

An Analysis of Indian Auto Mobile Industry Economical Slow Down In India

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ABSTRACT

Automobile Industry is one of the largest markets in the world. Nowadays, automobiles have become the necessity for everyone. There is a huge scope for automobiles in India, but nowadays Indian automobile industry is facing a big problem, i.e., slowdown. The main purpose of this paper is to discuss the reasons for the slowdown in automobile industry. It analyses the changing scenario of automobile industry that influence the purchasing behaviour of consumers. It explains the sales analysis of various automobile companies in India. It also gives the scope for the future and highlights the solution with the help of new trends which should be adopted by the automobile companies to capture the market and increase the sales in future. It also throws the light on the new technologies for automobile sectors.

Keywords : Consumer, Development, Industry, Market, Sales.

I. INTRODUCTION

One could ever imagine of car before 1478, when Leonardo da Vinci first designed the “Self-Propelled Car”, and today, none of us can imagine our world without that machine, i.e. the automobile. The history of automobile itself expresses about the development that it brought into the world along itself. The Indian Passenger vehicle market is the 7th largest market in Asia and 10th largest market in the orld in terms of volume. As per SIAM, passenger vehicles held a 15.07% domestic market share in the year 2011-12. The automobile, as we know it was not discovered in a day or by any single maker.

The pasts of the automobile replicate an achievement that took place around the globe. Automobile products are the second principal optional buying made by a consumer,

after household acquisition, the affluences of the automobile industry are closely connected with that of the common progress of the economy, not reusable incomes and consumer sureness.

Around 80 years ago, the Indian Automobile Market was nothing because we did not have any automobile manufacturer in India. There were some imported cars in India. After the independence of India, government had started efforts to develop an automobile industry. In the beginning of automobile industry in India, the progress rate was very slow. But now, the situation is relatively different. We have very large market for automobile industry. Currently, India has amongst the lowest vehicle solidities globally at 11 cars per thousand persons and 32 two-wheelers per thousand persons. This is very low as compared to other comparable economies.

The globalization of the auto industry increasingly fosters the formation of new alliances and the entry of new manufacturers. In the context of the auto industry, globalization has never proceeded at a faster pace not only in terms of sourcing of complete products and components, but also in terms of markets. As a result, the cast of players in the world auto industry is ever increasing.

The Indian automobile industry is best segmented as follows:

- Medium and Heavy commercial vehicles (M/HCV)
- Light commercial vehicles (LCV)
- Light utility vehicles (LUV)
- Passenger cars
- Two-wheelers

India is one of the limited markets where small car section growth is as solid as the growth in the perior and luxury car segment. Even passenger car sales in rural areas have been growing while the share of urban areas has been declining.

There are lots of options for transport like motorcycles, cars, SUV, etc for everyone. There are many automobile manufacturers in two wheelers & four wheelers segments. Few major automobile companies are Bajaj, Hero MotoCorp, Maruti Suzuki, Mahindra & Mahindra, Hyundai, Tata Motors, TVS, and Chevrolet etc.

II. OBJECTIVE OF THE STUDY

- The objective of this study is to discuss about the slowdown in Indian automobile industry.
- It aims to study about the preferences of automobile consumers.
- The purpose of this study is also to find out the reasons of slowdown and further to discuss about the solutions.

Why this economic slowdown is serious

Market-based economies thrive on hope and belief of profit by private entrepreneurs. In the times of negative market sentiments, the government increases its expense to bring back hope. But the Narendra Modi government's hands are tied at the moment.

Highlights

- Auto sector is facing worst crisis in about 20 years
- In real estate sector, number of unsold homes have increased
- When government needs more money, tax collection has grown by just 1.4%
- Suppose you inherited a farmland and a house. You grow your own food using family bank of seeds. You don't use chemical fertilisers and prepare organic manures using cow dung and similar stuff on your own. You don't buy fodder for your cattle or poultry which fulfil your milk and meat requirements. You use biogas as fuel for household energy. This means you have a self-sustained viable economy. But you are contributing nothing to country's gross domestic product (GDP) as you are not using money.
- Now, consider this. Your neighbour works in a factory and earns a salary. She buys grocery from a kirana store, milk and butter from a dairy parlour, clothes from a shopping mall, dines out and watches a movie or a play on weekends, employs a help in her home and pays taxes. Her activities are the guarantee that the country's GDP clock is ticking upward.
- Every single purchase by her begins a chain of purchase and sale. The kiranawallah goes to wholesale market to buy stuff for shop. The wholesale market sources its supplies from the farmers, who purchase seeds, fertilisers, tractors, diesel and employ labourers on their fields. All are paid in money. This is repeated for every single purchase by your neighbour. She ensures flow of money that defines growth of measurable GDP.
- This chain of sale and purchase has shown signs of slowdown over the past few months. It is visible in almost every sector of the Indian economy. The result was worrisome for 2018-19, for which the GDP growth rate was 6.8 per cent.
- This is the slowest growth rate of GDP since 2014-15. The previous low was 6.39 per cent in 2013-14 following which the Narendra Modi government came to power in 2014.
- Recent GDP figures have only aggravated the concerns of economic slowdown. According to Central Statistics Office, India's GDP slowed to a five-quarter low of 6.6 per cent in October-December 2018.
- It fell below 6 per cent mark in January-March 2018-2019. At 5.8 per cent, the March quarter growth rate pushed India behind China after seven quarters. But that rivalry is the least of the worries for Indian economy. There are ominous signs showing that slowdown is deep.

