



Impact of GST on Textile Industries: A Case Study of Raymond's Ltd. with Special Reference to Pre and Post GST Implementation

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ABSTRACT: In India, sales of goods and services are subject to an indirect tax known as Goods and Service Tax. On July 1, 2017, India implemented a new tax known as the Goods and Services Tax (GST), which affected all sectors of the economy, including the textiles sector, which is crucial to the development of both the Indian and global economies. The study is about the "Impact of GST on Textile Industries: A case study of Raymond's Ltd". The objective of this study is to evaluate the overall financial performance and also to compare Pre and Post GST effect on financial performance of Raymond Ltd. Secondary data has been taken in this study. Different ratios, T Test and Bar diagram has been used to analyse the data. This study found out that there is no significant difference in financial performance of Raymond's Ltd and also there is no significant impact of pre and post GST effect on financial performance of Raymond's Ltd.

KEYWORDS: GST, Indirect Tax, Economy, Textile Industry, Financial Performance

1. INTRODUCTION

For a long time, India was in need of a uniform taxation system and GST ended that wait on 1st July 2017. GST is levied on the every value addition of Goods and services that's why it is called destination based and multi stage tax. It submerged almost 17 indirect taxes which were levied by central and state government and that are why it's called Nation Tax. GST (Goods and Services Tax) is a national tax imposed on the manufacture, sale, and consumption of goods and services. Prior to the implementation of the GST, taxes were levied separately on products and services, which were integrated under the GST regime at a single rate of tax, resulting in a fixed rate of tax for both commodities and services. The Goods and Services Tax Bill, also known as the Constitution (122nd amendment) Bill, 2014, establishes a national value added tax in India. The GST law is expected to fundamentally alter the existing system of indirect taxes. It is thought to be the biggest tax adjustment since 1947.

Indian Textile Industry Overview

The concept of textile industry is not new for India. It is almost 4000 years old from today. It's references are

found in the Vedic literature as well. Textiles industries are the most prominent and largest employment generation sector in India for both skilled and unskilled labour. India is the second largest fibre producer in the world and majorly it produced cotton fibre. India produced almost 60% cotton fibres. Other majorly produced fibres are Jutes, silk, wool and man-made fibres. In the World, India scores the second rank in global textile production. Indian Government had passed a Uniform textile policy in 2000 to regulate this industry. Its accounts 15% of the total exports. Textile industries contribution in Indian GDP is approx 5% which is higher than the agriculture and other small scales industries as well.

2. LITERATURE REVIEW

Priya L & et.al (2020) found in their study named "Impact of GST in Small and Medium Enterprise with special Reference to Textile Industry" that the textile industry affected a lot due to implementation of GST. Textile industry turnover especially in the mid-sized categories has also dropped. In the end, the GST implementation impacted profit margins in small and medium-sized businesses.

Borate S & et.al (2019) in their research titled "Study on Impact of GST on Textile Industry" study that the important taxation rates have been changed i.e. excise duty increased from 5 to 6 percent. ED on synthetic textile increased by 12 percent. Subsidy (abatment) available for branded clothes increased from 55 to 70 percent. Further they stated that as a whole impact of GST on the textile industry and consumers will be determined by how the available policy choices for administering GST in the context of textiles are used.

Sheety S.S (2019) studied "Evaluating the Impact of GST on the Textile Industry in India" that at the initial stage of GST, it was not accepted by the suppliers, traders and manufacturers. Many challenges had faced by the industries such as multiple tax rates, higher tax slabs, difficult IT structure etc. He stated that the key objective of GST implementation in textile industry is transforming unorganised enterprise in to organise one so that the tax collection can be increased. He concluded that GST would surely bring out some favourable changes in future in terms of input tax credit, fair administration etc.

