

IMPACT OF GST AMONG FOOTWEAR INDUSTRY

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Abstract: Goods and Service Tax (GST) is an indirect tax (or consumption tax) levied in India on the sale of goods and services. GST is important step taken by the Indian government in the field of 'taxation reforms'. A number of central and state tax would be amalgamated into a single tax thereby mitigating tax cascading. Goods and services are divided into five tax slabs for collection of tax – 0%, 5%, 12%, 18%, and 28%. One of the main objective of GST is to eliminate the double taxation. GST implemented with an aim to one nation one tax; tax is levied on goods and service at national level. GST is covering number of industries; also footwear industries adjusted with GST system. GST touches every aspect of footwear industries, especially to determine the price of footwear. The paper overviews the impact of GST among footwear industries was highly significant.

Keywords: GST in India, Footwear industry in India, SWOT Analysis of GST in footwear Industries, Growing opportunities and challenges.

I. Introduction:

India is the world's 6th emerging economic super power. According to the OECD (Organization for economic corporation and developments); India is the third largest economy of the world in purchasing power parity. The long term perspective of an Indian economy is a positive due to its young population, corresponding low dependency ratio, healthy savings, investment rates and increased integration in to the world economy. The constitution of India empowers the legislative to enact and enforce tax laws. With the introduction of economic reforms, the tax system of our country has undergone significant changes over the past few years. The tax rate has been rationalized, further tax laws has been simplified to ensure better compliance. To achieve simplification in tax collection and avoid complications there to new system of indirect tax introduced on 1st July 2017 known as GST.

GST is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level. In which there is no distinction between goods and service for levying of tax. Indian footwear market, has a lot of scope. Indian footwear industry is gearing up to leverage its strength towards maximizing benefits. Also footwear industries primarily involves touching foot of customers part of services and does not attract the best manpower in terms of education, technical expertise and sophistication.

II. Objectives of the study:

- To understand the impact of GST among footwear industries.
- To study the GST and footwear industries in India.
- To Analyze growing opportunities and their challenges on footwear industries after implementing GST.

III. Review of literature:

A literature review is a description of the literature relevant to a particular topic/field. A review of the earlier studies relevant to the present investigation carried out in the same area as well as elsewhere is included here. The related review was collected from textbooks, journals, magazines publications, newspapers and a project report. The government has announced GST rate of 5% for footwear's below

₹500 and 18% for other. The new rate structure has invited praise and appreciation from across the industry, from manufacturers to retailers and distributors as well from both domestic and foreign brands. High taxes had restricted the growth of the footwear consumption. The new GST rates and structure, has simplified the tax structure. The reduction in applicable tax, would allow the entire industry to become more competitive (etretail.com, 2017). In this paper highlights the importance of the Indian leather footwear industry's potentiality for exports. He brings out the need for popularizing brand name, strengthening training facilities particularly to women, and close linkages between industries, training and educational institutions. The paper also emphasized the need to have the service of experts from developed countries to train the local artisans in particular lines (Mr. Refeeqahmed, 1986). This paper study to analyze spending patterns and consumer behavior across the pyramid in the Indian market. The area of study was restricted to the twin cities of Hyderabad and Secunderabad. Sample size is 110. It studies the footwear industry in India is expanding at an incredible rate. Local brands like Bata, Paragon, Liberty, Khadims, Relaxo and VKC are popular among lower income and middle income groups. While top of the pyramid segment clamors after the international brands. This study also satisfy this need by using the hand-me-downs of the top of the pyramid consumers (GeethaAnand and U. Alekya, 2013). GST introduced in India, it would have a positive impact on the overall economy. He evaluates impact of GST on India with a help of secondary data and studied the different parts of GST and analyze the impact of GST on the common man, business and the economy (Herekar, 2012).

IV. GST In India:

Goods and Service Tax (GST) is important step taken by the Indian government. It involves a number of central and state tax would be amalgamated into a single tax thereby mitigating tax cascading. Introduction of GST would make the Indian products more competitive. The one levied by the state would be known as state GST (SGST). The one levied by the Centre will be called central GST (CGST) and other will be an integrated GST (IGST) that would be for the inter-state transfers and import of products.

