

## Impact of GST on Textile Hub of Mumbai (Bhiwandi, Dist. Thane)

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**Abstract:** The Indian Textile Industry offers number of Job opportunities to a huge number of proficient and unproficient labours in the country. It share about 10% of the aggregate yearly export, and this value is likely to rise under GST. GST would impact the overall cotton value chain of the Textile Industry including all garments for both men and women such as shirts, trousers, saree, apparels, shoes and any more clothing materials which is preferred by many of the small medium enterprises as it currently attracts zero central excise duty. This research paper highlighting on the impact of GST on Overall Textile Industry in Bhiwandi.

**Key Words:** GST, Textile Industry, Textile products, Textile Hub ( Bhiwandi).

### Introduction:

#### Impact GST on Textile Industry in India

Textile sectors act as a core element in the advancement of the Indian economy in terms of GDP, Export promotion, employment, etc. It is the one of the earliest manufacturing Industry in India. The Textile Industry is the second bulkiest Industry which offers proficient and unproficient employment opportunities. In this sector, 100% FDI is allowed by the Government under the Automatic Route<sup>1</sup>. Textile Industry offers more than 10% in Total Export. Textile Industry is allocated into two segregate, i.e., Unorganized and Organized. The unorganized sector which contains Handloom, handicraft, small and medium-scale mills and Organized Sector which containing rotating, apparel and garments segment which implement modern machinery and techniques. In current taxation regime, Textile products are mostly exempted or are taxed at very low rate. State Governments have end levying Sales Tax after the discontinuation of Additional Excise Duty.

Altogether GST will surely change the current scenario and structure of Textile Industries. Due to GST there is transparency, the tax burden will move to the ultimate consumer by claim the credit of taxes paid on input. GST will inspire extensive development and growth in Indian Textile sector<sup>2</sup>. The future for the Textile Industry seen to be assuring brighten up by both capable domestic consumption and also export demand. As per the Government of India aggregate Textile export with effect from 2011-12 was US\$ 33161.74 and the aggregate value of Textile machinery produced during the same period was Rs. 5280 cr.

<sup>1</sup> Ministry of Textiles

<sup>2</sup> B. Anbuthambal and N. Chandrasekaran (2017) "Goods and services tax (GST) and training for its implementation in India: a perspective", ICTACT journal on management studies, Vol-03, issue-02 Pg. No.511 – 514.

#### Impact of GST on Textile Industry in Bhiwandi

Bhiwandi is located in Maharashtra, India, which is 20 km to the Mumbai and 15 km to the Thane city. The head quarters of the taluka of Bhiwandi, comes under the administration of the Bhiwandi-Nizampur City Municipal Corporation. As per to the 2011 census, the aggregate population of the Bhiwandi-Nizampur Municipal Corporation (BNMC) area was 709,665<sup>29</sup>.

The city of Bhiwandi which is popular for its Textile Industry has the huge number of Power looms in the country and is sometimes known as 'The Manchester of India'. Major population is occupied by the Power loom sector. The Mumbai-Agra highway, which is passing through Bhiwandi assure the smooth connectivity of the city with Mumbai, Thane, Nashik and the rest of India. Bhiwandi has been called as an Industrial hub for the Textile Industry in the prior and all Industries and logistics sector in recent times. Bhiwandi is the next advancement region for MMRDA, which has improved other regions like Bandra - Kurla Complex, Mumbai Metro & Monorail Project, Eastern freeway and more. Close contiguity to Mumbai, Thane and advancement of region by MMRDA, make Bhiwandi an absolute area for businesses to locate. In addition availability of 24hrs power supply, and availability of workers as a result of contiguity to Industrial city of Bhiwandi, aid setting up of industrial unit. Possibility of Transporters having country wide presence in contiguity makes it an complete location for warehousing.

Textile workers in Bhiwandi — weavers, technicians, daily wagers and laborers — have been hit hard by the implementation of GST. Textile units are shutting down. There is no yarn available amid the chaos around GST. Bhiwandi is one of India's largest Textile hubs. The Industry, which had always been exempt, is reeling from the impact of being brought under the new tax regime.

Burdened by unsold stock, weavers have stopped operations. Over the past 20 days, around five lakh power looms are

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idle in Bhiwandi<sup>3</sup>. Weavers, technicians and workers from Bihar, UP, West Bengal and Orissa form a large part of the workforce in Bhiwandi. Workers usually come with targets to earn a certain sum to pay off a loan or for a daughter's wedding. Since there is no work, they have started leaving. In the new tax regime, master weavers have to pay taxes for purchasing yarn — 18% on manmade fiber yarn and 5% on cotton yarn. This is apart from a 5% tax on services. If loom owners pay five per cent on each of the ten services in our looms, their manufacturing cost will increase by over 15 per cent. This will not be set off by the tax levied on the product and they will have to bear the extra cost<sup>4</sup>.

