



**Journal of Social Sciences
and
Management Research**



**IMPACT OF DEMONETIZATION ON THE SALES OF CARS IN
AUTOMOBILE INDUSTRIES: A CASE STUDY OF HYUNDAI
MOTORS INDIA LTD (HMIL)**

- Dr. A. Xavier Susairaj*, A Salaijayamani**

Abstract

This study focuses on the Impact of Demonetization on the sales of Hyundai Motors Car sales in Automobile Industries in India. This study has used secondary data collected from various official websites like ministry of automobile industries IBEF (India Brand Equity Foundation), Ministry of Heavy Industry and Public Enterprises and Annual sales of Hyundai motors passenger vehicle. The impact of Demonetization has created a impact on Automobile Industries especially this study deals with Hyundai Motors car sales during the period of Impact on Demonetization in India. This had created the major impact on rural people to overcome their daily life. When it comes to Automobile sector this is the entire major setback for passenger vehicle sales.

** Associate Professor and Head,
Department of Economics,
Sacred Heart College (Autonomous),
Tirupattur- 635 601, Tamil Nadu.
** Research Scholar,
Department of Economics,
Sacred Heart College (Autonomous),
Tirupattur- 635 601, Tamil Nadu.*

Introduction:

Automobile Industry is one of the important sectors which plays a major role in daily life of common people and also for commercial purposes like Travels, Transporting agencies, School, college, other working persons,

Public transport and for other uses in their daily life. Without Automobile nothing is possible in today world. Everything totally depends on the Transport and automobile industries for export and import in domestic, because everything is not available in every area, once the demand is created among the

people, Automobile Industry is playing a vital role in transporting such goods from one place to another place. And also commercial vehicle are being used by common people for their daily uses and also to reach the place wherever they want with their comfort zone, when compared to Public transport people like to travel in their own commercial vehicle, so they can travel at any time for any cause, and they don't want to wait for anyone when they own their vehicle for their purpose. By enabling consumers to travel long distances for work, shopping, and entertainment, the automotive industry has encouraged the development of a comprehensive road system, enabled the growth of suburbs and shopping centers around major cities, and played a key role in the growth of ancillary industries such as oil and travel. Consumer vehicles are playing a major role in each and every sector for their development process and for the development of the various sectors. Demonetization of 500 and 1,000 rupees notes had been implemented on 8th November 2016 by our Indian Prime Minister Narendra Modi. They have announced that new Currency notes of 500 and 2000 notes have been distributed through Banks. This Initiative had been taken to eradicate black money, Terrorist money transaction and to eradicate fake notes in our Country.

Positive reaction of Demonetization in India

The only positive that happened due to the Implementation of Demonetization is, The Tax payers have increased in our Country. Here the Middle class people are struggling to overcome their daily life. During this time how they are going to buy commercial vehicles like cars for their own purpose. This Demonetization had created a great impact on the sales of cars in India. This had reduced the sales volume of car sales in India because no one had an idea on Demonetization. So

this announcement had created a great setback for the Automobile Industry in India and that too reduced the Economic growth of our Country. This study is made to identify the impact of Demonetization in India on Automobile Industry.

Negative Impact of Demonetization in India

This 2016 Demonetization was a sudden announcement that created a struggle for middle class people especially to deposit the old currency notes and Exchange the new 500 and 2000 rupee notes. They had waited for more than 12 to 15 hours outside the ATM's and Banks to change the Currency notes. This created a bad impact on the Current ruling Indian government because this Demonetization had not created any changes in the Economic development on the other hand it only created a trouble for lower and middle class people in our Country. They had struggled a lot during the time of Demonetization. Marriage functions and other important functions had faced many problems because of this Demonetization. They could even spend money on Hospitals for their health issues and due to this problem many people died without Treatments in the hospitals. People in India had struggled a lot to overcome their daily struggles. Many Trucks were struck in Tollgates due to Demonetization.

