



A STUDY ON THE CONTRIBUTION OF THE INDIAN TEXTILE INDUSTRY POST-GST IMPLEMENTATION

Dr. Sandeep Kumar

ABSTRACT

The Indian textile industry, one of the oldest and most significant sectors of the national economy, contributes substantially to GDP, employment, and export earnings. The introduction of the Goods and Services Tax (GST) in 2017 marked a major tax reform aimed at simplifying the indirect taxation system, eliminating cascading taxes, and promoting a unified market. This review paper examines the impact of GST on the contribution of the Indian textile industry, analyzing trends in taxation, exports, employment, and revenue generation. The study synthesizes secondary data from 2017 to 2023, highlighting both the positive outcomes and challenges faced by the sector. Findings indicate that GST has streamlined the tax structure, reduced operational complexities, and enhanced competitiveness in domestic and international markets. Export performance, while affected by external shocks such as the COVID-19 pandemic, has demonstrated resilience and steady recovery in the post-GST period. Employment trends show gradual growth, reflecting formalization and increased opportunities, particularly in organized units. Additionally, the textile sector has consistently contributed to national GST collections, underscoring its fiscal significance. Despite initial compliance and cash flow challenges, GST has overall facilitated efficiency, transparency, and growth in the textile industry. The paper concludes that sustained policy support, technological adoption, and targeted incentives can further enhance the sector's contribution to India's economy.

KEYWORDS: Indian Textile Industry, Goods and Services Tax (GST), Tax Reform, Exports, Employment, Revenue Contribution, Post-GST Analysis, Formalization, Industrial Competitiveness

1. INTRODUCTION

The Goods and Services Tax (GST) is one of the most significant tax reforms in India's modern economic history. Introduced to simplify the indirect tax structure, GST replaced a complex system of multiple taxes levied by both the central and state governments. Prior to GST, the Indian taxation system included a range of indirect taxes such as excise duty, service tax, value-added tax (VAT), central sales tax (CST), and various state-level levies. This fragmented tax regime often led to cascading effects, increased compliance burdens, and inefficiencies in the movement of goods and services across states. The implementation of GST aimed to create a unified and streamlined taxation system that would promote ease of doing business, reduce tax evasion, and enhance economic growth.

The GST was officially implemented in India on 1st July 2017, following the passage of the Constitution (One Hundred and First Amendment) Act, 2016, which provided the legal framework for its introduction. The reform was the result of decades of discussions and efforts to harmonize indirect taxation in the country. The adoption of GST marked a paradigm shift from a multi-layered tax structure to a comprehensive, destination-based consumption tax applicable on the supply of goods and services. Its implementation involved extensive preparation, including the development of an online GST portal for registration, filing of returns, and tax payments, as well as training of tax officials and businesses to transition smoothly to the new system.

The primary objectives of GST were to simplify the tax structure, eliminate the cascading effect of taxes, expand

the tax base, and create a transparent and efficient system. By integrating multiple taxes into a single levy, GST sought to ensure that businesses would pay taxes only on the value addition at each stage of the supply chain, thereby avoiding double taxation. Additionally, GST aimed to promote interstate trade by removing entry barriers and ensuring uniform tax rates across states. The reform also intended to increase compliance and revenue collection by leveraging technology, thereby strengthening the formal economy and fostering a conducive environment for investment and growth.

Structurally, GST in India is a dual system, meaning it is levied by both the Central Government and the State Governments. The tax comprises Central GST (CGST), collected by the central government on intra-state supplies, and State GST (SGST), collected by the respective state governments on the same transactions. In the case of inter-state transactions, Integrated GST (IGST) is levied and collected by the central government, which is then apportioned between the states involved. GST is applicable to a wide range of goods and services, with different tax slabs to accommodate essential, standard, and luxury items. The framework also allows for exemptions and special provisions for specific sectors, ensuring flexibility while maintaining uniformity in taxation. This dual structure not only ensures a fair distribution of revenue between the center and states but also facilitates a seamless flow of goods and services across the country.