Rathi & et.al (2019) in their study titled "GST-A Transition for the Textile Sector In India" had mentioned that GST had brought some positive as well as some negative impact on textile industry. In positive impacts such as transparent and friendly taxation system, removal of cascading effect, availability of input tax credit, reduction in tax burden etc and negative impacts are higher tax rates, abolition of benefits under cotton value chain, complexity of administration process etc. They concluded that in future textile industry will become more ruthless in terms of all aspects.

Mishra N. (2018) in her study "Impact of GST on Indian Economy" found that A unified tax system would bring in new enterprises and entrepreneurship to enter the service and production industries. This results in the elimination of economic disparities in taxation among governments, as well as the mobility of goods and the reduction of tax sophistication. There have been many positive impacts can see such as low price of products, increase FDI's, remove policy barrier, increase in foreign exchange and employment etc.

Maidan R & et.al (2018) studied "Impact of GST for Indian Textile Sector: A Review" and analyzed that the textile industry having some extra benefits in terms of lower tax rates, subsidized allowances etc. Moreover, India has the second largest textile industry in the world and it contributes approx 4 percent in Indian GDP, generates 9 percent excise revenue, 16 percent share in export and 25 percent contribution in cotton yarn production in the world.

Aneja A (2018) in her study "Impact of GST on Indian Economy" found that the technological infrastructure must be adequate for the GST to operate well. Therefore, the government should focus on ensuring that the GST system's numerous rules and regulations operate without a hitch if it hopes to earn the system's long-term

benefit. Further stated that government needs to update itself in every term and focused should be on maximum satisfaction.

Sankar R (2017) in his study titled "GST: Impact and Implication on various Industries in Indian Economy" stated that The GST was India's most significant tax reform, and both the federal and state governments need to run a program to educate and inform their diverse audiences about the GST.

3. RESEARCH METHODOLOGY

a. Objectives of the Study

1. To evaluate the overall Financial Performance of Raymond's Ltd.
2. To Compare Pre and Post GST effect on Financial Performance of Raymond.

b. Hypothesis of the Study:

H₀: There is no significant difference in financial performance of Raymond's Ltd.

H₁: There is no significant impact of Pre and Post GST on financial performance of Raymond's Ltd.

The above second hypothesis is further sub-divided as:

- (a) The Pre and Post **Debt equity ratios** do not significantly differ from one another.
- (b) The Pre and Post **current ratios** do not significantly differ from one another.
- (c) The Pre and Post **assets turnover ratios** do not significantly differ from one another.
- (d) The Pre and Post **Inventory Turnover ratios** do not significantly differ from one another.
- (e) The Pre and Post **Debt Turnover ratios** do not significantly differ from one another.
- (f) The Pre and Post **Interest Coverage ratios** do not significantly differ from one another.
- (g) The Pre and Post **Operating Margin ratios** do not significantly differ from one another.
- (h) The Pre and Post **Net Profit Margin ratios** do not significantly differ from one another.
- (i) The Pre and Post **Return on Capital Employed** do not significantly differ from one another
- (j) The Pre and Post **ROI** do not significantly differ from one another.

RATIOS/ YEARS	Debt- Equity Ratio	Current Ratio	Asset Turnove r Ratio	Inventory Turnover Ratio	Debtors Turnover Ratio	Interest Coverage Ratio	Operating Margin (%)	NPR %	ROCE %	ROI
2021	0.82	1.29	1.02	1.53	3.12	-0.04	7.92	-6.76	-0.19	-6.87
2020	1.03	0.92	2.01	2.71	5.25	1.18	12.08	2.08	6.93	4.21
2019	1.26	0.81	2.31	3.28	5.06	1.68	12.26	2.79	9.55	6.81
2018	1.28	0.81	2.81	3.68	4.52	1.63	11.15	2.13	8.19	5.05
2017	1.31	0.94	3.9	4.17	3.92	1.26	9.67	0.97	6.44	2.24
2016	1.23	1.13	2.21	4.53	4.31	1.73	12.86	2.64	9.75	6.18
2015	1.22	1.22	1.47	4.73	5.09	1.64	12.63	3.36	9.23	7.9
2014	1.3	1.03	1.2	4.17	4.9	1.08	12.77	0.58	6.5	1.19
2013	1.24	0.92	1.11	4.3	5.06	0.83	12	-1.78	5.1	-3.42
Mean	1.1877	1.007	2.004	3.677	4.581	1.22111	11.482	0.667	6.8333	2.587
SD	0.16084	0.172	0.940	1.0254	0.6996	0.567747	1.6653	3.182	3.0838	4.940

