

Systems Thinking View on Impact of Single Common Tax on Warehousing Industries in India

Priyankshu Mukhopadhyaya and Shreeya Shahu

Department of Industrial Engineering
Shri Ramdeobaba College of Engineering and Management
Nagpur, Maharashtra 440013, India
priyankshu12@gmail.com, shreeya.shahu@gmail.com

Dr. Pravin P. Tambe

Department of Industrial Engineering
Shri Ramdeobaba College of Engineering and Management
Nagpur, Maharashtra 440013, India
tambep@rk nec.edu

Abstract

The logistics industry is a major support to the Indian economy as it contributes a lot to the GDP. The entire country depends upon logistics for all its needs, right from basic food supply to big manufacturing machinery. The logistics cost in India is higher than in many countries. One of the main reason behind this is that there are too many taxes such as excise duty, service tax, sales tax/VAT/CST, customs duty and entry /entertainment tax, etc. and numerous intra-state taxes which makes domestic production unfavorable option for manufacturers. In addition to this, any shipment that moves in different Indian states was taxed multiple times as per various geographical locations. To overcome all these issues, the Government of India introduced a single common tax, known as Goods and Service Tax (GST). GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The GST is pegged to transform India into a single integrated market. The warehousing sector would be both an enabler and beneficiary of India's biggest tax reform. Any positive changes in the warehousing and logistics will boost the global competitiveness of the country. The central region has the advantage to become the warehousing hub of the country because of its geographical location, proper road and railway networks that run both lengthwise and breadthwise, connecting the major metropolises due to the implementation of GST. This paper presents the system thinking view on the impact of GST on the warehousing sector from the location aspect. Systems thinking approach is applied and a causal loop diagram is developed by considering various issues and important variables to show how the implementation of single common tax has affected the warehousing sector. With the implementation of GST, the central region of India will have an upper hand as compared to other parts of the country from the warehousing point of view. The major variables that we have considered while making the causal loop diagram are cost uniformity, inventory management, logistical costs, operational efficiency, and many more. An example of the warehousing industry is presented to clear the system thinking view. The proposed system thinking will help for the further development of system dynamics model on the major decisions related to logistics and several other factors that affect the supply chain of warehousing industries.

Keywords

Goods and Service Tax (GST), Warehousing, Single common tax, Central region, Causal loop diagram

Biographies

Priyankshu Mukhopadhyaya is a final year student of Department of Industrial Engineering, Shri Ramdeobaba College of Engineering and Management (RCOEM), Nagpur, India. He has presented a paper in International conference organized by Indian Institution of Industrial Engineering (IIIE). He has done internship in Nagpur Metro Rail Corporation Limited (NMRCL), in rolling stocks department. He has worked for a case study, titled as

“Reduction of changeover time using SMED”. For his engineering major project, he is currently working for vendor industries of Mahindra and Mahindra to build an interface that will help the vendors industries in making decisions regarding dispatch of final products. His interest areas are system dynamics, logistics and supply chain management, lean manufacturing, production planning and control, operations management, optimization.

Shreeya Shahu is a final year student of Department of Industrial Engineering, Shri Ramdeobaba College of Engineering and Management (RCOEM), Nagpur, India. She has presented a paper in International Conference organized by Indian Institute of Industrial Engineering (IIIE). She is currently working for vendor industries of Mahindra and Mahindra to build an interface that will help the vendors industries in making decisions regarding dispatch of final products as her engineering major project. Her area of interest are system dynamics, logistics and supply chain management, lean manufacturing, production planning and control.

Dr. Pravin P. Tambe is an Associate Professor, at Department of Industrial Engineering, Shri Ramdeobaba College of Engineering and Management (RCOEM), Nagpur, India. He holds a PhD in Industrial Engineering from Indian Institute of Technology (IIT) Delhi. He has more than 15 years of academic experience. He is Fellow of Indian Institution of Industrial Engineering. His research interest mainly focuses on system dynamics, reliability, maintenance planning, quality control and production scheduling. He has published research papers in international journals published by Elsevier, Emerald, Springer, etc. and international conferences organized by POMS, IAENG, IIIE, etc. He is reviewer to many international journals like Computers & Industrial Engineering, Reliability Engineering & System Safety, European Journal of Operational Research, Journal of Manufacturing Technology Management and many international conferences.