



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## The Rise of SUVs and Its Impact on the Indian Car Market

Prof. Amit Anil Raut

[Department Of Commerce]

Amravati, Maharashtra

Pin code- 444606

### Abstract

The Indian automobile industry has undergone a significant transformation over the last decade, with Sport Utility Vehicles (SUVs) emerging as the fastest-growing and most preferred passenger vehicle segment. Earlier, the Indian market was dominated by small hatchbacks due to affordability, fuel efficiency, and ease of driving. However, changing consumer preferences, rising disposable incomes, rapid urbanization, improved road infrastructure, and technological advancements have led to a remarkable shift toward SUVs. Automobile manufacturers have responded by introducing compact, mid-size, and premium SUVs across various price ranges, making them accessible to a wider section of consumers.

The rapid rise of SUVs has not only influenced buying behaviour but has also reshaped production strategies, competition, employment opportunities, and investment patterns within the Indian automobile industry. Companies such as Maruti Suzuki, Hyundai, Tata Motors, Mahindra, Kia, Toyota, and MG Motor have significantly expanded their SUV portfolios to capture growing demand. At the same time, the increasing popularity of SUVs has raised concerns regarding fuel consumption, carbon emissions, urban traffic congestion, and environmental sustainability.

This research paper examines the factors responsible for the rapid growth of SUVs in India and analyses their impact on the Indian automobile market from economic, social, and environmental perspectives. The paper also discusses the challenges facing the SUV segment and highlights future opportunities, particularly the emergence of electric and hybrid SUVs. The study is based on secondary data collected from industry reports, government publications, company reports, and academic journals.

**Keywords:** SUV, Indian Automobile Industry, Consumer Behaviour, Passenger Vehicles, Market Growth, Electric SUVs.

## Introduction

The automobile industry is one of the most important contributors to India's economic development. It contributes significantly to the country's Gross Domestic Product (GDP), creates millions of employment opportunities, and supports numerous industries such as steel, rubber, electronics, plastics, logistics, and financial services. India is now one of the world's largest automobile manufacturers and one of the fastest-growing passenger vehicle markets.

For many years, hatchbacks such as the Maruti Suzuki Alto, WagonR, and Swift dominated the Indian passenger vehicle market because they were affordable, fuel-efficient, and suitable for city driving. Sedans also enjoyed considerable popularity among middle-income families and business professionals. However, during the last decade, consumer preferences have shifted dramatically toward Sport Utility Vehicles (SUVs).

Originally designed for off-road driving and rugged terrain, SUVs have evolved into comfortable family vehicles that combine spacious interiors, high ground clearance, attractive styling, advanced safety systems, and modern technology. Indian consumers increasingly view SUVs as practical vehicles capable of handling diverse road conditions while offering greater comfort and a sense of security.

The launch of compact SUVs such as the Maruti Suzuki Brezza, Hyundai Creta, Tata Nexon, Kia Sonet, Mahindra XUV 3XO, and Tata Punch has played a crucial role in expanding the SUV market. These vehicles provide SUV-like styling and features at prices comparable to premium hatchbacks and sedans, making them affordable for middle-class buyers. Easy financing options, attractive exchange offers, and low maintenance costs have further encouraged customers to choose SUVs.

The COVID-19 pandemic also accelerated SUV demand. Consumers became more concerned about personal mobility, safety, and comfort, leading many families to purchase private vehicles instead of relying on public transportation. In addition, improvements in India's highway network, rural road connectivity, and expressway development have made SUVs more practical for long-distance travel.

As SUVs continue to dominate new vehicle launches and sales, they are reshaping the structure of the Indian automobile market. This study explores the reasons behind this transformation, evaluates its impact on manufacturers and consumers, and assesses the future prospects of the SUV segment.

## Objectives of the Study

The study aims to achieve the following objectives:

1. To examine the major factors responsible for the rapid growth of SUVs in the Indian automobile market.
2. To analyse changing consumer preferences toward SUVs.
3. To evaluate the economic, social, and environmental impact of SUVs on the Indian car market.
4. To identify the challenges associated with the growing SUV segment.
5. To examine future trends and opportunities in the Indian SUV market.

## Research Methodology

This research is descriptive and analytical in nature. It is based entirely on secondary data collected from reliable sources, including reports published by the Society of Indian Automobile Manufacturers (SIAM), the Ministry of Heavy Industries, NITI Aayog, company annual reports, research journals, industry magazines, and reputable automobile websites. The collected information has been analysed to identify major trends, factors influencing SUV demand, and their impact on the Indian passenger vehicle market.

