

A Review Study on the Growth of Automobile Industry in India

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Abstract – The car industry is one of India's main drivers of economic development and a major player in global value chains. The development of this sector was driven by significant support from the Government, which helped to pave the way for the production sectors of India to be distinctive. Cars manufactured in the nation serve only to the needs of low- and middle-income people, which distinguish this industry from the other automotive countries. This study examines the political and infrastructural responsibilities of government and other allowable variables in expanding the automotive and automotive industries of India. In 2017, India became the fourth biggest automotive market in the world, and local and international demand for Indian cars continues to rise. Manufacturers are increasingly updating, digitizing and automating to satisfy their consumers (including electric cars) and remain in the lead of competition.

Keywords – Growth, Government Policy, Automobile and Automotive Sector

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INTRODUCTION

In recent years, the Indian car sector has been growing considerably and has played an important role in India's GDP. The sector now accounts for nearly 7 percent of GDP and directly and indirectly employs over 19 million people. According to the 2006–2016 automotive mission plan, the contribution of the automotive industry to GDP is projected to quadruple by 2016, with government support and a particular emphasis on exports. It is essential to note that the financial success of firms in this industry depends on this expanding sector. The current research examines the financial strength of two large businesses of Indian heritage. The primary aim of an analysis of companies in terms of finances is for assessment of the performance of undertakings under examination on several factors, including resources, profitability and fair return on their investments.

The history of the Indian vehicle business reveals that from 1898, a period when a car had first reached Indian streets, it has been growing by leaps and bounds. Now, however, India is on the brink of rewriting history, as 40 million passenger cars are home to Indians, and other automobiles touch on other domestic highways. Today, India's automotive industry, with an annual output of over 3.9 million units, is considered the biggest and the second

fastest expanding sector in the world after China. Its manufacturing sector for passenger automobiles and commercial vehicles ranks sixth in the world. The development of the Indian car market in the export sector has been one of the greatest things in the last years. In 2003-2004, cars worth more than 1 billion U.S. dollars were first exported in Indian history at a growth rate of 56%. India became the fourth-largest exporter of passenger automobiles in 2009, with more than 3,7 million cars manufactured in 2010, up 33,9 percent. Indian passenger vehicles became the third biggest exporter. It accounts for 4% of national GDP and 5% of Indian industrial production. It has become one of the main producers of jobs with 13 million employees directly or indirectly, and the current growth pattern is projected to quadruple by 2016.

The automobile industry is the key driver of any growing economy and plays a pivotal role in the country's rapid economic and industrial development. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipment, logistics, paper, cement, sugar, etc. It facilitates the improvement of various infrastructure facilities like power, rail, and road transport. The automotive sector has a significant multiplier impact, due to its deep future and

backward connections with many important areas of the economy, on a country's development and thus is able to promote economical growth. On the one hand it plays a key catalyst for the development of the transportation industry and on the other it helps to expand more quickly and therefore to provide an important job prospect. In India, cars are one of the biggest sectors with remarkable growth over the years and are contributing substantially to the overall development of the industry in the nation. Two-speed, three-wheeled, commercial and passenger cars are included in the automotive industry. Since the delicensing and liberalisation of the business in 1991, the Indian car industry has progressed rapidly. Several new producers were added to it using state-of-the-art technology and thus the monopoly of few producers was replaced. There are 19 passenger car manufacturers, 16 commercial vehicle manufacturers, 10 two-wheelers and seven three-wheelers manufacturers in India. Over the years for the manufacturing of automobiles, standards for foreign investment and imports of technology have also been liberalised. Currently, 100% FDI is allowed via an automatic route, including in the passenger vehicle segment, for this industry.

The ratio evaluation makes it possible for the participating parties to analyse the strength and examine particular areas of the company's performance by conducting a scientific and intelligent study of the strength and weaknesses of the business. Shareholders and future-orientated investors want to assess investment and decision-making ratios for investment. The creditworthiness ratios for businesses concerned will be examined by bankers that work capital backbone. Financial institutions, which form an important source of long-term funding, are prepared to provide for project valuation and debt service capacity ratios for businesses.

