

ISSN 2321-4643



VOL 5 | SPECIAL ISSUE 1 | FEB 2018

UGC Approved Journal Number: 44278

Shanlax International Journal of Management



A Peer-Reviewed, Refereed Scholarly Quarterly Journal
Globally Indexed with Impact Factor

International Conference

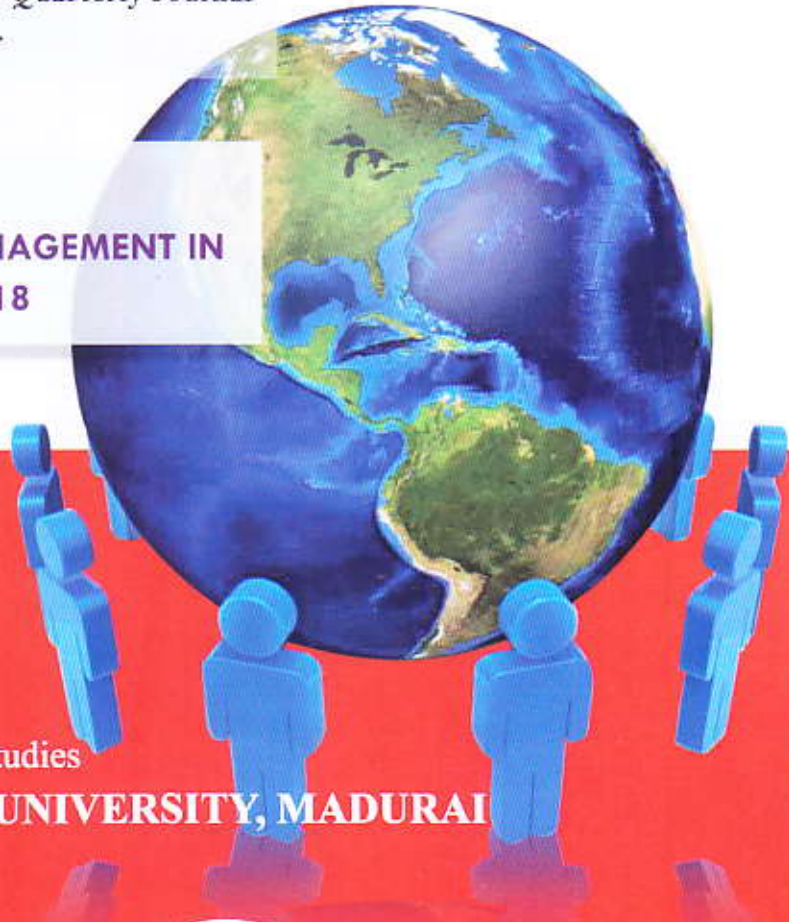
NEW DIMENSIONS OF MANAGEMENT IN THE GLOBALIZED ERA - 2018

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ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INTERNATIONAL CENTRE



SHANLAX
www.shanlaxjournals.in

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THE PERSPECTIVE AND ISSUES OF THE GOODS AND SERVICES ACT (GST) IN CLOTHING MSMEs OF MADURAI DISTRICT

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Introduction

The clothing sector is the final stage of the textile value chain and the maximum value addition takes place at this stage. Clothing sector is an export intensive sector and contributes about 49 percentages to total textile exports. The clothing sector is low investment and highly labours intensive industry. An investment of Rs. 1 lakh in the sector creates 6-8 jobs. This industry also has a women friendly employment orientation and provides employment to large number of women. In fact 38 percentage of the total employment in clothing sector is accounted for by women. In countries such as Bangladesh, such employment has brought a major social change in the society. This sector is environment friendly as it is least polluting and it could provide employment to the rural population, as this sector does not need sophisticated skill sets. Considering the strengths of this industry, particularly in terms of employment and export, there is needed to provide thrust to the growth of this sector.