Since its introduction, GST has undergone several refinements and amendments to address challenges faced by businesses and state authorities. These adjustments include modifications to tax

rates, simplification of return filing procedures, and introduction of schemes for small and medium enterprises. Overall, GST represents a transformative step towards modernizing India's tax regime, making it more transparent, business-friendly, and aligned with global best practices. Its implementation has significant implications for key industries, including textiles, manufacturing, and services, by enhancing competitiveness, reducing compliance costs, and promoting formalization of economic activities.

2. OVERVIEW OF THE INDIAN TEXTILE INDUSTRY

The Indian textile industry is one of the oldest and most significant sectors of the country's economy, with a rich history that dates back several centuries. Historically, India has been renowned for its diverse range of textile products, including cotton, silk, wool, and handloom fabrics, which were highly sought after across the world. Ancient trade routes, such as the Silk Road and maritime trade networks, facilitated the export of Indian textiles to Europe, the Middle East, and Southeast Asia. The industry played a crucial role in shaping India's cultural and economic landscape, with traditional crafts and weaving techniques being passed down through generations. Even today, the legacy of Indian textiles is evident in its thriving handloom, handicraft, and apparel sectors, which combine traditional artistry with modern manufacturing capabilities.

In terms of scale, the Indian textile industry is one of the largest in the world, encompassing the entire value chain from fiber production to garment manufacturing. The sector is highly diversified, including organized and unorganized segments such as handlooms, power looms, textiles, apparel manufacturing, and technical textiles. India is the second-largest producer of textiles globally and a leading exporter of cotton yarn, fabrics, and garments. The sector not only caters to domestic consumption but also supplies international markets, with a significant presence in regions such as the United States, Europe, and the Middle East. Over the years, technological advancements, government incentives, and foreign direct investment have contributed to modernizing textile manufacturing and enhancing the country's global competitiveness.

The contribution of the textile industry to India's economy is substantial. It accounts for approximately 2–3% of the national Gross Domestic Product (GDP) and nearly 15% of the country's total industrial production. The sector is a major source of employment, providing jobs to over 45 million people, including a large proportion of women, particularly in rural areas. This makes the textile industry one of the largest employers in the country, supporting livelihoods and contributing to social and economic development. Additionally, the industry plays a critical role in India's export earnings, with textiles and apparel contributing roughly 13–15% of total exports. The export performance is driven by both traditional fabrics like cotton and silk, as well as value-added products such as ready-made garments, technical textiles, and fashion apparel.

The Indian textile industry also serves as a key driver for regional development, with clusters of production located across the country, including Gujarat, Maharashtra, Tamil Nadu, Punjab,

and West Bengal. These clusters not only facilitate efficient manufacturing and supply chain management but also foster innovation and skill development within the workforce. Despite facing challenges such as global competition, rising input costs, and changing consumer preferences, the industry continues to demonstrate resilience and adaptability. The implementation of modern policies, infrastructure improvements, and initiatives like "Make in India" have further strengthened the industry's growth trajectory, ensuring that it remains a cornerstone of the Indian economy.

3. RATIONALE FOR THE STUDY

The rationale for analyzing the impact of GST on the Indian textile industry stems from the sector's pivotal role in the nation's economic and social landscape. As one of the largest contributors to India's GDP, employment, and exports, the textile industry is both a significant source of revenue for the government and a key driver of industrial development. The introduction of the Goods and Services Tax (GST) in 2017 marked a transformative moment in India's tax regime, aiming to simplify indirect taxation, eliminate the cascading effect of multiple taxes, and create a unified market across the country. Given the scale and diversity of the textile sector, the implementation of GST has far-reaching implications for manufacturers, traders, exporters, and consumers. Understanding these implications is crucial to assess how tax reforms influence productivity, cost structures, competitiveness, and overall economic contribution.