History of Demonetization

Demonetization is the process of removal of old currency notes in the circulation and printing new currency notes to identify the Inflation rate of the country and also to eradicate black money, terror money supply and other reasons, These are all some of the various reasons to implement the demonetization in various countries. India is also one of the countries that implemented demonetization recently to eradicate

demonetization. On Jan 12 1946, India had demonetized to calculate the unaccounted cash flow in our country. After 1946 India had implemented the same Demonetization on 1978 by Morarji Desai (BJP) Government of 500, 1000 and 10,000 rupee notes. After that Recently Modi Government had Implemented Demonetization by eradicating 500 and 1000 rupee notes, it created a great set back in all sectors of our Country. Particularly Business Sector, Public Sector, Industrial Sector, Agricultural Sector, Non Profit organizations and other NGO's in our Country.

History of Automobile Industry

The automobile industry was started in 1860s with hundreds of manufacturers. For many decades, United States led the globe in the overall automobile production. In 1929, before great depression, the globe had 32,028,500 automobiles in use, and the United States automobile industry produced over 90%. At that time the United States had one car per 4.87 persons in number. After The World War II, the United States produced about 75 % of world's automobile production. In 1980, the United States was overtaken by Japan, and then became world's biggest again in 1994. In 2006, Japan narrowly passed the United States in production and held top rank until 2009, when China took place in the top spot with 13.8 million units.

With 19.3 million units manufactured in 2012, China almost doubled the United States production, with 10.3 million unit production, while Japan was in 3rd place with 9.9 million units. From 1970 (140 models) were made and in 1998 (260 models) were designed and in 2012 (684 models) were designed, the number of automobile models in the United States has grown.

Scope of the study

The study covers only Hyundai Motors Private Limited India and Implementation of Demonetization in India. This study deals with the Impact of sales on passenger vehicle sales before and after demonetization on Automobile Industry especially Hyundai Motors India Private limited in India.

Statement of the Problem

1. Had India's Commercial vehicle faced a setback in production and sales during the period of Demonetization?
2. Whether Demonetization had affected the visitors for Car showroom!
3. The cash flow in hand had decreased after the implementation of Demonetization that affected the sales because it demanded cash on hand for purchase
4. Demonetization also affected the sales of spares of automobiles.

Objectives of the Study

1. To examine the impact of demonetization over years (HYUNDAI MOTORS INDIA LTD)
2. To examine the Impact of Car Sales in Hyundai Automobile before and after Demonetization

Review of Literature

Rastogi (2018) studied impact of Demonetization in India. Examined the impact on black money, terror financing, fake cash, and economy growth, Stock market before and after Demonetization. The decision was taken during the period of good economic growth of our country, so it was considered as the bad decision for growth of our nation. This will take more time to recover from this implementation of demonetization.

Sarkodie (2018) studied the various impacts of demonetization and several reasons for the failures of demonetization in India. The truth is it could not eradicate the black money demonetization. And it created a bad impact on economically backward people because they had struggled a lot to overcome their daily life and they faced many struggles to exchange their old currency because they did not have any bank accounts in the bank. These are all some of the important reasons for the failure of demonetization in India.

Kaur (2017) describes that cashless payment has many good things like time management, minimizing cost, Digital banking and many other. The cashless payments will help to rise in payment of tax because when someone is purchasing in online payment it will automatically be added in the bank debit details. These are all some of the positive ways that will increase in tax money of our country. When it comes to rural areas it is very difficult to teach the rural people to use such technologies and cashless payments.

Singh and Singh (2016) say that it was a great surgical strike on Black money. After Demonetization around 35,000 crore have been deposited in banks and around 1500 crore black money had been eradicated in India. When it comes to the development of nation, Demonetization is considered as a great move to increase the amount of tax money. And those tax money deposits were increased when compared to previous year tax money paid by the people. This also helped to eradicate terror money and other illegal money like scam and corruption money.

