in the demand for their products in the post GST era.

7.2 Descriptive Statistics: Years of Experience and Nature of Ownership Across Independent Variables

A few cross tabulations with years of experience, nature of ownership, compound growth rate of employment of enterprises and the independent variables which influence the outcome of GST is given in table 18. This analysis will help us to understand some general trend of impact of GST on textile traders.

It can be seen from Table 15 that the textile traders are involved in the sale of different categories of products. Experience here refers to the total years of experience in textile trade. When years of experience increase there is arise in the categories of products sold by the respondents. Majority of the respondents (> 75)are engaged in the sales category of garments except for above 40 year category and fabrics (60 to 90 % of respondents) irrespective of the years of experience. Another interesting observation is that as the years of experience increases there is a tendency to move to technical textiles. For 31- 40 years and more than 40 years category, the share of firms involved in the sale of technical textiles products is high compared to other respondents who have lesser years of experience.

Table 15: Years of Experience * Nature of Product

	Garments	Fabrics	Made ups	Spun Yam	Manmade fibre/filament	Technical Textiles	Total
1 to 10 years	11	8	2	0	2	2	13
	84.6%	61.5%	15.4%	0.0%	15.4%	15.4%	100.0%
11 to 20 years	8	6	1	0	2	2	10
	80.0%	60.0%	10.0%	0.0%	20.0%	20.0%	100.0%
21 to 30 years	24	19	11	0	2	5	28
	85.7%	67.9%	39.3%	0.0%	7.1%	17.9%	100.0%
31 to 40 years	19	21	12	1	8	11	23
	82.6%	91.3%	52.2%	4.3%	34.8%	47.8%	100.0%
More than 40	3	5	1	0	0	4	6
	50.0%	83.3%	16.7%	0.0%	0.0%	66.7%	100.0%
Total	65	59	27	1	14	24	80
	81.3%	73.8%	33.8%	1.3%	17.5%	30.0%	100.0%

Source: Field Survey (2020)

Irrespective of the years of experience all the respondents were not well prepared for the introduction of GST. There was only one respondent in the above 4o years category who opined that Indian textiles were prepared for GST introduction.

The percentage of increase in compliance cost with respect to the years of experience is presented in Table 16. Majority of respondents, especially in the range of experience from 10 to 40 years, experienced an increase in compliance cost by 26 to 40 per cent. There are also situations of 10 to 25 and 40 to 50 per cent.

It is enquired whether experience has any influence in handling the compliant cost. It is proceeded with the assumption that all the responding units irrespective of experience may have same effect of decrease in the compliance cost during post-GST regime. This proposal is verified by using Kruskal-Wallis Test by dividing respondents into two groups based on experience. That is, sellers with experience less than 25 years or more than that. The results did not show a significant difference in dealing with change in compliant cost based on the years of experience of the textile sellers during the GST regime. As the outcome is not significant, results are not reported.

Table 16: Years of Experience * Percentage of Decrease in Tax Compliance Cost

Years of Experience	Percentage of decrease in tax compliance cost				Total
	5 -15%	16- 25%	26-40%	41-50%	
1 to 10 years	2	1	4	2	9
	22.2%	11.1%	44.4%	22.2%	100.0%
10 to 20 years	0	2	6	0	8
	0.0%	25.0%	75.0%	0.0%	100.0%
20 to 30 years	0	5	13	1	19
	0.0%	26.3%	68.4%	5.3%	100.0%
30 to 40 years	0	2	8	5	15
	0.0%	13.3%	53.3%	33.3%	100.0%
More than 40	1	1	1	2	5
	20.0%	20.0%	20.0%	40.0%	100.0%
Total	3	11	32	10	56
	5.4%	19.6%	57.1%	17.9%	100.0%

Source: Field Survey (2020)

Compound growth rate of employees and the nature of the product are exhibited in Table 17. To calculate the compound growth rate, growth of employees from the time of establishment of the enterprises have been taken as the proxy as the respondents were not ready to disclose the information regarding their investment and sales. Half of the firms in the sample had only less than 5 per cent growth while more than 80 per cent of firms had growth rate less than 10 per cent. The general picture was that firms with any rate of growth chiefly sold garments and fabrics. Made ups came next in order for firms having growth rate below 20 per cent. Technical textiles were mainly sold by firms with lower growth (<10 %) but manmade fibre/filament was more handled by firms with growth rate between 5 and 20 per cent.