The need for this study is further emphasized by the heterogeneous nature of the Indian textile industry, which includes large organized enterprises, medium-sized manufacturers, and numerous small and micro units, particularly in the handloom and handicraft segments. Each segment experiences the effects of GST differently, with organized sectors benefiting from input tax credits and streamlined compliance processes, while smaller units may face challenges in adapting to digital reporting and regulatory requirements. Analyzing the impact of GST on these diverse industry segments provides insights into the policy's effectiveness in achieving its objectives, highlights areas for improvement, and identifies the extent to which GST has facilitated the growth and formalization of the textile economy.

Moreover, the textile industry is heavily export-oriented, and GST has implications for pricing, competitiveness, and ease of doing business in global markets. Studying the post-GST scenario helps evaluate whether the tax reform has enhanced the sector's international trade performance and contributed to India's position as a leading textile exporter. It also enables policymakers, industry stakeholders, and researchers to understand the challenges and opportunities created by GST, such as compliance issues, cash flow management, and supply chain optimization. Therefore, this study is important not only from an economic perspective but also from a strategic and policy-oriented viewpoint, providing valuable guidance for supporting sustainable growth and maximizing the contribution of the textile industry to the Indian economy.

4. IMPACT OF GST ON THE INDIAN TEXTILE INDUSTRY

4.1 Positive Impact

The implementation of GST has brought several positive changes to the Indian textile industry, creating a more streamlined and efficient taxation environment. One of the most significant benefits has been the simplification of the indirect tax system. Prior to GST, the textile sector faced multiple layers of taxation, including excise duty, VAT, service tax, and entry taxes, which often led to a cascading effect where taxes were levied on top of other taxes. This not only increased the overall cost of production but also made pricing more complicated, particularly for businesses engaged in interstate trade. With GST, all these taxes were subsumed into a single, unified tax system, reducing the compliance burden and allowing businesses to calculate costs and prices more transparently. This simplification has particularly benefited large and medium-sized manufacturers, enabling them to focus more on production efficiency and market expansion.

Another key positive impact of GST has been the availability of input tax credit across the supply chain. Manufacturers and traders in the textile industry can now claim credit for taxes paid on inputs, raw materials, and services used in production, which effectively reduces the overall tax burden. This mechanism has improved liquidity for businesses and encouraged investment in modern technology and production processes. The uniform tax rates under GST have also helped eliminate the disparities in taxation across states, promoting smoother interstate trade and reducing logistical bottlenecks. Consequently, businesses can now operate in a more integrated national market, which has enhanced competitiveness, reduced delays, and lowered distribution costs.

GST has also had a positive impact on the export potential of the textile industry. Under the previous tax regime, export-oriented units faced complex procedures to claim tax refunds and benefits, often delaying cash flows and creating operational inefficiencies. The GST framework, with its structured export incentives and streamlined refund mechanisms, has facilitated easier compliance and faster processing of claims, thus enhancing the financial health of export-oriented textile businesses. Furthermore, the uniform tax structure has made Indian textile products more competitive in global markets by reducing cost disparities and improving pricing transparency. Collectively, these positive impacts of GST have strengthened the growth prospects of the Indian textile industry, enabling it to contribute more effectively to GDP, employment generation, and export earnings, while fostering an environment conducive to formalization, investment, and modernization of the sector.

4.2 Challenges Faced

Despite the numerous benefits brought by GST, the Indian textile industry has faced several challenges in adapting to the new tax regime. One of the primary difficulties has been the initial compliance burden, particularly for small and medium enterprises (SMEs) and unorganized units. These businesses, which form a significant part of India's textile sector, often lacked the technical knowledge, digital infrastructure, and

trained personnel required for GST registration, return filing, and invoicing. The sudden transition from multiple indirect taxes to a unified system created confusion, delays, and errors in compliance, which sometimes resulted in penalties and added operational stress. For micro and traditional handloom units, the reliance on manual processes and limited access to technology further exacerbated these challenges.

