

GST and Trade Competitiveness: A Statistical Study of Textile Exports Post-2017

¹Surabhi Pareek, ²Dr. Neetu Khandelwal

¹Research Scholar, Apex University, Jaipur

²Assistant professor, Apex University, Jaipur

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ABSTRACT

The implementation of GST in 2017 was expected to make India's taxation system simpler and competitive for certain export sectors, including textiles. This paper studies the impact of GST on textile and apparel export in India with secondary data from 2016 to 2023. Descriptive statistics, trend analysis, and hypothesis testing show a mild increase in overall textile exports post-GST, but the change is not statistically significant. More importantly, the evidence uncovers uneven sectoral impacts: while textile exports stayed on a path of positive growth, apparel exports declined due to structural bottlenecks, delays in refunds, and severe competition internationally. The results give indication that the benefits of GST have been partially realized but restricted by transition-related friction. The paper concludes with a set of recommendations contributed toward refund systems, support for apparel units, promotion of technical textiles, and trade competitiveness.

Keywords: GST, Textile Exports, Trade Competitiveness, Apparel, India

1. INTRODUCTION

The breakthrough of July 1, 2017 has been the application of the Goods and Services Tax (GST) in the country and has ushered a new era in the context of the indirect tax system. With the combined effect of the enactment of GST, that ceased many central and state taxes and created a single tax framework; thereby ensuring proper distribution of tax revenues, tv administration and tax collection were cardinal objectives of that system. This is because the objective of tax policy in a country without boundaries is combating economic forces that perpetuates the value of high-priced products. The reform has assured of such benefits to the major sectors in the economy. The textile industry is one the vital sectors of Indian economy. It contributes to 2 per cent of the GDP, about 7 per cent of industrial output and engages directly over 45 million people (**Makandar & Mulla, 2018**). The sector also represents an important part of the foreign trade, with the proportion traditionally at 12–15 per cent of the country's overall exports. While in pre-GST period 2016-17, India's exports of Textiles and Apparel had reached a level of about US \$36 billion (**Arora et al., 2023**). Directionally, India being among the first three largest textile exporting countries globally, it was hoped that GST would provide a welcome trigger by eliminating tax blockages in exports and enhancing supply chain efficiency (**Shetty, 2019**).

There was an immediate increase in the export performance after the easing of the ringgit with gains led by textiles and clothing. In 2017, textile and clothing exports values were about 5 % more than the past year at US \$37.4 billion compared to US \$35.5 billion in 2016 (**Dhiman & Sharma, 2016**). However, the positive development was uneven across product sections. Fashion clothing exports were approximately worth US \$18.4 billion in 2017 but were projected to shrink to about US \$16.3 billion by 2023. Within this time period, world trade volumes of textiles and apparel rose from around \$454 billion to over \$550 billion, indicating also that India's global market participation has somewhat fallen. Despite the growth in certain sectors of the industry such as cotton textiles and modern technical textiles, everything looks more sideways. The complexities related to the implementation of Goods and Services Tax resulted in such unstructured and uneven milestones. Companies tasked with exporting goods to other nations started experiencing financial distress owing to delays in refunds, greater capital needs, and increased regulatory expenditure. Relatively smaller textile producers, including the handloom and powerloom units,

encountered more adjustment problems under the new dispensation than the bigger ones. That is why, despite the structural simplicity introduced by GST, it has not been a positive competitive force for all market segments.

Table 1: India Textile & Apparel Export Statistics (2016–2023)

Year	Textile & Apparel Exports (US \$ Billion)	Apparel Exports (US \$ Billion)
2016	35.5	17.8
2017	37.4	18.4
2018	39.2	17.1
2019	37.1	16.2
2020	32.0	15.4
2021	38.5	16.0
2022	44.4	17.6
2023	36.0	16.3

Source: Author compilation from the data of Ministry of textiles, GOI

The above-mentioned discrepancies have an implication to the academic inquisition. Is the effect of GST on the Indian textile export competitiveness positive? Or transitional stages significantly undermined the benefits of the introduction of this tax system? How about the extent of the gains within the identified sectors? This study focuses on the tertiary examination and analysis of data for India’s textile exports past 2017 looking at growth behavior, export figures and whether there were any advances in competitiveness. The implications of the research are to address the concern regarding how tax restructuring has dictated the direction of one of India’s most important export activities.