#### 4. Literature Review

Several researchers and industry experts have examined the changing dynamics of the Indian automobile industry, particularly the growing popularity of SUVs. According to the Society of Indian Automobile Manufacturers (SIAM), the SUV segment has become the largest contributor to passenger vehicle sales in India over the past few years. The report highlights that improvements in consumer purchasing power, product innovation, and changing lifestyles have played a significant role in this shift.

McKinsey & Company has observed that Indian consumers are increasingly prioritising safety, technology, and driving comfort over merely purchasing the most affordable vehicle. This change in consumer expectations has encouraged manufacturers to invest heavily in SUV development. Their report also notes that the demand for connected vehicles and advanced driver assistance systems (ADAS) is particularly high in the SUV segment.

Deloitte India's "Future of Mobility" report suggests that urbanisation, digitalisation, and better financing facilities have transformed the automobile buying process. Consumers now compare vehicles based not only on price but also on design, performance, resale value, safety ratings, and technological features. SUVs perform strongly in all these aspects, making them attractive across different age groups.

Research published by CRISIL indicates that compact SUVs have become one of the fastest-growing categories because they offer premium features at relatively affordable prices. The report also highlights that government initiatives such as improved highway infrastructure, stricter safety norms, and support for electric mobility have further accelerated SUV sales.

Studies conducted by NITI Aayog emphasise that although SUVs contribute positively to industrial growth and employment generation, increasing vehicle size and fuel consumption also raise concerns regarding environmental sustainability and carbon emissions. Therefore, the future of the SUV segment will largely depend on the adoption of electric and hybrid technologies.

Overall, previous studies conclude that the rise of SUVs is driven by a combination of economic growth, technological innovation, infrastructure development, and changing consumer aspirations.

#### Evolution of SUVs in India

The SUV segment in India has experienced remarkable growth over the last two decades. In the early 2000s, SUVs were considered luxury or utility vehicles mainly purchased by government departments, business owners, and affluent families. Popular models such as the Mahindra Bolero, Tata Safari, and Toyota Fortuner were known for their rugged construction and off-road capabilities. However, their high prices and relatively poor fuel efficiency limited their appeal among middle-class buyers.

The market underwent a major transformation after manufacturers introduced compact SUVs specifically designed for Indian consumers. The launch of the Ford EcoSport in 2013 demonstrated that buyers were willing to choose an SUV if it combined attractive styling, affordability, and good fuel economy. Soon afterwards, manufacturers such as Hyundai, Maruti Suzuki, Tata Motors, Mahindra, Kia, Honda, and MG Motor entered the segment with their own compact and mid-size SUVs.

Vehicles such as the Hyundai Creta, Maruti Suzuki Brezza, Tata Nexon, Kia Sonet, Mahindra XUV300 (now XUV 3XO), Tata Punch, and Honda Elevate have successfully attracted first-time buyers as well as customers upgrading from hatchbacks and sedans.

Another important reason behind this growth is product diversification. Today, Indian consumers can choose from a wide range of SUVs, including micro SUVs, compact SUVs, mid-size SUVs, premium SUVs, luxury SUVs, hybrid SUVs, and electric SUVs. This wide variety ensures that customers from different income groups can find a suitable model.

The increasing popularity of SUVs has also influenced manufacturers' production strategies. Most leading automobile companies now prioritise SUV development over sedan production, reflecting the changing structure of the Indian passenger vehicle market.

## **Factors Responsible for the Rise of SUVs in India**

### **1. Rising Disposable Income**

One of the primary reasons behind the growing demand for SUVs is the steady increase in disposable income among Indian households. Economic growth, expansion of the service sector, higher salaries, and increasing employment opportunities have enhanced consumers' purchasing power. Families that previously preferred entry-level hatchbacks are now financially capable of purchasing compact or mid-size SUVs.

Moreover, many buyers now view automobiles not only as a means of transportation but also as a symbol of success and personal achievement. As incomes increase, consumers are willing to spend more on vehicles that offer greater comfort, advanced technology, and premium styling.

### **2. Changing Consumer Preferences**

Consumer behaviour has changed significantly over the last decade. Earlier, affordability and fuel efficiency were the primary factors influencing purchasing decisions. Today, buyers also consider safety, convenience, design, driving experience, and technological features.

SUVs provide a commanding driving position, spacious interiors, better visibility, and modern infotainment systems, making them attractive to families and young professionals alike. Many consumers also perceive SUVs as safer because of their larger size and higher seating position.

Social media, online automobile reviews, and digital marketing have further strengthened consumer awareness about SUV features, encouraging informed purchasing decisions.