Another major issue has been cash flow management, particularly due to the input tax credit (ITC) mechanism. While ITC allows businesses to offset taxes paid on inputs against output tax liabilities, delays in processing refunds, mismatches in invoices, and strict documentation requirements have caused liquidity problems for many textile firms. For smaller manufacturers and exporters, these cash flow challenges directly affect working capital, production planning, and timely delivery of orders, creating operational inefficiencies. Additionally, frequent changes in GST rates for specific textile products, such as fabrics, garments, and technical textiles, have made pricing strategies and financial planning more complex, adding uncertainty to business operations.

The diverse nature of the textile industry has also posed challenges under GST. The sector includes a wide range of products, from traditional handloom and handicrafts to large-scale apparel manufacturing and technical textiles. Uniform tax slabs do not always adequately reflect the unique characteristics of these sub-segments, leading to instances where certain products may face higher tax burdens than before. Moreover, interstate supply chains, which are critical for raw material sourcing and distribution, initially faced delays and procedural hurdles due to mismatched state-level GST systems and the learning curve associated with digital invoicing. Collectively, these challenges highlight the need for ongoing support, training, and policy adjustments to ensure that GST delivers its intended benefits while minimizing disruption to the diverse and economically significant textile sector.

5. CONTRIBUTION OF THE TEXTILE INDUSTRY POST-GST

The implementation of GST has had a noticeable impact on the contribution of the Indian textile industry to the country's economy, both in terms of output and formalization. Following the introduction of the unified tax system, the textile sector has experienced greater integration across states, which has facilitated smoother interstate trade and improved supply chain efficiency. As a result, manufacturers and exporters have been able to operate on a more streamlined basis, reducing costs and enhancing competitiveness. This increased operational efficiency has positively influenced the sector's contribution to India's Gross Domestic Product (GDP), reinforcing the textile industry's position as a key driver of industrial growth. While exact post-GST GDP contributions vary across segments, studies indicate that the organized textile and apparel industry has seen incremental growth due to reduced tax cascading and improved compliance mechanisms.

In terms of exports, GST has played a supportive role by simplifying the refund process and providing clearer tax

structures for export-oriented units. Indian textiles, including garments, cotton yarn, and technical textiles, have become more price-competitive in global markets because GST has minimized embedded taxes, allowing exporters to claim input tax credits efficiently. Consequently, the sector's contribution to foreign exchange earnings has strengthened, aiding the country in maintaining its status as one of the largest textile exporters worldwide. Moreover, the formalization encouraged by GST has brought previously unregistered small-scale units into the tax net, which not only expands the taxable base but also ensures a more accurate reflection of the sector's economic contribution.

Employment, another critical dimension of the textile industry's contribution, has also been indirectly influenced by GST. By promoting the growth and formalization of organized textile units, the tax reform has enabled better wage structures, social security benefits, and workforce skill development initiatives. This has particularly benefited women, who represent a significant proportion of the labor force in textile manufacturing and handloom sectors. Additionally, investment in technology and modernization, spurred by the efficiencies gained under GST, has led to the creation of more technically skilled jobs, further enhancing the sector's contribution to employment and socio-economic development. Overall, while challenges remain for smaller units, the post-GST period reflects a positive trajectory for the Indian textile industry, with increased GDP contribution, strengthened export performance, and improved formal employment opportunities, underscoring the transformative potential of tax reform on a historically vital sector.

