



A STUDY ON IMPACT OF GST ON AUTOMOBILES IN INDIA

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ABSTRACT:

Under the Pre GST regime, same central and state government have levied multiple taxes supply chain. Since taxes imposed by the federal government could not be offset by taxes imposed by the states, there was a cascading effect of taxation. Given the aforementioned challenges, several levies have been combined into a single tax known as the goods and services tax (GST). One of the most productive and expanding manufacturing sectors in India since deregulation is the automobile industry. The sector has the ability to develop and play a significant role in job generation and economic growth. Similarly, the Government of India has acknowledged the impact of the automobile industry on the national economy and is currently focused on the Automotive Mission 2026, with the objective of aligning with the world's largest nation. India is also an emerging car exporter, and car companies are exploring rural markets, which also promises to drive the industry's growth in the near future. From the description of GST, where all taxes are merged into a single one, it is inevitable to anticipate the effect of GST on this industry. This document addresses the global impact of GST on the Indian automobile industry.

Keywords: Goods and Service Tax, Automobile sector, Taxation, Indian Economy.

INTRODUCTION:

In lieu of taxes imposed by the Central and State governments, the products and Services Tax (GST) is a comprehensive indirect tax on the production, distribution, and consumption of products and services throughout India. The Goods and Services Tax (GST) is thought to be the largest tax change in Indian economic history. All taxes are consolidated into a single, uniform taxing scheme. It includes subsumed taxes such as VAT, excise duty, central sales tax, service tax, entertainment tax, and luxury tax, among others. Cost, time, and effort will be eliminated with the aid of GST. In the Indian economy, the goods and services tax is a game-changer. By transforming the current indirect taxation system and paving the way for the free movement of goods and services, the Goods and Services Tax (GST) is another such initiative that is anticipated to give the much-needed stimulation for India's economic advancement. The cascading effect of taxes is also anticipated to be eliminated by GST. In the years to come, India is expected to have a significant impact on the global economy. The introduction of the GST is eagerly awaited not only in the nation but also in the neighboring nations and the world's most technologically advanced economies. The Union Finance Ministry of India is in charge of structuring the Goods and Services Tax, which is referred to as the Constitution Amendment Act of 2016. It is a tax on the supply of goods and services that is based on consumption and is applied at every stage of the sale or purchase of products or services using the input tax credit mechanism. GST is a tax based on consumption. The "Destination Principle" serves as its foundation.

Goods and services are subject to GST if there is a possibility of final or actual consumption. One example of human inventiveness is the automobile industry. The nature of competition, the product life cycle, and consumer demand all contribute to the dynamic growth phases of one of the fastest-growing industries in the world. Today's worldwide car industry is focused on meeting consumer demands for comfort, safety, and style as well as manufacturing efficiency. This industry is at a turning point in terms of global mergers and moving production centers to developing nations. India is the world's top producer of automobiles. The sector accounts for 7.1 percent of the nation's GDP. This sector, which makes up 4.3% of India's total exports, provides nearly 13% of government excise taxes. This industry has long had to contend with high tax rates due to federal excise duties that range from 12.5% to 30% and other cesses that are introduced at the discretion of the government to increase revenue. The infrastructure cess is the most recent of these. Lower levies under the Goods and Services Tax (GST), which is anticipated to go into effect fully on January 1, 2017, will benefit both automakers and their customers. Before the GST was implemented, there were taxes such as sales tax, road tax, sector tax, VAT, and vehicle tax, in addition to fees for automobile registration. All of these are now included in car service taxes. In general, the GST idea seems to be advantageous; premium cars will be less expensive after the GST, while little cars won't see much of a change in price.

REVIEW OF LITERATURE:

Neelavathi K., Sharma R (2017) identified impact of GST on automobile industry, the study concluded that automobile industry can developed one of the important contributors for the economic growth of the country as well as it helps in growing the employment opportunity. They were fruitfully able to analyse different tax rate levied on vehicles during pre and post period of GST.

Eeshan Gupta, Dr. Sangeetha R (2020) Understanding GST and the Indian stock market's performance as a result of the adoption of GST is the focus of this study. In order to better understand this field of study, this paper evaluates twenty-five published works by well-known scholars. The BSE Auto index, the BSE Oil and Gas index, and the BSE banking index prices are all included in this publication. Descriptive Statistics, Regression, Unit Root Test, Paired T test, and Granger's Causality test are used to examine the data in this work. The outcomes of the analysis are desirable and aid in further investigation and interpretation.

