



An Overview of Automobile Industry in India

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Abstract

The Automobile industry is very important driver of economic growth of India. India is expected to be the world's third-largest automotive market in terms of volume by 2026. The automobiles produced in the country uniquely cater to the demands of low- and middle-income groups of population which makes this sector stand out among the other automobile-producing countries. The Government has come out with Automotive Mission Plan (AMP) 2016-26 which will help the automotive industry to grow and will benefit Indian economy. The rapidly globalising world is opening newer opportunities for the transportation industry, especially while it makes a shift towards electric, electronic and hybrid cars, which are deemed more efficient, safe, and reliable mode of transportation. With this background, this paper explains the overview of Automobile industry in India in terms of production, sales and export trend in different years.

Key Words: Automobile industry, Economic growth, Government, Globalisation, Performance, Opportunity.

INTRODUCTION

The Indian Automobile industry includes two-wheelers, trucks, cars, buses and three-wheelers which play a crucial role in growth of the Indian economy. India has emerged as Asia's fourth largest exporter of automobiles, behind Japan, South Korea and Thailand. The country is expected to top the world in car volumes with approximately 611 million vehicles on the nation's road by 2050. The economic progress of this industry is indicated by the amount of goods and services produced which give the capacity for transportation and boost the sale of vehicles. There is a huge increase in automobile production with a catalyst effect by indirectly increasing the demand for a number of raw materials like steel, rubber, plastics, glass, paint, electronics and services. India is today well known as a potential emerging automobile market and jobs in the automobile industry are rising. India is expected to be the world's third-largest automotive market in terms of volume by 2026.

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US\$ 25.40 billion between April 2000 and December 2020, according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT). The rising income and greater availability of credit and financing options have been the key growth drivers for the sector. Moreover, the demand for commercial vehicles driven by a high level of activity in the infrastructure sector has aided growth. India's established auto ancillary industry also provides the required support to boost growth in the sector. The Indian automobile industry is slowly shifting its focus to electric cars with the purpose of reducing emissions. With this background, this paper highlights the overview of Automobile industry in India in terms of production, sales and export trend in different years.

AUTOMOBILE INDUSTRY – ADVANTAGE IN INDIA

GROWING DEMAND

Rise in middle class income and young population will result in strong growth.

OPPORTUNITIES

India could be a leader in shared mobility by 2030, providing opportunity for electric and autonomous vehicles.

Focus is shifting to electric vehicles to reduce emissions. The electric vehicles industry is likely to create five crore jobs by 2030.

RISING INVESTMENT

FDI inflow in the automobile sector stood at \$25.40 billion between April 2000-December 2020.

The Government of India expects automobile sector to attract \$8-10 billion in local and foreign investments by 2023.

POLICY SUPPORT

The Automotive Mission Plan 2016-2026 is a mutual initiative by the Government of India and Indian Automotive industry to lay down the roadmap for development of the industry.

Announcement of the voluntary vehicle scrappage policy to phase out old and unfit vehicles.

AUTOMOBILE DOMESTIC PRODUCTION TRENDS

The Automobile Industry is one of the fastest growing sectors in India. It comprises a wide range of companies and organisations involved in the design, development, manufacturing, marketing and selling of motor vehicles. It is one of the world's largest industries by revenue. Table–1 explicates that the domestic production trend of automobile industry in India.

Table – 1
Automobile Domestic Production Trends

Category	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Vehicles	34,65,045	38,01,670	40,20,267	40,28,471	34,24,564	30,62,221
Commercial Vehicles	7,86,692	8,10,253	8,95,448	11,12,405	7,56,725	6,24,939
Three Wheelers	9,34,104	7,83,721	10,22,181	12,68,833	11,32,982	6,11,171
Two Wheelers	1,88,30,227	1,99,33,739	2,31,54,838	2,44,99,777	2,10,32,927	1,83,49,941
Quadricycle	531	1,584	1,713	5,388	6,095	3,836
Grand Total	2,40,16,599	2,53,30,967	2,90,94,447	3,09,14,874	2,63,53,293	2,26,52,108

Source: SIAM

The industry produced a total 2,26,52,108 vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers and Quadricycles in April-March 2021 as against 2,63,53,293 in April-March 2020. It further shows that there was a steady increasing trend in all the years of the study period except in 2019-20 and 2020-21, due to covid-19 pandemic impact on the globally integrated automotive industry.