Financial analysts assess and offer comparative investment public investment research ratios for companies and intra-company. Credit rating agencies evaluate their results and their ratios for strength. Governments assess the performance and projected ratios of an organization. The management of a company analyses the ratio to assess financial health and profitability. Ratios are utilised for comparison between companies and companies and for financial planning and decision-making of passenger cars. This is around 12,17%. Passenger cars grew by 11,79% by 10,57% while passenger vehicles grew by 21,39%. During the period during which exports of cars grew by 22.30% respectively by 19.10 and 9.37%, respectively. As a consequence of the numerous foreign companies that collaborate with local manufacturers, the Indian consumer was flooded with choices. A significant rise in sales and the second-largest automotive component industry in the world encouraged further market demand in heavy commercial vehicles and improved exports of total automobiles. In all, in 2009/10 there were 4200,556 vehicles produced and 55,920 exported

and 4,188,932 sold. Automobiles were sold in the Indian automotive industry.

The analyst has to grasp the limitations set by accountancy concepts and methods in assessing the financial facts substantially. Information and non-information nature must be taken into consideration before a meaningless analysis is performed. They are relevant only compared to baseline or industry standards or ratios.

HISTORY OF INDIA'S AUTOMOBILE INDUSTRY

In 1897 the first automobile arrived on the Indian road in Mumbai Street (Bombay). In India, automobiles were imported in relatively limited quantities directly from other countries by a lack of production facilities till 1930. The assembly of trucks (CKD) and cars began in 1928 with the establishment in Bombay and, in 1930-31, by Canadian Ford Motors, of a wholly-owned domed subsidiary and of assembling facilities in Mumbai, Calcutta, Chennai madras. The 1942 production of some automobiles was started by Hindustan Motors (HM), which had its first vehicle manufactured in 1949. The first automobile in India was incorporated in 1944 and created by the company in 1947. The PAL and HM businesses concentrated at the time of independence on passenger automobiles, whereas Mahindra & Mahindra aimed upon manufacturing utilities in 1945. The government of Bombay recognized in 1947 that the Bajaj car had been designed to replace the rickshaw-cycle with a car under a Piaggio licensee. In 1952 the scheme established the first Tariff Commission, and the scheme, on the suggestion of the Commission, directed that only manufacturing organizations should be allowed to operate in India and that only foreign components, including companies with no Indian partner, should be excluded. The general development of the industry in the 1950s and 1960s was rather sluggish owing to nationalization and licensing raj as well as trade limitations on imports that impeded the Indian private sector. Between the 1970s and the 1980s, the car industry grew while demand for tractors, commercial vehicles, and scooters increased to a lesser degree. Until 1982, there had been just three car manufacturers which had full control over the industry: Premier Automobiles Ltd, Hindustan Motors Ltd., and Standard Motors Ltd. The Administration allowed foreign innovation and technologies with Indian organizations or without equitable involvement. In 1982 Maruti Udyog Ltd joined the Japanese company Suzuki in jointly manufacturing several new types of compact vehicles, with the assistance of the Indian government; In the two-wheeler segments after Honda, Kawasaki, Suzuki, and Yamaha entered, all are Piaggio, Honda, Japan, Steyr Daimler, Austria, Germany and Moped Agrati Garelli from Piaggio, Italy and Zundapp Scooters (Italy). The Indian

automotive market has had continuous development, due to removed restrictions or limitations, after the adoption of the new Industrial Policy 1991. It abolished the Raj license and supported the growth of the automotive industry. In 1997, the car industry was robust by the government announced national highway policy. Many Indian car manufacturers have extended national and worldwide business, such as Tata Motors, Maruti Suzuki, Ltd, and M & M, Ltd. In 2000, India established mandatory emission standards for protecting the environment or reducing automobile pollution. The Bharat Stadium, the standards established upon rigorous European standards was known as such courses of action. Bharat-Stage (IV) is now being performed by 13 urban communities including Delhi, Ahmadabad, Pune, Mumbai, Kolkata, Bangalore, Hyderabad, Solapur, Surat, Kanpur, Chennai, and Lucknow (III). Imports are imposed to promote manufacturing in India, while the 125% automobile tax on electric vehicles, including components such as boxes of gear and airbags, axle drive components, and so on, is 10%. The tariffs encourage car manufacturers not to be imported as fully produced units or vehicles to be constructed in India.

CURRENT TRENDS IN THE AUTOMOBILE INDUSTRY

Production

The automotive sector includes the manufacture of commercial vehicles, passenger carriages, and two and three wheels. Automotive industry output trends referring to the number of cars. The table shows the continuous trend of production growth during the 2011-12 to 2016-17 study period, with output reaching over 25 million in 2017. The sector Production in the 2015-17 fiscal year grew by 2.6%, and improvement was 5.41% over the previous year in the 2017 fiscal year. Two-wheelers like motorcycles and mopeds were India's main drivers of development and were the most desired car that was offered in 2017 for 78 percent. In the accounting year 2016–2017, passenger vehicles, commercial vehicles, and production at two-wheelers registered a growth of 9.4%, 2.91% also of 5.83% correspondingly while Three-Wheeler exports fell 16.16% over the previous year 2015–16.