MA Lokhande (2013) clarified about the automotive industry's historic development in India. After the liberalization (1990) the Indian automotive industry opened up and now the automotive market has become

highly competitive. To keep the companies competitive, they need to be innovative and introduce inventions. Many foreign automobile industries have been planned to construct their automobile manufacturing units in India. This will create employment and increase the foreign investment in our country. The automobile industries manufacturing will help to reduce the unemployment and that will increase the per capita income of our nation. The foreign Automobile industries like Hyundai, Mitsubishi, KIA and other Automobile industries have their manufacturing units in India.

Jimmy Corton Gaddam (2013) clarified that the rise in the production and sales pattern of the automotive industry was due to the growth of the Indian economy and also to the increase of the consumer's high income rates. There is immense potential for the automobile industry in the future, as India still has low car penetration. This shows that India is capable to purchase cars in economic rates. Now purchasing car is becoming fashion in India. This created more demand for the car manufacturers

Fornell (1992) clearly clarifies that, it is more expensive to gain new customers than keeping the old customers. This shows that automobile industries are going through a healthy competition among the automobile industries to attract the customers towards their industries.

Albrecht (1992) examines that the service centre improves their profitability when compared to sales of the cars. Many automobile companies increase their employers to maintain customer service strategy to find out the customer wants towards their existing vehicles.