As the researcher stay in kalyan which is nearby to Bhiwandi and also researcher's many of the neighbours, friends and relatives works in Bhiwandi, So by discussing with them and visiting that place for further study and information, the researcher has come to know about the positive as well as negative aspect of GST on Textile industry. Thus, the researcher has decided to conduct research on the topic entitled ““**Impact of GST on Textile Hub of Mumbai ( Bhiwandi, Dist. Thane)**”

### **Following are the GST rates for different Textile products:**

Sr.No	Particulars	Rate of GST
1.	Cotton	5%
2.	Cotton Yarn	5%
3.	All type of fabrics (With no ITC Accumulation)	5%
4.	Synthetics Yarn	18%
5.	Readymade Garments (more than Rs.1000)	12%
6.	Readymade Garments (upto Rs.1000)	5%
7.	Silk and Jute Fiber	NIL
8.	Embroidery, Dyeing & Printing Job Work	5%

**Source:** Ministry of Textiles 2017 (GST guidance note)

### **Literature review**

- Dr. Banamali Nath (2017) has expressed his view in the research paper titled “Goods and services tax: A milestone in Indian economy “that GST will reduce cascading effect of current indirect taxation system that will provide relief to the producers and consumers by subsuming the several indirect taxes. After introduction of GST, manufacturer, wholesaler and retailer can easily recovered input taxes in form of tax credits. Moreover, GST has a positive impact

on different sectors like manufacturing sector, employment sector, FMCG sector, I.T sector and soon. Thus implementation of GST will lead commercial benefit, more employment opportunities and would essentially lead to economic development that will improve GDP of the country. It is noteworthy to mention that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But these will critically depend on a neutral and rational design of the GST. Further, tax payer education or public awareness programmed, workshops, training and various seminars on GST must be conducted in all states by the irrespective state governments.

- Mrs. Rizwana Begum and Dr. K. S. Sarala ( 2017) has observed in the research paper titled Brand Positioning of Men Apparel Brands in Karnataka that brand positioning constituting of different attributes positively influence consumer and the apparel brand Louis Phillippe has a profound positioning compared to other apparel brands considered for the study. Brand positioning determines the distinctive features around which the brand has to be couched and communicated to the consumer.
- Dr. Vikas Kumar (2016) has analyzed in the research article titled GST: Positive and Negative Effects on Common Man in India that real success of GST depends upon the impact on the common Indian consumer. The essence of GST is that all goods and services be taxed at moderate rate. Single tax for one India proves to be a game changer in a positive way and proves to be beneficial not only to the common man, but to the country as a whole. It is our expectation that impact of GST will be positive and will bring positive effect to Indian economy and convert India into a unified national market with simplified tax position. The main expectation is that this land mark will go a long way in facilitating ease going business and enabling India to compete with World Trade.
- B. Anbuthambil and N. Chandrasekaran (2017) has expressed his view in the Research paper titled goods and services tax (GST) and training for its implementation in India: a perspective that the implementation of GST will play an important role in the growth of India Economy. The implementation of a comprehensive GST will pave way to efficient allocation of factors of production and will lead to gain in GDP, exports and the growth of the economy. As there are so many benefits, appropriate implementation is important. GST Training plays a crucial role in the implementation of GST. There is a number of stakeholders in both central and state level, who are to be trained. Training tax department level employees is important. It is spread across the

<sup>3</sup> <https://cleartax.in>> Impact of GST on Textile Industry.

<sup>4</sup> Ministry of Textiles

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country. Hence huge efforts are required by the executing agencies. Similarly, accounts, marketing and supply chain managers of firms are to be trained. This has to done by government agencies and third party trainers. Another important GST related training is in functional areas. This would be redesign of supply network because of GST. The challenges and opportunities of GST training are contextual like that of Y2K for IT firms.

