

Booming of Automobile Industry—A Study with Reference to Passenger Car Market in India

Umamaheswari Sankar¹ and R. Rajasekaran²

^{1,2}Department of commerce PSG college of Arts and Science Coimbatore – 641 014, Tamil Nadu, India
E-mail: ¹umakaavi2008@gmail.com, ²majorrajasekaran@yahoo.com

Abstract—*The Indian automobile industry is currently experiencing an extraordinary boom in demand for all types of vehicles. This boom has been triggered primarily by two factors: (1) increase in disposable incomes and standards of living of middle class Indian families estimated to be as many as four million in number; and (2) the Indian government's liberalization measures such as relaxation of the foreign exchange and equity regulations, reduction of tariffs on imports, and banking liberalization that has fuelled financing-driven purchases. The Indian automobile industry is most lucrative. Even though the market is healthy there is a fluctuation in the sale of the Indian automobile industry. A prolonged economic slowdown, excess capacity, increase in interest rate, has reduced demand, keeping a lot of the existing capacity idle. Yet, that has not stopped the companies from expanding capacity, hoping the market will pick up. In the total volume of sales, a high potential contribution is made by the central and state government employees. This study has been taken to understand the performance of automobile industry more specifically with passenger car market in India. Present research is a descriptive study and secondary data has been used. Objectives were framed, research design prepared, required data have been collected and suitable analysis were made. Findings of the study reveal that there is a increasing trend in passenger car market which creates an opportunity for car manufacturing units in the country.*

Keywords: *Automobile, Performance, Market, Passenger car, Opportunities.*

1. INTRODUCTION

The automobile manufacturing industry in India dates back to 1948. At that time there were just three companies manufacturing passenger cars i.e. Premier Automobiles in Mumbai, Hindustan Motors (HM) in Kolkata & Standard Motors Products India in Chennai. In early stages the Indian automobile Industry faced several difficulties and road blocks to growth, because in those days automobile manufacturing was subject to reservation tariff structure, strict licensing and limited chances for expansion. Due to lack of competition initially the prices of cars were extremely high and the customers had to wait for a long period of time for car. Before the Independence, India was considered as a market for imported vehicles.

In the year 1950s new industries were established. The arrival of Tata Motors, Mahindra & Mahindra & Bajaj Auto led to

increase in the vehicle production in India. In 1953 the Government of India and the private sector launched efforts to create an automotive component manufacturing industry to supply to the automobile industry. By the end of 1970s, significant changes in the automobile industry were witnessed. After 1970 the automobile industry started to grow, but that growth was mainly driven by scooters, tractors and commercial vehicles. In 1983, the government of India made a tie-up with Suzuki Motor Corporation of Japan to manufacture low-cost cars in India. The Maruti 800 which is still known rolled out the factory of Maruti Udyog Limited in December 1983 and changed not just India's automobile industry but also the way people commuted and travelled. In 1990s through liberalization initiates India to open its gate for all the countries and in 1993, the government followed up its liberalization measures with noteworthy reductions in the import duty on automobile components.

Today the Indian automobile market has a mix of large domestic automobile players like Tata Motors, Mahindra & Mahindra, and major international giants including DaimlerChrysler (Mercedes), Suzuki, Honda, BMW, Audi, Volvo, Hyundai, Toyota, Nissan, General Motors, Ford, Volkswagens, Skoda, Renault and Maruti. Though we have adequate manufacturers of passenger cars in our country, the industry faces certain problems in selling their car. Better economy, good monsoon, increase in per capita etc. Creates an opportunity to boost on Indian automobile sector, hence this study has been carried out by the researcher.

Statement of the problem

Indian automobile industry is the sector generally contributes a lot to the nation income. Due to recent Economic Crises, most of the countries adversely got affected. In India due to threats like prolonged economic slowdown, higher fuel prices, higher interest rates on car loans, and an emerging second hand car market affects Indian automobile industries sales. In order to know the present automobile industries performance in the country, this study has been carried out and also the researcher wanted to identify the level of impact on passenger car sales in the recent years.