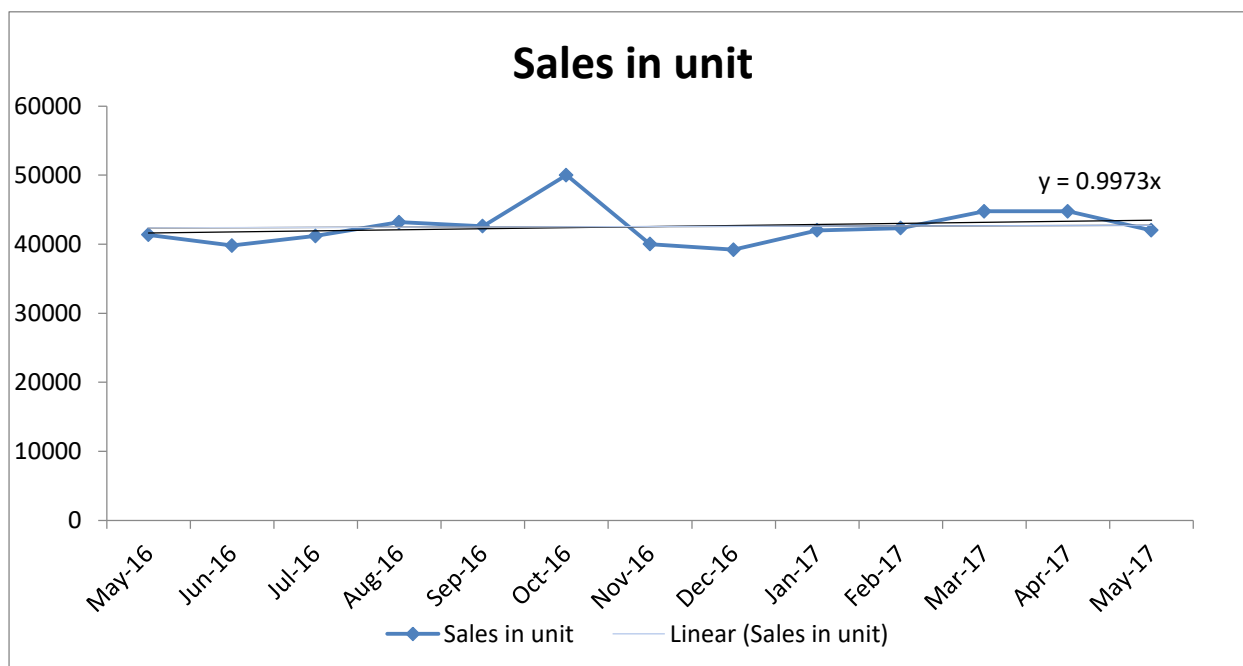
Research Methodology

The research topic on automobile industry and its sales (Hyundai motors) data are a secondary data collected from various official websites and other automobile related websites. This data are collected for a period of 2012 to 2019. This research is made to find out the effect on demonetization on automobile industry and its sales volume. The researcher had a made a trend line for the period of short term. This short term is between before and after the implementation of demonetization in India. This short term is from May 2016 to May 2017. And also to find out the effect of demonetization in long term the research has been taken place. The long term period is from 2012 to 2019 car sales of Hyundai motors in domestic. This research will clearly portray the sales which have been affected during the period of Demonetization. Trend line and bar graph have been used to explain the data interpreted in this research for the better understanding of the problem. Trend line is used to explain the monthly sales of Hyundai motors before and after demonetization. Bar graph is used to explain the yearly sales of Hyundai motors in India before and after demonetization in India.

TABLE 1: HYUNDAI MOTORS INDIA LIMITED ANNUAL SALES

Month	Sales in unit	Monthly change in Percentage
May-16	41351	
Jun-16	39806	-0.04
Jul-16	41201	0.04
Aug-16	43201	0.05
Sep-16	42605	-0.01
Oct-16	50016	0.17
Nov-16	40016	-0.20
Dec-16	39201	-0.02
Jan-17	42017	0.07
Feb-17	42327	0.01
Mar-17	44757	0.06
Apr-17	44758	0.00
May-17	42007	-0.06

Source: Annual sales of Hyundai motors passenger vehicle



The above table examines the monthly sales of Commercial vehicles in Hyundai Motors India LTD sales. This data are collected from an official website related to Automobile Industry. Here by having this monthly sale of commercial vehicle. By using Economic tools we got monthly changes of the Hyundai Commercial vehicle sales after and before Demonetization. By this we can easily identify the impact of demonetization on Automobile Industry. Hence Demonetization was implemented on 8th Nov 2016, so here it has been examined for before and after demonetization. This clearly shows that the sale of commercial vehicle in October 2016 was 50016 it means 0.17 in percentage. After Demonetization the sales had created a setback for the Hyundai, because the sale was 40016 it means -0.20. This hard hit in the sales had created an unexpected sales change in the time line of the sales of commercial vehicles in Hyundai motors in India. This setback in sales had extended to May 2017, which resulted in sending back the temporary

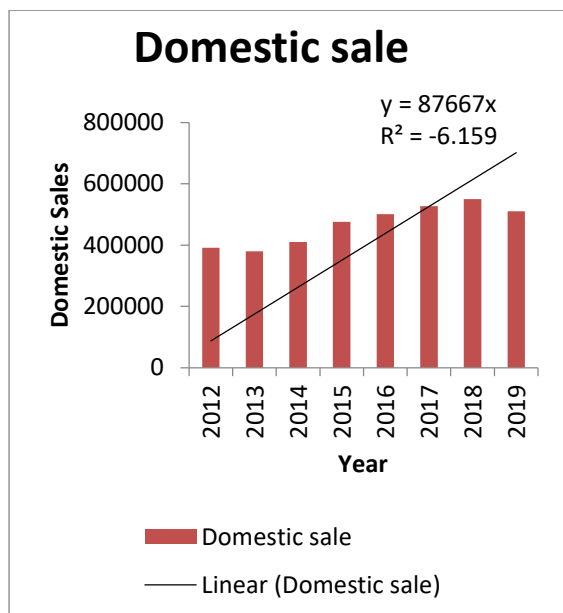
employees in the Industry. And also they announced vacation for the workers and also for the production of commercial vehicle during the period of setback in sales. This clearly shows that the implementation of Demonetization in India had created a great setback in all the sectors especially in Automobile Industry (Hyundai Motors India limited) after Demonetization. This setback clearly shows that the people are not ready to buy commercial vehicle during the period of demonetization because it was an unexpected announcement by the Government of India to eradicate black money from India. This resulted in no cash flow in hands. This resulted in major struggle to overcome their daily needs like buying food products like vegetables and some basic requirements for the daily life. This shows that people in India had struggled a lot to overcome their daily needs. This insufficient cash flow in hand is one of the major reasons for the decrease in sales of the commercial vehicle during the period of Demonetization in India. And this

sector requires cash in hand to buy the spare parts and other requirements of the commercial vehicle. The diagram is an output of Monthly sales of Commercial vehicle of Hyundai motors. That shows the decline in sales of car after the Implementation of Demonetization.