Distribution of Clothing Industry

The clothing industry is fragmented and pre-dominantly in the MSMEs sector. Major manufacturers have at least 20-30 units each. The reason for this could be attributed to the MSMEs reservation policy which was in vogue till 2001 for woven apparels and up to March 2005 for knitwear. The quota policy which prevailed during the quota regime also did not encourage consolidation of the units. However, subsequent to quota phase out and de-reservation, the process of consolidation has started but momentum is slow due to prevailing labour laws. There were 12963 units (excluding tailoring units) comprising 12289 SSI units and 674 Non-MSME units. The total production of clothing sector was 7.85 billion pieces with a value of Rs. 93328 crore during 2005-06, comprising of 2.24 billion pieces with value of Rs. 37208 crore for exports and 5.61 billion pieces with value of Rs. 56120 crore for the domestic market. During the first four years of the Eleventh Five Year Plan, the apparel market grew from Rs. 101,300 Crores to Rs. 150,000 crores registering a compounded annual Growth Rate of 14 percent. The growth was faster in the organised sector of the industry which grew at the rate of over 20 percent and contributes nearly 25 percent of total apparel market. The demand for made-ups during the corresponding period increased from Rs. 8,450 Crores to Rs. 10,000 crore registering CAGR of 6 percent. The total demands for apparel and made up increased from US\$ 65 billion in the beginning year of the 12th plan to US\$122 billion by the end of the terminal year of the 12th Plan

The clothing sector has been dominated by cotton fabric based manufacture and export. In the area of exports, about 80 percentage of the total garment exports (in quantitative terms) is accounted for by cotton fabrics, followed by 11 percentage for man-made fabrics and 2 percentage for woollen fabrics. The same is, more or less, the position in case of domestic consumption and overall production.

Production Strategies Clothing and Apparel

The Production Chart explains the production Strategies of Clothing industry. The Quality control work is one of the important work to produce the orders as per as buyer requirement. The Batch production system is followed with proper production planning and control. Poor wage structure and low quality work life is the major draw backs of existing production syste



Chart 1. Flow Chart of Production Process

India's share in the total world apparel trade is about 3.6% and is ranked sixth India exports more than one hundred garment product categories, mainly falling in cotton, semi-fashion middle price segment of casual wear with the main product categories being T-shirts, men shirts, ladies blouses, ladies dresses and skirts. Member states of the EU, USA, Canada, UAE, Japan, Switzerland and Australia are the major markets for India's clothing exports.

Goods and Services Tax Practices in Clothing and Apparel MSMEs in Madurai District

The Madurai District consists of scatted clothing and apparel industries. This cluster also consists of large number of micro and medium level unregistered MSMEs working as sub-contractors to large scale industries and producers of Domestic needs.

The common Tax strategies of our nation result the GST act in this current year. Under this act, the same rate of tax is levied for the same goods throughout country irrespective of geographical specification. The tax forces to levy the goods at each stage of production process and marketing activities. In this connection, 5 percentage of GST is levied to clothing and apparel industry under this act. The tax collection authority is both central and State Governments of India. The tax policy consists of State GST, Central GST, interstate GST and International GST. The clothing and apparel MSMEs are levied in all above mentioned types of GSTs.

Statement of the Problem of the Study

The common Tax strategy in the name of GST is very supportive and changes the industrial environment as a systematic nature. But the take-off period of new tax system is very painful to the Unregistered MSMEs in Madurai District. Majority of Micro enterprises come under the category of Sole proprietorship and partnership firms. The owner or partner is the one of the employee of this small unit. He /she is carrying the all activities. These persons are not having the sufficient working

knowledge on taxation procedures .They are totally depending upon the private accountants and auditors. This situation forces the additional cost for accounting and auditing charges in addition to taxation cost in each day of tax payment to the MSMEs who are already suffering from the problems of increasing the exchange value of Dollar, de-monetization and digitalization Practices. The new tax law demands clothing and apparel MSMEs to install the computer and appoint the computer programmer for single or few trading work through on line. It needs nearly fifty thousand rupees additional burdenable investment to a single tiny unit. From yarn purchase, dyeing, Knitting and to Packing of production stages are considered for taxation procedures. It provides additional concentration and time consuming to small entrepreneurs. It increases the operating cost of goods which results the MSMEs not to offer the goods at international competitive price when compare with China and other countries. There is problem of timely reimbursement of tax from Government authorities. So the study has been undergone to analysis the prospects and issues of GSTs in clothing and apparel small industries entitled on "The perspective and issues of the Goods and Services Act (GST) in Clothing MSMEs of Madurai district"

Scope and Limitation of the Study

The study has confined its scope to analyse the strategic approaches of taxation authority for the launching of new Goods and Services (GST) taxation policy towards the clothing and apparel industries in Madurai District. The practical problems of Tax payers in this cluster and various cost incurred relating to the payment of GST has been evaluated. The period of study is current year..

