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Impact of GST on Small Scale Sector: A Study with Special Reference to Footwear Industries

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ABSTRACT- A comprehensive dual Goods and Services Tax (GST) has replaced the intricate multi-indirect tax structure as of 1 July 2017. It was India's most significant tax reform ever. The main goal of the GST, as recently summarised, is to get rid of all the many subsidiary taxes, their effects, and any mild tax issues that are only possible to solve by paying GST. GST is a tax that is intended to be paid on a continuous stream of goods and contributions. Any person who grants a contract or provides an item or service is required to pay GST. The study emphasises how GST has affected Indian SSIs. SSIs play a significant role in the Indian economy, accounting to almost 40% of industrial production, 42% of exports, and 65% of total economic output.

Keywords: GST, SSIs, Impact, Boon, Bane

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1. INTRODUCTION

India's government began collecting a goods and services tax (GST) on July 1st, 2017. The Indian Constitution has undergone its 111th amendment. India switched from the VAT system to the GST system. A unified tax, known as the goods and services tax, replaces the several domestic taxes that are now in effect. Unlike the prior origin-based tax scheme, it is a "destination-based tax" on the production, consumption, and sale of products and services across all of India. "One nation, One Tax" is the GST's catchphrase. GST is already in use in 160 countries. Malaysia, Canada, France, the United Kingdom, New Zealand, Singapore, and more countries are included in this. GST in India is a dual-system country. Central GST (CGST), which the Indian central government would levy and collect, is one of the main components.

2. REVIEW OF LITERATUTURE

K.Khasimpeera and Dr.M.Sugantha Reddy (2018) titled GST and its impact on Indian economy is found out that the GST will affect Indian economy in positively and negatively. If the government taking good measure for improving the GST system, it will give more positive results to the economy. They also found out that the implementation of GST was a good way to reduce black money and good effort of Indian government after the demonetization of money.

Ankita Verma and Priyanka Khandelwal (2018) they found out that some enterprises found it beneficial but majority faced difficulties in accepting it. Even so, operational efficiencies were improved overall. The authors of this article draw the conclusion that this tax structure affects MSME business regulation in both favorable and unfavorable ways.

N.Ramalingam (2018) in his paper titled "Towards Goods and service taxation- issues and concern" structured through three parts. The first part contains basic concepts in GST and its evolution, issues involved in its implementation. In second part he compared the VAT system and GST system. The third part attempts to map the major areas of concern and level of preparedness of the state from the point view of revenue, administration and compliance. Through this paper he tried to resolved major unresolved issues regarding to the implementation from the state's perspective. He suggested that each of the issues should be discussed with stakeholders at all the levels for the smooth and hassle-free transition to GST.

V. Raveeendra Saradhi and O.P Wali (2018) study stated that the impact of GST in the business supply chain system. They found that GST helps fast moving of goods from one state to other states through the unified tax system. But the relative opportunities and risk of procurement from GST registered vendors and unregistered vendors are likely to affect sourcing decisions.

M. Jayalaksmi and G.Venkateswarlu(2018) in their study titled "Impact of GST on Micro, Small and Medium Enterprises" point out that marginally negative impact will be for the leather and footwear sectors. They state that GST aims to increase the taxpayer's base and majority of the SME into its scope and will put a burden of compliance and associated cost to them. They concluded that even in short run MSMEs will face somany issues. But in long run I t will be useful for the companies. This study was conducted at Tirupati, Andra Pradesh.

Nedunchezhian, et al., (2018) conducted a study on "Analysis of impact of GST with special reference to perspective small business stakeholders". In their study they concluded that GST is a revolutionary development for implementing the transparency system in the country. They also pointed out that the GSTIN network issues and complexities of filing the return process in new tax system for the businesses. They conclude that GST can be a good platform for the tax structure contribution for the economic development of the country.

Subhamoy banik (2018) in his article he concluded that small scale industries are essential for the development of economy. Through boosting SSI sector, the economy can achieve a great contribution for growth. He also suggesting that to educate the MSME sector is essential for the utilization of optimum capability. The government supports like to procure good quality of raw materials is also essential to support for small scale businesses.

Aryan agarwal, Richa Sekhani (2018) in this study they provide a detailed insights about GST impact of Uttarakhand and Kerala. They found that after implementation of GST the transaction cost of the business decreased by 3.5 times than previous tax system. Another finding was the implementation of GST is formalization of the informal sector in the economy.

Shubham Khaithan (2018) in this report they explained that there will be widespread impact on small scale Industrial Sector on GST. They observed that unorganized sectors need to be organized themselves in order to sustain under GST. Through this report they conclude that, in short run the SSI sector may face some problems. But in long run the sector will get positive impact through this GST scheme.

Nabendu Basak (2018) his article said that GST is the biggest reforms in history after independence. He found out that GST will fuels inflation in short run but when taking long run the stakeholders will be benefited. He also commented that GST will transform the business as whole through decreasing the cascading effect of taxation and revenue leakage. He expressed his thought that GST will bring easy calculations and implementation. Transparent tax system will make corruption free economy.

S.Deivamani, et al., (2018) Small scale business cannot easily make transformation with new tax system. Through GST it became simpler for small scale industries. The reduction of tax system and uniformity of the states etc made easier. Government also doing more awareness about the newly implemented tax system for the smooth running of business. Small scale industries have a sudden transformation problem within short span of time. But they sure that in long run the small scale business can reduce the negative impact.