### **3. Improved Road Infrastructure**

The Government of India has invested heavily in expanding highways, expressways, and rural road connectivity through programmes such as Bharatmala Pariyojana and the Pradhan Mantri Gram Sadak Yojana. Better roads have encouraged long-distance travel, tourism, and intercity commuting.

SUVs are particularly suitable for Indian road conditions because they offer higher ground clearance and superior suspension systems. They can comfortably handle uneven roads, speed breakers, potholes, and rural terrain that often create difficulties for sedans with lower ground clearance.

As infrastructure continues to improve, the practicality and popularity of SUVs are expected to increase further.

#### **4. Availability Across Different Price Segments**

Earlier, SUVs were considered expensive vehicles beyond the reach of average consumers. However, manufacturers have introduced SUVs across a wide range of price categories.

Micro SUVs such as the Tata Punch and Hyundai Exter target entry-level buyers, while compact SUVs like the Maruti Suzuki Brezza, Tata Nexon, and Kia Sonet appeal to middle-income families. Premium buyers can choose vehicles such as the Toyota Fortuner, MG Gloster, BMW X5, or Mercedes-Benz GLE.

This broad product range has significantly expanded the SUV customer base and contributed to rapid market growth.

#### **5. Technological Advancements**

Modern SUVs are equipped with advanced technologies that enhance safety, comfort, and convenience. Features such as touchscreen infotainment systems, wireless smartphone connectivity, digital instrument clusters, panoramic sunroofs, automatic climate control, connected car technology, 360-degree cameras, adaptive cruise control, and Advanced Driver Assistance Systems (ADAS) have become major selling points.

Consumers increasingly expect these premium features even in affordable vehicles, and manufacturers have responded by offering technology-rich SUVs at competitive prices. This has further accelerated the shift away from traditional hatchbacks and sedans.

#### **6. Easy Availability of Vehicle Financing**

One of the most significant contributors to the rapid rise of SUVs in India is the availability of affordable vehicle financing. Earlier, purchasing an SUV required a substantial upfront investment, making it difficult for middle-income families. Today, banks, Non-Banking Financial Companies (NBFCs), and automobile manufacturers provide attractive financing schemes with low interest rates, flexible repayment periods, and minimal documentation.

Most automobile dealerships also offer exchange bonuses, festive discounts, zero down-payment schemes, and customized EMI options, making SUV ownership financially accessible. Digital loan approvals and online financing platforms have further simplified the purchasing process. As a result, many first-time car buyers and young professionals are now able to purchase compact SUVs instead of hatchbacks.

#### **7. Growing Safety Awareness**

Indian consumers have become significantly more conscious about vehicle safety in recent years. The introduction of the Bharat New Car Assessment Programme (Bharat NCAP), increased media coverage of crash tests, and greater awareness through social media have encouraged buyers to prioritize safety over price alone.

SUVs generally perform better in terms of safety because of their stronger body structures and advanced safety features. Most modern SUVs are equipped with six airbags, Anti-lock Braking System (ABS), Electronic Brakeforce Distribution (EBD), Electronic Stability Control (ESC), Hill Hold Assist, Traction Control, ISOFIX child-seat anchors, and tyre pressure monitoring systems.

The success of vehicles such as the Tata Nexon, which received a five-star safety rating, demonstrates that safety has become an important factor influencing purchasing decisions. Consequently, manufacturers continue to improve safety standards across their SUV portfolios.

## **Impact of SUVs on the Indian Car Market**

The growing popularity of SUVs has transformed the Indian passenger vehicle market in several ways. Their impact extends beyond consumer preferences and has influenced manufacturing strategies, employment, technological innovation, and overall economic development.

### **1. Changing Consumer Buying Behaviour**

The most visible impact of SUVs is the shift in consumer purchasing patterns. Earlier, hatchbacks accounted for the largest share of passenger vehicle sales because of their affordability and fuel efficiency. However, compact SUVs now offer similar pricing while providing superior styling, spacious cabins, better ground clearance, and enhanced safety features.

Consumers increasingly perceive SUVs as long-term investments that provide greater value for money. Families appreciate the additional seating space and luggage capacity, while younger buyers are attracted to the bold design and advanced technology. Consequently, many customers who previously considered sedans or premium hatchbacks now prefer compact SUVs.

### **2. Transformation of Manufacturing Strategies**

The increasing demand for SUVs has encouraged automobile manufacturers to redesign their production strategies. Companies now allocate a larger share of research and development expenditure toward SUV platforms, hybrid technology, electric vehicles, and connected mobility solutions.

Several manufacturers have expanded manufacturing facilities specifically to increase SUV production capacity. Flexible production lines allow companies to manufacture multiple SUV models using common platforms, reducing production costs while improving efficiency.

