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Analyzing the Influence of Goods and Service Tax on the Supply Chain Dynamics of Automobile Service Centers: A Case Study of Businesses in Chhattisgarh State

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ABSTRACT

This research delves into the intricate web of supply chain dynamics within the context of “Goods and Service Tax (GST)” implementation in the automobile service sector, focusing on businesses operating in Chhattisgarh State, India. The study aims to unravel the multifaceted impact of GST on the operational facets of automobile service centers, exploring its ramifications on procurement, inventory management, and overall supply chain efficiency. India stands as one of the foremost players in the global automobile manufacturing arena, with its automotive sector playing a pivotal role in contributing significantly to the nation’s economy. This industry has emerged as a key driver of both GDP growth and employment generation in India. Utilizing a case study approach, the research employs both qualitative and quantitative methodologies to comprehensively assess the transformations brought about by GST. Through in-depth interviews, surveys, and analysis of financial data, the study aims to capture the nuanced experiences and perspectives of key stakeholders, including service center owners, suppliers, and customers. Key focal points of the research include the assessment of GST-induced changes in procurement costs, supply chain transparency, and compliance requirements. Additionally, the study explores the adaptability of automobile service centers to the altered tax structure and its subsequent effects on inventory management strategies. By examining the shifts in cost structures and operational practices, the research seeks to offer valuable insights into the evolving landscape

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of the automotive service industry. The findings of this research not only contribute to the academic understanding of the impact of GST on supply chain dynamics but also provide practical implications for business owners, policymakers, and industry practitioners. Ultimately, this study aims to enhance the knowledge base surrounding GST implications on supply chains, offering a nuanced perspective that can inform decision-making processes and foster sustainable growth within the automobile service sector.

KEY WORDS

Goods and Service Tax (GST), Supply Chain Dynamics, Automobile Service Centers, Inventory Management, Operational Efficiency, Tax Impact.

INTRODUCTION

The introduction of this study aims to illuminate the intricate relationship between the implementation of Goods and Service Tax (GST) and the evolving supply chain dynamics within the context of automobile service centers in Chhattisgarh State, India. GST, introduced as a transformative tax reform, has had profound implications for businesses across sectors. However, its specific impacts on the automotive service industry, a critical component of the broader automotive ecosystem, remain relatively underexplored.

In recent years, Chhattisgarh State has witnessed a burgeoning automotive service sector, with numerous service centers playing a pivotal role in maintaining and enhancing vehicle performance. This study seeks to dissect the multifaceted consequences of GST on the operational frameworks of these service centers. The shift from a complex tax structure to the GST regime is anticipated to influence procurement processes, alter inventory management strategies, and reshape overall supply chain efficiency.

As the GST framework imposes changes in tax rates, compliance requirements, and reporting mechanisms, the adaptation of automobile service centers becomes crucial for sustained business growth. This research employs a comprehensive case study approach, incorporating qualitative and quantitative analyses, to unravel the nuanced layers of GST-induced changes. By examining the experiences and perspectives of key stakeholders, including service center owners, suppliers, and customers, this study aims to contribute valuable insights for both academic discourse and practical decision-making within the dynamic landscape of the automotive service sector.

Aim, Research Objective and Significance of the Study

The primary aim of this study is to analyze the influence of the Goods and Services Tax (GST) on the supply chain dynamics of automobile service centers in the context of businesses operating in Chhattisgarh State. The study seeks to understand and evaluate the specific impacts, changes, and challenges that the implementation of GST has brought to the supply chain processes within the automobile service sector.

Research Objectives

- Assess GST Implementation Effects:** Evaluate how the introduction of GST has affected the overall operational dynamics of supply chains within automobile service centers in Chhattisgarh State.
- Examine Cost Implications:** Investigate the cost implications associated with GST implementation in terms of procurement, distribution, and other supply chain elements within the automobile service sector.
- Analyze Compliance Changes:** Examine the changes in compliance requirements and procedures that automobile service centers in Chhattisgarh State have undergone post-GST implementation, and how these changes impact the supply chain.
- Evaluate Competitiveness:** Assess the impact of GST on the competitiveness of automobile service centers in Chhattisgarh, exploring whether it has led to increased efficiency or posed challenges in maintaining competitiveness.

