

A study on problems of jeans manufacturing units post GST

Dr. Vishal R Tomar

Smt. M.M.K. College, Bandra (W)

ARTICLE DETAILS

Article History

Published Online: 20 February 2019

Keywords

GST, demonetization, informal workers, jeans manufacturing.

*Corresponding Author

Email: vishalmmkc2006[at]rediffmail.com

ABSTRACT

GST all over the world has got mixed review. This term was coined in India long back and government recently has introduced 'one nation-one tax' system. Single levy tax at different tax slabs for services and goods was introduced. At the initial stage of GST launch there is a problem in business circle and also between the state and central government. GST collection and its disbursement was also an issue. It was easier for formal sector to accept this change due to its size, manpower and financial position. On the other side, impact of GST launch is more on informal sector due to its nature. Informal jeans manufacturing sector was trying to recover from demonetization (primarily cash operated industry), GST has further take them back due to lack of clarity, knowledge and its advantage. It is important to sensitize stakeholder in less complicated way about the system being launched.

1. Introduction

GST was introduced in Indian tax system from 1st July 2017. GST brought the curtain down to multiple tax regimes to uniform tax rates in India. Businessmen have to submit their GST returns online and at specific rates. Complications in calculation, getting GST number, filing GST return, GST rates etc are the major issues among the businessmen especially for them who does the business locally or at a small size. Demonetization and GST are the game changer in the Indian economy but at the same time it has brought hard times for the people who were doing small businesses in cash, many of such businessmen were not having proper permissions to conduct the business. Informal sector was badly hurt as the entire working of informal sector is based on cash and absence of formal documents. Businessmen were not only affected because of these economic changes, workers working under these units also faced difficult time as they got their remuneration in cash only.

Study concentrates on the difficulty of owners of jeans manufacturing units who gets the order of jeans and material from the jeans exporter/ manufacturer primarily after GST and their awareness about it.

2. Literature review

Literature review was done with the help of secondary data available to understand the nature of GST and its implications on small business.

Suman S (2017), in his research paper has opinion that GST has a mixed bag for the businessmen. It gives scope for market expansion, reduction in tax burden, removal of multiple taxation. GST has drawbacks of complex registration, technical challenge etc.

Uppal A, Wadhwa B, Vashisht A and Kaur D (2017), in their paper on awareness and perception of GST on small business person, authors observed that wrong perception is created about GST by spreading wrong information. Lack of

training to the officers for GST added further complications to the implementation and understanding of GST.

Verma A, Khandelwal P and Raj J S (2018), in their research paper have observed that there were multiple tax regimes in India for businessmen. To remove this and bring uniformity, GST was brought. Authors further suggest GST should be given more time to the people to understand and accept it.

Chouhan V (2017), in his study based on small business owners in Rajasthan, authors has found that GST improves financial health of the country and state. He suggests the need to rationalize and simplification of GST tax structure.

From the literature review, it is clear that GST has some complications which need to be addressed.

3. Methodology

For the purpose of the study following research design was framed-

Objectives of the study:

Objectives of the study are-

1. To understand the awareness of GST and its compliance among the informal jeans manufacturing owners.
2. To understand the complications faced by informal jeans manufacturing owners due to introduction of GST.
3. To understand the perception of GST among the informal jeans manufacturing owners.

Hypothesis:

In order to attain the above three objectives of the study, following three null hypothesis were framed-

1. There is awareness among jeans manufacturing owner about GST
2. Informal jeans manufacturing owners do not have any complications due to GST in their business.

3. Informal jeans manufacturing owners are satisfied (perception) with GST introduction.

Population:

Jeans manufacturing unit owners in the city of Ulhasnagar is the population of the study.

Sample size:

One hundred twenty jeans manufacturing owners were selected from the population by using simple probability method, where all the owners were having the equal chance of getting selected. All the owners were male.

Method of data collection:

Primary and secondary data was used in the study. Secondary was used in understanding the general problems of businessman in GST and its implementation while primary data was applied to study the problems of jeans manufacturing units.

Questionnaire was framed to collect the primary data. 5 likert scale questions were set for the respondents. Questionnaire was divided in to two parts- part A dealt with the general information about the respondents and part B included questions pertaining to study. Questionnaire was distributed to the respondents. Responses were recorded, sorted and statistical tools were applied for the interpretation and analysis.

Percentage, standard deviation and other statistical tools was used to analyze the data collected from the respondents.

Time gap:

Data was collected during the period of two months- January and February 2019.