Table 17: Compound Growth Rate of Employees * Nature of Product

	Garments	Fabrics	Made ups	Spun Yam	Manmade fibre/filament	Technical Textiles	Total
Less than 5	31	33	19	1	5	14	40
	77.5%	82.5%	47.5%	2.5%	12.5%	35.0%	100.0%
5 -10%	23	18	6	0	6	7	26
	88.5%	69.2%	23.1%	0.0%	23.1%	26.9%	100.0%
10-20%	7	5	2	0	3	2	9
	77.8%	55.6%	22.2%	0.0%	33.3%	22.2%	100.0%
More than 20%	4	3	0	0	0	1	5
	80.0%	60.0%	0.0%	0.0%	0.0%	20.0%	100.0%
Total	65	59	27	1	14	24	80
	81.3%	73.8%	33.8%	1.3%	17.5%	30.0%	100.0%

Source: Field Survey (2020)

The compound growth rate of employees and impact of GST on profit are depicted in Table 18. There is no firm which claimed that profit increased after the introduction of GST. Lower growth firms (< 5%) mainly experienced decrease in profit. Higher growth firms (> 10%) registered no change in profit almost comparable to decrease in profit (Table 18).

Table 18: Compound Growth Rate * Impact of GST on Profit

Compound growth rate	Impact of GST on Profit		Total
	Decreased	No Change	
Less than 5	32	8	40
	80.0%	20.0%	100.0%
5 to 10 interest rate	15	11	26
	57.7%	42.3%	100.0%
10 to 20 interest rate	6	3	9
	66.7%	33.3%	100.0%
More than 20	2	3	5
	40.0%	60.0%	100.0%
Total	55	25	80
	68.8%	31.3%	100.0%

Source: Field Survey (2020)

KW test is administered to see whether there is any relation between compound growth rate of employees of the responding firm (group variable) and the impact of GST on profit (test variable). The test does not show any significant difference once the responding units are classified on the basis of compound growth rate of employees in these firms more than vs less than 10 per cent. So the results are not reported.

The nature of the products with respect to the nature of ownership are also considered. With respect to sole proprietorship, almost equal number of firms deal with both garments and fabrics while more partnership firms are oriented to the sale of garments than fabrics (Table 19). The relative size of partnership firms engaged in technical textiles are more than that of sole proprietorship enterprises. The reverse is true in the cases of made ups and manmade fibre. KW Test between nature of products and nature of ownership is not found to be significant. Hence the results are not reported.

As noted in the case of years of experience, 99 percent of firms were not prepared for GST introduction. Only one sole proprietorship firm was for it.

There is a negligible difference in the opinion of sole proprietorship and partnership with respect to the delay in getting the input tax credit. Cent per cent of them consented that there is delay in getting input tax credit. KW Test in this context also does not show any significant difference.

Table 19: Nature of Ownership * Nature of Product

	Garments	Fabrics	Made ups	Spun Yam	Manmade fibre/filament	Technical Textiles	Total
Sole proprietor	24	25	11	0	7	8	31
	77.4%	80.6%	35.5%	0.0%	22.6%	25.8%	100.0%
Partnership	41	34	16	1	7	16	49
	83.7%	69.4%	32.7%	2.0%	14.3%	32.7%	100.0%
Total	65	59	27	1	14	24	80
	81.3%	73.8%	33.8%	1.3%	17.5%	30.0%	100.0%

Source: Field Survey (2020)

If there is a delay in the disbursal of input tax credit it can affect the working capital of the traders. Table 20 shows that there is a difference of opinion between the sole proprietors and partnership firms when it comes to the effect of delayed disbursal of input tax credit on the working capital. In the case of sole proprietorship 71 percent agreed that the delay in the disbursal of input tax credit has affected the working capital of the traders where as 29 percent disagreed with the statement. When it comes to partnership firms, only 63.3 percent supported the statement where as 36.8 percent opined that it has not affected the working capital requirement. KW Test in this case also does not show any significance difference.