Table 1. [Financial Performance]

c. Time Period and data

The study is based on 8 years secondary data collected from Raymond’s Ltd. official website, Government, and data available on internet. The study mainly takes into account the Financial Statements of the company i.e., statement of Profit & Loss and Balance Sheet.

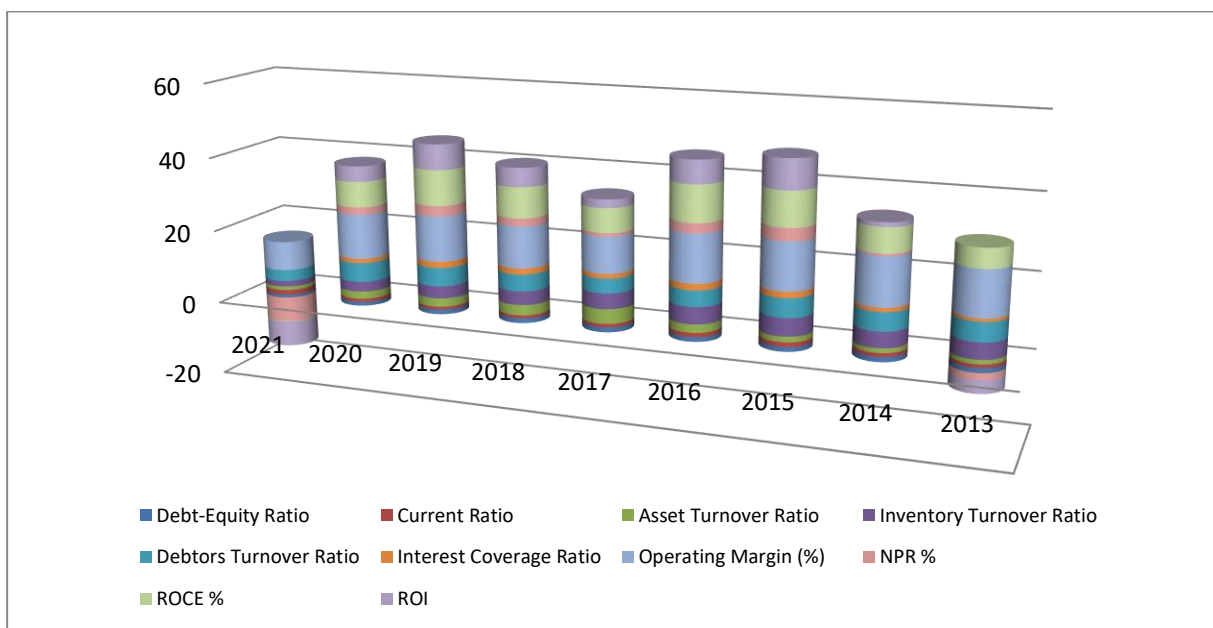
4. ANALYSIS AND FINDINGS

This section of the study deals with the analysis and findings of the study. It is divided into two parts. In 1st part the overall financial performance is judged while in the second part pre and post- GST financial performance of the company is evaluated to find out the impact of GST.