Automobile sector

- Automobile sector is facing its worst crisis in 20 years. Reports say around 2.30 lakh jobs have been lost in the auto sector. A large of it is being blamed on the global trend accentuated by the Brexit situation.
- But what signals a deeper problem is the Society of Indian Automobile Manufacturers (SIAM) report that 300 dealerships have shut down in recent times. Sales of cars, tractors, two-wheelers have declined considerably. SIAM said about 10 lakh jobs have been hit in the auto component manufacturing industry.

III. REVIEW OF LITERATURE

Pawan Kumar Goenka, President – Automotive & Farm Equipment Sectors (2013), “The industrial scenario in general and the auto industry in particular have been going through tough and troubled times. Today, the Indian auto industry is facing an extremely challenging situation in the form of a prolonged slowdown. Sales for medium and heavy commercial vehicles have declined for 16 consecutive months, while passenger car sales have declined for eight consecutive months, including the first quarter of FY14.”

According to Mr. Jawahar Lal Wadhwa, Independent Automotive Professional (2013), “Within next 5 years, the automotive scene would begin to change to alternative sources of energy, especially to electric systems, hydrogen cells and hybrid usage. USA is currently leading the research and lots of prototype vehicles are already under trials. This may bring in revival of American car industry, which is under distress. China is faster than any economy to absorb or copy this technology.”

PC Magazine observed that “a 2012 car could have a system originally designed in 2006 and put into production in 2008 when that model first hit the streets.” In 2012, Tata Motors announced it will invest around \$6 billion on developing Futuristic Infantry Combat Vehicles in collaboration with DRDO.

2012 market share reports, Maruti holds 37 percent of the Indian passenger ranked Maruti Suzuki in the seventh position in 2011 and the sixth position in 2012 among the most searched brands in India. According to ‘Republic of India’, production wise, M&M Group. Mahindra & Mahindra was ranked 68th in 2011 and 66th in 2012 among Most Trusted Brands among 17000 brands as per the bytes News rated Mahindra & Mahindra as India's second Most Reputed Car Company conducted for the Auto (Cars) Sector launched

According to Mr. Gaurav Pareek, Finance Expert (2013), “As we all know that we have the money to spend in bulk but I recognized. So companies should provide the petrol services with fixed liter for the years as like as free service and they more on the cost of vehicle etc. or through any other means”.

Mr. Ashish Jain, Sales Professional (2013) said, “Automobile companies should focus on uncovered area (Such as Rural Area bcz and to do New R&D in Engine development which give more millage, which is the need of and increase production and they can also control on cost and offer good pricing of their product and attract more consumers”

“The Indian automobile industry which is growing rapidly, is in themselves to real-life applications”, said Dr. Vijayakanthan Damodaran, Engineering Group Manager (Vehicle Performance), General Motors Technic Bangalore (2012). “Diwali did not light up sales and most OEMs saw fewer sales as the slowdown begins to bite and consumers stay away from show (2012).

“New potential car buyers are sitting on the fence due to rising diesel prices,” said According to Arun Aravindam, ACG (2013), “A total of 2,968,201 vehicles were sold in India during the first two months of the registering a feeble decrease of 0.64% as against same period of 2012 Planning Commission constituted a Working Group on Automotive Sector for the 12th Five Year Plan (2012 Department of Heavy Industry. As per the 12th five year plan by the government study make determined efforts to

achieve the projected capacity and production of the automobile sector for the 12th plan period 2012.