- Dr. Saravanan S1, Chandra Mohan( 2017) has discussed about the effect of GST in India in the paper titled Assessment and Impact of Existing Indirect Tax to Goods and Service Tax in India

This paper discussed and understood the existing Indirect Taxation and proposed Goods and Service Taxation. Particularly the manufacturing sector and service sector has chosen the existing Indirect Taxation and it proposed GST system was computed by both sectors. That resulted in the service sector gives negative impact on the entire role of the business transaction and the manufacturing sector has positive impact given only for the intermediary investors and the final consumers. The manufacturer has to pay exact full amount of taxation and without liberalization of any tax subsidies. So that the manufacturers need to be alert and make the strategies for how to solve the entire part of Indirect Tax payables. Still the GST council discussion processes is going on, before implementation the manufacturer problems could be solved after implementation of Goods and Service Tax in India.

### Objectives of the study

- To study the impact of GST on Textile Industry in Bhiwandi

### Hypothesis of the study

H<sub>0</sub>: There is no significant difference between GST and its impact on Textile Industry in Bhiwandi.

H<sub>1</sub>: There is significant difference between GST and its impact on Textile Industry in Bhiwandi.

### Research Methodology

#### Techniques of Data collection:

The data was collected through primary and secondary sources. The sufficient and relevant literature is available pertaining to the textile industry in Bhiwandi.

The primary data was collected with the help of interview technique, for which interview schedules were designed, containing structured questions. The set of interview schedule for employers was prepared separately.

The secondary data was collected through the government reports, books, journals and information available on internet was referred and considered for the study.

The additional information was collected through the trade union leaders, employees by personal interviews and discussions.

**Sampling Universe:** Textile units in Bhiwandi

#### Size of Sampling:

For the purpose of the study, Researcher has selected 30 Textile units of various segments from the various parts of Bhiwandi district (Sonale Village, Naigaon, Khoni Gaon, Karivali, Kaneri, Narpoli, Sarvali Village, Rehnal Village, etc).

#### Sampling method:

The Researcher is applying a simple random sample by promoting an comprehensive list of a huge population and then selecting, at random, a certain number of individuals to constitute the sample. With a simple random sample, every member of the huge population has an fair chance of being selected.

#### Statistical tools:

The researcher has selected t-test for this study in which two samples is equally used with small sample sizes, testing the comparisons between the samples when the variances of two normal distributions are not recognized.

### Data Analysis and Interpretation

Particular	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
1. GST would enable a smoother input credit system.	25	02	03	00	00	30
2. GST help Textile Industry in the long run by getting more registered tax payers under a well regulated system.	24	03	01	02	00	30
3. GST help the entire Textile Industry in shifting towards an organized sector.	28	01	01	00	00	30
4. GST help the Textile Industry to get more competition in both the global and domestic markets and create opportunities for sustainable and long run growth.	22	04	02	01	01	30
5. There is an entire removal of benefits under cotton value chain.	30	00	00	00	00	30

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It is observed from the above table that out of 30 units, 25 units has strongly agree that GST would enable a smoother input credit system, 2 units are agree with the statement, 3 units were undecided. So, many of the units has given a positive view that GST would enable a smoother input credit system.

It is examined from the above table that out of 30 units, 24 units has strongly agree that GST help Textile Industry in the long run by getting more registered tax payers under a well regulated system, 3 units are agree with the statement, 1 unit were undecided, and 2 units are disagree. Thus, many of the units has observed that GST help Textile Industry in the long run by getting more registered tax payers under a well regulated system.

It is observed from the above table that out of 30 units, 28 units has strongly agree that GST help the entire Textile Industry in shifting towards an organized sector, 1 unit are agree with the statement, 1 unit were undecided with the statement. So, many of the units are strongly agree with the statement that really due to GST the entire Textile Industry is shifting towards organized sector.

It is observed from the above table that out of 30 units, 22 units has strongly agree that GST help the Textile Industry to get more competition in both the global and domestic markets and create opportunities for sustainable and long run growth, 4 units were undecided with the statement, 2 units are agree with the statement, 2 were disagree, 2 were strongly disagree with the statement. So, many of the units were of the view that there is an positive impact on Textile Industry in terms of both Global and National competition.

It is observed from the above table that out of 30 units, entirely 30 units has strongly agree that there is an entire removal of benefits under cotton value chain. Thus, every units were of the view that there is an entire removal of

benefits under cotton value chain which has an negative impact on Textile Industry due to this decision.

### Above responses are rated as follows:

Strongly Agree	=	5
Agree	=	4
Undecided	=	3
Disagree	=	2
Strongly Disagree	=	1

Above ratings are used to find mean and standard deviation of each question. Mean scores of each question are calculated and presented in the following table.

