



# A REPORT ON IMPACT OF GST ON SUPPLY CHAIN MANAGEMENT

<sup>1</sup>HEENA

<sup>1</sup>Research Scholar, Department of Commerce, Singhania University, Jhunjhunu, Rajasthan

<sup>2</sup>DR. DARGA. R.I

<sup>2</sup>Assistant Professor, Department of Commerce, Singhania University, Jhunjhunu, Rajasthan

## ABSTRACT

The main objective of this report is to provide a comprehensive view of the impact of GST on supply chain management. It narrates how the GST has impacted various supply chain activities.

The report effectively compares the practice that used to exist in the pre-GST regime and the comparative changes to which the current supply chain management is moving after the implementation of GST in India. It also focuses on the impact on the procurement, transportations, logistics, warehousing and retail activities of supply chain.

**KEYWORDS:** GST: Goods and Service Tax, supply chain management, impact on supply chain, comparatives, procurement, transportations, logistics, ware housing, retail activities.

## INTRODUCTION

### Goods and Services Tax (GST)

The Goods and Service Tax Act had passed in the Indian Parliament on March 29th, 2017 and this Act came into effect on July 1st, 2017 in India. GST is defined as an Indirect Tax which has replaced many Indirect Taxes that existed in India for long. Goods & Services Tax Law in India is also termed as a thorough one, multi-staged and target-based tax that is imposed on each and every value addition. Multi-stage means that there are multiple levels an item goes between along its supply chain i.e. from manufacturer to retailer to the consumer and therefore GST is levied on each of these stages, this basis makes it a multi-stage tax. GST is levied on value additions i.e. the monetary value is added at each stage to attain the final sale to the end customer. Since it is target based, GST is levied at the point of consumption. GST contain of three taxes that are applicable under its umbrella:

- CGST: This tax is collected by the Central Government on an intra-state sale.
- SGST: This tax is collected by the State Government on an intra-state sale.
- IGST: This tax is collected by the Central Government for inter-state sale.

GST has first and foremost removed the Cascading effect that happen on the sale of goods and services. Eradication of cascading effect which is also named as tax on tax, cost of goods has important impact after the GST. Besides as compared to earlier tax system, GST is technologically manage as all the activities like registration, return filing, application for refund, response to notice etc. needs to be done on online platform on the GST Portal, this in turn speeds up the procedure making it faster and more efficient. There are certain Non-GST goods such as:

- Petroleum crude
- High-speed diesel
- Motor spirit/ Petrol;
- Natural gas
- Aviation turbine fuel
- Alcoholic liquor for human consumption

### **Supply Chain Management (SCM)**

A supply chain is a connected network of individuals, organizations, resources, processes, activities, and technologies that are elaborate in the manufacture and sale of a product or service. A supply chain starts with the procurement process and the delivery of raw materials from a supplier to a manufacturer and ends with the delivery of the finished product or service to the end consumer. Supply chain management is the management of the proceed of goods and services and considers all processes that convert raw materials into final products that meet consumer expectancy and needs.

### **LITERATURE REVIEW**

The GST period promises to make Indian products competing in domestic as well as International markets and ultimately leading to give a raise in economic growth of the country. The publication by Girish Gang in 2014, titled “Basic concepts and features of GST in India” published in International Journal of Scientific Research and Management explains the features of GST. An Article published in Journal of Production Research and Management by Amit Chandak titled ‘How “Goods and Service Tax” will Impact Logistics and supply chain Industry in India’, highlights that GST is a comprehensive tax and its impact is a comprehensive one too, it

highlights the impacts on various supply chain activities like procurement, transportation etc, and discusses major changes after GST implementation as well as the bookkeeping activities. The article “Supply Chain in India: On the Brink of a Revolution” written by Roshini Singh at India Briefing highlights the changes in supply chain after the GST clearly stating that its growing regional integration and investor’s confidence. An Article by Jasjit Sethi at CIO Review highlights the 5 forces of GST model on Supply chain and proposes the changes that will be imminent and matches the changes with the requirements in terms of infrastructure, process, people and technology. Moreover more thoughtful insights have been gained from The Economic Survey 2017, 2018. Overall all these publications and articles along with other articles as well have assisted to be foundations of this report.