Limitations:

Following are the limitations of the study-

1. Study is indicative and does not represent generalization.
2. Time and cost constraint has resulted in the small sample size.
3. Further in depth study is required for the better understanding of the subject.
4. Factors other than GST also have an impact on the working of the owners of jeans manufacturing units.
5. Study is conducted in informal jeans manufacturing units of city of Ulhasnagar.

4. Findings from data analysis and its interpretation

Respondents were asked questions on three broad areas pertaining to the scope and objectives of the study-

- a. Awareness of GST
- b. Complications related to GST
- c. Perception of GST

Analysis of responses from the respondents revealed the following findings-

Owners of jeans manufacturing units are having general awareness about the GST as it is affecting their business. GST registration, its compliance, slab rates, filing of returns, fines

are the technical detail. Most of the owners are not aware about the technical implications of GST. Owners are not clear about registration and its eligibility conditions under GST. Owners seek advice from the experts, which in times themselves are not sure

GST software is costly and increases the operational cost of business. Owners who earlier used to conduct the business in cash and 'Kacha' receipts, now has to maintain proper records. GST has impacted their business directly and indirectly.

Owners feel that they were trying to recover from demonetization but this new tax regime has broken their business's backbone. Owners feel that GST is not good for informal sector as this sector normally operates at local level with less capital, poor technology, skilled or unskilled workers and at the same time provides self employment and generate employments for others. Owners are of the perception that GST will further slow down their business and will increase unemployment. Owners feel that GST should have been launched on pilot basis for formal sector. This would have given time to analyze its operational complications and better GST would have helped informal sector.

Hypothesis testing and its findings:

1. Hypothesis: There is awareness among jeans manufacturing owner about GST. Hypothesis is accepted. Owners have general awareness about the GST as it is affecting their business. Owners do not have awareness relating to GST compliance, filing and other technical details
2. Hypothesis: Informal jeans manufacturing owners do not have any complications due to GST in their business: hypothesis is rejected as owners directly and indirectly are facing the problems due to GST in their business operations.
3. Hypothesis: Informal jeans manufacturing owners are satisfied (perception) with GST introduction: hypothesis is rejected as jeans manufacturing units does the business in cash and informally. GST has impacted their business and their perception relating to GST is not positive. Lack of information, insufficient education is one of the reason for this hypothesis being getting rejected.

Findings from the analysis of three key areas and general discussion with the owners of the jeans manufacturer revealed that-

1. Owners had faced challenges while registering them in GST.
2. Transition of doing business in cash to GST transformation was not easy and their business and profit had taken a toll after demonetization.
3. Multiple tax slabs, lack of clarity on compliance of GST has made their task difficult.
4. Lack of awareness and literacy level was one of the bottlenecks for GST.
5. Online registration, tax filing, purchasing of software, fine for late filing of GST returns were some of the challenges.

6. Maintaining record, procurement of raw material, payment to other miscellaneous were also the issues.

GST is a key change in Indian tax structure. 'One nation one tax' system provide uniformity in tax and thereby will increase the scope and volume of doing business to the business.

5. Recommendations and Conclusions

Benefits of GST will be seen in coming times. Government in GST council meetings try solving issues pertaining to exemption, dates and pattern of filing returns, slab changes etc. Mean time it is also the fact that the small business people are the most affected due to GST. Organized business has manpower, finance to install and implement GST. They have adequate working capital to finance their working. Small businesses do not have this leisure. Immediate step to provide help to small business is the need of the day because they

provide employment to the maximum working hand in India and mostly to semi skilled or unskilled worker population. Massive orientation program is required to sensitize small businessmen to know the importance of GST and its operation. Professionals can provide a helping hand to these businessmen in training and filing of returns. Incentives should be granted to businessmen who enroll themselves under the ambit. GST push will help in bringing those informal businesses under the ambit of formal who were dealing earlier in cash and many were not even registered with government body. Informal jeans manufacturing business before GST and demonetization was purely run on cash business and many of them were not registered. Slowly understanding the need of the hour, people have started enrolling them under GST license and government need to play a more proactive role in encouraging such small businesses to adopt new tax regime under GST.

References

1. Suman S (2017), New GST era and its impact on small businesses, Journal of accounting, finance and marketing technology, vol.1, issue 2.
2. Uppal A, Wadhwa B, Vashisht A and Kaur D (2017), GST: awareness and perception of small business persons ,International journal of innovative technology and exploring engineering, vol 8, issue 752
3. Verma A, Khandelwal P and Raj J S (2018), Impact of GST on the regulation of small business , IOSR Journal of Business and Management ,Vol- 20, Issue 7
4. Chouhan V (2017), Measuring awareness about implementation of GST: a survey of small business owners of Rajasthan, Pacific business review, vol 9, issue 8