



The Journey of GST in India and its advantages

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Abstract

The introduction of GST brought about a paradigm shift. By replacing multiple indirect taxes with a single, unified tax, it eliminated the cascading effect and created a seamless national market. The elimination of state border checkpoints and octroi posts significantly reduced transit times. Trucks could now move freely across state borders, leading to faster delivery and lower transportation costs. This reduction in transit time also resulted in lower inventory holding costs, as businesses could operate with leaner inventories. With the removal of tax-based warehousing, businesses could consolidate their warehouses into strategically located hubs based on operational efficiency. This led to the development of larger, more efficient warehouses, equipped with modern technology and improved infrastructure. The Hub and spoke model became more viable, and many companies restructured their warehouse networks. GST facilitated the adoption of a more efficient and integrated supply chain. The elimination of tax-related complexities allowed businesses to focus on optimizing their logistics operations, improving inventory management, and enhancing customer service. The creation of E-way bills, allowed for the tracking of goods, and reduced tax evasion. The GST regime brought greater transparency to the logistics and supply chain sector. While the GST has brought about significant benefits, it has also presented several challenges to supply chain efficiency. Addressing these challenges requires a multi-pronged approach involving technological improvements, simplification of compliance procedures, continuous education and training, and greater uniformity in state-level regulations. By addressing these challenges, India can fully realize the potential of the GST to create a seamless and efficient national market.

Keywords:

GST, Supply chain, Revenue

Introduction

The GST Council, comprising representatives from the central and state governments, plays a pivotal role in addressing these challenges and optimizing the GST system. Regular meetings of the council are crucial for making necessary adjustments to tax rates, procedures, and policies. (Sahu, 2021)

The GST revenue has a major effect on the Indian economy. The government can finance essential public services including infrastructure development, healthcare, and education thanks to increased revenue collection. Additionally, it lowers the fiscal deficit and promotes economic stability.

Going forward, there is still a significant chance that GST income will increase. To achieve this potential, the government must keep concentrating on increasing compliance, streamlining processes, and broadening the tax base. Continuous technological integration, including data analytics and artificial intelligence, can improve tax administration and revenue collection even further.

Tax evasion and corruption were less likely when returns were filed online and products were tracked using technology. The logistics industry became more formalized as a result of the increasing compliance. As the cost of interstate transactions significantly dropped, the country's consistent tax structure contributed to the expansion of e-commerce.

There were challenges associated with the shift to the new tax system. It was difficult for businesses to comprehend the new rules and modify their systems. Delays and interruptions were also brought on by the GST network's early technical issues. Although the e-way bill system has increased openness, there have been some difficulties with its deployment, such as technical problems and worries about data protection. The numerous tax rates on different goods and services still present difficulties for some businesses, despite the fact that the GST has made the tax structure simpler. (Eldhose , 2022)

Notwithstanding these difficulties, GST has generally had a favorable effect on the logistics and supply chain industry. Significant cost savings and increased competitiveness have resulted from the creation of a more effective, transparent, and integrated national market. The benefits of the GST system will keep coming in as it develops and the remaining issues are resolved, significantly bolstering the Indian logistics and supply chain industry.

Since it was put into effect, the Goods and Services Tax (GST) E-way Bill, a key element of India's tax reform, has had a big influence on the logistics and transportation industry. The E-way Bill, which was created to monitor the flow of commodities and prevent tax fraud, has changed the face of intrastate and interstate commerce and presented both advantages and disadvantages.

The E-way Bill's main goal is to guarantee the smooth and open transportation of commodities throughout the nation. The approach attempts to remove the complications and delays associated with physical paperwork by requiring the creation of an electronic document for the transportation of items valued at more than a certain amount. By streamlining the procedure and cutting down on transit time and expense, this digital strategy has improved supply chain efficiency.

The E-way Bill's ability to reduce tax evasion is among its most important benefits. It assists in detecting and stopping instances of underreporting and illicit transportation by offering real-time tracking of the movement of products. As a result, the government has seen an increase in tax compliance and revenue collection. Additionally, by discouraging the creation of fraudulent invoices and the transportation of unaccounted-for products, the system promotes fair trade practices. (Astha, 2021)

Review of Literature

Subramanian et al. (2020): There have been difficulties in putting the E-way Bill into effect. Businesses initially had trouble adjusting to the new system, especially those with inadequate technology infrastructure. Significant obstacles were presented by problems like server malfunctions, technical mistakes, and ignorance. Confusion and difficulties with compliance were also caused by the laws' intricacy, particularly for small and medium-sized businesses (SMEs).

Ramya et al. (2020): Businesses are worried about the E-way Bill's harsh penalties for non-compliance and inconsistencies. The supply chain may be disrupted by the detention of items and the enforcement of fines for even the smallest mistakes or delays in updating the data. This has brought attention to the need for improved support and training, as well as more flexibility and clarity in the regulations for businesses.