Table 1
Product Capacity and Production By 2018-19

Segment	Capacity (IN NO)	Production (IN NO)
Passenger vehicles	9372838	6909797
Commercial vehicles	2397257	1741122
Three wheelers	1746596	1416457
Two wheelers	3148904	25019509

Sales Analysis of Indian Automobile Industry

At present, there are 19 manufacturers of passenger cars & multi utility vehicles, 14 manufacturers of commercial vehicles, 1 besides 5 manufacturers of engines in India. This includes virtually all the major global Original Equipment Manufacturers companies. Today, it is the largest manufacturer of tractors, second largest the 4th largest passenger car market in Asia. During 2000 passenger cars and 1.54 million two wheelers. Today, the automobile industry provides direct and indirect employment to 13.1 million people. Table the light on sales record of automobile industry for the period of 2015.

Reasons of Downfall in Indian Automobile Industry Vehicle Demand

As we have seen through above analysis, the Indian automobile industry is facing slowdown in sales. Market Shares of India's top automobile companies have fallen 10% to 16% over the past few months tracking weak vehicle demand, and analysts expect the trend to continue for some more time.

High Fuel Prices

India's automobile market, which has appealed venture from worldwide companies seeing for growth in developing markets, has vanished some of its shine as high fuel prices and increasing interest rates as well as worries of job losses in a slowing economy have kept customers away. The weak economy has also injured demand for commercial vehicles. In modern times, the prices of fuel have been rising suddenly, making it challenging for a lot of buyers to sustain the use of an automobile vehicle. It is unidentified fact that a high proportion of the Indian buyers belong to the lower and middle class income groups. These customers are continuously on the searching for substitutes for fuels, which has resulted in the rise for CNG and LPG Vechiels.

Motor Finance

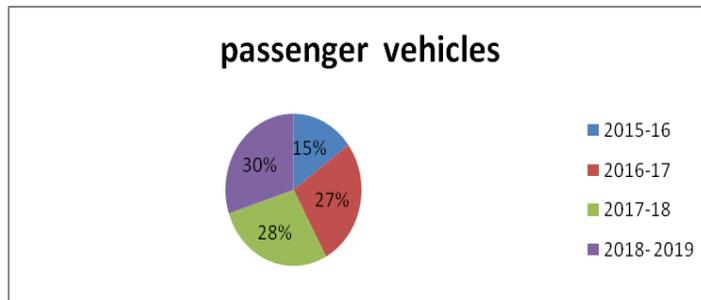
Since most Indians buy vehicles with loaned out money, high interest rates have been a major factor hurting sales. The Reserve Bank of India increased interest rates 13 times. On the basis of a report given by ACG, 2013, passenger Car sector dropped by 11.33%, while van segment decodes by 10.88%. The Indian passenger vehicle industry, which is in front of the toughest times, saw three consecutive month of sequential decline in April to June of this financial year.

While a minority of companies tried to attract customers to their outlets by proposing discounts to lift their sales in the last month of FY 2013, low economic sentiment, high interest rate, late purchases and fluctuating fuel prices had their impact on total market demand. Fuel hikes, poor buyer sentiment hit June 2013 sales.

Used Car Sales

The trend, it seems, is not a blip or limited to a particular market. The economic slowdown and the steep fall in the value of the Indian rupee have erased the dividing line between those who scouted for a new car and those willing to settle for a well maintained used car. The depreciation of the rupee, among others, has also meant an increase in input costs, leading to prices of cars being raised even as demand was falling. As a result, for the first time in the history of the Indian automobile market, the used car segment has witnessed a 22-25 per cent rise in sales during April-July 2013 as against a 9.7 per cent decline in new car sales..

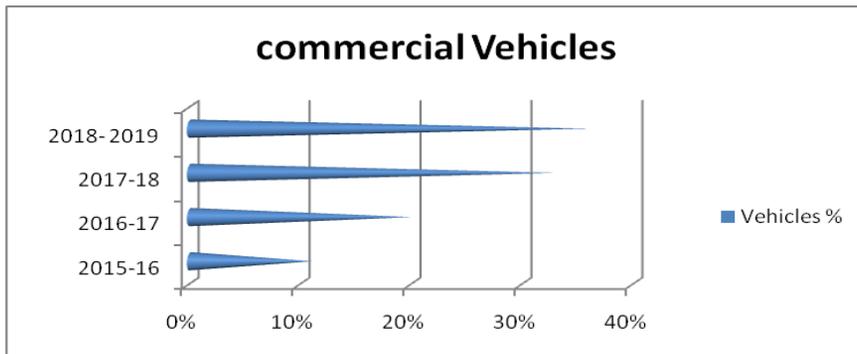
Comparative sales analysis of passenger vehicles between 2015-16, 2016-17, 2017-18, 2018-2019



