



IMPACT OF GST ON FINANCIAL PERFORMANCE OF AUTOMOBILE INDUSTRY OF INDIA: WITH REFERENCE TO MAHINDRA & MAHINDRA LTD.

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Abstract : The Automobile industry is one of the speedy growing sector of Indian economy. The tax structural reforms and policies highly influences the demand pattern of automobiles within and outside the boundaries of Indian Territory. This industry accounts for almost 48-49% in India's manufacturing GDP and nearly 7.1% in terms of overall country's GDP. Internationally, India ranks third in this sector and its contribution of commercial vehicles on global level makes it fourth ranker. In his mission, our Union Minister Mr. Nitin Gadkari, mentioned to make India as the world's largest automobile manufacturing centre in the upcoming years with the motive of boosting the export at world level. Thus considering above, this study examines the pre and post impact of implementation of GST on the revenue, operating profit and net profit of Mahindra & Mahindra Limited. The study is mainly descriptive in nature and is relied on secondary data to present the pre and post impact of GST on the sales and profit of the company.

Index Terms - GST (Goods and Services Tax), Mahindra & Mahindra Ltd. Automobile Industry, CAGR, EV (Electric Vehicles), FDI.

I. INTRODUCTION:

India shifted to a major tax reform in its history by introducing Goods and Service Tax. India is regularly moving to major reforms in its economic policies and taxation system year on year. In the history of Indian economy GST is considered as the biggest reform in the tax structure. The idea of GST at national level was suggested by Kelkar Task Force Committee on Indirect Taxes in 2000. The main objective behind this suggestion was to replace the vast, complex, fragmented tax system into a pipeline and in uniform manner so as to ease down the complexity for traders as well as state.

On 1st July 2017, India implemented GST Laws replacing the complex web of various indirect taxes. Its characteristic of levying uniform taxation system, subsumed all the indirect taxes like Value Added Tax, Service Tax, CST, Excise Duty, Entertainment Tax, etc. It turned the Indian Economy as a common market and also enhanced the ease of doing business.

Taxes which were replaced by GST are as below:

Central Level Taxes	Central Excise Duty, Basic Custom Duty, Counter Vailing Duty, Special Additional Duty, Service Tax, Central Sales Tax, etc
State Level Taxes	Value Added Tax, Luxury Tax, Entry Tax, Octroi, Entertainment Tax, Purchase Tax, etc.

Contribution of Automobile Industry in India's Economy:

As per the report of Economic Survey, in December 2022, India surpassed Japan and Germany in terms of sales and became third ranker. It also added that our country was the largest manufacturer of two wheelers and three wheelers and fourth largest manufacturer of passenger cars at world level.

In terms of EV (electric vehicles), the report suggested that this industry can see a rise with CAGR (compound annual growth rate) of 49 percent amidst 2022 and 2030. It further added that it will create 5 crore job opportunities, directly and indirectly, by 2030. This industry has also attracted almost 1/5th share of FDI done in manufacturing sector IN 2022-23

II. MAHINDRA & MAHINDRA LIMITED:

In 1945, commenced as a steel trading company, a conglomerate was established between Jagdish Chandra Mahindra, Kailash Chandra Mahindra and Ghulam Mohammad in the city now known as Mumbai. Anand Mahindra is the current chairman and is grandson of J.C. Mahindra. The headquarter is located in Mumbai, Maharashtra.

Mahindra & Mahindra is one of the core unit of Mahindra Group. This company is actively present in domestic and international markets by producing wide range of vehicles, including LCVs, MUVs, and three-wheelers. It manufactures over 20 models of cars, including larger and multi-utility vehicles.

Commencing in 1947 with the importation of the Willys Jeep that had been widely used in World War II, the company has built and assembled military vehicles also. It also targeted domestic start-ups and became the first marketer of electric vehicles in India.

III. REVIEW OF LITERATURE:

- Anand Nayar and Inderpal Singh (2017) focused on the Indian history of indirect taxation and compared Indian GST system with other world economies and discussed about the advantages and threats of lodging GST on various sectors of the economy. Symbolically, regarding impact of GST on automobile industry it is suggested that GST will lead down the prices of automobiles but few segments will not be affected.
- S.D Kharde (2017) while studying “Impact of GST on Indian Automobile Industry” concluded that GST will be entertaining for those customers who would buy small and mid-size segment vehicles while the High value cars will be covered under high tax slabs.
- Charumathi S. et al., (2019) critically examined the impact of GST on sales of TATA motors and found that after the implementation of GST the sale of commercial, passenger, and exports of vehicles have increased. There is surge in demand for automobiles in India. It suggests the threat of foreign automobile companies entering India to reap the benefits of huge demand. Therefore, the reforms like GST are very beneficial for auto companies to boost their sales and growth of the company.
- J B Togadiya and V Oza. (2020) organised event study analysis to study the result of implementing GST, on dividend return of the Indian automobile companies. No statistically significant difference can be found on the returns of Maruti Suzuki, TATA motors, Bajaj Auto Ltd, Mahindra Ltd. Later, it opined that GST will increase the revenues to most of the consuming states.
- Prof. Dr. Vijayalakshmi Srinivas and Prof. Prasad Ghodke (2020) studied, “GST- Awareness, Perception and Practical Difficulties of Entrepreneurs in the Unorganized Sector of Beed district” and reviewed that maximum entrepreneurs in the unorganized sector are unaware about the GST mechanism and they are not accepting the implementation of GST and because of this they have negative perception about this taxation system.

IV. OBJECTIVE OF STUDY:

To study the impact of GST pre and post implementation, on the financial performance of the Mahindra & Mahindra Limited.