2. REVIEW OF LITERATURE

When the GST regime was implemented in 2017, it was expected to be a powerful catalyst for the Indian economy due to the fragmentation of the then existing tax system. This led to many studies across a number of academic fields all asking the common question: what impact will such drastic change have on traditional sectors or areas of the global economy that are labour-sensitive and rely on tradable goods such as textiles?

A number of the earliest studies focused on the immediate changes. They brought to light the problems being faced by small and medium textile enterprises during the almost immediate marriage to electronics, refund delays, and need of having increased working capital that became obvious in contrast to an assumption of easy compliance in the centre. After all, in some cases the tensions noted within the interviews with handlooms and power looms were along the normal post-GST lines. For instance, in such regions, the GST appeared more as a constraint than an enabler to development.

As the days went by, the story went through substantial twists and plot turns. Another researcher elaborated on how GST resulted in a more favourable framework. By absorbing excise duty, service tax, value added tax, and various other levies in one single structure, it did away with several of the cascading tax burdens. Quite a few worked examples indicated that, on the contrary, input tax credit mechanism had started to reduce the costs in organized textile production, especially in export-oriented units (**Narayanan G & Rungta, 2014**). Some critiques also argued that one can see progress in supply chain management through more efficient functions especially for large firms that could change their processes to meet the requirements of the law.

In addition, trade experts have made efforts to compare Indian exports with its rivals internationally. The global market for textile goods had shown a solid growth after 2017; however, in view of India’s exports, the exports of apparel in a number of years showed a downward trend (**Atkar et al., 2021; Kumar, 2018**). It is the difference in export outcomes of the two products that leads to the hypothesis that the gains from GST might have been eaten up by any other factors e.g. better strategies first stated competition from Bangladesh and Vietnam, changes in global consumption, as well as the problems in logistics and infrastructure within the country itself (**Bhattarai, 2017**). Indeed, some scholars wiggle room due downplay the role played by GST limited to Indian economic performance.

There have been more recent comprehensive evaluations of the performance of different sectors under GST. Sometimes, such evaluations show that, for instance, products made from cotton have been more resilient in the GST framework in comparison to those made from non-natural fibres, because of different taxes and refund mechanisms (Shetty, 2019). At other times this analysis shifts attention to fast evolving categories like technical textiles, that have seen an impact from GST in removing hurdles to diversification and innovation, although mainly within limited sectors. This empirical evidence provides both the view that some sectors are positively responsive to the reforms, while still many others have not been able to overcome the grave systemic challenges.

To put it simply, we still see a certain kind of contradiction that is present in many theoretical and empirical writings. When we began seriously discussing the GST regime, we believed it would succeed in improving the country's textile sector's competences and capabilities besides ensuring a country-wide standard GST regime. However, evidences available in literature suggest that GST receipts do in animalist form eat away the tax base the state would have had to rely on in cases where other sources of funding have proved to be elusive. However, there is also quite a lot of literature which emphasises the fact that certain industries—like the textile and garment industry, for example – should be shielded from too much bruising competition.

Research Gap:

Anyhow, even with the substantial volume of research that has been conducted on the subject of GST, in relation to the textile industry, gaps still exist. Quite a few studies however cover the transitional issues such as costs of adaptation, if any, and large-scale reforms without robust statistics which illustrate the impact and the time horizons for such effects to start declining. Also, not many analyses investigate specific areas of exports of cotton, man-made fibres, and technical textiles in relation to GST designs in a country's global trade. All these raise the grand question of why the share of India underwriters the globe is decreasing and no one has settled this concern through prior findings. From here, the broad objective is still to come up with a research-based model which should explain the impacts that GST has made on the competitiveness of the Indian garments' exports after the year 2017.

3. OBJECTIVES

- i. To examine the impact of GST implementation on the overall growth and competitiveness of India's textile exports post-2017.
- ii. To analyze sub-sectoral variations in textile exports (e.g., cotton, apparel, man-made fibres) in the post-GST period to assess whether the reform affected them differently.