Objectives

- To study the performance of automobile industry with regard to passenger car sales in the country.
- To know the factors affecting the business of automobiles industry.
- To offer valuable suggestions and recommendations.

Scope of the study

Today Indian automobile manufacturers are serving a wide variety of transportation solutions across different levels. There is a drastic growth in sales and distribution setup, which enables the automobile company to play a vital role. Moreover the company's proximity to their raw material and component suppliers help them in reducing procurement costs. Automobile manufacturers have clearly committed themselves to supply the market with ever safer and more environment friendly products. Indian automobile manufacturers are continuously investing huge in R&D for further product improvements and in developing new propulsion systems. Besides the ups and downs faced by the automobile industry, it is progressing on the path of success. It has considered every opportunity coming its way and is potent of surviving in this globally competitive scenario. Growth in passenger car sales may be higher than the 10-15 per cent forecast for the current fiscal year in view of better outlook for the economy, good monsoon and increase of per capita income in the country. Hence the researcher needs to identify the performance of the passenger car industry and also highlight the profitability of the car market to the manufacturing units.

Methodology

For this study data have been collected through the secondary sources like books, periodicals, research articles, seminar reports, news papers, study reports of expert committees, departmental publications, plan documents, unpublished dissertations, broucher, pamphlets and advertisements. Period considered for the study is 3years from the financial year 2014 to 2017.

2. REVIEW OF LITERATURE

1) **Pradeepta K. Bano Megha. (2014).** Future Trend in Indian Automobile Industry: A Statistical Approach (2014) An attempt has been made to understand and analyze the current and future trend in Indian automobile industries. The experiments show positive growth in all segments. The segment wise average forecasted growth rate for the next three years has been found.

2) **Amarjit Singh. (2012).** Indian Automobile Industry: A Review India has the potential to develop into a significant market for automobile manufacturers. India also has one of the fastest growing economies, and many U.S. companies view India as a potentially lucrative market. It is expected that the

automotive industry will play an important role in helping the economy to continue this growth.

3) **Vikram Shende. (2014).** Analysis of Research in Consumer Behaviour of Automobile Passenger Car Customer : The objective of this study is the identification of factors influencing customer's preferences for particular segment of cars to overcome present scenario of stagnancy in sales and cultivate future demand for automobile car market.. Most importantly, compared to local brands, companies with global brands will be able to penetrate into markets more easily, regardless to high or low status seeking consumers, global brands with proper strategy will enable them to achieve an enhanced global image

4) **Sarwade. (2015).** Evolution and Growth Of Indian Auto Industry. After the liberalization the passenger car segment saw a boom and many companies from India as well as foreign entered the market. With liberalization, Government abolished licensing and removed restrictive trade policies. Automobile industry benefited greatly from these measures. The automobile industry in India happens to be the ninth largest in the world, following Japan, South Korea & Thailand. In 2009, India emerged as the fourth largest exporter of automobiles. Several Indian automobile manufacturers have spread their operations globally as well, asking for more investments in the Indian automobile sector by the MNC's.

5) **Subhrabaran Das and Piya Das. (2012).** Role of Research and Development In Indian Automobile Industry. The objectives of the paper are to examine the role of R&D in the industry that is whether R&D is used as cost reducing or performance promoting expenditure. This paper also focuses on the impact of R&D on the employees working in the industry. The study reveals that R&D plays a crucial role both for reducing cost and promoting market performance. In case of large scale firms it is concluded that though increase in R&D increases cost of production which leads to more liability but it is beneficial both for the employees and employer as they earn more profit

6). **Piplai. (2001).** has examined the effects of liberalization on the Indian vehicle industry, in terms of production, marketing, export, technology tie-up, product up gradation and profitability. He concludes that vehicle industry has not gained much from the reforms, other than being thrust upon a high degree of unsustainable competition.

7) **Sharma. (2006).** analyses the performance of the Indian auto industry with respect to the productivity growth for the period from 1990-91 to 2003-04. Among the partial factor productivity indices only labour productivity has seen a significant improvement, while the productivity of other three inputs (capital, energy and materials) haven't shown any significant improvement. Labour productivity has increased mainly due to the increase in the capital intensity, which has grown at a rate of 0.14 per cent per annum from 1990-91 to 2003-04.