### Descriptive Statistics

	N	Mean (out of 5)	Std. Deviation
Que1	30	4.7333	.63968
Que2	30	4.6333	.85029
Que3	30	4.9000	.40258
Que4	30	4.5333	.97320
Que5	30	5.0000	.00000

Above table indicate that mean score for Question five is 5.00. This indicate that all 30 respondents strongly agree for the statement “GST help the entire Textile Industry in shifting towards organised sector.

### Hypothesis Testing

**For testing of hypothesis following null hypothesis is designed.**

**Null Hypothesis:** There is no significant difference in opinion of respondents for five questions.

**Alternate Hypothesis:** There is significant difference in opinion of respondents for five questions.

### Paired Samples Test

		Paired Differences		t-value	Degree of freedom	p-value	Significance
		Mean	Std. Deviation				
Pair 1	Que1 - Que2	.10000	.30513	1.795	29	.083	Non-significant
Pair 2	Que1 - Que3	-.16667	.46113	-1.980	29	.057	Non-significant
Pair 3	Que1 - Que4	.20000	.48423	2.262	29	.031	Significant
Pair 4	Que1 - Que5	-.26667	.63968	-2.283	29	.030	Significant
Pair 5	Que2 - Que3	-.26667	.58329	-2.504	29	.018	Significant
Pair 6	Que2 - Que4	.10000	.30513	1.795	29	.083	Non-significant
Pair 7	Que2 - Que5	-.36667	.85029	-2.362	29	.025	Significant
Pair 8	Que3 - Que4	.36667	.66868	3.003	29	.005	Significant
Pair 9	Que3 - Que5	-.10000	.40258	-1.361	29	.184	Non-significant
Pair 10	Que4 - Que5	-.46667	.97320	-2.626	29	.014	Significant

**Above results indicate that there is no significant difference between in opinion of responses of few questions. Major findings are as follows.**

**Pair-1** Indicate there is no significant difference in opinion of respondents for the statements “GST would enable a

smoother input credit system” and “GST likely to subsume the various fringe taxes”.

**Pair-2** Indicate there is no significant difference in opinion of respondents for the statements “GST would enable a



smoother input credit system” and “GST will help getting more registered tax payers”.

**Pair-3** Indicate there is small difference in opinion of respondents for the statements “GST would enable a smoother input credit system” and “GST help the textile industry to get more competition”. Respondents are less in favor of getting more competition.

**Pair-4** Indicate there is small difference in opinion of respondents for the statements “GST would enable a smoother input credit system” and “GST is shifting towards organized sector. Respondents are more in favor of shifting towards organized sector.

**Pair-5** Indicate there is small difference in opinion of respondents for the statements “GST likely to subsume the various fringe taxes” and “GST will help getting more registered tax payers”. Respondents are more in favor of GST will help getting more registered tax payers.

**Pair-6** Indicate there is no significant difference in opinion of respondents for the statements “GST likely to subsume the various fringe taxes” and GST help the textile industry to get more competition

**Pair-7** Indicate there is small difference in opinion of respondents for the statements “GST likely to subsume the various fringe taxes” and “GST is shifting towards organized sector. Respondents are more in favor of shifting towards organized sector.

**Pair-8** Indicate there is small difference in opinion of respondents for the statements “GST will help getting more registered tax payers” and “GST help the textile industry to get more competition”. Respondents are of opinion in favor of GST will help getting more registered tax payers.

**Pair-9** Indicate there is small difference in opinion of respondents for the statements “GST will help getting more registered tax payers” and “GST is shifting towards organized sector. Respondents are more in favor of shifting towards organized sector.

**Pair-10** Indicate there is small difference in opinion of respondents for the statements “GST help the textile industry to get more competition” and “GST is shifting towards organized sector”. Respondents are more in favor of shifting towards organized sector.

## Conclusion

### **From the above Data analysis, it is concluded that:**

- GST would enable a effective input credit system.
- GST help Textile Industry in the long run by getting more registered tax payers under a well regulated system.

- Due to GST the overall Textile Industry is shifting towards organized sector.
- There is a positive impact of GST on Textile Industry in terms of both Global and National competition.
- There is an entire removal of benefits under cotton value chain which has an negative impact on Textile Industry due to this decision.
- There may be a little disadvantages for the Textile Industry because of higher tax rate and eradication of benefits under cotton value chain, but it is safe right to say that GST will help this Industry in the long run by bringing many of the registered taxpayers in a well-regulated system. It can also be assumed that GST will help the Textile Industry to bring many competitive in both the global and domestic markets and create opportunities for continuous, long-term growth.

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