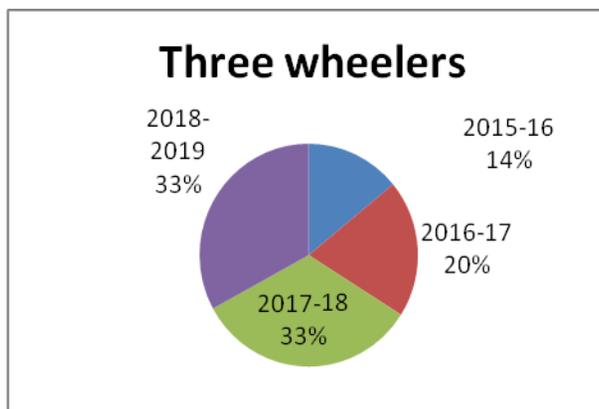
Years	Vehicles %
2015-16	15%
2016-17	27%
2017-18	28%
2018-2019	30%

Comparative sales analysis of commercial vehicles between 2015-16, 2016-17, 2017-18, 2018-2019

Years	Vehicles %
2015-16	11%
2016-17	20%
2017-18	33%
2018-2019	36%

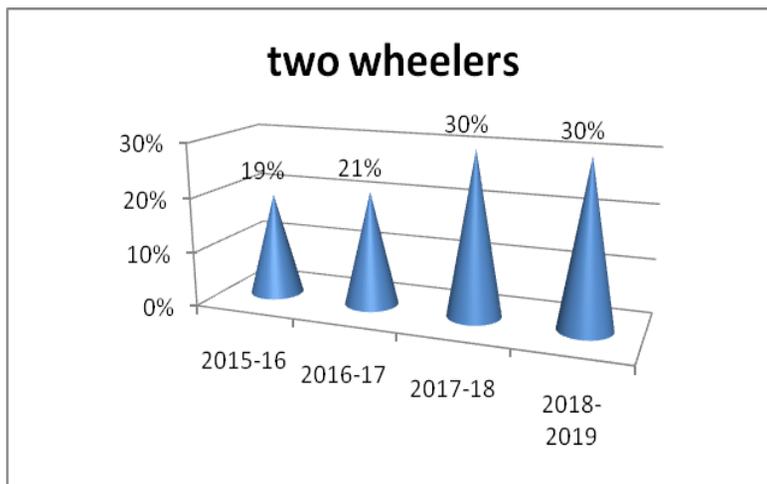


Comparative sales analysis of three wheelers vehicles between 2015-16, 2016-17, 2017-18, 2018- 2019



Years	Vehicles %
2015-16	14%
2016-17	20%
2017-18	33%
2018- 2019	33%

Comparative sales analysis of Two wheelers vehicles between 2015-16, 2016-17, 2017-18, 2018- 2019



Years	Vehicles %
2015-16	19%
2016-17	21%
2017-18	30%
2018- 2019	30%

Swot Analysis of Indian Automobile Industry

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> ➤ Investments by global manufacturers ➤ Indian market is very large ➤ Low labour cost ➤ Government assistance in production ➤ Increasing demand for international quality ➤ Rise in the working and middle class income 	<ul style="list-style-type: none"> ❖ Government increase cost of manufacturing ❖ Lack of Research & Development ❖ Lack of appropriate manufacturing units ❖ Production costs are generally higher than some other countries like China etc. ❖ High interest rates ❖ Labour Productivity is low ❖ Local demand is still towards low cost vehicles, due to low income levels.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Rising rural markets ➤ Increase in Population ➤ Reduced excise duty ➤ Growth in living standard 	<ul style="list-style-type: none"> • High rate of interest • Lack of technological setup for Indian companies

<ul style="list-style-type: none">➤ Constant increase in salaries/incomes➤ Auto vehicle (car etc.) as status symbol Demand of better and latest technology	<ul style="list-style-type: none">• Tough competition with Chinese manufacturers• Costly raw material• Less skilled labour• Congestion on the urban roads
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IV. CONCLUSION

It can be concluded from the above study that the demand for vehicles is also reliant upon various elements such as convenience and cost of finance, vehicle density, demographic shape of the marketplace and the earning capability. Thus, there is a huge potential market for automobiles that is yet to be tapped through the developments with the use of new technology. Obviously, slowdown is the opportunity for the marketers for new developments. They have the scope for new innovations by conducting research. Automobile companies will have to produce such types of vehicles which may give the motivation to the customers for purchasing of the automobiles. So companies should take the slowdown period as an innovation era. It may lead to satisfaction of the customers and increase in the sales.

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