For the Centre, GST will replace the following taxes:

- Central excise duty
- Excise duty (medicinal and toilet preparations)
- Additional duties of excise on goods which are of special importance
- Additional duties of excise on textiles and textile products
- Additional duties of customs also known as CVD
- Service tax
- Special additional duty of customs (SAD)
- Cesses and surcharges in as far as they relate to supply of goods and services

For the states, GST will replace the following taxes:

- State vat
- Central sales tax
- Purchase tax
- Luxury tax
- Entry tax (all forms)
- Entertainment tax which are not levied by the local bodies
- Taxes on advertisements
- Taxes on lotteries, betting & gambling

V. Footwear Industry in India:

India is the second largest global producer of footwear after China. The growing Indian fashion and lifestyle market has given a special focus to the footwear industry. Footwear industry in India is very optimistic right now with growing awareness about the latest trends and consciousness among consumers. The footwear industry has a tremendous growth in the last few years. The demand for footwear products in India is increasing with each passing day. Indian footwear market is shared between organized and unorganized segment. The organized segment caters to about one third of the

market while unorganized players fetch the remaining 70- 75 percent market which essentially falls under micro, mini, small and medium enterprises. With the rising disposable incomes of the customers, India's domestic footwear market is booming. Rising incomes, advent of globalization, improved employment and living standards in the country has led to the expansion in the size of this market. Government of India has already commenced the "Make in India" campaign which has been proving beneficial in boosting manufacturing in India. The increasing level of Internet penetration and adoption of internet and the overall ecosystem for e-commerce falling in place, the last decade has been the best for this industry.

VI. SWOT Analysis of GST in footwear Industry:

Strength:

- *Marging of wholesaler and retailer will increase*
- *cascading taxes like turnover tax, anti-tax and number of different taxes will go away*
- *Increase in transparency across allied services & industries*

Weakness:

- *Branded footwear is too costly*
- *limited presence of large scale manufacturing units*
- *highly cash intensive*

Opportunity:

- *Bring competitiveness in unorganised sector, manufacturing & retail*
- *rising level of disposable income*
- *international demand increase*
- *social media & e-commerce*
- *change in lifestyle*

Threat:

- *Unorganised sector*
- *cheap chinese alternative*

VII. Growing opportunities:

The Indian footwear market, has a lot of scope. It is gearing up to leverage its strengths towards maximizing benefits. Resource strength of India in the form of materials and skilled manpower is a comparative advantage for the country, among other things.

- Increasing disposable income
- Growth in rural segment
- Rising international demand for leather footwear
- Rise in organized retail
- Changing lifestyle of customers
- Increasing availability of credit
- Growing consciousness on health and beauty
- Increase in awareness

VIII. Challenges:

- The footwear industry is set for an exponential growth in the times to come, there are many challenges that are continuously erecting roadblocks in the process. The industry is already working towards consolidating the growth. This has seen technology being the key element in making things possible to enhance growth.
- Many institutes have blossomed to provide retail professionals to the industry which will help in the long run. The government initiatives to taper down the real estate demands and make the pricing more pragmatic will also give a boost to the retail industry and push it to a higher growth path.

- The unorganized retail market is the most dominant and popular mode of retailing and purchase destination. Like food habits, footwear fashion changes every 100 kilometers. Hence, fashion footwear has always been dominated as well as successfully managed by local retailers. The unorganized footwear industry also enjoys the advantage of the passion and zeal of its business owners that is difficult to replicate across employees and store personnel.
- Footwear retailing primarily involves touching the feet of our customers as part of service and hence the front end does not attract the best manpower in terms of education, technical expertise and sophistication the unorganized retailers but that ultimately hampers the brand image as consumers start associating the quality and performance of a fake product to the brand.

GST rate & HSN code for shoes & footwear:

HSN code	Description	Rate
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	18%
6402	other footwear with outer soles and uppers of rubber or plastics	18%
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	18%
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	18%
6405	Other footwear	18%
6406	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof	18%
64	Footwear having a retail sale price not exceeding rs.500 per pair, provided that such retail sale price is indelibly marked or embossed on the footwear itself.	5%

Table 1. GST rate & HSN code for Shoes & Footwear

IX. Conclusion:

GST is the most logical step towards the comprehensive indirect tax system in our country. All sectors of economy whether the industry, business including government departments and service sector shall have to bear the impact of GST. All sections of economy viz big, medium, small scale units, intermediaries, importers, exporters, traders, professionals, and consumers shall be directly affected by GST. GST will create a single, unified Indian market to make the economy stronger. A dual tax structure towards footwear creates confusion and increase complexity. The gap between two slabs will be passed on to the consumers and retailers have pressure to boost up their sales. The tax changes resulting from the GST structure required to rearrange the price of footwear both increase and decrease. With the changing life style and modernization. GST exploited the existing footwear industry, it is better to adopt some changes or improvement to the current structure of GST in order to overcome problems faced by footwear retailers

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