Objectives of the Study

- To Know the Demographic profile of the selected sample entrepreneurs of clothing and apparel MSMEs of Madurai District.
- To analyze nature and pattern of production and Marketing strategies of sample entrepreneurs of clothing and apparel MSMEs of Madurai District To evaluate the tax payers' attitude towards new GST among the sample entrepreneurs of clothing and apparel MSMEs of Madurai District
- To evaluate the impacts of the GST on the sample entrepreneurs of clothing and apparel MSMEs of Madurai District

Methodology

It is a descriptive study. The suitable statistical tools have been used for analysing the primary data. The primary data were collected from different category of clothing and apparel MSMEs entrepreneurs, such as; yarn traders dyers, fabricators, knitters and marketers in Madurai District of Tamilnadu. The primary data were collected by using the interview schedule. The Simple random sample method has been adopted in this study. 100 sample entrepreneurs including both yarn traders' dyers, fabricators, knitters and marketers in Madurai District were selected by using lottery method for this study. Collected data has been classified and categorized for Tabulation. The statistical tools such as Percentage analysis, average, mean Standard deviation and Chi-square are used for the analysis of the data.

Demographical Profiles of the sample MSMEs entrepreneurs in Madurai District.

Table No 1. Demographical Profiles of the sample MSMEs entrepreneurs in Madurai District

Sl.no	Profile	No's of the sample Respondents			%
		Female	Male	Total	
I	Age				
	Below -18 years	-	02	02	02.
	18 years to 30 years	10	15	25	25
	31years to 45 years	24	18	42	42
	46 years to 60 years	12	12	24	24
	Above 60 years	04	03	07	07
	Total	50	50	100	100
II	Educational Qualification				
	Uneducated	05	07	12	12
	Primary level	12	13	25	25
	Secondary level	17	17	34	34
	Higher Secondary	15	5	20	20
	Graduation and Above	01	--	01	01
	Diploma/ others	-	08	08	08
	Total	50	50	100	100
III	Knowledge in Textile technology				
	Obtained	08	09	17	17
	Not Obtained	42	41	83	83
	Total	50	50	100	100
IV	Marital Status				
	Married	38	32	70	70
	Unmarried	12	13	25	25
	Divorced /widow	-	05	05	05
	Total	50	50	100	100
V	Residential Area				
	Rural	15	15	30	30
	Semi-urban	10	19	29	29
	Urban	25	16	41	41
	Total	50	50	100	100
VI	Family Status				
	Joint family	05	17	22	22
	Nuclear family	42	29	71	71
	Single	03	04	07	07
	Total	63	72	135	100

Sources: Compiled from primary Data

The majority of MSMEs are run by rural entrepreneurs. The share of women gender is also more favourable. The formation of the new MSME in Madurai District is mostly based on past experiences of the in this apparel industry. (Table no;1)

Prospects of sample Clothing and Apparel MSMEs in Madurai District

Table No 2 Distribution of sample Clothing and Apparel MSMEs in Madurai District

Sl.no	Particular	Yarn traders	Dyers	Fabricators	Knitters	Marketers	Total
1	No' of MSMEs		(Figures in Percentage)				
	Micro level MSMEs	06	04	06	11	03	30
	Small level MSMEs	04	07	07	09	02	29
	Macro level MSMEs	05	09	10	10	07	41
	Total	15	20	23	30	12	100

		Capital					
2	Up to 5 crores	04	03	05	08	02	22
	3.1 to 4 crores	05	08	08	10	05	36
	1,1 to 3 crores	02	07	09	05	02	25
	Below one crores	04	02	01	07	03	17
	Total	15	20	23	30	12	100
		Type of MSMEs					
3	Registered MSMEs	06	10	10	14	11	51
	Registered MSMEs	09	10	13	16	01	49
	Total	15	20	23	30	12	100
		Nature of business carried					
4	Direct Exporter	--	--	--	03	01	04
	Direct domestic Traders	12	13	05	05	11	46
	Sub-contractor	03	07	14	12	--	36
	Labour contractor	--	--	04	10	--	14
	Total	15	20	23	30	12	100
		Systematic accounting system					
5	Followed	07	11	12	13	07	50
	Not followed	08	09	11	17	05	50
	Total	15	20	23	30	12	100