AUTOMOBILE DOMESTIC SALES TRENDS

The growth of the Indian middleclass along with the growth of the economy over the last few years has resulted in a host of global auto giants setting their foot inside the Indian Territory. The Indian automobile industry seems to come a long way. The automobile sector today is one of the key sectors of the country contributing majorly to the economy of India.

Table – 2
Automobile Domestic Sales Trends

Category	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Vehicles	27,89,208	30,47,582	32,88,581	33,77,389	27,73,519	27,11,457
Commercial Vehicles	6,85,704	7,14,082	8,56,916	10,07,311	7,17,593	5,68,559
Three Wheelers	5,38,208	5,11,879	6,35,698	7,01,005	637,065	2,16,197
Two Wheelers	1,64,55,851	1,75,89,738	2,02,00,117	2,11,79,847	1,74,16,432	1,51,19,387
Quadricycle	0	0	0	627	942	-12
Grand Total	2,04,68,971	2,18,63,281	2,49,81,312	2,62,66,179	2,15,45,551	1,86,15,588

Source: SIAM

Table – 2 explains the domestic sales trends of automobile industry from 2015-16 to 2020-21. The sales of passenger vehicles, commercial vehicles, three wheelers, two wheelers show an increasing trend in all the years of the study period except 2019-20 and 2020-21. In 2015-16 the passenger vehicles were registered at 27,89,208 and 2020-21 at 27,11,457. The sales of all category of vehicles were registered at 2,04,68,971 in 2015-16 and 1,86,15,588 at 2020-21 respectively. There was a decline trend started in 2019-20 and 2020-21 due to the impact of covid-19 pandemic.

AUTOMOBILE EXPORTS TRENDS

The Automobile Industry has seen a significant change in the last few years. The Government aims to develop India as a global manufacturing and research and development (R&D) hub. India's- automobile exports have grown consistently.

Table – 3
Automobile Export Trends

Category	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Vehicles	6,53,053	7,58,727	7,48,366	6,76,192	6,62,118	4,04,400
Commercial Vehicles	1,03,124	1,08,271	96,865	99,933	60,379	50,334
Three Wheelers	4,04,441	2,71,894	3,81,002	5,67,683	5,01,651	3,92,941
Two Wheelers	24,82,876	23,40,277	28,15,003	32,80,841	35,19,405	32,77,724
Quadricycle	334	1,556	1,605	4,400	5,185	3,529
Grand Total	36,43,828	34,80,725	40,42,841	46,29,049	47,48,738	41,28,928

Source: SIAM

Table – 3 explains the automobile industry export trend from 2015-16 to 2020-21. In this analysis, 2019-20 and 2020-21 the export trend shows a decreasing trend for Passenger Vehicles, Commercial Vehicles, Three Wheelers and Two Wheelers respectively. The passenger vehicle export of 6,53,053 was registered in the year 2015-16 and 4,04,400 was registered in the year 2020-21. Similarly, like other categories of automobile export trend also reflects the same.

FINDINGS

- There was a steady increasing trend in all the years of the study period except in 2019-20 and 2020-21 in all category of vehicles related to automobile production.
- The sales of all category of vehicles was registered 2,04,68,971 in 2015-16 and 1,86,15,588 at 2020-21 respectively.
- The passenger vehicle export of 6,53,053 was registered in the year 2015-16 and 4,04,400 was registered in the year 2020-21.

SUGGESTION

- Indian automobile industry facing one of the toughest times in history, needs government support.
- Government should take steps to reduce the raw materials cost and cutting tax rate.
- This sector will focus on building the nation responsibly through sound development of the industry.
- The industry is expecting for a government decision to encourage demand.
- Sound development of industry would mean increase in production and sales volumes, exports, more localisation of parts, including electric vehicle components and make India self-reliant.

CONCLUSION

The automobile industry is supported by various factors such as availability of skilled labour at low cost, robust research & development centres, and low-cost steel production. The industry also provides great opportunities for investment and direct and indirect employment to skilled and unskilled labour. The Government of India expects automobile sector to attract US\$ 8-10 billion in local and foreign investment by 2023. In addition, several initiatives by the Government of India and major automobile players in the Indian market is expected to make India a leader in the two-wheeler and four-wheeler market in the world. India is also a prominent auto exporter and has strong export growth expectations for the near future. The future of the automobile industry is collectively known as C.A.S.E. called for connected, autonomous, shared and electric. One of the major trends shaping the future of automobile sector is internet connectivity in cars. These cars that have internet connectivity can communicate with other devices inside and outside the car that are also connected to the internet.

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