Domestic Sales

The automotive domestic sales movement refers to the number of cars. Total domestic sales show a steady growth trend throughout 2011-12 to 2016-17 study period. In the 2017 financial year, domestic sales of passenger cars rose 9.23% over the previous financial year. Passage cars plus freight vehicles have been increased by 29.91%, 4 3.85%, and 2.37% separately over 2017 over the previous fiscal year, according to the SIAM report on passenger vehicles. In comparison with the previous

financial year, the whole division of commercial vehicles saw development by 4.16% in the 2017 fiscal year, which is up by 7.41% in comparison with the previous financial year. Medium and heavy commercial vehicles increased by 0,04 percent over the preceding financial year by 2017 as well. During the April-March financial year, the sales of three-wheels fell by minus 4,93%. In addition, the sale of Goods Carrier decreased by minus 8.83 percent during 2017 and also increased by 12.75 percent over 2016. Two Wheelers' sales showed an increase of 6.89% over the previous financial year in 2017. Within the Two Wheelers sector - sales of 3,68%, 11,39%, and 23,02% respectively increased in 2017 compared to the previous financial year, in the same period.

Exports

The car sector is strongly acknowledged, with the growth rates of exports steadily increasing. Indian cars and their sectors worldwide are in great demand. Auto industry export trend concerning vehicle number. The data shows that exports show continuing growth patterns during the 2011-12 to 2015- 16 inquiry period and decreased in 2016-17. Automotive 5 exports grew by 1.91% in the financial year 2015–16, however, the industry exports from April to March 2017 amounted to 34,78,268 cars which indicates overall automotive exports that decreased by negative 4.5% as a result of the effect of demonetization in India. In the financial year 2016-17 exports of Three and Two Wheelers decrease individually by -32.77% and - 5.78% compared to the prior financial years 2015-16, respectively, the main drivers for growth were exports of passenger and commercial car.

Auto Components industry

In the last decade, India's self-employment sector grew smoothly and steadily. In India, 2.3% of the gross domestic product (GDP) is in the auto-components sector and 1,5 million employer possibilities were generated directly and indirectly during 2016-17. Almost all or many product types are produced by the Indian automotive industry. Automotive components production relies on the consumer in several end-user sectors: producers of original equipment, exports, and the replacement part market. The Association of Automotive Component Manufacturers has divided the automotive components into various groupings into six groups: 1) engine components; 2) electrical components; 4) Braking components and suspension 5) and 6) additional machinery. Throughout the world, auto components are highly wanted. the auto-component industry's different tendencies. The auto component trend table shows that sales growth in the past six years in two years was negative. In the 2015-2016 financial year, the turnover increased by 1.30%, with a turnover of USD 43.55 billion in April-March 2017, which grew

by 11.70% and a 7% increase for CARG. India's auto-annex exports grew 11% from US\$11 billion in the 2011-12 financial year to US\$10.90 billion in the 2016-17 financial year, up from US\$8.8 billion in auto-annex exportations in the 2012-12 financial year. As India's car component imports grew by 6 percent at CAGR, imports fell from USD 13.8 billion in the 2011-17 financial year to USD 13.5 billion in 2011-17, which is worth of car components for 2 to USD 13.5 billion. According to postmarked study, from 2012 to 2017 auto components growth rose from US\$ 6.1 billion to US\$ 8.4 billion, which was 23.5%.

The Current State of the Indian EV Market

- The Indian regime has stated that it would turn the country into a 100% electric and hybrid car country by 2030 to boost the EV market in India. The central government agreed in 2017 (January) to accept up to sixty percent of R&D costs to construct the local low-cost electricity.
- In three towns, Delhi (NCR), Jaipur pink city, and Chandigarh Indian government intended to build about two hundred charging stations.
- A subsidy program established by Delhi's government was launched in 2016 for electronics.
- The Indian Government will manufacture and sell 6-7 million electric and hybrid vehicles on the road by 2020.
- New Motion has agreed to fund INR 1000 crore in India for charging installation for infrastructure development.
- The first implementation by Karnataka State of India's energy storage and electric vehicles policy.
- Gujarat has reportedly secured top place in sales of more than 4,330 units, according to the Society of Electronic Vehicle Manufacturers (SMEV). The countries of West Bengal, UP, Rajasthan, and Maharashtra, with sales of 2 846 units, 2 467 units, 2 388 units, and 1 926 units respectively obtained second, third, and fourth place and 5th.