8) **Das. (2004).** also has showed the causal relationship between market structure and R&D by taking selected Indian industries for the time period 1978 - 1998. R&D is affected by market structure and market performance. There is a significant impact of liberalization on R&D. There exhibits also inverted U relationship between market concentration and R&D intensity. Market concentration is also affected by R&D and also affected due to liberalization. Concentration ratios are declining in Indian industries.

9) **Hall. (2007).** has tried to measure the returns to R&D. In order to find out the measurement of returns he has used two different methodologies- one based on the production function and another that uses firm market value to infer returns. He has tried to infer the private R&D depreciation rate from the measured returns to R&D by assuring that the net return is determined by the financial markets and therefore roughly equal across comparable firm in equilibrium.

10) **Pingle. (2000).** has reviewed the policy framework of India’s automobile industry and its impact on its growth. While the ties between bureaucrats and the managers of state-owned enterprises played a positive role especially since the late 1980s, ties between politicians and industrialists and between politicians and labour leaders have impeded the growth. These policies resulted in the establishment of new LCV manufacturers.

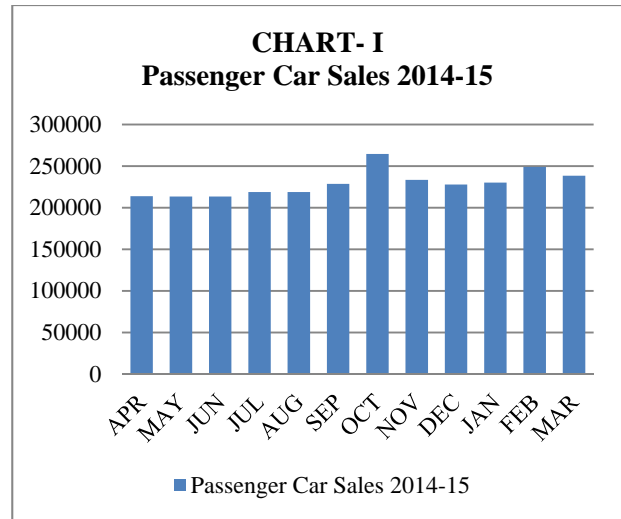
3. ANALYSIS AND FINDINGS

TABLE 1: Passenger Car Sales for the FY 2014-15

FY 2014-15 (Month wise)	Passenger Car Sales
APR	213831
MAY	213554
JUN	213494
JUL	218907
AUG	218779
SEP	228703
OCT	264693
NOV	233544
DEC	227954
JAN	230159
FEB	249144
MAR	238590

Source: www.Team-BHP.com & www. SIAM.com

The above table and chart reveals that the details of the passenger car sales for the FY Mar2014-15. It is clearly understand that the average sales volume for the FY is 229279. The highest sales volume of the passenger cars falls in the month of October it is because of the socio-cultural factor of the society most specifically the festival of Diwali. During the festival season in Indian passenger car market the customers hold more buying power with sufficient available resources. Similarly in the month of February and March the customers are able to spent money on purchase of the cars or replacing of cars for the purpose of tax benefits and availing special offers.

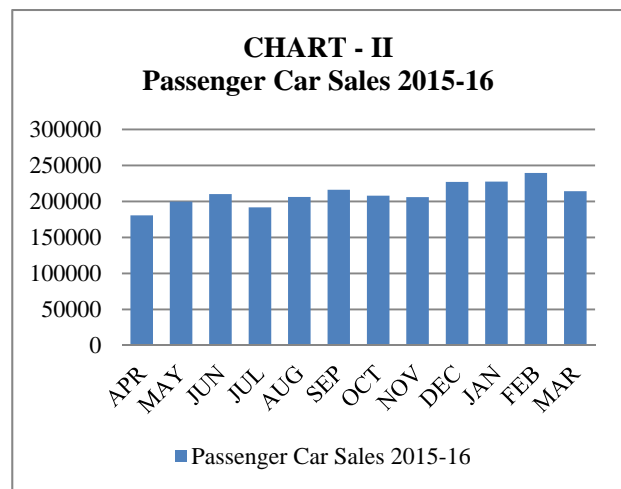


About 2 64,693 passenger cars are sold in the month of October and followed by 2, 49,144 passenger cars sold in the month of February. Hence as far as the Indian passenger car market condition is concern Festival, Tax benefits and other special offers by the car company creates business to the car manufacturers.

