



A Comparative Study for Indian and Foreign Automobile Sector

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ABSTRACT

The Automobile sector is an important pillar of the Indian Economy. Being a major contributor to GDP, and a big job creator facing a slowdown, the crisis in the Indian and foreign automobile sector has far-reaching consequences. This research study examines the reason leading to the decline in automobile sales with specific reference to Indian and foreign automobile companies from a two-wheeler, four-wheeler, passenger, and commercial vehicles. An overall economic slowdown, liquidity issues, weak consumer demand, disruptive entry of new players are observed to be the prime factors forcing automobile companies to declare plant non-working days, employee wage cuts and even retrenchments, delaying expansion plans and technology upgrades apart from being pushed into a deep financial crunch. Findings and recommendations from this research can strengthen our understanding of the issues surrounding the sector and can potentially help companies to find a way out of the crisis.

KEYWORDS - Ashoka Leyland, Maruti Suzuki, Hero Moto Corp, MG Motors, Tata Motors, Jaguar Land Rover, BMW, Mercedes

Introduction:

Today in the Globalization Macroeconomic growth and technological advancements have facilitated the auto sector to contribute 7.1% towards GDP and employ 37 million in India. Its sister sector four-wheeler automobile components employ 19 million. (IBEF, 2018) held as the fourth largest sector in the world in 2017 and with sales increasing 9.3% year-to-year, the sector tumbled down to the seventh position by 2018 with a significant decline in growth during 2019.

However, a slump in 2018-19. The development strategies used by countries like India, Mexico, and China in the auto ancillary industry are converging and thereby will impact the global value chain of the four-wheeler automobile industry. (Sturgeon and Biesebroeck, 2009)



Objectives of the Study

1. To Study slowdown in the Indian and foreign automobile Industry.
2. To study the consequences from the sectoral slowdown.
3. To identify potential solutions.

Significance of the study

According to the four wheeler Automotive component manufactures association of india (ACMA), around 1 million jobs could be on the line if the prolonged in the automobile industry continues. The decline in growth in the auto industry over the past 11 months has affected the components industry as well. So, a study to analyse the reason for the slowdown is important.

Discussion

A. Overall Economic Crisis

The global economic slowdown has historically shown a direct impact on the global auto industry. The Asian currency crisis, Y2K, global financial crisis are some examples where this was historically visible. Financial instability, job cuts, and inefficient cash flow in the economy will impact buyer preferences. Weak income growth and the increasing cost of vehicle ownership are some deterrents.

B. Liquidity Crisis

Lending norms have been tightened to and by the non-banking finance companies sector since the 2018 crisis. The failure of some big conglomerates in meeting their debt payment obligations has brought in a trust deficit in the financial economy. The tightening their debt payment obligations has brought in a trust deficit in the financial economy. The tightening of credit availability, particularly to car buyers and dealers, is its immediate consequence. Already manufactured vehicle numbers outpaced the sales, and all the unsold inventory piled up at stockyards.

C. Poor consumer demand

Consumers begun postponing their purchase decisions anticipating two possibilities. Firstly, anticipations are that vehicle will be sold at huge discounts because of governmental pressure to move towards, those who are not budget-conscious are waiting for the availability of a broad choice models, but auto manufacturers are reluctant to do that hurriedly. A situation like this has forced dealers to pile up inventory that remained unsold for a longer than anticipated time. increasing inventory levels without demand will mean that capital gets stuck and remain unproductive.



D. Government Policy

Governmental policies play an essential role in fostering the four wheeler automobile industry. The automobile sector is given decent importance in the “make in india” initiative taken up by the government in 2014.

E. New Models and New Entrants

It is not uncommon for the sector to do new product launches to catch buyer attention. Different automakers use different strategies for this. Nissan revived its strategy to turnaround and decided to make one new model every year.

F. Shift to Electric Vehicles

Tighter environment pollution norms, particularly in Europe, have forced automobile manufacturer to switch from the traditional petrol and diesel –run vehicles to green fuel – based vehicles. Some early entrants such as Tesla has not only flourished the company but also helped the evolution of the electric vehicle industry. Added to this, countries like Indian are forcing manufacturers from BS-IV to BS- VI that in a short time frame.

Study of the Literature

Several researchers studied the Indian and foreign automobile sector and its slowdown. Discussed the slowdown analysed the changing scenario of the automobile industry that influences the purchasing behaviour of consumers. It expalians the sales analysis of various automobile companies in Indian and Foreign. This paper furthers our understanding of the subject in the context of the slowdown of 2018-20.

RESEARCH METHODOLOGY

This study uses Descriptive research in the form of an Exploratory study to gather preliminary information, observed the past, record the situation, and describe immediate possible outcomes.

DATA COLLECTION

Secondary data sources were used for collecting information necessary for this study. The data is collected from several journals, research papers, websites, including from the official websites of both the companies and other agencies, Annual reports.

DATA ANALYSIS

The table given below shows the annual sales data of all automobile companies combined. While the annual trends look to be healthy, there are severe dots in the quarterly numbers that have caused concerns in the past.



Category	Four wheeler	Commercial vehicles	Three wheeler	Two wheeler
2009-10	114307	351041	359920	7052391
2010-11	1379979	467765	403910	7872338
2011-12	154988	490494	364781	724947
2012-13	155270	384194	349727	743761
2013-14	195133	532721	440392	743761
2014-15	250154	684910	526024	117689
2015-16	261806	809532	513251	134357
2016-17	245852	743798	501035	133255
2017-18	250350	632851	480085	148067
2018-19	260123	614948	532626	159755

(Sources: Various reports of Society Of Indian and Foreign Automobile Manufacturers)

Findings

1. Companies have to consider the realise sales numbers as a determinant to decide the production levels so as not to pile up inventory.
2. Globally proven methods like green initiatives and EV might not work in India in the same way that worked elsewhere.
3. Stable long- term policies and stronger economic push from the government is necessary to revive the sector.

Conclusion

Being one of the most significant contributors to GDP and a top employer, the Indian Automobile and Auto- ancillary sectors are vital for the economic progress of the country. The recent global slowdown has its toll on the Indian automobile sector and hence has a chain of consequences. This paper examines some factors in the context of some some recent experiences observed. Companies have to take a more realistic view of determined the number of units they need to manufactures. Further, futuristic technologies require Indian buyers to be mentally be prepared before the products are being launched. Finally, severe economic push in the form of Government policies is necessary for the sector to revive failing, which the slowdown cycle would get extended further.

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