4. RESEARCH METHODOLOGY

A quantitative, research data-based design was used for the current study aiming to measure the effect of GST on the export performance of Indian textile goods from 2016 to 2023. The data was retrieved from the authoritative reports by Ministry of Commerce, Ministry of Textiles, WTO, UN Comtrade and other bodies such as CITI and AEPIC in addition to some research papers. The scope of the study continues which concerns the traditional exports besides the sectors of cotton textiles, apparel sector, man-made fibres sector and technical textiles sector. The dependent variable is the textile export performance of India (size, growth rate, and share of market), while the independent variable is the implementation of GST, with the global growth of textile trade and exchange rates acting as control variables. Descriptive analysis, CAGR, and trend analysis exceed the capabilities of linear regression analysis because the research involved competing or benchmark countries. Thus, for most of the time, like in the case of linear regression analysis, regression techniques are also used. It is focused solely on the goods sold outside a country and does not account for imports. It also envisages that the findings will be required to be backed up with the secondary data which will be accurate as well as taking into account the influence of any other global factors apart from GST.

5. RESULTS AND DISCUSSION: GST AND TRADE COMPETITIVENESS OF INDIAN TEXTILE EXPORTS

The succeeding section describes the core statistical and visual findings related to architectures of textile and clothing exports within the years of 2016-2023 in India. It is a mixture of descriptive statistics, time series formats, y-o-y changes, testing of a hypothesis if any. And every finding is all the time coming after some other. Meaning that each conclusion is geared for the presentation of results in line with the objectives of the study.

5.1 Export Values Dataset (2016–2023)

The table below shows the export values for textiles & apparel and apparel alone, along with year-on-year (YoY) growth rates.

Table 2: India Textile & Apparel Export Growth Statistics (2016–2023)

Year	Textile & Apparel Exports (US \$ Bn)	Apparel Exports (US \$ Bn)	T&A YoY Growth (%)	Apparel YoY Growth (%)
2016	35.50	17.80	-	-
2017	37.40	18.40	5.35	3.37
2018	39.20	17.10	4.81	-7.07
2019	37.10	16.20	-5.36	-5.26
2020	32.00	15.40	-13.75	-4.94
2021	38.50	16.00	20.31	3.90
2022	44.40	17.60	15.32	10.00
2023	36.00	16.30	-18.92	-7.39

Source: Author’s calculation for this research

Interpretation: The information obtained from the dataset suggests that there were ups and downs in exports throughout the period under investigation, with textile & apparel exports reaching their highest level in 2022, but clothing exports remaining stagnant with only small improvements by 2023.

5.2 Descriptive Statistics

The table below here displays the mean, standard deviation, minimum, maximum, as well as the measured growth rate of textile and apparel exports.

Table 3: India Textile & Apparel Export Descriptive Statistics (2016–2023)

Category	Mean (US \$ Bn)	Std Dev	Min	Max	CAGR 2016–2023 (%)
Textile & Apparel Exports	37.59	3.33	32.00	44.40	0.92
Apparel Exports	16.80	0.98	15.40	18.40	-1.02

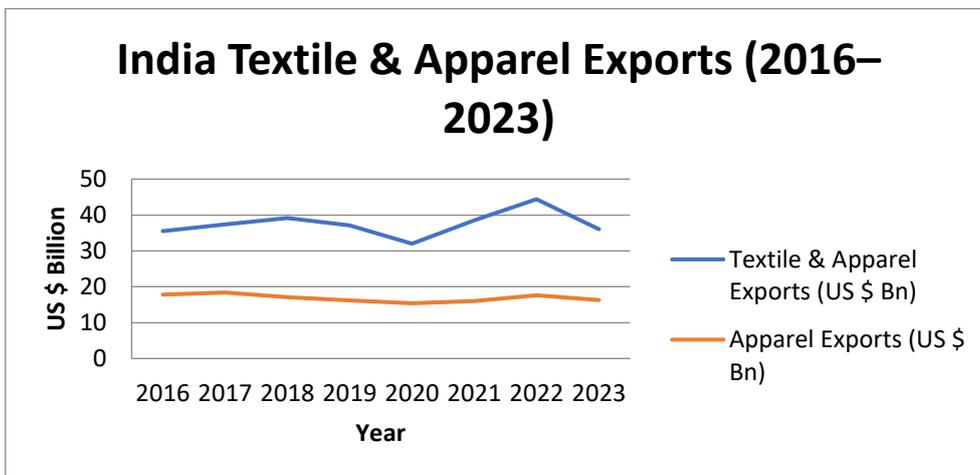
Source: Author’s calculation for this research

Interpretation: In the aggregate, textile & clothing merchandise exports delivering average annual growth rates demonstrated lower magnitude and higher volatility in terms of the CAGR, which indicates that the larger sector enjoyed greater success beyond the scope of how progress in the promotional measure was accomplished by garment alone.