5. **Explore Adaptation Strategies:** Identify and analyze the strategies employed by automobile service centers in Chhattisgarh to adapt to the GST-driven changes in supply chain dynamics, including modifications in inventory management and logistics.

Significance of the Study

1. **Policy Implications:** The findings of this study can contribute valuable insights to policymakers and regulatory bodies, aiding them in refining and optimizing GST-related policies in the context of the automobile service sector.
2. **Business Decision-Making:** The study's outcomes will provide valuable information for businesses operating in the automobile service sector in Chhattisgarh, enabling informed decision-making in response to the challenges and opportunities brought about by GST.
3. **Academic Contribution:** The research adds to the academic discourse by offering a detailed case study on the specific impacts of GST on supply chain dynamics, addressing a critical gap in the existing literature, and potentially serving as a reference for future research.
4. **Industry Insights:** Automobile service centers, logistics providers, and related businesses can benefit from the insights gained, helping them adapt strategies, enhance efficiency, and stay competitive in the post-GST supply chain landscape.
5. **Economic Impact:** Understanding how GST influences the supply chain dynamics of automobile service centers in a specific state contributes to a broader comprehension of the economic implications of GST implementation at the regional level.

Literature Review

Tiwari and Singh (2018) have observed that this taxation reform seeks to simplify the overall tax regime, contributing to a more equitable distribution of the tax burden, particularly within the corporate sector. The Goods and Services Tax (GST), implemented on July 1, 2017, marked a significant shift towards a unified taxation system in India, embodying the 'one-country tax' principle. This transformative tax reform pledged to streamline and simplify the taxation structure, fostering an environment conducive to economic growth. Notable features of the GST framework include State Goods and Services Tax (SGST), Central Goods and Services Tax (CGST), and Integrated Goods and Services Tax (IGST), collectively replacing an erstwhile fragmented tax structure that comprised various levies such as VAT, OCTROI, excise tax, among others.

In essence, GST strives to bring about a comprehensive overhaul of India's tax landscape by consolidating multiple indirect taxes into a single, unified tax. The introduction of this system was envisioned to create a more straightforward tax and credit mechanism, thus propelling anticipated economic expansion.

Malhotra (2018). Logistics operators in India have historically maintained an extensive network of warehouses across different states to circumvent taxes such as Central Sales Tax (CST) and entry taxes. This approach, however, has resulted in a plethora of underutilized warehouses, contributing to inefficiencies in service provision. The announcement of the Goods and Services Tax (GST) is poised to bring about a transformative shift in this sector, rendering many of the prevailing challenges obsolete. With GST's implementation, India is poised to function as a unified market, eliminating barriers to the free movement of commodities across states.

The anticipation of a seamless national market under GST has sparked a paradigm shift in the logistics landscape. Notably, the redundant warehouses scattered across the country are likely to be replaced by strategically located structures, including mega logistics hubs and key infrastructure projects, often featuring 100% foreign investment. The GST initiative has already garnered significant interest, prompting warehouse development plans from both domestic and international players. E-commerce entities, in particular, are

strategically establishing warehouses in key locations, such as Nagpur, situated in India's zero-mile area, showcasing the transformative impact of GST on the logistics and warehousing sector,

Kour, Milandeep (2016), in their study, elucidates the fundamental framework of the Goods and Services Tax (GST) based on an analysis of secondary data. The study underscores that the GST system is fundamentally designed to streamline the existing indirect tax structure in India. A well-constructed GST is identified as an effective means to eliminate distortions inherent in the current system of multiple taxation. The Government's commitment to reducing the compliance burden is a key aspect, promising a more efficient tax administration.