Table 20: Nature of Ownership * Delayed Disbursal of Input Tax Credit has Affected the Working Capital of the Traders

	Strongly Agree	Agree	Strongly Disagree	Disagree	Total
Sole proprietorship	0	22	0	9	31
	0.0%	71.0%	0.0%	29.0%	100.0%
Partnership	0	31	2	16	49
	0.0%	63.3%	4.1%	32.7%	100.0%
Total	0	53	2	25	80
	0.0%	66.3%	2.5%	31.3%	100.0%

Source: Field Survey (2020)

Table 21 shows the nature of practical difficulties faced by the traders with respect to the form of business ownership. It is to be noted that here we could get the response only from a few traders. Hence, the findings are based on the responses of those traders. In the case of partnership firms, the greatest practical difficulty faced was with respect to the hiring of new accountant as there are a lot of procedures involved in the filing of GST. The same is true in the case of sole proprietors also. Other difficulties were in the form of competition from the cheap imports as there was the removal of countervailing additional duties on garments and textiles.

Table 21: Nature of Ownership * Practical Difficulties Faced

Nature of Ownership	Practical difficulties faced		Total
	Cheap Imports are coming to market, Had to appoint new staff.	Had to hire a new accountant and there is lot of procedures to follow.	
Sole proprietor	1	2	3
	33.3%	66.7%	100.0%
Partnership	0	6	6
	0.0%	100.0%	100.0%
Total	1	8	9
	11.1%	88.9%	100.0%

Source: Field Survey (2020)

8.0 Conclusion

GST as one of the biggest tax reforms in India was expected to provide huge benefit to the consumer states due to the reduction in the multiplicity of taxes and the removal of interstate sales tax. In the given background, this study made an attempt to analyse the implication of GST on traders in Kerala by taking a case study of textile traders in Kochi. The sellers in the sample belong to micro and small enterprises with sole proprietorship and partnership. More than 70 per cent of the enterprises have more than 20 years of experience, which mainly sell six categories of products like garments, fabrics, made ups, spun yarn, man-made fibre and technical textiles. The present study could not find much improvement in business after the introduction of GST but this sector is more shifted to the organised format. As expected, GST reduced transport time while there is delay in getting the input tax credit. The latter phenomenon affected the working capital of the enterprises and majority of them experienced worse performance in business in 2019. However, prices of textile items came down and respondents consider that there is clarity in the legislation of the GST. The study shows that there was an increased tax compliance after the transition to GST and at the same time there is a decrease in the compliance cost in the new tax regime for majority. There is a balanced opinion about the E-way bill procedure. The business indicators in terms of profit, employment, input cost and domestic demand showed either decreased or stationary position after the introduction of GST.

As the experience of the sellers increase, the variety of products sold also rises. It seems that long years of experience reduce the compliance cost, but K-W Test does not signify the difference in the experience of sellers and change in compliant cost. Similar tests on the type of products and the nature of ownership, impact of GST on profit and the growth of firms in terms of employment, and, delay in getting input tax credit and nature of ownership do not show any significant difference. There are certain constraints as well. The enterprises have to employ new staff or seek the service of consultants and face competition from cheap import of textiles after the introduction of GST.

Endnotes

1. Under GST, small tax payers can get rid of the tedious tax filing formalities and pay tax at a flat rate without credit,
2. When this bill was implemented the initial turnover limit was Rs. 50 Lakh. As per the revision announced on 6th October 2017 the turnover limit was raised and there was a reduction in the rates too. Traders will pay 1%, manufacturers 2% and restaurants 5% under the composition scheme. 28th GST Council meeting has increased the turnover limit to Rs.1.5 crs.
3. Report of Ministry of Textiles, 2017.
4. A garment is a piece of clothing which is manufactured by fabric or textile material. A fabric is a material made through weaving, knitting, spreading, felting, stitching, crocheting or bonding that may be used in production of further goods. Made ups consist of home textiles such as pillow, bed linen, bean bags and carpets. Man madefibres means organic polymers produced by manufacturing processes. Technical textiles is a textile product manufactured for non-aesthetic purpose . It includes textiles for automative textiles, geo textiles, agro textiles and medical textiles.

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