Sources: Compiled from primary Data

The T Madurai District mostly consists of MSMEs. The unregistered micro industries as a dying unit, fabrication units or knitting units are carrying the business as house hold units with hiring few workers from out sides. Majority of them are the either sub-contractor or labour contractor. They are not following systematic accounting procedures. Dollar depreciation and pollution control problems are the factors affecting the smooth sailing of these business units. The majority of MSMEs in this cluster are depending upon the contractor and corporates for running the business. In this connection the impact of GST is not favourable one to the micro and small clothing entrepreneurs in this cluster. The competition between the MSMEs for getting sub-orders from big companies may also influence the overall growth of this sector. In this connection, the majority of MSMEs are reducing the profit margin and cost of production to tackle the internal competition. In this emerging condition, the increased rate of GST for not only textile goods and accessories for dyeing and knitting of apparel units may rise the question of survival of micro units and also to face the tough competition the prefer the second quality raw material and other inputs due to increased cost of such materials. This affects the Indian brand name at abroad. (Table No;2)

The analysis of factors affecting the GST Taxation Procedures

Table No -3 The Position of sample MSMEs with respect of GST Taxation Procedures

Particular	Mean Score of Sample MSMEs					F Ratio	F Probability
	Yarn traders	Dyers	Fabricators	Knitter	Marketers		
Knowledge about GST	2.9788	3.2545	2.5158	2.9763	2.6144	0.9268	0.3972
Registration and Filing Procedures	3.0545	3.6844	2.3924	3.0495	2.6963	0.7148	0.4916
Compulsion of On line billing	2.9788	3.4700	2.3926	2.9793	2.6993	0.2472	0.7839
GST Tax payment procedures	2.9027	3.0879	2.5847	2.9562	2.3826	0.8981	0.4083
Percentage and time of payment of GST	3.8373	3.6764	3.3541	3.8520	3.1598	2.0525	0.1326
Reimbursement of GST	3.8269	3.2875	3.3617	3.8361	3.4675	0.7939	0.4538

* Significant at 5 percentage level (Sources: Compiled from primary Data)

The factors such as Percentage and time of payment of GST for the all type of sample respondents (3.8373,3.6764,3.3541 and 3.8520) have been highly influenced. The lack of sufficient Knowledge about GST among the sample respondents is weakening the part of tax payer. They are always depending upon the auditors. The entrepreneurs of MSMEs are carrying the business with small and deficit capital sources. Their transaction for sub-contract work and labour contract work need not proper billing and accounts. But the new GST taxation procedures forces to MSMEs to make online transaction. It also increases the both capital and working capital expenditures. One of the important factor of delay ness in the Reimbursement of GSTis also highly affect the smooth payment of the tax. (Table no; 3)

Impact of Goods and Services Act in apparel sector

Table No -4 Impact of Goods and Services Act (GST) in Clothing and Apparel MSMEs with special reference to Madurai District

Impact and problem of GST	Yarn traders Mean Score	Dyers Mean Score	Fabricators Mean Score	Knitters Mean Score	Marketers Mean Score
Increased cost of production due to increased GST rate of production accessories	3.75	3.45	4.05	3.65	3.7
Increased selling cost of apparel goods and problem in tackling the international competitions of marketing	4.5	4.35	4.4	4.45	4.5
Systemisation of accounts procedures	4.5	4.15	4.65	4.1	4.5
Increased cost of investment due to purchase of computers and others	3.1	3.35	3.15	3.05	3.35
Increased administrative overhead cost due to appointment of separate or additional employees for GST	3.45	3.0	3.45	3.25	3.4
Multi stage taxation and increased the cost of raw materials	2.95	2.8	2.9	2.9	2.75
Additional fund needed for payment of GST tax for credit sale sup to credit period	3.25	3.5	3.2	3.8	3.3
Increased percentage of dependence of auditors and tax authorities for trading	4.2	4.2	4.45	4.15	4.3
Preference of second quality of yarn and other materials for production	4.1	3.9	4.6	4.25	4.4
Mean Score	3.7125	3.6	3.7813	3.669	3.725
Standard deviation (SD)	1.938	1.468	1.540	1.132	1.007

Sources: Compiled from primary Data

Irrespective of the type of business followed by the sample respondent, increased selling cost of apparel goods and problem in tackling the international competitions of marketing has the major impact of GST. Multi stage taxation and increased the cost of raw materials production problem, Additional fund needed for payment of GST tax for credit sales up to credit period, Increased administrative overhead cost due to appointment of separate or additional employees for GST are the major impact of GST in clothing and apparel MSMEs (Table no;4)

Conclusion

The majority of clothing and apparel entrepreneurs are starting the payment of GST taxation process. There is some kind of confusion among them regarding the overall network of GST. The necessary awareness programme should be provided to the rural entrepreneurs. In addition to it,

capital subsidiary should be provided to procurement of computer and other appliances. The separate cash credit is to be sanctioned to pay GST under credit transaction.

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