## RESEARCH METHODOLOGY

This report is based on research from secondary data sources like Journals, Articles, Publications, Reports, News Journals, and Media Reports. All the data from the secondary sources is based on acceptable sources and is the review and overview of all the sources. This also included a thorough framework research about GST and features of GST and getting an awareness of the Supply chain management need on taxation structure of country and using satisfied analysis techniques to come to a conclusion of how the two things connection on the basis of research from above sources.

## SCOPE AND LIMITATIONS OF THE STUDY

### 1. Outcome Of GST On Total Supply Chain

The principles before the GST used to give less burden to working efficiencies because the main spotlight used to be how to cutdown the state level taxes for cause and distribution in Supply chain. Their choice would always rotate around the trade-off between Interstate or Intrastate procurement of goods, In-house manufacturing and contractual manufacturing, direct sales vs stock transfers etc. Counting on to that they also had to take a variety of taxes like VAT, Entry tax, Service tax, Central Sales Tax etc, which joined on to a lot of problems. Essential Advantages that India occupy as a low cost manufacturing common used to get cancelled out due to the taxation framework.

The introduction of a undivided system of GST is introduction to facilitate the total management to a very great amount. By the extract of state taxes that had a cascading effect, the logistics companies are being determined to combined their warehouses rather of the old method of opening one in each state to escape Central Tax. This brings the complete cost of the product downward because the stock and fund carrying cost gets decreased which in turn change the final cost of the product bear the selling price down. The released cost can be used by companies to another develop serviceability.

After the application of GST, the design of the supply chain is now placed on the customer service and logistics cost. Smaller warehouses previous being used can now be involved with bigger warehouses in the course of time solving the distance problem by maximum utilization. Besides with this the demand forecasting course can be made much powerful, authentic and flexible. Extra benefits enjoyed by the companies are:

- Inconvenience-free specifying of raw materials from different states.
- Improved price options.
- Upgraded forecasting process and stock Management.
- Quantity development and area optimization.
- Compliance in manufacturing.

## **2. Outcome Of GST On Procurement Process**

The cost of Raw materials creates a leading part of the cost of the product and most of the companies try to reduce the procurement cost because it can have an important impact. Former there was no policy of tax credit for inter-state procurement in the tax model but with establishment of GST, short usage of Input Tax Credit (ITC) is allowed in Interstate supply of goods, besides the increased amount given as customs duty in the import of goods is bring to end by GST. As a issue inter-state sales trade become tax unconcerned making the processes easier. As a development many decision-making questions like Inter vs Intra procurement of goods, amalgamation of suppliers, preferred of Import vs Local raw material dealer does not require much significance.

With this the procurement method has moved from taxation target to target on time and quality with a change from producer state tax target to consumer state tax target along with the redesigning of clear-cut processes.

## **3. Outcome Of GST On Freight And Transportation**

In the pre-GST generation, most companies being highly cost certain protected to trade off future ability for current cost which decreased the scope of the control of qualified managed line. With the arrival of GST there are new lengths of capabilities for them:

- There will be a larger role for efficient 3rd Party Logistics Professionals which can carry about much essential unification and facility into the freight and transportation section.
- GST can also decrease the time distribution at the interstate borders which in change will be helpful in decreasing transport and lead time.
- Therefore, the interstate transactions are tax free in post-GST generation, mixture can be made quickly from other states and thus decreasing the average Inventory.
- Scope of Cross expected techniques is easily increasing.

In the Pre-GST generation, the transportation was placed on the Central Sales Tax and various state value added taxes. But in the post-GST generation, the tax is levied at the central level and the state value added taxes does not have any impact. The tax rates are systematic across all the borders and state boundaries are no longer the guideline for deciding the routes.

In post GST generation, the part of warehouses and their transportation networks is in the course of time turning out to be demanding because the framework for rail, road or multimodal plan needs to be strong which is becoming well in advance planning to build an energetic, efficient, innovative and continuous supply chain model. GST is allowing the warehouses to be larger in terms of capacity, with this the transportation lot sizes undoubtedly increase, subsequent in the usage of larger and more adequate trucks.