Table 2: Passenger Car Sales for FY 2015-16

FY 2015-16 (Month wise)	Passenger Car Sales
APR	180577
MAY	199807
JUN	210236
JUL	191874
AUG	206224
SEP	216240
OCT	208124
NOV	206071
DEC	227125
JAN	227614
FEB	239523
MAR	214169

Source: www.Team-BHP.com & www. SIAM.com

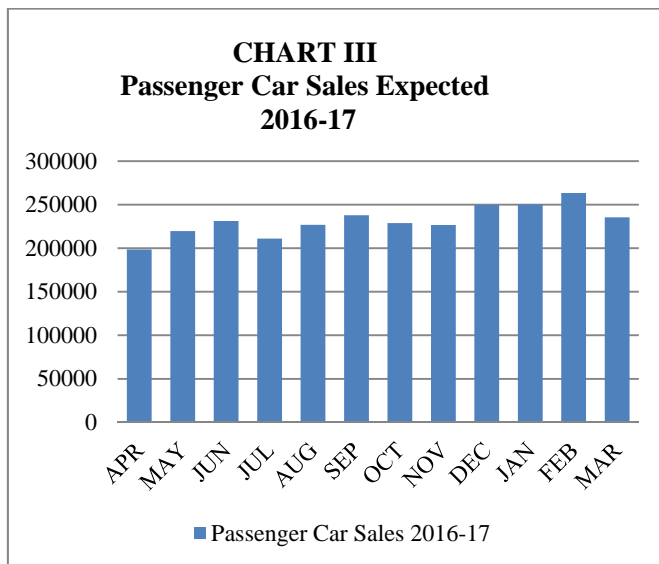


It is clearly understood from the above table is that the sales trend of passenger car for the FY2015-16 and shows that the passenger car market has an average sales volume for the FY2015-16 is 210632. For the FY2015-16, the sales volume of the passenger car in the month of February was the highest. It is because of the Consumer positive behaviour and it implies a high level of social and psychological involvement with the capacity of buying power. Then the Car companies have also launched new models suited for the market sales and were pushing their products supported by promotional campaigns, incentives like discounts and arrangement of bank finance to customers.

Table 3: Passenger Car Sales Expected in FY2016-17

FY 2016-2017 (Month wise)	Passenger car Sales
APR	198635
MAY	219788
JUN	231260
JUL	211061
AUG	226846
SEP	237864
OCT	228936
NOV	226678
DEC	249838
JAN	250375
FEB	263475
MAR	235586

Source: www.Team-BHP.com & www.SIAM.com



The above table deals with the expected domestic sales trend of the passenger car for the FY 2016-17. In the chart 1 and chart II the domestic sales of passenger vehicles has also faced ups and downs during past two years. However, the prediction indicates positive growth for the coming years. The forecasted values have been shown in table 3. The expected passenger car

sales may be higher than the 10 per cent forecast for the current FY2015-16, in view of better outlook for the economy, good monsoon, the increase of per capita of fund mobilisation with the help of banking and non banking institutions, SIAM said on July 11. This lead to growth of passenger car sales may be more than 10%.

4. SUGGESTIONS

The present study clearly reveals that the passenger car market of the country India. Based on the information collected and put it for the purpose of analysis and findings. The researcher has identified certain inputs as suggestions. The automobile industry of the country more specifically with passenger car market need to be considered the following suggestion so that industry can be fine-tune and improved.