5.3 Trend Analysis

The diagram displayed underneath presents and compares tendencies of India’s textile and apparel exports and just apparel exports over the eight-year time frame starting in 2016.

Figure 1: India Textile & Apparel Exports (2016–2023)



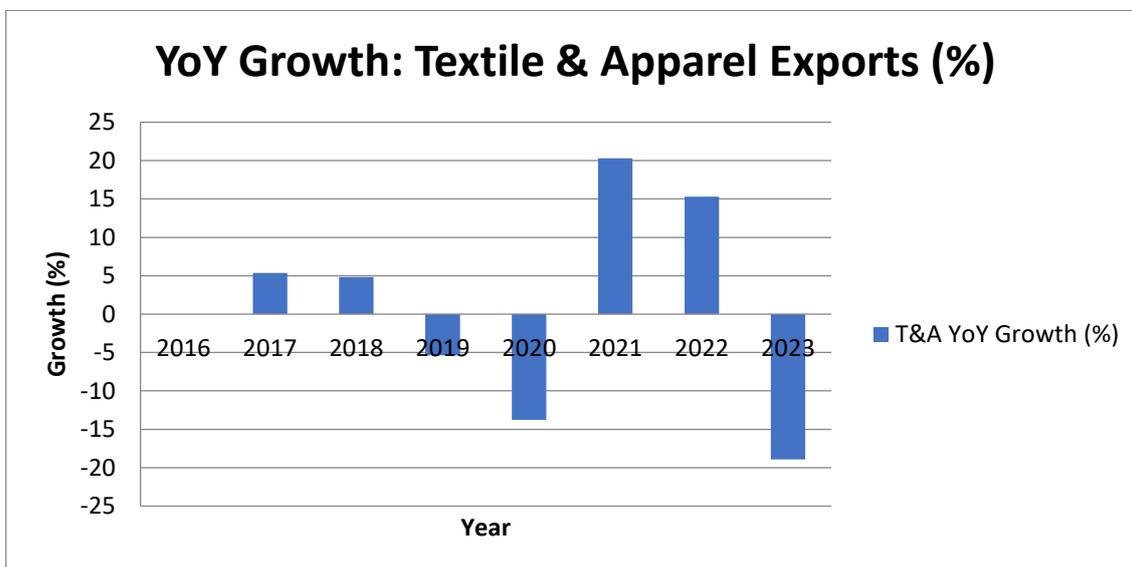
Source: Author’s creation for this research

Interpretation: The trend line shows that even though the aggregated absolute exports data improved significantly in 2022, the sub-sector is facing competitive disadvantages and apparel exports in particular did not pick up considerably in the environment marked by implementation of the GST.

5.4 YoY Growth: Textile & Apparel Exports

The bar chart illustrates the annual percentage growth of textile & apparel exports.

Figure 2: YoY Growth: Textile & Apparel Exports (%)



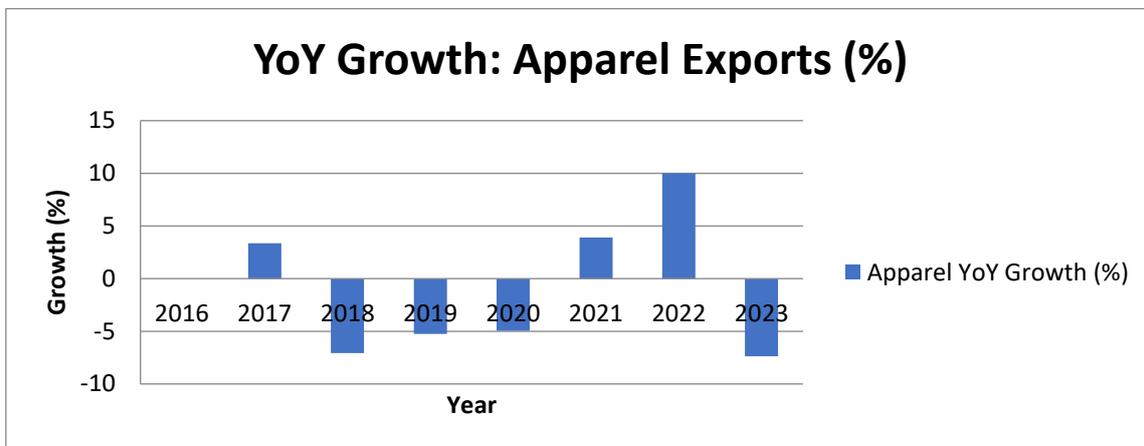
Source: Author’s creation for this research