The above table and graph show the financial performance of Raymond during the study period. The Debt equity ratio of Raymond’s Ltd. during the study period shows almost constant value. It ranges from 0.8

in year 2021 to 1.3 in year 2014. On an average its value during the study period was 1.2(approx). The Current ratio ranges from 0.81 in year 2018 to 1.29 in year 2021. On an average its value during the study period was 1(approx). The assets turnover ratio also shows the fluctuating value during the study period. Its range from 1.02 in year 2021 to 3.9 in year 2017. Average during the study period was 2(approx). Inventory Turnover ratio shows the similar results as shown by Assets Turnover Ratio its range from 1.53 in year 2021 to 4.5 in year 2016. Average during the study period was 3.7(approx.) Similarly Debtors Turnover ratio also shows some fluctuation and its range from 3.12 in year 2021 to 5.25 in year 2020. On an average its value was 5(approx). However, Interest coverage ratio shows some negative values as well. Its range from -0.04 in year 2021 to 1.73 in year 2016. Its average during the study period was 1.2(approx). Operating profit Margin ratio shows some rapid changes as its range from 7.92 in year 2021 to 12.86 in year 2016. The average of its value was

Figure 1. Financial Ratios of Raymonds Ltd



RATIOS/ YEARS	Post GST				Average	Pre GST				Average
	2021	2020	2019	2018		2016	2015	2014	2013	
Debt-Equity Ratio	0.82	1.03	1.26	1.28	1.0975	1.23	1.22	1.3	1.24	1.2175
Current Ratio	1.29	0.92	0.81	0.81	0.9575	1.13	1.22	1.03	0.92	1.0515
Asset Turnover Ratio	1.02	2.01	2.31	2.81	2.0375	2.21	1.47	1.2	1.11	1.6055
Inventory Turnover Ratio	1.53	2.71	3.28	3.68	2.8	4.53	4.73	4.17	4.3	4.106
Debtors Turnover Ratio	3.12	5.25	5.06	4.52	4.4875	4.31	5.09	4.9	5.06	4.7695
Interest Coverage Ratio	-0.04	1.18	1.68	1.63	1.1125	1.73	1.64	1.08	0.83	1.2785
Operating Margin (%)	7.92	12.08	12.26	11.15	10.8525	12.86	12.63	12.77	12	12.2225
Net Profit Margin (%)	-6.76	2.08	2.79	2.13	0.06	2.64	3.36	0.58	-1.78	0.972
Return On Capital Employed (%)	-0.19	6.93	9.55	8.19	6.12	9.75	9.23	6.5	5.1	7.34
Return On Net Worth (%)	-6.87	4.21	6.81	5.05	2.3	6.18	7.9	1.19	-3.42	2.83

11(approx). Net profit ratio shows similar results as Interest coverage ratio shows. Its range from -1.78 in year 2013 to 3.36 in year 2016 and the average of the study period was 0.67(approx). The findings are consistent with the ROCE and ROI as well. They show the same trends as NPR shows.

