

Impact Of GST Rates towards Profitability Of Automobile Industry In Coimbatore City.

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ABSTRACT

The Automobile Industry in India is one of the most important drives of economic growth and one with high participation in global value chains. The Indian government has also identified the need for automobile industry in Indian economy and currently functioning on Automotive Mission Plan 2026. The automobile industry produces commercial vehicles, passenger's cars and three and two wheelers. Goods and Service Taxes is an indirect tax used in India on supply of goods and services. GST have positive and negative impacts on automobiles. Automobile industry faces hardships of high tax rates for a long period of time. GST would reduce the cost of manufacturing of cars and bikes due to the elimination of different taxes. GST helps the manufacturers in procuring auto parts at a cheaper cost due to an improved supply chain mechanism under GST. In this study, we analyse the Impact of GST on Automobile towards Level of Profitability by Using Questionnaire as a research instrument. The main objective of the study is to analyse the level of profitability due to the impact of GST on Automobiles.

KEYWORDS: Automobile industry, GST, Profitability

INTRODUCTION:

The Indian automobile industry is one of the driving forces of the economy, contributing about 49% to the country's manufacturing GDP and 7.5% to its overall GDP. India is global major in the two wheeler industry producing motor cycles, scooters and mopeds principally of engine capacities below 200cc. It currently employs 30 million people both directly and indirectly. Automotive industry produces large employment opportunities.

Impact of GST on automobile sector particularly is considered as a positive thing where manufacturers of automobiles will have to pay reduced taxes and ultimately customers will also be benefited. Before GST, various like sales tax, road tax, sector tax, VAT, motor vehicle tax, registration duty, etc. were imposed. All of these have been eliminated by GST on automobile services. Understanding changing customers' needs and having the ability to serve them differentially will be a key competitive advantage. India is emerging as a priority market for global automotive companies. Several auto makers have started investing heavily in various segments for the growing demand of the industry during the last few months.

OBJECTIVES OF THE STUDY:

- To analyse the Level of profitability and turnover of automobile industry towards impact of GST
- To know the percentage of people who pay GST without any penalty.

STATEMENT OF PROBLEMS:

This study covers the impact of GST over automobile industries. The automotive industry had already raised red flags on the sales hitting on all time low in the country and this is at the time when the BS6 transition was just around corner (April 2020) and hence the automobile industries results in over production of BS4 vehicles. In order to this the GST council has not announced any rate cuts on the passenger vehicles that there will be no reduction in GST rate and so the automobile industries has to find its own way to combat the slowdown and major loss in revenue. As this majorly affects the automobile sector all over the country, we are in need to analyse the view of agreeability Level of profit with their turnovers.

RESEARCH METHODOLOGY:

RESEARCH DESIGN:

Research design in the basic plan which guides data collection and analyse the phases of the project. It is the framework that specifies the types of information to be collected the source of data and data collection procedures. At this stage, analysis and interpretation process to arrive at solution and recommendation.

NATURE OF DATA:

This study is based on primary data. The data is collected through administering the structured Questionnaire method. The Questionnaire has been prepared for the study of manufacturers' impact towards GST in automobile sectors.

TOOLS USED FOR ANALYSIS:

- Percentage analysis
- Chi-Square Test

REVIEW OF LITRATURE:

K. NEELAVATHI, Mrs. RACHANA SHARMA (2017, "IMPACT OF GST AUTOMOBILES INDUSTRY") on: The study concluded that automobile industry can become one of the important contributor for the economic development of the country as well as it help in increasing the employment opportunity. They were successfully able to analyze different tax rate levied on vehicles during pre and post GST rates.

Mr. S.DKHARDE (2017, "IMPACT OF GST ON INDIAN AUTOMOBILE INDUSTRY"),the paper covered the overall impact of GST on automobile sectors in India and made comparative studies between pre-tax policy and GST policy on automobile industry. Author also concluded on GST impact on the economic development of the country.

ANALYSIS AND INTERPRETATION:

PERCENTAGE ANALYSIS

Percentage Analysis refers to the special kind of ratio, percentages are used in making comparison between two or more series of data and percentages are used to describe the relation. This helps to know the highest and lowest percentage level and it allows a meaningful comparison/interpretation.

Payment of GST without penalty with Turnover level:

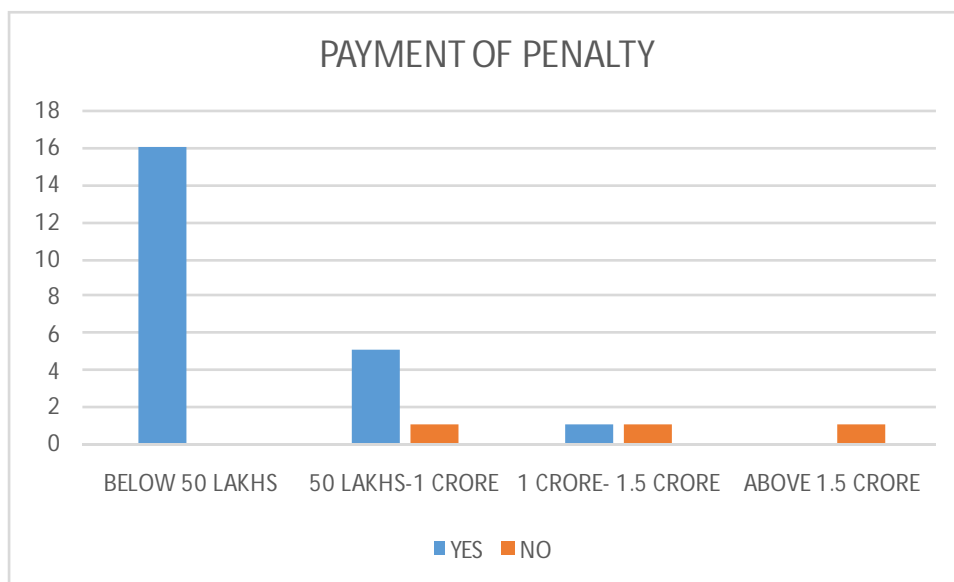
| TURNOVER | PAYMENT OF PENALTY | | | |
|------------------|--------------------|----|----|---|
| | YES | % | NO | % |
| Below 50 lakhs | 48 | 48 | 0 | 0 |
| 50 lakhs-1 crore | 15 | 15 | 3 | 3 |