Table-2, HYUNDAI MOTORS INDIA LIMITED ANNUAL SALES

YEAR	DOMESTIC SALES	GROWTH RATE
2012	391,276	
2013	3800,000	-0.02
2014	410,000	0.07
2015	476,001	0.16
2016	500,537	0.05
2017	527,320	0.05
2018	550,002	0.04
2019	510,260	-0.07

Source: Annual sales of Hyundai motors passenger vehicle



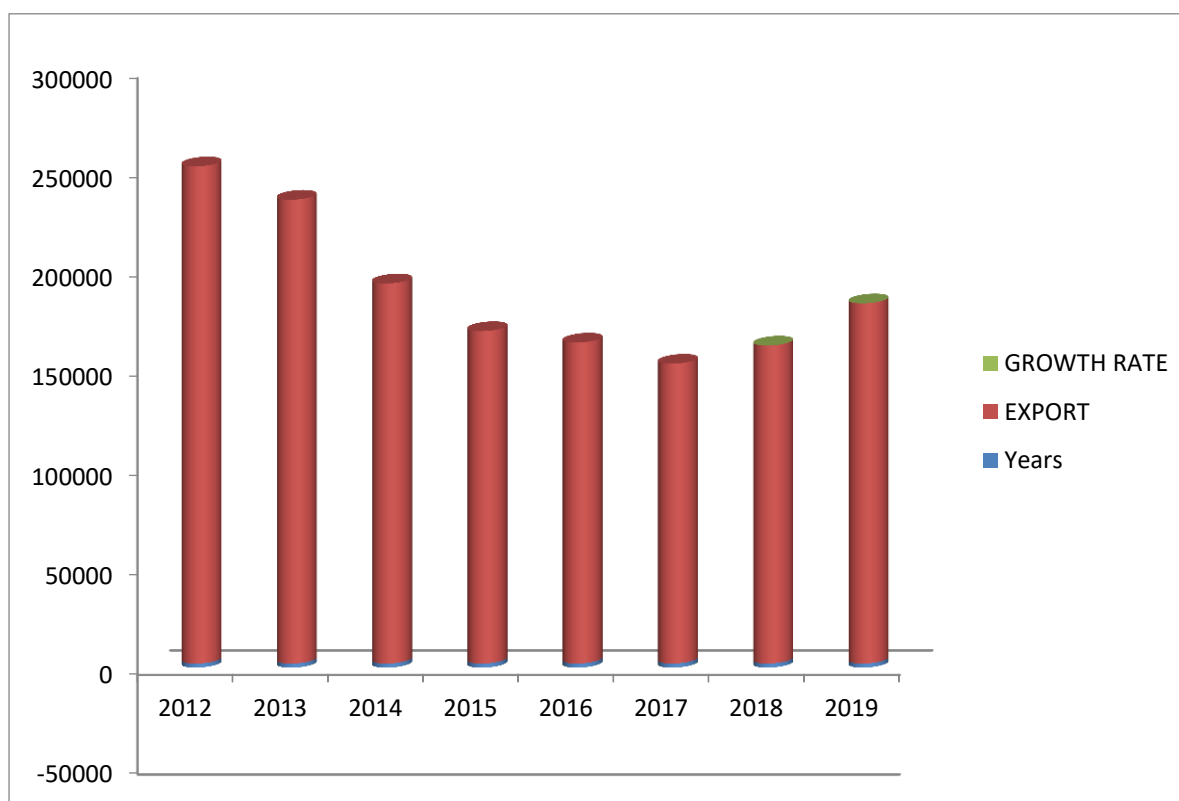
From the above data we can calculate the sales of the Hyundai Motors Commercial vehicle sales in India after the Demonetization in India. This data are a yearly sale of commercial vehicle from 2012 to 2019. This data had been examined using Economic tools to identify the Impact of