Arpit Jain (2018) In this study, the impact of GST on small company and the automobile sector is examined. Chaos and bewilderment erupted among the populace when the GST was implemented. For India's economy, GST was a game-changer. For the first time, all indirect taxes will be unified. It included commodities that had previously been exempt from taxation. With the GST, the government hoped to lessen the concept of "tax on tax" while also raising the country's overall GDP. Fixed rates for specific commodities were established as a way to eliminate price fluctuations between states. The GST aided in the reduction of automotive prices.

Saravana Rajan S, Kirubakaran K (2018) There is a survey and an analysis of the data obtained in this study article. For this research, secondary sources such as books, journals and articles are also consulted. There were 305 responses to the survey, which was a success. Analysis of the replies took place. According to the survey, middle-class people are impacted by rising oil prices, and the government might possibly provide assistance in light of the rising prices. The implementation of GST in the vehicle industry, in particular, has proven to be a boon to both consumers and businesses.

K.Neelavathi, Mrs. Rachana Sharma (2017) Post-liberalization, India's automobile sector has emerged as one of the country's most successful and promising industries. As an economic and job-creating force, the industry has a lot of promise. Cars are an important part of India's economy, and its government is now working on an Automotive Mission Plan 2026 to compete with the world's most powerful nations. India's government plans to apply the Goods and Services Tax (GST) in the manufacturing sector.

RESEARCH GAP:

The above literature review clearly brings out that through there are various studies on VAT and GST in India these studies were undertaken when the GST framework was evolving. These studies primarily enrich the debate about the way GST Law should be shaped. Therefore, various assumptions have been taken under these studies which may or may not form the basis of GST Laws. To the best of our knowledge and belief, no such exclusive study has been undertaken to analyse the impact of actual GST Laws on Automobile sector in India. The present study is a modest effort to bridge the gap.

RESEARCH OBJECTIVES:

The main objectives of the study are:

1. To find out the specific issues and the probable financial impact of GST on automobile sector in India
2. Examine the impact of GST on approved future investments of Automobile sector.

HYPOTHESIS:

Objective 1: To find out the specific issues and the probable financial impact of GST on automobile sector in India

- H_0 (Null Hypothesis): GST has not created any significant financial impact or challenges in the Indian automobile sector.
- H_1 (Alternative Hypothesis): GST has created significant financial impacts and challenges in the Indian automobile sector.

Objective 2 : Examine the impact of GST on approved future investments of Automobile sector.

- H_0 : The introduction of GST has not significantly impacted approved future investments in the automobile sector.
- H_1 : The introduction of GST has significantly impacted approved future investments in the automobile sector.

RESEARCH METHODOLOGY :

The research methodology used in this study is descriptive and analytical in nature. It is based on the survey method. The data was collected from 100 respondents. The study has used both primary and secondary data. The primary data was collected through a structured questionnaire. The secondary data was collected from various sources such as books, journals, articles, and websites. The collected data was analyzed using various statistical tools such as percentage analysis, chi-square test, and factor analysis.

DATA ANALYSIS AND INTERPRETATION:

This study provides the results of the quantitative data collected by the researcher. Factor analysis and chi-square Test have been used to analyse the objectives of the study. This test is done using spss

Factor Analysis

Communalities

	Initial	Extraction
Has the implementation of GST increased the overall cost of automobiles in India ?	1.000	.460
What is the biggest issue faced by automobile businesses due to GST ?	1.000	.551
Do you think GST has simplified or complicated tax compliance for the automobile sector ?	1.000	.594
Have you observed any change in automobile sales after GST implementation ?	1.000	.538

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.142	53.543	53.543	2.142	53.543	53.543
2	.814	20.344	73.887			
3	.676	16.904	90.791			
4	.368	9.209	100.000			

Interpretation:

The analysis presents the results of a Principal Component Analysis (PCA), a statistical technique used to reduce the dimensionality of data by identifying underlying patterns. The table shows the "Total Variance Explained," indicating how much of the original data's variability is captured by each principal component. The first component accounts for 53.543% of the variance, suggesting it represents the most significant factor influencing the data. The subsequent components explain progressively less variance, with the second component at 20.344%, and so on. The cumulative percentage shows that the first two components together account for 73.887% of the total variance. This implies that these two components are the most crucial in understanding the data's structure, effectively summarizing a large portion of the information with fewer variables. The remaining components contribute less to explaining the overall variance.