3. STATEMENT OF PROBLEM

India is second largest footwear manufacturer after china. The production in India is considered as 9 percentage of the global annual production. These 75 percentages of production is coming from the unorganized sector including small and medium enterprises. After Implementation of GST there are so many technological changes has occurred in the procedures of business. The technological change also has an important role in the business. This study examines the various technological growths happened in the small scale sector of footwear businesses with respect to Goods and service taxes.

4. OBJECTIVES OF THE STUDY

1) To study the socio- economic background of the Entrepreneurs in footwear industries
2) To study the problems and challenges faced by footwear Industries in Calicut district after GST Implementation.
3) To study the awareness of entrepreneurs towards the importance of GST for the growth of economy.

4.1 Scope of the Study

This study is conducted to examine the Impact of Goods and Service Taxes in small scale footwear Industries. The entrepreneurs were followed Value added tax system till 2017. GST means to bring every indirect tax into one unified tax system. Through sudden changes of tax system made so many challenges in the business for entrepreneurs. This study will review the various Impacts of footwear industries in Calicut. Study is entirely based on the reviews collected from the entrepreneurs in Calicut city.

4.2 Research Methodology

The present study is using descriptive design. Descriptive research study by applying survey method, the data for the study have been collected from the Entrepreneurs of footwear industries in Calicut region. Instead of obtaining from each and every unit of the universe, only a small representation part is studied and the conclusion are drawn on that basis for the entire universe or whole population. For this research probability and simple random sampling was used for collecting the data. By applying lottery method (without replacement). The sample unit for the study is the Entrepreneurs in the footwear business.

4.3 Data Analysis

Table 1.1 AGE GROUP OF ENTREPRENEURS AND SATISFACTION LEVEL OF GST IMPLEMENTATION

Sl. No	Profile of the respondent	N	Mean	S.D.	d.f	Chi-Square value
1.	Age Group of Entrepreneurs	114	3.39	1.043	12	26.202
2.	Satisfaction Level of GST Implementation		2.99	1.01	12	

S=Significant @ 5% level (P value <= 0.05); NS = Not Significant @ 5% level (P value > 0.05).

N = Total No of Samples, S.D = Standard deviation, d.f = Degree of freedom. Here, Calculated P Value = .010

5. CHI-SQUARE TEST

In order to find the association between the Educational Qualification of the respondents and Burden of GST, a chi-square test was performed and result of the test is shown in table 4.2.2

H0: There is no association between the Educational Qualification of the respondents and Burden of GST

S=Significant @ 5% level (P value <= 0.05); NS = Not Significant @ 5% level (P value > 0.05).

N = Total No of Samples, S.D = Standard deviation, def. = Degree of freedom

6. FINDINGS

1. The table 1.1 shows that the P value is less than 0.05 (i.e., 0.010) with Age group of the entrepreneurs and Satisfaction level of GST Implementation. The results are SIGNIFICANT at 5% level. Hence null hypothesis (Ho) is rejected. Thus, it is concluded that there is association between Age groups of the respondents and Satisfaction level of GST Implementation.

2. The table 1.2 shows that the P value is less than 0.05 (i.e., 0.010) with Age group of the entrepreneurs and Satisfaction level of GST Implementation. The results are SIGNIFICANT at 5% level. Hence null hypothesis (Ho) is rejected. Thus, it is concluded that there is association between Age groups of the respondents and Satisfaction level of GST Implementation.

3. The table 1.3 shows that the P value is less than 0.05 (i.e., 0.010) Educational Qualification of the respondents and Burden of GST. The results are SIGNIFICANT at 5% level. Hence null hypothesis (Ho) is rejected. Thus, it is concluded that there is association between Educational Qualification of the respondents and Burden of GST.

7. SUGGESTIONS

Sl.No	Profile of the respondent	N	Mean	S.D	d.f	Chi-Square value
1.	Educational Qualification	114	2.68	.897	12	26.116
2.	Burden of GST		3.23	1.06	12	

The following suggestions may help to improve the GST problems in the business.

1. Government should take more initiatives for the growth of women entrepreneurs in the field of small-scale industries. For that awareness programs about the opportunities should be conducted in each district.

2. The function of SSI in the state is badly occurred due to inadequate and non- availability of funds in time. Existing industrial firms are suffering due to lack of working capital. The main barriers towards industrial growth which requires instant remedy.

3. In order to overcome the problems or difficulties of available loans from various commercial banks, simplifying the existing procedures of granting loans to Small Industries can be treated. Reduction of paper work, providing more authorities to branch managers and other subordinates etc. are some of the other valuable measures that can be taken to solve the financial problems of SSI units in the state to a great extent.

8. CANCLUSION

From this study, it is clear that the Implementation of goods and service tax has both positive and negative impacts in small scale footwear industries in Calicut. It is clear that a sudden transformation can't make with this GST in the small-scale sectors. To solve the current issues, there is a need of time. Through the GST the government could make a unified tax system across the country instead of Value added tax system. The impact of Goods and Service Tax implemented in small scale footwear enterprises in Calicut is yet to be realized as the progress made is to be estimated. Yet it has the potential to go a long way in improving the business condition of the state in small and medium enterprise sector.

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