Bibhu et al. (2021): To inform businesses and expedite the process, frequent updates, clarifications, and training sessions have been held. The system is now easier to use thanks to the addition of features like bulk generation and mobile app access.

Sanjay et al. (2022): E-way Bill has the ability to further change India's logistics environment. With continued system improvements and technical breakthroughs, the system can be extremely helpful in fostering a supply chain that is more effective, transparent, and compliant.

Journey of GST in India and its advantages

GST E-way Bill implementation represents a significant step towards streamlining the movement of goods and curbing tax evasion in India. Despite some early difficulties, there is no denying its long-term advantages in terms of effectiveness, openness, and tax compliance. The E-way Bill has the potential to significantly contribute to the development of a strong and effective logistics ecosystem by resolving business concerns and continuously enhancing the system.

India's economy has been drastically altered by the Goods and Services Tax (GST), especially in terms of supply chain effectiveness. In order to simplify operations, cut expenses, and promote a more integrated market, the GST replaced a convoluted network of cascading taxes with a single, destination-based tax system. Despite ongoing difficulties, there is no denying GST's beneficial effects on supply chain effectiveness.

The removal of the cascading effect of taxes is one of the biggest benefits generated by the GST. In the past, various taxes, such as VAT, service tax, and excise duty, were imposed at various points along the supply chain, creating a "tax on tax." By permitting input tax credit (ITC) throughout the whole value chain, GST has eliminated this. Businesses are now more competitive and are encouraged to streamline their supply chains as a result of the smooth ITC flow, which has decreased the overall tax burden.

Additionally, the fragmented state-level tax barriers that impeded interstate trade have been eliminated by GST. Transit times and logistical expenses have been greatly decreased by the removal of checkpoints and octroi. In the past, trucks would frequently be stopped at state borders for hours or even days resulting in delays and increased transportation expenses. The unified tax system has facilitated smoother movement of goods across state lines, leading to a more efficient and responsive supply chain. This has particularly benefited industries reliant on timely delivery, such as e-commerce and perishable goods.

Supply chain efficiency has also increased as a result of the GST's simplification of tax compliance. Businesses no longer have to deal with a tangle of state-specific laws and filing procedures when there is a

single, unified tax framework in place. As a result, there is now less administrative work to do and more resources available to improve supply chain efficiency. A strong IT infrastructure called the GST Network (GSTN) has made electronic filing and compliance even easier, increasing efficiency and transparency.

Another important step in simplifying logistics and lowering tax evasion has been the introduction of e-way bills. Tracking shipments and stopping fraud have been made easier by these electronic records, which are created for the transportation of products valued at more than a specific amount. This has not only increased transportation's effectiveness but also the overall transparency and accountability of the supply chain.

But there have been difficulties with the switch to GST. Businesses were confused and disrupted by the early teething issues, which included inconsistencies in the law and technological issues with the GSTN system. Particularly, small and medium-sized businesses (SMEs) had trouble adjusting to the new system. In addition, problems with input tax credit matching and the intricacies of reverse charge systems have presented difficulties.

The long-term advantages of GST for supply chain efficiency are clear in spite of these difficulties. The unified tax system has made doing business easier overall, decreased logistical expenses, and promoted a more competitive and interconnected market. The GST regime's beneficial effects on supply chain efficiency will increase as it develops and the remaining issues are resolved will continue to grow. Continued efforts to simplify procedures, enhance the GSTN infrastructure, and provide training and support to businesses, especially SMEs, will be crucial in realizing the full potential of GST. In conclusion, while there were initial hurdles, GST has undeniably been a transformative reform, driving significant improvements in India's supply chain efficiency and paving the way for a more robust and competitive economy.

GST has undeniably streamlined the Indian taxation system, fostering a more efficient and transparent environment for businesses. While continuous refinements and adaptations are necessary to address remaining challenges, the long-term benefits of GST in creating a unified, efficient, and equitable tax regime are undeniable. Its ongoing evolution will continue to shape the Indian economy for years to come.

Furthermore, the E-way Bill has facilitated the integration of technology into the logistics sector. The online platform enables businesses to generate, update, and cancel E-way Bills with ease, reducing the reliance on manual processes. This digital transformation has not only improved efficiency but also enhanced

transparency and accountability. The real-time tracking feature allows businesses to monitor the movement of their goods, providing valuable insights into the supply chain.

The focus should be on simplifying the rules, enhancing the user experience, and providing continuous support to businesses. By addressing the remaining challenges and leveraging the benefits of technology, the E-way Bill can contribute significantly to the growth and development of the Indian economy.

Conclusion

The journey of GST revenue in India has been one of adaptation and progress. While initial challenges were encountered, the system has stabilized and shown a steady upward trend. Continued efforts to address remaining challenges and optimize the system will be crucial in maximizing the benefits of GST for the Indian economy. The GST has become a central pillar of India's fiscal policy, and its continued success is vital for the nation's economic development.

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