Demonetization on Automobile Industry Annually sales. Before Demonetization the sales of Hyundai Commercial vehicle sales on 2014 was 601,221 (0.81%) in sales. And in 2015 the sales had been declined to 643,269 (-0.89), and in 2016 the sales was 662,054 (0.02%). These are the sales volume of Hyundai motors Commercial vehicle sales in India before Demonetization in India. After the Implementation of Demonetization in India the sales in 2017 was 678,221 (0.02%), 2018 710,012 (0.04%) and in 2019 it was 691,460 (-0.02%) of car sales in All over the globe. And now we are going to see about the Domestic sales of Commercial Vehicle in India. Before Demonetization in India on 2014 the sales was 410,000 (0.07%), 2015 sales was 476,001 (0.16%) and in 2016 500,537 (0.05%). After the Implementation of Demonetization in India the sales of Commercial vehicle in India is 2017 sales is 527,320 (0.05%), 2018 sales was 550,002 (0.04%) and in 2019 the sales was 510,260 (-0.07). This Diagram shows the clear view of the sales of commercial vehicle sales before and after Demonetization sales annually. This clearly portrays that the sale of Commercial vehicle in Hyundai motors private limited Domestic sales. When we see the annual sales of Commercial vehicle of Hyundai motors, there is no vast difference in sales when we compare post and pre Demonetization in India. This shows that people are ready to buy commercial vehicle and there is need for commercial vehicle in India, the decline in sales portrays that there is no enough cash flow in hand to buy a Commercial vehicle because they are struggling a lot to overcome their daily needs. When we compare the sales of monthly and annual sales that show that there is a decline in monthly sales but there are no changes in annual changes. And that doesn't create a long term effect in Automobile Industry especially in Hyundai Motors India limited.

Table-3, Hyundai motors India Limited Export Sales

Years	EXPORT	GROWTH RATE
2012	250,005	
2013	233,260	-0.06
2014	191,221	-0.18
2015	167,268	-0.12
2016	161,517	-0.03
2017	150,901	-0.06
2018	160,010	0.06
2019	181,200	0.13

Source: Annual sales of Hyundai motors passenger vehicle



From the above data we examined the annual sales of Hyundai motors India limited. To find out the number of units exported from Indian manufacturing unit located in Sriperumpudur. The data show that the export of Passenger vehicle in Export has been keeping on declining through the years. The bar diagram clearly shows that the sale of

export has declined before the implementation of demonetization. Because the demonetization was implemented in India, so there is no effect in export of manufactured vehicles. But they are facing other reasons for the decline in sales of Hyundai motors. After 2017 the export has been increased, this is due to the reduction in

prices of middle class vehicles. The effect of demonetization had led to decrease in price of passenger vehicles. They announced many offers for passenger vehicles and other vehicles. Hyundai is one of the leading car manufacturing industries in India. When it comes to international Automobile industries, Hyundai does not have a wider demand in global market because it is a economical vehicles, which means they have been manufactured for middle class peoples and they can easily afford the vehicles in Hyundai motors, where as many foreign cars are more expensive to consume, and when it comes to developed countries, they come under the basic price cars with minimum price. Hyundai is considered as the market for the small cars where everyone can purchase the cars. This is also one of the important reasons for the decrease in the sales of export in Indian manufacturing unit. When they sell those cars in India they may lose their market in India. That clearly shows that they are not in the manufacturing of luxury cars in India.