ROLE OF THE GOVERNMENT

The motor industry has been influenced by the Indian Government's policy in various ways and has contributed to its creation in the micro-economic environment. Besides the direct effect of taxation tools, industrial policy has impacted corporate learning processes and molded the buildup of technical capabilities.

The Indian government has progressively since 1970 included the automobile sector to a list of its key or "pillar" industries and has recognized it as an important engine of economic development because of its many forward and backward links. In the manufacturing business, the industry started to emphasize promotion and support for productivity in lieu of policies. The Government allowed an automatic 25 percent increase in capacity every five years in 1975 and eliminated pricing restrictions as a general industrial strategy.

In response to legislative changes, the proportion of commercial vehicles and passenger cars has also altered. In contrast with the growth of passenger cars, Indian politics encouraged the development of the industry of commercial vehicles, i.e., light vehicles and large cargo trucks (for public transit and passagers). Cars were regarded to be luxury items in particular. By the beginning of the 1980s, the government had recognized the need to expand the PV sector and decided to allow more foreign and foreign financial cooperation as well as decreased manufacturing licenses. In 1981, the "broadband" licensing policy had been established - allowing car makers to build many types of cars rather than only one kind previously mandated. More freedom was provided to companies via policies such as minimal requirements in terms of economic size, the exemption from detailed monopolies and the notification processes for restrictive trade practices (MRTPs). The sector of components was also significantly de-licensed.

The 1980s saw changes in supplier relationships, the creation of efficient supply chain management of supplier programs and Cluster Building financed by the government. In 1986, the importers of equipment were allocating about 50 percent higher foreign currency quotas for importers of imported capital.

The New Industrial Policy was established in July 1991 that eliminated most of the limitations of the Indian industry in relation to investment, growth and foreign investment. For all (save 18) sectors, the industrial licensing system has been repealed and in May 1993 the passenger car industry was relicensed. In 34 sectors, including the automobile industry, foreign investment was permitted automatically. Liberal policies in the 1990s led to new rivals and technological advantages, and boosted research and development spending and the drive to innovate to differentiate goods in the market. The period between new product manufactures has been significantly reduced. The rules remain inclined in favor of the local sector since MNCs have yet to make certain investments in capital and comply with export requirements. The administration abolished automotive import restrictions in 2001 and allowed FDIs of 100% in the industry. Excise taxes on passenger vehicles have been lowered to 24%.

In addition, the Indian auto industry policy safeguarded the domestic market with obstacles for companies, including increased local content requirements. This strategy helped strengthen the core competencies of the automotive components supplier sector in its production and lay the foundations. The 1980s and 1990s protection measures promoted the development of fundamental manufacturing skills. 46 Local content requirements or indigenization of up to 70% of OEMs and their suppliers have been compelled to spend significantly and a world-class supplier chain has been established. Also known as the main legislation to improve technical ability, the process of indigenization. This resulted in a joint effort by local suppliers and parent engineers, which helped Indian companies to acquire technical skills.

The main government interventions under the Plan were tariff-policy, infrastructure (enhanced and extended road-network, auto-car rake development, the establishment of few private-sector specialized ports), R&D (NATRIP set up, upgraded existing facilities) and promotion of electric and hybrid cars. The Auto Production Plan 2016–2026 (AMP 2026) sets out accomplishments and goals for the sector by 2026 currently governs the Indian Automotive Manufacturing Policies.

OTHER ENABLING FACTORS IN THE GROWTH OF THE INDUSTRY

Further elements which enable the sector to develop include domestic demand, FDI, JVs and competitive tactics for companies.

Role of Domestic Demand

The demand driver for cars in India was a rising working population and an increasing medium-sized class. At 4.7 million kilometers, India has the world's second biggest road network. Over the years, activities for road construction steadily grew, improving the links between cities, towns and villages in the nation. The government of India has concentrated on developing the country's roadways under its strategy to provide significant expenditure in infrastructure development for each five-year plan. The demand for automobiles and other vehicles has grown considerably.