#### **4. Outcome Of GST In 3pl And 4pl Logistics**

With the outcome of GST, there is a bigger chance for Third Party logistics service providers to enter the market. Third Party logistics service providers can manage these bigger directions as in India covering north to South and make delivery process correct and adequate. The 3PL logistics firms are continually transfer from traditional service delivery systems to misleading unified and hi-tech service providers aggressive to meet the service demands. The target of supply chain management is operating from wanted tax to decrease overall supply chain costs and asset returns, while developing the bottom line competencies and creating customer Fundamental network structures. The share of 3PL, 4PL providers rise further. The most important thing is that with GST, logistics sector has got framework status which will create excellent growth.

#### **5. Connections in various supply chains are as below:**

- The infrastructure of logistics is profitable importance over the location of the plant under
- GST system. New opportunities for outsourcing are being completed in services like carrier services and forwarder services.
- In the post GST system, the sales and distribution models of the firms is ability change which is opening new opportunities in warehouse management and distribution operations leading to increase in expand.

In the aftermarket, customer service will shortly ride outsourcing in claims management as a value-added service.

#### **6. Outcome Of GST On Inventory Management And Warehouse**

In the GST system, logistics companies can have one central warehouse or can go for warehouses at definite area or can even accept the different and efficient core and spoke model. With one country one tax, companies will have the capability to achieve cost reduction in their operations and in turn can transfer this cost benefit to

the end consumer in the supply chain. Besides, Companies can now concentrate the stock at their warehouses and demand variation at a particular warehouse is also decrease to an extent. This in turn improves demand planning and results in an improved inventory management. GST can help the Decision Makers or the top management in making the decision process much easier regarding the Warehouse and Inventory management policies. Some of these decisions may include:

- Decisions regarding planning of Warehouse Locations and Depot Locations everything being equal the existing Plants and the markets locations and consequent demands.
- Choice of the Warehouse Capacity and Depot Capacity which will make the planning of Safety level Stock and Reorder points much clearly visible.
- Decision Making related to decision of mixture cycle, Safety Stock, Milk Runs which are considered the inventory etc.
- No. of Distribution centers can be decrease and service level can be enhanced due to flexibility in interstate goods movement.

Big Scale regional logistics park can be constructed now to remodel the logistics framework with latest technology. It increases the possible to associate with other players in stocking the products. Hence the holding costs will decrease to a greater level. Larger warehouses would make investments into ERP and computerized systems used for overwhelming goods making it more meaningful and financially cautious.

## 7. Outcome Of GST On Retail / FMCG Sectors

Over the years FMCG companies have launched the old tax system by developing a chain of Clearing & Forwarding agencies (C&FA agents) in each state. Goods were transferred to the C&FA without a title transfer thereby avoiding the percentage of Central Sales Tax. But as a evidence it is also true that stock movement to smaller distributors is also difficult from long distances. For example if we consider UP, considering the large size of the State, most FMCG companies would need to develop 3 or 4 C&FA's to cover the state adequately especially if they are trying to covering smaller markets.

- Larger warehouses would make investments into computerization, overwhelming systems and ERP systems will prove to be a reasonable choice. For larger warehouses, transportation will also become more adequate and cost effective with the use of larger vehicles for stock mixture.
- This will help provide visibility over the levels and make it easier to combine processes for sharing data such as demand changes, current inventories, optimal transportation direction, etc.
- After GST C&FAs can now become genuine third-party logistics providers. Besides, customers' demands for more value added services will improve the adoption rate of technology solutions such as warehouse management systems and track-and-trace offerings.

- There will be flexibility of differential pricing policy making it possible that the numbers of C&FA's may come down to certain level. For example if interstate servicing of distributors has not got tax implications, a C&FA at Ghaziabad may be strategically be used to service both Delhi and Uttarakhand locations in addition to UP West circle.

## 8. Outcome Of Exclusion Of Products From GST

With the introduction of GST, the State's authority for levying State taxes and exercise duties has ended and has caused an impact on state revenues. To avoid the situation of State revenues getting severely impacted, some products like Tobacco, Alcohol for human consumption and Petroleum products etc. have been kept out of GST bracket.

The effect of keeping petroleum products out of GST can be seen clearly that it is not benefitting the transportation costs of companies, instead of reducing it, it is adding up to the costs and moreover it is defeating the sole purpose of implementation of GST.

## CONCLUSION

There is absolutely a big impact that the GST is leaving on the Supply chain Management. Including Tax reforms and offering framework status to Logistics, the next level of logistics are immature in India and the corresponding regulatory policies have to be taken to have a positive and expected impact. Furthermore, GST opens a plenty of opportunities for the growing Supply Chains to have a greater impact.