Segment	P r e - G S T Tax Rate	G S T R a t e (2017)	R e v i s e d G S T R a t e (2022)
Cotton Yarn	6%–7%	5%	5%
M a n - M a d e Fiber Yarn	12%–15%	18%	12%
Ready-Made G a r m e n t s (<Rs.1000)	~7%	5%	5%
Ready-Made G a r m e n t s (>Rs.1000)	~7%	12%	12%
T e x t i l e Machinery	18%	18%	18%

Sources: Ministry of Finance, GST Council Notifications

Table 1: GST Rates Applicable to Textile Segments (2017–2023)

The table illustrates the evolution of tax rates for various textile segments in India before and after the implementation of GST, highlighting both the simplification and rationalization of taxation in the sector. For cotton yarn, pre-GST tax rates ranged between 6% and 7%, which were consolidated into a uniform 5% GST rate upon implementation in 2017. The revised GST rate in 2022 remained unchanged at 5%, indicating stability and predictability for manufacturers and traders of cotton yarn.

This reduction and simplification of tax rates helped reduce cascading taxes, making the production and pricing of cotton yarn more competitive and transparent. The stability of the rate over time has likely contributed to smoother business operations and improved supply chain efficiency for small and medium-sized producers.

For man-made fiber yarn, the pre-GST tax rates were relatively higher, ranging from 12% to 15%. With the introduction of GST in 2017, the rate initially increased to 18%, reflecting the uniform tax structure's initial alignment with broader tax slabs. However, recognizing the need to support the competitiveness of this segment, the government revised the GST rate downward to 12% in 2022. This adjustment not only reduced the tax burden for manufacturers but also enhanced the affordability of man-made fiber yarn for downstream industries such as apparel and technical textiles. The revision demonstrates the government's responsiveness in addressing sector-specific concerns and ensuring that the GST framework supports both industrial growth and market competitiveness.

The table also highlights the taxation of ready-made garments, which are classified based on their price. Garments priced below Rs.1000 saw a reduction in tax from approximately 7% pre-GST to 5% under GST, with the rate remaining unchanged in the 2022 revision. This low tax rate on affordable garments has likely encouraged domestic consumption and helped make textiles more accessible to the general population. In contrast, garments priced above Rs.1000 faced an increase from around 7% to 12% under GST, which remained constant in the 2022 revision. This higher tax rate for premium garments aligns with the destination-based nature of GST and reflects a structured approach to taxing luxury or high-value products while keeping essential items relatively cheaper.

For textile machinery, the GST rate remained at 18% both at the time of implementation and in the subsequent revision. Maintaining this rate ensures consistency for capital-intensive segments of the textile industry that rely on machinery for production. While the rate is relatively high, it reflects the classification of machinery as a non-essential input and underscores the need for businesses to manage capital investments efficiently. Consistent taxation for machinery also provides predictability for manufacturers planning long-term investments in production upgrades or expansion.

Year	Textile Exports (USD Billion)	YoY Growth (%)
2017	35	—
2018	37.5	7.10%
2019	38.2	1.90%
2020	29.8	–22.0%
2021	34.5	15.80%
2022	36.7	6.40%
2023	38.9	6.00%

Sources: Ministry of Textiles Annual Reports, DGFT Export Data

Table 2: Export Performance of Textile Industry (2017–2023)

Table 2 presents the export performance of the Indian textile industry over the period from 2017 to 2023, highlighting both the overall trends and year-on-year (YoY) growth rates. In 2017, the year of GST implementation, textile exports stood at USD 35 billion, serving as a baseline for evaluating subsequent performance under the new tax regime. The following year, 2018, saw a healthy increase in exports to USD 37.5 billion, representing a 7.10% growth, which reflects the initial positive adjustments by exporters to the unified tax system and streamlined compliance mechanisms. This growth indicates that, despite transitional challenges in adapting to GST, the industry maintained momentum in international markets, benefiting from simplified taxation and improved clarity in input tax credits.

In 2019, export growth moderated to USD 38.2 billion, a 1.90% YoY increase, suggesting that the sector faced pressures from global market fluctuations and competitive challenges. The relatively slower growth could also be attributed to initial operational adjustments under GST, where smaller exporters and SMEs were still navigating compliance procedures and adapting pricing strategies to the new tax structure. Nevertheless, the textile industry demonstrated resilience, maintaining a positive export trajectory even during a period of adjustment.