The second biggest population in the world is located in India. The population is expected to be about 1.3 billion. The GDP per capita has risen from around 1432 US dollars in 2010 to 1500 US dollars in 2012 and 1939 US dollars in 2017. A vast pool of competent and semi-trained employees and a robust training system will continue to boost demand for vehicles in the future, such as increased discretionary incomes in rural agriculture. Migration due to urbanization is expected to exceed 140 million by 2020. By 2030, India is planning to expand the

number of households to 68 million, driving higher demand for cars. In 2015, there were only 167 registered motor cars per 1000 people. These statistics show that private car ownership may increase considerably in the future.

Impact of FDI

FDI's effect on production and productivity, technology and best practices may be observed, all of which make FDI more competitive. 56 The following details these elements.

Output and Productivity

Output and productivity increases have a favorable effect on FDI. Output growth was restricted in the years 1947-1983. The vehicles marketed for decades remained unchanging and the international models manufactured in the country were mostly European. In the passenger automobile sector, there were 2 models produced from 1982 to 1983, up to 8 from 1994-95, and 28 from 2001-02.

FDI's main effect on the component sector has increased its sales more than three-fold between 1992-93 and 2001-2002. As international companies collocated providers (i.e. placed in a shared location) and forced domestic providers to invest in India, suppliers improved productivity. Foreign MNCs entering the industry to service international assemblers have also offered competition, leading in improved quality and dependability. The creation of a dependable supplier sector led to the creation of additional MNCs to join the Indian market after the 1990s.

Technology

The entrance of foreign companies was a major infusion of global technology. The first 192 vehicles to launch at Maruti Suzuki were nearly completely Japanese cars in December 1983 with just MRF and Chloride India tires and batteries respectively. By the end of the century, Indian companies' local goals were promoted by 40 JVs between Indian suppliers and Japanese workers.

Between 2000 and 2007, the industry has seen 50 Greenfield investment projects⁵⁸. Global OEMs had significant or dominating roles in technology diffusion in some clusters like Pune and Chennai and were responsible for building local innovation capacity.

Role of JVs

As stated above, JVs and technological cooperation played an important role for indigenous automobile component supplier companies in India as a source of innovation. Significant collaborations

in the Indian car sector. Knowledge and know-how is an effective method of achieving innovation inside automotive clusters via external cooperation. Collaborations lead to regular contacts that are evident in knowledge acquisition, sharing, dissemination and development. Links between settings like clusters lead to networking and interaction learning and are considered essential for creative activities. In India, many instances have demonstrated that JV cooperation is an effective method to achieve higher industry development via advantages like as technology-sharing, best practice learning and employee training. In terms of the plant architecture, equipment, organization of the factory and operational principles, for instance, the first built MUL facility was a near replica of Suzuki's Kosai plant in Japan. It was also the first company to implement partial "just-in-time" and complete quality control to minimize inventory costs in India. MUL has pursued a policy of major investments in its suppliers' growth agenda, including solid and tight relationships between suppliers with its first-tier suppliers (40 leading suppliers) and equity involvement in important suppliers.

The Chennai Automobile Cluster was critically developed by other leading companies, including TVS Group, Rane Group and Ashok Leyland Limited. The company has signed a deal with Leyland Motors UK to manufacture Leyland's vehicles in 1950, with Ashok Leyland Limited, one of the biggest producers of commercial cars, trucks and buses in India and worldwide. Brakes India Private Limited, a wholly owned company established in 1962, is the biggest brake component manufacturer and system in India, with annual revenue of over \$600 million and a JV operating between TVS and the Lucas Industries Limited of the UK (100 percent subsidiary of ZFTRW). It exports goods in 35 countries and accounts for more than 60% of the national OEM market. The Rane Group has long had important relationships with international companies such as ZF TRW (USA) and NSK and Nisshinbo (Japan) who are a major player in the component sector. Other group companies were founded in the 1960s as JVs with British companies, including Brakes India, Sundaram-Clayton Ltd, Sundram Fasteners Ltd. and Turbo Energy Ltd. Over the past years, M&M and Bajaj Tempo have also worked via JVs.

CONCLUSION

The political discussion at hand is concerned with how to attain higher resource efficiency and the demand for innovative materials in the light of industry ambitions to manufacture electric cars in India. New product development innovation laggards behind and remains essential for India's future in terms of achieving or at least retaining competitive supremacy. Technologies of manufacturing must be constantly updated. Large expenditures in the development of green, high-efficiency new

indigenous technologies will help India increase the value chain.

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