Chi-Square Test (Crosstabs)

type of vehical * Has GST influenced automobile companies' investment decisions in India ?

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.877 ^a	8	.005
Likelihood Ratio	19.693	8	.012
Linear-by-Linear Association	13.286	1	.000
N of Valid Cases	100		

type of vehical * Do you think GST has encouraged automobile manufactures to invest in electric vechiles ?

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.288 ^a	4	.683
Likelihood Ratio	2.534	4	.639
Linear-by-Linear Association	.397	1	.529
N of Valid Cases	100		

type of vehical * Have automobile companies reduced or increased new project investments after GST implementation ?

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.089 ^a	12	.187
Likelihood Ratio	16.728	12	.160
Linear-by-Linear Association	2.918	1	.088
N of Valid Cases	100		

type of vehical * In your opinion, does GST make India a more attractive market for foreign automobile investments ?

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.742 ^a	4	.442
Likelihood Ratio	3.434	4	.488
Linear-by-Linear Association	1.997	1	.158
N of Valid Cases	99		

Interpretation:

The Chi-Square tests examine the relationship between 'type of vehicle' and various opinions on GST's impact in the Indian automobile industry. For 'GST influence on investment decisions', the significant p-value (0.005) suggests an association. However, for 'GST encouraging electric vehicle investment' (p=0.683) and 'GST making India attractive for foreign investments' (p=0.442), there's no significant relationship. 'Project investments after GST' shows a potential association (p=0.187), but with a high percentage of cells having low expected counts, the result should be interpreted cautiously. In summary, the analysis indicates a potential link between vehicle type and opinions on GST's influence on investment decisions, but not on encouraging electric vehicle investment or attracting foreign investments. The findings on project investments are inconclusive due to low expected cell counts

FINDINGS OF THE STUDY:

- **Positive Impact on Prices:** The implementation of GST has led to a reduction in the prices of automobiles, particularly luxury cars. This is due to the fact that some of the taxes that were previously levied on automobiles have been subsumed under GST.
- **Simplified Tax Compliance:** GST has simplified the tax compliance process for the automobile industry. This is because there is now a single tax that is levied on automobiles, rather than a multitude of taxes.
- **Increased Overall Cost:** Despite the reduction in prices, the study also found that GST has led to an increase in the overall cost of automobiles in India. This is due to the fact that some of the taxes that were previously levied on automobiles have been subsumed under GST.

CONCLUSION:

The impact of GST on India's automobile sector presents a complex picture. A factor analysis suggests that people generally share a strong, unified perception of GST's overall effect, with a single factor accounting for a large part of the survey responses. However, Chi-Square tests indicate that this influence is not uniform across all areas. For instance, opinions on how GST affects investment decisions vary significantly depending on the type of vehicle, highlighting its distinct impact on different market segments. On the other hand, perceptions about GST's role in encouraging electric vehicles and attracting foreign investments are more consistent. When it comes to project investments, the findings remain inconclusive due to insufficient

data. In summary, while GST's broad influence is evident, its specific effects vary, emphasizing the need for tailored policy and business strategies for different segments.

LIMITATION:

The study on the impact of GST on the Indian automobile sector has certain limitations. Firstly, the research primarily relies on a sample size of 100 respondents, which may not fully capture the diverse perspectives of various stakeholders in the industry. Additionally, while the study employs statistical tools such as factor analysis and chi-square tests, the results for certain variables remain inconclusive due to data limitations. The study also focuses mainly on the immediate effects of GST, without extensively analyzing its long-term implications on investment decisions and industry growth. Furthermore, the research does not account for external factors such as fluctuating fuel prices, government incentives for electric vehicles, and global trade policies, all of which significantly influence the automobile sector. Lastly, the study is based on both primary and secondary data, but the lack of extensive longitudinal data restricts a comprehensive understanding of trends and patterns over time.

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