The year 2020 marked a significant downturn in textile exports, which fell sharply to USD 29.8 billion, reflecting a -22.0% YoY decline. This decline was primarily driven by the global COVID-19 pandemic, which disrupted international trade, supply chains, and demand. While GST had created a more unified tax system, external factors such as global lockdowns, reduced consumer spending, and logistical challenges had a far greater impact on exports than domestic taxation. This period underscores that while GST facilitates operational efficiency, macroeconomic and global disruptions continue to influence the industry's export performance.

In 2021, the industry rebounded strongly, with exports increasing to USD 34.5 billion, achieving a robust 15.80% YoY growth. This recovery highlights the resilience of the Indian textile sector and its ability to leverage the streamlined GST framework to regain competitiveness in international markets. Continued policy support, easing of compliance processes, and adaptations in production and supply chain management contributed to this recovery. The subsequent years, 2022 and 2023, showed steady growth at USD 36.7 billion and USD 38.9 billion, with YoY growth rates of 6.40% and 6.00%, respectively. These figures indicate that the industry has stabilized post-GST and pandemic recovery, maintaining consistent export growth while benefiting from a uniform taxation system that supports competitiveness and simplifies international trade.

Year	Estimated Employment (Million)	Change from Previous Year
2017	45	—
2018	46.2	1.2
2019	47	0.8

2020	43.5	-3.5
2021	44.8	1.3
2022	46	1.2
2023	47.5	1.5

Sources: Textile Ministry Employment Surveys, Economic Survey of India

Table 3: Employment in Textile Sector (2017–2023)

Table 3 provides an overview of employment trends in the Indian textile sector from 2017 to 2023, highlighting both the estimated number of workers and annual changes. In 2017, the year GST was implemented, the textile industry employed approximately 45 million people, establishing a baseline for analyzing post-GST workforce dynamics. The following year, 2018, saw employment increase to 46.2 million, reflecting a 1.2 million growth from the previous year. This growth indicates that despite the initial adjustments to GST compliance, the industry continued to generate jobs, particularly in organized manufacturing units and export-oriented segments that benefited from a streamlined tax system and improved input tax credit mechanisms.

In 2019, employment further increased to 47 million, though at a slower pace, with a rise of 0.8 million compared to 2018. The moderate growth suggests that while GST facilitated formalization and operational efficiency, other factors such as market demand fluctuations and global competition may have tempered the rate of job creation. Employment trends, however, remained positive, indicating that the industry continued to absorb labor across production, logistics, and allied services, including the growing technical textiles segment.

The year 2020 witnessed a sharp decline in employment to 43.5 million, a reduction of 3.5 million from 2019. This decline corresponds with the global COVID-19 pandemic, which disrupted manufacturing, supply chains, and export demand, leading to temporary layoffs and reduced working hours. The decrease highlights that external shocks can significantly affect the labor-intensive textile sector, even in the presence of a unified tax framework like GST. Despite this setback, the post-pandemic years show a recovery trend. Employment rebounded to 44.8 million in 2021, with a growth of 1.3 million, followed by further increases to 46 million in 2022 and 47.5 million in 2023, representing annual growths of 1.2 million and 1.5 million, respectively. This steady recovery reflects the resilience of the textile sector, supported by both domestic demand recovery and strengthened export performance under the streamlined GST system.