- It is suggested to the government to make more friendly and favourable policies and procedures for automobile industries, so that the sales volume can be improved.
- The manufactures of passenger car need to be improved and consumer oriented marketing practises can be adopted to boost the performance.
- It is also suggested to maintain better customer relationship which helps to retain the customer and also utilise the customer recourses for better publicity.
- Banking companies can be reduced the rate of interest for car loan, so that the banks can expect more number of customers which boost the car market.
- The passenger car industry and the distributors can focus more on special campaign as exchange mela, car expo, road show, test drive etc. To create adequate awareness in the consumer oriented market.
- Proper and timely customer support and after sale service need to be focused more, so that the car industry and distributors can have confidence of customer support.
- It is also suggested to the car manufacturing units to add valuable additional features to attract more customers.
- Suggested to have more seasonal and festival offers to boost the sales.
- CSR (corporate social responsibility) concept can be adopted to gain name from the society, so that it helps to improve the performance.
- The government authorities need to an create adequate infrastructure facility to the car manufacturing units.

- It is also suggested to the educational institution to offer automobile related courses and programmes and focus to develop skills to avoid talent crunch in the country.
- Foreign trade policies need to be focused more by government department to improve export of passenger car to the international market.

5. CONCLUSION

The domestic passenger car market has increases to the level of 15% and expected to raise to the next level of 20% in 2017. According to the data released by society of Indian automobile manufactures (SIAM) it is further understood for the opportunity of passenger car market in the country. The above data analysis clearly reveals that there is an increasing trend in passenger car market sales most specifically a sales volume increases during festival season that is from October to January which covers Diwali, Christmas and New Year. In the FY 2014-2015 the data shows that passenger car business encouraged because of special offers by car manufacturing company and also buyers prefer to go to the market to avail tax benefits in the month of February 2016. It is also accepted that the buying behaviour of today's consumer oriented market considered the purchase of car as social needs instead of status symbol or luxury.

The researcher clearly experienced with collection of data and also with the analysis it express that the industrial scenario of the car manufacturing sector has potential market for passenger car. This particular industry always geared up for the festival season along with special offers. It is also witnessed that the banking industry is extending their services to the car market which further increases the car sales in the domestic market. This particular segment will remain always with positive results after the performance of pharmaceutical industry in India. The Automobile Passenger car market helps for economy and also for overall sustainable development.

REFERENCES

- [1] **Amarjit Singh, Dr. Vinod Gupta (2012)** "Indian Automobile Industry" IJRMET International Journal of Research in Mechanical Engineering & Technology www.ijrmet.com: Vol. 2, Issue 2, May - Oct 2012 ISSN: 2249-5762 (Online) | ISSN : 2249-5770 (Print) 22 .
- [2] **Pankaj Gupta Rajdeep Gupta Pulkit Maheshwari (2015)** "A Review: Present Indian Automobile Industry" MIT International Journal of Mechanical Engineering, Vol. 5, No. 1, January 2015, pp. 30-36 30 ISSN 2230-7680 .
- [3] **Pradeepta K. Sarangi Shahin Bano Megha (2014)** "Future Trend in Indian Automobile Industry: A Statistical Approach" Journal of Management Sciences and Technology 2 (1), Feb - 2014 ISSN -2347-5005, 28.
- [4] **Sarwade W K (2015)**, "Evolution and Growth of Indian Auto Industry" Journal of Management Research and Analysis, April - June 2015;2(2):136-141.
- [5] **Times of India, Pankaj Doval** festive boon: Car sales at 54-mth, Oct 2016
- [6] **Business line**, Passenger vehicle sales rise 20% in Sep. PTT (press trust of India) report to Business line.
- [7] **Business line**, SIAM sees passenger vehicle sales rising 10-12% on pent-up, festival demand, Sep 2016.
- [8] **Website of Society of Indian Automobile Manufacturers**
 - <http://www.siamindia.com/scripts/industrystatistics.aspx>,
 - <http://www.siamindia.com/scripts/economicaffairs.aspx>,
 - <http://www.siamindia.com/scripts/periodicals.aspx>.
- [9] www.Team-BHP.com