Findings

- ▶ Automobile Industry had contributed a lot for the growth rate of GDP of our Nation.
- ▶ After Demonetization the contribution of Automobile industry had been reduced when compared to before Demonetization.
- ▶ This demonetization effect in India is considered as a short term effect.
- ▶ The showroom visitor of automobile has been reduced around 40% after demonetization.

- ▶ The spare parts industries were also affected a lot after the implementation of Demonetization in India.
- ▶ Hyundai motors sale in domestic has set down b 4.3% after demonetization.
- ▶ The overall retail sales also been reduced to almost 24-25% after the implementation of Demonetization in India.
- ▶ Automobile manufacturing industries had shut down their production in December, due to the lack of sales and stagnation of cars in showrooms.
- ▶ This is also one of the great setbacks for the second hand car selling market. After the implementation, it has affected around 60% in Indian market.
- ▶ The major car makers have issued a statement on demonetization that, The sales had been declined and the dealers of automobile were struggling more to sell the cars in showrooms.
- ▶ These are all some of the findings of the impact of demonetization after the implementation of Demonetization in India.
- ▶ By the implementation of demonetization, the core theme has been achieved by the government. The black money has been somewhat eradicated from the circulation.
- ▶ This led to the increase in the number of tax payers after the implementation of demonetization in India.

- ▶ This helps the government to increase the tax payers' money, but they failed in the implementation and allocation.
- ▶ Due to this implementation, not only automobile sector, the entire sector in India had been affected due to lack of cash flow in hand.

Conclusion

Demonetization was a harder hit for Automobile Industry which resulted in decrease in sales as well as production. The Production had been shutdown and vacation was announced for the workers. This created a struggle for the workers in the Industry as well as the Apparent ship workers in the Industry. Car manufacturing Industries had reduced the price due to Demonetization. The car sales need cash in hand, and also to buy spare part of the car. Especially in Hyundai Motors they have reduced the Price of the Cars Namely Hyundai Creta (1.2 lakh rupees had been reduced due to lack of sales in showrooms). This reduction in price of the car portrays that the Industries had been affected a lot. The Monthly and yearly Sales of the Hyundai Cars shows that the demonetization had; created a short term effect of the car sales and it doesn't affect the long term sales of the car Manufacturing Industry. Hence Automobile industry is one of the industries of India which contributes more for the growth of GDP of our nation. Due to the stagnation of car sales and shutdown of manufacturing industries, the contribution of automobile has reduced. Indian government earning more through the automobile industry. The main revenue of Indian government is through the petroleum and diesel. The sales of petroleum also reduced due to lack of money supply in the market.

Urban people are little more aware about the implementation of demonetization and they deposited their money in the banks and withdrew through ATM's. When it comes to rural areas they are not even aware of the implementation of the demonetization, because they don't have any bank accounts in the bank and they don't have any basic features in their life. This shows that, this had created the major impact on rural people to overcome their daily life. When it comes to Automobile sector this is the entire major setback for passenger vehicle sales.

References

- ▶ <https://www.team-bhp.com/forum/indian-car-scene/194151-december-2017-indian-car-sales-figures-analysis.html>
- ▶ <http://auto.ndtv.com/news/december-2016-sales-figures-show-demonetisation-impact-on-the-auto-industry-1643885>
- ▶ <http://www.livemint.com/Industry/SIK34NIedgYQjLwFHmy6BI/Demonetisation-takes-a-toll-on-automobile-sales-in-December.html>
- ▶ <http://www.dnaindia.com/money/report-demonetization-effect-auto-industry-sees-mixed-growth-in-december-sales-2288691>
- ▶ <https://www.zigwheels.com/news-features/news/effect-of-demonetisation-on-auto-industry/26945/>
- ▶ Rastogi, H (2018). Demonetization and its impact on Indian economy. International Journal of Academic research and development, 3(1).
- ▶ Sarkodie, E. (2018). Demonetization and the poor strata of society. International journal of Advanced Research and Development 3(1).