This strategic shift demonstrates that SUVs are no longer considered a niche product but have become the primary focus of India's passenger vehicle industry.

### **3. Increased Competition Among Automobile Manufacturers**

The rapid growth of SUVs has intensified competition within the automobile industry. Every major manufacturer now competes aggressively by introducing new models with improved safety, technology, fuel efficiency, and attractive pricing.

For example, Hyundai strengthened its position through the Creta, Tata Motors achieved remarkable success with the Nexon and Punch, Mahindra expanded its SUV portfolio with the Scorpio-N and XUV700, while Maruti Suzuki entered the premium SUV market with the Grand Vitara.

This competition has benefited consumers by increasing product quality, encouraging technological innovation, and providing a wider range of choices across different price segments.

### **4. Employment Generation and Industrial Growth**

The expansion of SUV manufacturing has generated substantial employment throughout the automobile value chain. Increased production requires skilled workers in assembly plants, design centres, quality control departments, logistics, marketing, dealership operations, and after-sales service.

The growth of SUV production has also benefited automobile component manufacturers producing engines, tyres, suspension systems, electronic components, infotainment systems, batteries, and safety equipment. Consequently, the SUV boom contributes significantly to industrial development and economic growth.

## 5. Contribution to the Indian Economy

The automobile sector contributes significantly to India's GDP and manufacturing output. The rapid growth of SUVs has further strengthened this contribution by increasing production, exports, tax revenues, and private investment.

Higher SUV sales generate increased Goods and Services Tax (GST) collections and encourage automobile companies to invest in new production facilities, research centres, and supply chains. Foreign automobile manufacturers have also increased investments in India due to the country's expanding SUV market.

Furthermore, the success of domestically manufactured SUVs has enhanced India's reputation as an important global automobile manufacturing hub.

## Social and Environmental Impact

### 1. Social Impact

SUVs have become symbols of modern lifestyles, financial success, and social status. Their popularity reflects changing consumer aspirations rather than merely transportation needs. Many buyers prefer SUVs because they offer greater comfort during long journeys, improved visibility while driving, and increased confidence on challenging road conditions.

For larger families, SUVs provide better seating capacity, larger luggage space, and greater convenience during vacations and intercity travel. These practical advantages have made SUVs the preferred family vehicle for many Indian households.

### 2. Environmental Impact

Despite their numerous advantages, SUVs present important environmental challenges. Due to their larger size and weight, conventional petrol and diesel SUVs generally consume more fuel than hatchbacks and sedans. Increased fuel consumption contributes to higher carbon dioxide emissions and greater dependence on fossil fuels.

The growing number of SUVs on Indian roads also increases traffic congestion, parking demand, and urban pollution. As cities become more crowded, managing larger vehicles presents additional challenges for urban planning authorities.

To address these concerns, automobile manufacturers are investing heavily in hybrid and electric SUVs. Models such as the Tata Nexon EV, Mahindra BE series, and other upcoming electric SUVs aim to reduce emissions while maintaining the comfort and versatility that consumers expect from SUVs.

## Case Studies of Successful SUVs in India

### 1. Hyundai Creta

The Hyundai Creta is one of the most successful mid-size SUVs in the Indian market. Since its launch in 2015, it has consistently remained among the highest-selling SUVs in the country. The vehicle's success can be attributed to its stylish design, premium interior, powerful engine options, advanced safety features, and excellent after-sales service. Hyundai has regularly updated the Creta with modern technologies such as connected car features, panoramic sunroof, Level 2 ADAS, digital instrument cluster, and large touchscreen infotainment systems.

The popularity of the Creta encouraged several competitors, including Kia, Honda, and Maruti Suzuki, to introduce similar mid-size SUVs. It also demonstrated that Indian consumers were willing to pay a premium for vehicles that offered superior comfort, technology, and safety.

## 2. Tata Nexon

The Tata Nexon has transformed Tata Motors' position in the passenger vehicle market. Initially launched as a compact SUV, it quickly became popular due to its attractive pricing, bold design, excellent ride quality, and outstanding safety performance. The Nexon became one of the first Indian cars to receive a five-star crash safety rating, significantly increasing consumer confidence in Tata Motors.

The company further strengthened the Nexon brand by introducing electric and CNG variants, making it one of the most versatile SUVs in India. The success of the Nexon illustrates how product innovation, safety, and value for money can help manufacturers gain a competitive advantage.