Effect of GST

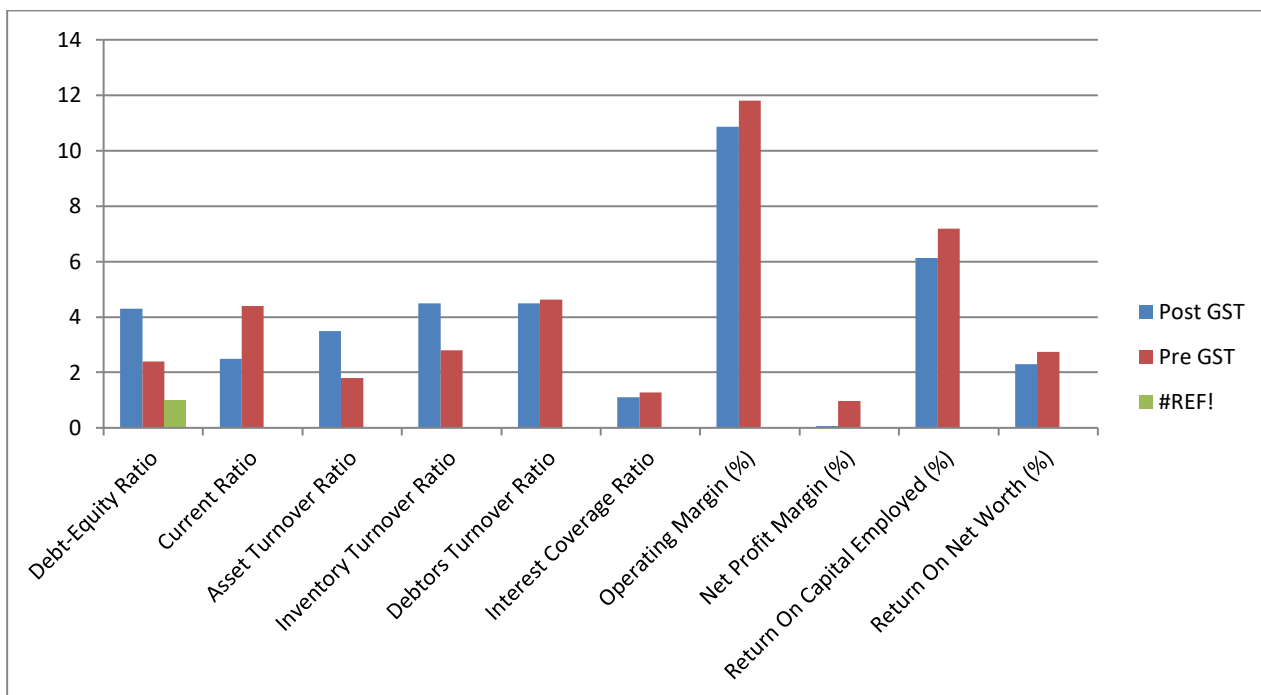
The following section of the analysis shows the pre and post GST financial performance of Raymond's Ltd.

During the Pre GST period the average of Debt equity Ratio was 1.22(approx) which improves to 1.09 (approx) Post GST. To find when this change is significant T test at 99% was performed and $P < t 0.11 < t$ critical then there is no significant difference seen. Similarly for current ratio Pre GST average 1.05 was more than the Post GST average 0.95. To check the significant analysis t test at 99% performed and $P < t 0.20 < t$ critical value then there is no significant difference. However, Assets turnover Post GST average i.e., 2.03 is also more than the Pre GST period average

i.e., 1.60 and to find the significant changes T test was applied and the $p < t 0.138 < t$ the critical value which shows that there is no significant change.

Pre GST period the average of Inventory turnover ratio was 4.1 which is also improves to 2.8 Post GST. T test was applied to find the significant changes and $p < t 0.0074 < t$ the critical value which shows that there will be no significant changes can see. Debtors' turnover ratio's average of pre-GST period was more than the post GST period and T test was also applied where $p < t 0.259 < t$ the critical value which shows that there will be no significant change. Interest coverage ratio average of post GST period is more than the Pre GST period i.e., $1.63 > 1.27$ and to find when the change is significant or not T test was applied and found that $P < t 0.33 < t$ the critical value which shows that there is no significant difference. Similarly, profitability ratios were showing the same results as Interest coverage ratio show, while applied the T test at 99 % performed the results shows no significant difference as well.

Figure .2 (Pre & Post GST Analysis)



5. CONCLUSION

According to the results, this research was met with skepticism and hostility by the Indian textile sector. The textile sector is vital to India's progress since it provides so many people with stable work, boosts the country's exports, and brings in tax money for the government. In this light, the Goods and Services Tax (GST) is being heralded as a game-changing overhaul of the indirect tax structure in the Indian economy. Economists and researchers see this tax reform, which attempts to consolidate all indirect taxes under a single national regime, as a potential catalyst for the sustained expansion and improvement of India's economic situation. This study clearly highlighted that there is no significant difference in financial performance of Raymond's Ltd and also there is no significant impact of pre and post GST effect on financial performance of Raymond's Ltd.

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