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Impact Of GST On The Financial Performance Of Automobile Industry: With Special Reference To Hyundai Motors Limited

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Abstract: Due to its important role in both macroeconomic expansion and technological advancement, the Indian automobile industry has always showed signs of a healthy and robust economy. India is the world's largest producer of tractors, the second-largest producer of buses, and the third-largest producer of heavy trucks, which gives it a strong position in the heavy vehicle industry. India produced 22.93 million cars in the fiscal year 2022, which was a significant accomplishment for the country. The industry is growing rapidly and is predicted to continue to do so in the years to come. The car industry has seen numerous ups and downs since the introduction of the Goods and Services Tax (GST) in 2017, and it continues to go through technical and other changes in the course of its daily operations. In light of this, the current study paper examines how the Goods and Services Tax (GST) has affected automobile industry sales, with a particular emphasis on Hyundai Motor India Ltd. The study's primary focus is descriptive, and it has used secondary data to show the company's sales and exports before and after the GST.

***Index Terms* - GST, Automobile Industry, Tax Credit, Hyundai Motor Ltd.**

I. INTRODUCTION

The Union Budget 2023–24 was expected to support the "Make in India" and "Aatma nirbhar Bharat" missions, and the Automotive Industry is maintaining reasonable expectations from these missions. With a staggering $222 billion market value, India is currently the 4th largest auto producer in the world. The automotive industry has had a successful year in FY 2022–2023, and it is appreciative because of the government's measures. After surviving three COVID waves, India is on a rising slope on the graph, and FY 2022–23 has proven to be a pivotal year for the automobile industry as well. The auto sector is maintaining its expectations with the Union Budget 2023–24 at higher level and it will drive this sector to accelerate and run in top gear.

In India, the automobile industry is a key economic pillar and a driving force behind both technological advancement and macroeconomic expansion. The reason behind it that it is known as a sunrise industry is that it has lately developed into the one with the fastest growth. There are two-wheelers, three-wheelers, commercial vehicles, and passenger cars. In terms of taxes, the auto industry's operations are a little complex. These industries endured severe losses as a result of a variety of factors, including high tax rates in the pre-GST era, the cascading effect of taxes, valuation challenges, set-off problems, etc. The value-added taxation on which the GST is based has received strong support from the sector.

Few years back, in 2017 India experienced a drastic change in its indirect tax structure, named as Goods and Service Tax (GST). As the country was facing with certain prevailing issues such as multi stage tax regime, tax evasion and avoidance by tax payers, different tax regime for different states, cascading impact of tax system, corruption, etc. which was hampering the growth of our economy. GST has emerged as a unique tax structure which includes both the central as well as the state level taxes. GST subsumed various taxes both at central as well as at state level.

The Automobile sector has faced a lot of obstacles as a result of GST implementation in the short run, but the benefits that the sector has received as a result of GST implementation will undoubtedly favour its growth in the long run. The elimination of tax cascading, input tax credit, and, most importantly, lower tax rates on most segments of the automobile sector have significantly impacted their sales and export volume. The paper will present the prior and post-GST impact on Hyundai Motors India Ltd sales.

II. Literature Review

Shefali Dani (2016): The major focus of her study "Impact of GST on Indian economy" was to determine how the GST regime can slow down the growth and development of the Indian economy. She focused that the Indian government should rethink before implementing GST by examining the failures that have occurred in nations that have already implemented GST. The government should also protect the vast majority of the poor from potential inflation caused by the implementation of GST.

K. Neelavathi and R. Sharma (2017): They studied how the GST affected the automobile industry and came to the conclusion that this industry has the potential to be one of the most important drivers of employment growth and overall national economic expansion. The analysis of the various car tax rates, both before and after the implementation of the GST, was successful.

Roshan Roy (2017): In his study "Project Report on Implications of Goods and Service Tax (GST) on Automobile Industry of India," examined the issues faced by Automobile sectors in India. The GST framework is anticipated by the auto industry. There were quite few concerns with the GST approach that need to be addressed. The credit method has to be more lenient due to restrictions and criteria on earnestness to tax credits on assets utilized for company. The impact of the GST on the nation's economic progress was also discussed by the author.

Dr. Deepika Chaplot (2017): She stated in her study that it is apparent that hoteliers will pay Service Tax at 18% under the GST regime, whereas they pay tax at 10% on average under State Acts. They will not be entitled to any benefits under the State Act. To promote tourism in their state, each state has exempted housing services for specific periods of time.

Akshara Mahesh and Karthika K (2018): In their work "Impact of GST on Automobile Industry in India" suggested that, if the tax rate is reduced for luxury cars, sales may increase, but for small cars the result will be opposite. After a while, when the government has reenergized its financial plan, there may be more opportunities for the vehicle industry to thrive. They also stated that post GST implementation there are chances of positive growth in the automobile industry after some span of time.

III. Profile of Company

On May 6, 1996, the **Hyundai Motor** Company of South Korea created Hyundai Motor India Limited. When Hyundai Motor Company entered India's auto business in 1996, the Hyundai brand was almost unknown. The Hyundai Santro, HMIL's first vehicle, was debuted on September 23 and instantly became a big success. HMIL quickly rose to become India's top exporter as well as the country's second-largest automaker. Hyundai Motor India Limited (HMIL), India's largest passenger car exporter and second-largest car manufacturer, is a wholly owned subsidiary of South Korean carmaker Hyundai Motor Company (HMC). Hyundai commenced building on the plant in 1996.