## 3. Maruti Suzuki Brezza

The Maruti Suzuki Brezza played a significant role in expanding the compact SUV segment in India. Leveraging Maruti Suzuki's extensive dealership and service network, the Brezza attracted a large number of first-time SUV buyers. Its reliable engine, fuel efficiency, low maintenance costs, and high resale value made it one of the country's best-selling SUVs.

The Brezza's success proved that SUVs could achieve mass-market acceptance when offered at affordable prices with dependable after-sales support.

### Challenges Facing the SUV Market

Despite its remarkable growth, the SUV segment faces several important challenges.

1. **Rising Fuel Prices:** Increasing petrol and diesel prices raise the overall cost of ownership. Higher fuel expenses may encourage some buyers to consider smaller vehicles or electric alternatives.
2. **Stringent Environmental Regulations:** Governments around the world, including India, are implementing stricter emission norms to reduce pollution. Compliance with future regulations requires substantial investment in cleaner technologies, increasing production costs.
3. **Urban Traffic and Parking Issues:** The growing number of SUVs contributes to traffic congestion and parking shortages in major cities. Larger vehicles occupy more road space, making traffic management increasingly difficult.
4. **Intense Market Competition:** Almost every automobile manufacturer now offers multiple SUV models. This intense competition forces companies to continuously improve product quality, introduce new technologies, and maintain competitive pricing, which can reduce profit margins.
5. **Supply Chain Challenges:** Global shortages of semiconductors, fluctuations in steel and aluminium prices, and disruptions in international supply chains can delay production and increase manufacturing costs.

### Future Prospects of SUVs in India

The future of the Indian SUV market appears highly promising. Rising income levels, expanding urbanisation, improving road infrastructure, and increasing consumer aspirations are expected to sustain demand over the coming years. Compact and mid-size SUVs are likely to remain the fastest-growing passenger vehicle segments.

Electric SUVs are expected to play a particularly important role in the future. As battery technology improves and charging infrastructure expands, more consumers are likely to adopt electric SUVs because of their lower operating costs and environmental benefits. Government initiatives such as the Faster Adoption and

Manufacturing of Electric Vehicles (FAME) scheme and Production Linked Incentive (PLI) programme are encouraging manufacturers to invest in electric mobility.

Technological innovation will continue to shape the SUV market. Artificial intelligence, connected vehicle systems, over-the-air software updates, advanced driver assistance systems (ADAS), and autonomous driving technologies are expected to become increasingly common even in affordable SUV models.

Manufacturers are also expected to focus on sustainable production methods by using lightweight materials, recyclable components, and energy-efficient manufacturing processes. These developments will help balance growing consumer demand with environmental responsibility.

## Findings of the Study

The study identifies several important findings:

- SUVs have become the fastest-growing passenger vehicle segment in India.
- Rising disposable incomes, changing lifestyles, improved infrastructure, and easy financing are the primary factors driving SUV demand.
- Compact SUVs have made SUV ownership affordable for middle-class consumers.
- Automobile manufacturers have shifted their product strategies towards SUV-focused portfolios.
- Increased SUV production has generated employment, encouraged investment, and strengthened India's automobile manufacturing sector.
- Growing SUV ownership has also created environmental challenges related to fuel consumption, emissions, traffic congestion, and parking.
- Electric and hybrid SUVs are expected to play a crucial role in ensuring the long-term sustainability of the segment.

## Conclusion

The rise of Sport Utility Vehicles (SUVs) represents one of the most significant transformations in the history of the Indian automobile industry. What was once a niche category limited to premium buyers has evolved into the most influential passenger vehicle segment in the country. Rising disposable incomes, rapid urbanisation, improved road infrastructure, technological advancements, changing consumer preferences, and favourable financing options have collectively accelerated SUV adoption across different income groups.

The growth of SUVs has reshaped the competitive landscape of the Indian automobile market. Manufacturers have expanded their SUV portfolios, invested heavily in research and development, and introduced innovative products equipped with advanced safety systems and connected technologies. The segment has contributed substantially to employment generation, industrial growth, government tax revenues, and foreign investment.

However, the increasing popularity of SUVs also presents challenges, including higher fuel consumption, environmental concerns, traffic congestion, and infrastructure pressure. Addressing these issues requires coordinated efforts from automobile manufacturers, policymakers, and consumers. Greater emphasis on electric mobility, cleaner technologies, sustainable manufacturing, and efficient urban planning will be essential for maintaining balanced growth.

In conclusion, the SUV segment is expected to remain the driving force of the Indian passenger vehicle market for the foreseeable future. Manufacturers that successfully combine affordability, innovation, safety, fuel efficiency, and sustainability will be best positioned to meet the evolving expectations of Indian consumers and maintain long-term competitiveness in this dynamic industry.

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