| | | | | |
|-------------------|----|----|---|---|
| 1 crore-1.5 crore | 3 | 3 | 3 | 3 |
| Above 1.5 crore | 0 | 0 | 3 | 3 |
| TOTAL | 66 | 66 | 9 | 9 |

INTERPRETATION:

From the above table, it is stated that 66% of the respondents pay taxes without penalty and 9% of the respondents pay taxes with penalty.

Majority of the respondents are paying taxes without penalty.



CHI-SQUARE TEST:

A family of probability distribution differentiated by their degree of freedom used to test a number of different hypotheses about variances, proportions and distributional goodness of fit.

$$\text{Chi-square test} = \frac{\sum (O-E)^2}{E}$$

Degree of Freedom = (R-1) (C-1)

Whereas, O = Observed frequency

E = Expected frequency

R = Number of Rows

C = Number of Columns

TURNOVER WITH LEVEL OF PROFITABILITY BEFORE GST:

| | HIGH | MEDIUM | LOW | TOTAL |
|-------------------|-----------|-----------|-----------|-----------|
| Below 50 lakhs | 6 | 36 | 6 | 48 |
| 50 lakhs-1 crore | 10 | 3 | 5 | 18 |
| 1 crore-1.5 crore | 1 | 3 | 2 | 6 |
| Above 1.5 crore | 1 | 1 | 1 | 3 |
| TOTAL | 18 | 43 | 14 | 75 |

INTERPRETATION:

It is identified from the above table that under high level of turnover with level of profitability before GST scored 56% as highest among turnover of 50 lakhs- 1.5 crore and lowest of 6% among the turnover level of 1 crore- 1.5 crore and above 1.5 crore. The medium level of turnover with level of profitability before GST scored 84% as highest among turnover of below 50 lakhs and lowest of 3% among the turnover level of above 1.5crore.Lowest level of turnover with level of profitability scored 43% as highest among the turnover of below 50 lakhs and lowest of 7% among the turnover level of above 1.5 crore.

CHISQUARE TEST

| FACTORS | CALCULATED VALUE | TABLE VALUE | DEGREE OF FREEDOM | SIGNIFICANT VALUE |
|---------|------------------|-------------|-------------------|-------------------|
| Size | 16.73 | 12.59 | 6 | 5% |

Since the calculated value is greater than the table value, and the result is not significant. Hence, the H_1 hypothesis is rejected and it's concluded that turnover level respondents and level of profitability are dependent.

TURNOVER WITH LEVEL OF PROFITABILITY AFTER GST

| | HIGH | MEDIUM | LOW | TOTAL |
|------------------|------|--------|-----|-------|
| Below 50 lakhs | 5 | 10 | 33 | 48 |
| 50 lakhs-1 crore | 6 | 6 | 6 | 18 |
| 1 crore-1.5crore | 2 | 3 | 1 | 6 |
| Above 1.5 crore | 1 | 1 | 1 | 3 |
| TOTAL | 14 | 20 | 41 | 75 |

INTERPRETATION:

It is identified from the above table that under high level of turnover with level of profitability before GST scored 43% as highest among turnover of 50 lakhs- 1 crore and lowest of 7% among the turnover level of above 1.5 crore. The medium level of turnover with level of profitability before GST scored 50% as highest among turnover of below 50 lakhs and lowest of 5% among the turnover level of above 1.5crore.Lowest level of turnover with level of profitability scored 80% as highest among the turnover of below 50 lakhs and lowest of 2% among the turnover level of 1 crore- 1.5 crore and above 1.5 crore.

CHI SQUARE TEST

| FACTORS | CALCULATED VALUE | TABLE VALUE | DEGREE OF FREEDOM | SIGNIFICANT VALUE |
|---------|------------------|-------------|-------------------|-------------------|
| Size | 14.17 | 12.59 | 6 | 5% |

Since the calculated value is greater than the table value, and the result is not significant. Hence, the H_1 hypothesis is rejected and it's concluded that turnover level respondents and level of profitability are dependent.

FINDINGS OF THE STUDY:

CHI-SQUARE TEST:

1. The chi-square test shows the relationships between turnover and level of profitability before GST are not significant at 5% level.
2. The chi-square test shows that they are dependent between turnover and level of profitability after GST are not significant at 5% level.

PERCENTAGE ANALYSIS:

Majority of the respondents say that they pay GST without penalty. Only few respondents pay taxes with penalty.

SUGGESTIONS:

- GST rates should be modified to the convenience of manufacturer's affability for stable profits.
- Avoidance of penalty are regularized with more effective of penalty rates levied.

CONCLUSION:

GST is considered to be a significant step in the reform of indirect taxation in India. Amalgamating several central and state taxes into a single tax would help mitigate the double taxation, leading to a common national market. The GST regime has the potential to amp up that growth, especially to run a small business. With its simplified tax structure and effect on interstate sales, the GST helps company cut costs and more competitive.

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