IV. Research Methodology

IV.1 Data:

The quantitative data used in this study are secondary in character and are inferential in nature. The firm website, electronic newspapers, journals, and financial reports released and published by various authorised bodies served as the primary data sources for this research work.

IV.2 Hypothesis:

H_0: There is no significant difference between pre and post GST Implementation on the Non Current assets of Hyundai Motors Ltd.
H_1: There is a significant difference between pre and post GST Implementation on the Non Current assets of Hyundai Motors Ltd.
H_0: There is no significant difference between pre and post GST Implementation on the Sales of Hyundai Motors Ltd.
H_1: There is a significant difference between pre and post GST Implementation on the Sales of Hyundai Motors Ltd.
H_0: There is no significant difference between pre and post GST Implementation on the Operating Profit of Hyundai Motors Ltd.
H_1: There is a significant difference between pre and post GST Implementation on the Operating Profit of Hyundai Motors Ltd.
H_0: There is no significant difference between pre and post GST Implementation on the Net Profit of Hyundai Motors Ltd.
H_1: There is a significant difference between pre and post GST Implementation on the Net Profit of Hyundai Motors Ltd.

IV.3 Objective:

To analyze the Impact of GST on Financial Performance of Hyundai Motor Ltd.

IV.4 Tools Used:

Average, T-Test, Correlation.

V. Data Analysis

Table V.1 Variables of Study in the Pre and Post GST Regime

	Pre GST Period				Post GST Period			
HYUNDAI	**2014**	**2015**	**2016**	**2017**	**2019**	**2020**	**2021**	**2022**
Non-Current Assets	60,342	65,590	64,442	64,531	73,370	85,606	93,211	82,729
Sales	2,52293	2,71,939	3,61,549	4,10,752	4,32,581	4,29,786	4,06,740	4,70,428
Operating Profit	16,334	15,184	19,900	30,725	40,955	33,688	26,576	38,547
Net Profit	11,082	10,350	13,026	19,729	25,817	23,550	18,472	28,618

The sales, operating profit, net profit, and noncurrent assets of Hyundai Motors Ltd.—the second-largest automaker in the nation—are displayed in the above table before and after the implementation of the Goods and Services Tax. Regarding noncurrent assets, the data indicates a consistent upward trend prior to the Goods and Services Tax (GST) and this pattern have persisted nearly unchanged over the post-GST period.
This represents an increase in the company's non-current assets and indicates that growth and expansion are the company's current priorities. When it comes to sales data, things are different. Sales were rising prior to the GST and have now somewhat decreased following the GST. With the exception of FY 2021–2022, the company's operating earnings grew throughout the post–GST period before declining steadily after that. Both before and after the GST regime, operating earnings followed a nearly identical path, as did net profits.

Table V.2 Descriptive Statistics

HYUNDAI	Post- GST Average	STDEV	Pre-GST Average	STDEV	p-value	H0	Correlation
Total Non-Current Assets	**83,728.97**	**8,200.29**	**63,726.31**	**2,315.52**	0.008823191	REJECT	0.781835118
Sales	**4,34,883.83**	**26,373.85**	**3,40,213.17**	**60,140.33**	0.027391169	REJECT	0.665014108
Operating Profit	**34,941.60**	**6,342.98**	**20,284.24**	**7,131.28**	0.039246333	REJECT	0.235091939
Net Profit	**24,114.13**	**4,294.90**	**13,517.80**	**4,278.58**	0.014722035	REJECT	0.526794714

One of the top automakers in the nation, Hyundai Motor Ltd., is shown in the above table with pre-GST and post-GST trends for sales, operating profit, net profit, and noncurrent assets. Noncurrent assets had an average of 63,726.31 prior to the Goods and Services Tax (GST), which is less than the 83,728.97 average after the GST. This represents an increase in the company's noncurrent assets and indicates that growth and expansion are the company's current priorities. H0 is rejected since the p value for the same is 0.00882, which is negligible. The company's average sales have also increased, rising from 3,40,213.17 to 4,34,883.83. H0 is rejected since the p value for the same is 0.02739, which is negligible. Under the pre- and post-GST regimes, the operational profit also increased, rising from 20,284.24 to 34,941.60. Since the computed p value of 0.03924 is negligible, H0 is rejected. When comparing the average net profit before and after the GST system, the data shows that there was a gain, with the respective averages being 13,517.80 and 24,114.13. H0 is rejected since the p value in this case is 0.0472, which is similarly insignificant.

VI. Findings

- The Non-Current Assets of the company has shown an increase in the post GST Regime
- The Sales of the company are also showing positive trend in the post GST period.
- The Operating Profit and Net Profit have also witnessed the positive outcomes.
- Hence, the findings depict that the GST implementation has positively affected the financial performance of the company as the major indicators of a company's performance, that is, Sales and Profit are increasing.

VII. Conclusion

Experts claim that because the GST is still in its infancy, it is now exceedingly difficult to assess how it will affect different economic sectors. Only the genuine and advantageous parts of this taxation plan will be addressed once it has gone a long way. The introduction of the Goods and Services Tax (GST) has clearly benefited the automotive industry by lowering tax rates and providing an input tax credit. The increasing sales up until the year 2018–19 make this quite evident. In the upcoming years, the benefits of GST will become abundantly evident for the whole economy, as not only Hyundai Motor, but all the main participants in the automobile industry have demonstrated encouraging indicators that will undoubtedly continue to improve.

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