V. HYPOTHESIS OF THE STUDY:

H₀: There is no significant difference between pre and post implementation of GST and the financial performance of Mahindra & Mahindra Limited.

H₁: There is significant difference between pre and post implementation of GST and the financial performance of Mahindra & Mahindra Limited.

VI. RESEARCH DESIGN:

This study is of inferential character and depends on secondary data which are quantitative in nature. The main data sources' used in this research paper are website of company, e-newspapers, journals and financial reports issued and published by various competent authorities.

VII. ANALYSIS & INTERPRETATION:

Table 1: Revenue of Mahindra & Mahindra Ltd.

PRE GST Implementation		POST GST Implementation	
Year	Total Revenue	Year	Total Revenue
2014	41226.49	2019	55302.97
2015	39794.36	2020	47155.59
2016	41725.00	2021	46262.29
2017	45398.96	2022	59521.87
2018	49721.91	2023	87505.43
Mean	43,573	Mean	59,150
S.D.	4010.690618	S.D.	16799.75653

*Amt. in Crore.

*Source: Money Control

Paired T-test values for Total Revenue	
Observations	5
Correlation 'r'	0.939467613
p-value of Paired Sample t-test	0.056512837
Significance level	5%

The above Table 1 represents the Total Revenue data of the company from the financial years April 2014 to March 2023. On the basis of available data, following inferences can be drawn:

- In the year group 2014-2016, there was no major difference in the revenue of company. More or the less the revenue revolved near to their average.
- From the FY 2017 (i.e. 2016-17), there was a rise of 8.8% in the revenue of the company.
- In the year of GST implementation 2018 (i.e. 2017-18), again there was a growth in the revenue by 9.5%.
- The rising trend continued till 2019 (i.e. 2018-19) and post that there was a decline in the revenue in by 14% and 1.8% YoY basis.
- After witnessing downfall in revenue, the graph again rose steeply by 28% and 47% in the year 2022 & 2023 respectively.

Considering the significance level at 5%, paired sample T-test shows that there is no significant difference between pre and post implementation of GST on the revenue since “p-value > 0.05”. Thus, as a result Null hypothesis is accepted.

Table 2: Operating and Net Profit of Mahindra & Mahindra Ltd.

Year	Operating Profit	Net Profit	Year	Operating Profit	Net Profit
2014	4,369.43	3,758.35	2019	6,325.01	4,796.04
2015	4,168.89	3,321.11	2020	3,116.03	1,330.55
2016	4,284.46	3,204.57	2021	1,460.28	268.66
2017	4,722.61	3,643.39	2022	6,235.46	4,935.22
2018	6,102.37	4,356.01	2023	8,130.78	6,548.64
Mean	4,729.55	3,656.69	Mean	5,053.51	3,575.82
S.D.	794.80	451.83	S.D.	2,699.46	2,652.98

*Amt. in Crore.

*Source: Money Control

Paired T-test values for Operating Profit		Paired T-test values for Net Profit	
Observations	5	Observations	5
Correlation 'r'	0.750866337	Correlation 'r'	0.924685976
p-value of Paired Sample t-test	0.754979211	p-value of Paired Sample t-test	0.939588595
Significance level	5%	Significance level	5%

Table 2 represents the Operating Profit & Net Profit of the company from the financial years April 2014 to March 2023. On the basis of available data, following inferences can be drawn:

- 1) In the year group 2014-2016, there was no major difference in the operating profit of company. It pivoted around the average of three year figures. Although the net profit figures show a constant decline.
- 2) In the financial year 2017 (2016-17), there was a rise in the operating profit of the company by 10.22% and net profit 13.69%.
- 3) The rising figures of operating profit continued till FY 2019 (2018-19) after which it fell down by 50% in FY 2020 (2019-20) and 53% in FY 2021 (2020-21)
- 4) The net profit also followed the above trend by rising figures till FY 2019 (2018-19), post which it fell down by 72% in FY 2020 (2019-20) and 79% in FY 2021 (2020-21).
- 5) Comparing the mean of operating profit in pre and post GST period, the difference was positive by 6.8% and in case of net profit there was deficit by 2.2%.

However at significance level 5%, paired sample T-test shows that there is no significant difference between pre and post implementation of GST on the operating and net profit since “p-value > 0.05”. Thus, as a result Null hypothesis is accepted.

VIII. LIMITATIONS & FUTURE SCOPE:

The study is purely based on Secondary data and the researcher has taken only three variables, i.e. Total Revenue, Operating Profit and Net Profit to measure the financial performance of Mahindra & Mahindra Ltd. The other variables have not been considered. Further scope of the study extends to analysis of primary data with consideration of other variables to measure the financial performance of the company.

IX: CONCLUSION:

The automobile sector plays a crucial role in the development of the economy. Its development is also linked with the growth of other industries as well. The reformation of indirect taxes into GST was a significant shift in the favour of country's growth. In this study the effect of GST has been studied on the financial performance of Mahindra & Mahindra limited.

The study revealed that there is no significant difference between pre and post implementation of GST on the financial performance of the Mahindra & Mahindra Ltd. However in FY 2023 there was a surge in Revenue, Operating and Net Profit of the company which might be due to heavy consumer demand and better supply management of the company and it is expecting the same to be followed in upcoming years as well.

Although the current study has resulted that there is no significant difference between pre and post implementation of GST on the financial performance of select automobile company and even in the previous few years the financial performance was negatively impacted, still GST will show healthy changes in the future. Experts believe that GST is at its growing stage; hence, at this time, it is not advised to judge its impact over the various sectors of the economy to derive some final result.

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