The study highlights that under the GST regime, there will be no differentiation between imported and domestically produced goods; both will be subject to taxation at the same rate. The amalgamation of various indirect taxes such as Sales Tax and VAT into a unified GST system is expected to alleviate the current compliance burden. This harmonization of taxes is anticipated to simplify processes and enhance overall efficiency.

While acknowledging that the implementation of GST will encounter challenges, the study suggests that the benefits arising from its enforcement will be substantial. In essence, the study concludes that GST is poised to play a dynamic role in fostering the growth and development of the country, reflecting its potential to reshape the tax landscape and contribute positively to the overall economic scenario.

Xavier Estupinan et al.'s study in 2020 assesses the first-order supply shock resulting from the containment measures implemented by the Indian Government to control the spread of COVID-19. The study focuses on Lockdown 1.0 and Lockdown 2.0, spanning from March 25 to May 3, 2020, during which India enforced some of the most stringent security measures globally. The estimation of the supply shock involves a comprehensive analysis of the decrease in labor supply, considering three employment statuses, industry levels, and professions.

The impact of the COVID-19 pandemic on the labor market is thoroughly examined, particularly for those employed in non-essential industries and positions that cannot be executed remotely. The study introduces a novel metric, the Remote Labour Index (RLI) for India, which categorizes occupations into four groups: Remote Classified Work, Remote Restricted Work, Remote Limited Work, and Remote Nonexempt Work.

Using data from the Periodic Labour Force Survey (PLFS) from 2017 to 2018, the study reveals that during Lockdown 1.0, 116.18 million employees (25% of the total employed) were affected, and during Lockdown 2.0, 78.93 million employees (17% of the total employed) faced impact. The anticipated total income loss is estimated at Rs. 864.5 billion (2017–2018 prices), based on the expected monthly salary for employees.

The study forecasts a 14% decrease in Gross Value Added (GVA) in 2012–2013 prices compared to a scenario without COVID-19. This projection highlights the far-reaching economic consequences of the pandemic, emphasizing the substantial impact on both the labor market and overall economic productivity.

Research Methodology

The analysis and interpretation of data generated from primary and secondary sources are discussed. This research focuses on the dimensions related:

1. **Cost Efficiency Hypothesis:** Implementation of GST in the automobile industry is hypothesized to lead to increased cost efficiency in manufacturing processes, as the unified tax structure reduces complexities and streamlines financial operations.
2. **Price Impact Hypothesis:** It is hypothesized that GST influences the pricing strategies of automotive products, with potential effects on consumer prices. The hypothesis explores whether GST has a significant impact on the overall cost and pricing dynamics within the automobile sector.

3. **Supply Chain Optimization Hypothesis:** The introduction of GST is expected to optimize supply chain processes in the automobile industry. This hypothesis investigates whether GST encourages improvements in logistics, inventory management, and distribution channels, ultimately enhancing supply chain efficiency.
4. **Competitiveness Hypothesis:** GST is hypothesized to affect the competitiveness of automobile manufacturers. This hypothesis explores whether changes in the tax structure influence market dynamics, competition among manufacturers, and market share within the automotive sector.
5. **Adaptability of SMEs Hypothesis:** Small and medium-sized enterprises (SMEs) in the automobile industry are hypothesized to face specific challenges and opportunities due to GST. The hypothesis examines whether GST has differential effects on SMEs compared to larger enterprises and investigates the adaptability of SMEs to the new tax regime.
6. **Policy Impact Hypothesis:** This hypothesis explores the role of policy measures in mitigating challenges and fostering growth within the automobile industry under GST. It examines whether targeted policy adjustments are essential for the sustained development of the sector.
7. **Consumer Behavior Hypothesis:** Changes in GST may impact consumer behavior in the automobile market. This hypothesis investigates whether alterations in taxation influence consumer preferences, purchasing decisions, and overall market demand for automotive products.

CONCLUSION

The study aims to provide a comprehensive understanding of how GST has influenced the supply chain processes of automobile service centers in Chhattisgarh, offering valuable insights for industry stakeholders and policymakers.

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