Year	GST Revenue from Textile Sector (Rs. Crore)	% of Total GST Collection
2017–18	12,300	2.10%
2018–19	14,500	2.30%
2019–20	15,200	2.40%
2020–21	12,800	2.00%
2021–22	16,400	2.20%
2022–23	17,900	2.30%

Sources: GSTN Reports, Ministry of Finance

Table 4: GST Collection from Textile Sector (Estimated)

Table 4 presents an estimated overview of GST revenue collected from the Indian textile sector from 2017–18 to 2022–23, along with its contribution as a percentage of total GST collections. In the first year after GST implementation, 2017–18, the textile sector contributed approximately Rs.12,300 crore, accounting for 2.10% of the total GST revenue. This initial collection reflects the gradual adaptation of businesses to the new tax regime and the significant size of the sector within India's industrial landscape. Despite the challenges of transitioning from multiple indirect taxes to a unified system, the sector managed to contribute meaningfully to government revenues, demonstrating its economic importance.

The subsequent years, 2018–19 and 2019–20, show a steady increase in GST collections from the textile sector, rising to Rs.14,500 crore (2.30%) and Rs.15,200 crore (2.40%), respectively. This growth indicates that as businesses became more familiar with GST compliance and leveraged input tax credits efficiently, the sector's tax contributions increased both in absolute terms and as a proportion of total GST collections. The rise also aligns with steady export performance and domestic production growth during this period, suggesting that GST facilitated more formalized business operations, improved reporting, and reduced tax leakage.

The year 2020–21 saw a decline in textile sector GST collections to Rs.12,800 crore, representing 2.00% of total GST revenue. This decline corresponds with the global COVID-19 pandemic, which disrupted manufacturing, exports, and domestic consumption. The reduction highlights the vulnerability of the textile sector to external shocks, despite the existence of a simplified tax structure. However, the subsequent years, 2021–22 and 2022–23, witnessed recovery, with GST collections increasing to Rs.16,400 crore (2.20%) and Rs.17,900 crore (2.30%), respectively. These figures demonstrate not only a rebound in industry performance but also the effectiveness of GST in capturing revenue from formalized business activity, as the sector gradually regained its production and export momentum.

6. CONCLUSION

The analysis of the Indian textile industry post-GST implementation demonstrates that the Goods and Services Tax has had a transformative impact on the sector, influencing taxation, production, exports, employment, and revenue contribution. The rationalization of GST rates across various textile segments has

simplified compliance, reduced the cascading effect of multiple taxes, and enhanced operational efficiency. Products such as cotton yarn and ready-made garments benefited from lower or stable tax rates, while adjustments to man-made fiber yarn and other segments reflect a responsive policy approach aimed at maintaining competitiveness and supporting growth. The unified tax structure has facilitated smoother interstate trade, reducing logistical and pricing complexities for manufacturers and traders across India.

In terms of exports, the textile industry has shown resilience and recovery post-GST, despite the temporary disruptions caused by the COVID-19 pandemic. Export performance, which experienced a sharp decline in 2020, rebounded steadily in subsequent years, reflecting the sector's ability to leverage GST-enabled operational efficiencies and streamlined refund processes. Similarly, employment trends indicate that while the pandemic led to a temporary contraction in workforce numbers, the overall trajectory post-GST has been positive, with gradual increases in employment across organized and semi-organized textile units. The sector continues to remain a major source of jobs, particularly for women and semi-skilled labor, highlighting its socio-economic significance.

From a fiscal perspective, the textile industry has consistently contributed to GST collections, accounting for around 2–2.4% of total GST revenue between 2017 and 2023. This steady contribution underscores the importance of formalization and compliance achieved under the GST framework. By integrating tax payments across states and segments, GST has strengthened revenue transparency and facilitated better reporting and enforcement, benefiting both the industry and the government.

In conclusion, GST has largely had a positive effect on the Indian textile industry, enhancing its competitiveness, supporting export growth, formalizing employment, and contributing to national revenues. While challenges such as compliance difficulties for small-scale units, cash flow constraints, and initial adaptation hurdles remain, the overall impact demonstrates that GST provides a more unified, transparent, and growth-oriented environment for the sector. Continued policy support, technological adoption, and targeted incentives will further strengthen the industry's contribution to the Indian economy, ensuring that it remains a vital driver of industrial output, employment, and exports in the years ahead.

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