The following are the critical business implications post GST implementation:

### People Front

The skill set requirement and training of the existing workforce to comply with the new services will pose a challenge. Workforce will now be able to become more customers centric improving the service level of the company and its operations to optimally meet the customer demands.

### Process Front

- Consolidation and Outsourcing: Presence of organized, planned and efficient players may increase the possibility of consolidation and also improve the scope for 3PL and 4PL logistic operations enabling the companies to focus on core competencies rather than diversifying in unrelated business.

- Re-engineering of Supply Chain: Many of the companies and service providers have started or are in process of redesigning their supply chains along with realigning their warehouses and logistics network which opens a host of opportunities for 3PL and 4PL logistics partner and providers.
- Transportation: Primary freight and transportation costs are definitely bound to come down due to removal of state limits but the secondary costs may increase due to aggregation of warehouses to bigger warehouses.

## Technology Front

Aggregation of warehouses will lead to bigger warehouses which will be served better by computerization all around using state of the art technologies to reap long term benefits. Investing in computerization and Warehouse Management Systems (WMS), along with SCMS (Supply Chain Management System) will prove to be more meaningful due to increase in scale.

## REFERENCES

1. <https://cleartax.in/s/gst-law-goods-and-services-tax>
2. [https://en.wikipedia.org/wiki/One\\_Hundred\\_and\\_First\\_Amendment\\_of\\_the\\_Constitution](https://en.wikipedia.org/wiki/One_Hundred_and_First_Amendment_of_the_Constitution)
3. <https://www.investopedia.com/terms/s/scm.asp>
4. <https://www.india-briefing.com/news/supply-chain-india-scopeinvestors16384.html/?hilite=%27gst%27%2C%27supply%27%2C%27chain%27>
5. <http://www.forbesindia.com/article/imd-business-school/gst-and-indias-supply-chainrevolution/48217/1>
6. <https://transport-logistics.cioreviewindia.com/cxinsight/introduction-of-gst-in-indiaimpact-on-supply-chain-network-design-strategy-introduction-and-understanding-of-gstbill--nid-3780-cid-94.html>
7. <https://holisollologistics.com/gst-implications-on-supply-chain/>
8. <https://www.greengst.com/the-impact-of-gst-on-supply-chain-management/>
9. <https://www.analyticsindiamag.com/mahindra-mahindra-solving-logistics-networkoptimization-challenge-data-analytics/>
10. [http://www.itcinfotech.com/wpcontent/uploads/2016/08/GST\\_WP\\_Revised1.pdf](http://www.itcinfotech.com/wpcontent/uploads/2016/08/GST_WP_Revised1.pdf)
11. <https://www.atkearney.in/documents/10192/7478931/Gearing+Up+to+Transform+Indias+Automotive+Supply+Chain+in+the+GST+Environment.pdf/4a364c95-d9d7-4830-addf-921b40ebf3e2>



12. [https://www.skpgroup.com/data/resource/skp\\_gstimpactonlogistics\\_.pdf](https://www.skpgroup.com/data/resource/skp_gstimpactonlogistics_.pdf)
13. <https://www.cognizant.com/InsightsWhitepapers/Indias-Goods-and-Service-Tax-theedubirdie.com>  
Case-for-Distribution-Network-Redesign.pdf
14. <http://engineeringjournals.stmjournals.in/index.php/JoPRM/article/view/405>
15. <http://ijirms.com/downloads/20092017290817-3.pdf>
16. <http://www.ctrfp.ac.in/Mrityunjay%20Acharjee.pdf>
17. Girish Gang-2014- Basic concepts and features of GST in India- International Journal of Scientific Research and Management- vol. 2 ISSUE 2 PP 542-549
18. V.Jothi Francina, Dr.K.Selvavinayagam, R.K.Pradeep- Impact Of GST On Indian Logistics Sector - International Journal of Innovative Research in Management Studies (IJIRMS) - Volume 2, Issue 8, September 2017. PP.18-23.
19. AMIT CHANDAK- How “Goods and Service Tax” will Impact Logistics and supply chain Industry in India - Journal of Production Research & Management- Vol 8, No 2 (2018)
20. edubirdie.com