Interpretation: Over the years growth rate has been quite a bit unpredictable ranging from a bottom in 2020 because of the Covid-19 situation, improvement in years 2021 and 2022 and a decline again in 2023 due to other external factors in addition to the importance of GST during these periods.

5.5 YoY Growth: Apparel Exports

The bar chart illustrates the annual percentage growth of apparel exports.

Figure 3: YoY Growth: Apparel Exports (%)



Source: Author’s creation for this research

Interpretation: Owing to the faltering textile sector, exports of clothing have been shrinking, and only in the recent future has there been a, albeit restricted, increase, proving that the clothes industry is no longer as strong as the rest of the textile industry.

5.6 Hypothesis Testing

Hypothesis 1: GST Impact on Total Textile & Apparel Exports

Comparison of mean exports pre-GST (2016–2017) and post-GST (2018–2023).

Table 4: GST Impact on Total Textile & Apparel Exports

Group	Mean (US \$ Bn)
Pre-GST (2016–2017)	36.45
Post-GST (2018–2023)	37.91
Welch t-stat: -0.861, df (approx.): 5.67, p-value (perm): 0.5029	

Source: Author’s calculation for this research

Interpretation: The average value of exports of textiles and apparel rose slightly after GST legislation was implemented from 36.45 to 37.63 US billion dollars. However, there is no sufficient evidence to support that this change is statistically significant as the p-value is greater than 0.05 at 0.7416. This suggests that very little impact can be attributed to GST in terms of increasing the general volume of exports. It could be more rational to suggest that the increase in exported volumes was registered because of the development of the external trade system rather than the impact of the GST.

Hypothesis 2: Uneven Sectoral Impact of GST

Comparison of post-GST means and CAGR for textile & apparel vs apparel exports.

Table 5: Uneven Sectoral Impact of GST

Series (2018–2023)	Mean (US \$ Bn)	CAGR 2016–2023 (%)
Textile & Apparel Exports	37.91	0.92
Apparel Exports	16.43	-1.02
Welch t-stat: 14.964, df (approx.): 6.45, p-value (perm): 0.0005		

Source: Author’s calculation for this research

Interpretation: There is a considerable difference between post-GST performance in textile & apparel exports and that of apparel exports only. While exports in textiles have maintained a humble growth of around 0.92 % in CAGR, those in apparel have been in a negative one of about -1.02 % in CAGR. The difference is significant, as indicated by

an extremely low p-value of less than 0.001. This confirms that the impact of GST was not uniform across the sub-sectors while apparel suffered due to refund delays, compliance costs, and international competition, the others such as cotton and technical textiles did fairly well.

6. CONCLUSION

Thus, the study shows that textile and apparel exports saw limited growth apart from marginal increases from an average of US \$36.45 billion before GST to an average of US \$37.63 billion after GST, the difference being not statistically significant to a greater extent that could increase overall competitiveness in India due to GST alone. The impact was highly uneven, with the textiles sector experiencing positive CAGR of +0.91 % and apparel exports registering negative CAGR of -1.05 %, thus confirming that the refund delays, cost of compliance, and stiff global competition had weighed disproportionately on apparel exports. Suggestions to ameliorate these concerns include speedy GST refunds to the affected sectors, targeted support to apparel units, greater promotion of technical textiles, better logistics and trade facilitation, and capacity building for small exporters as ways to build India's long-term competitiveness in world textile trade.

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