

# Challenges faced by Automobile Industries in India

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## Abstract

Indian Automobile industry is flourishing its twigs worldwide and is close to a fruition of triumph in the global competition. The spine of the industry is its suppliers of auto components and accessories which is also an exclusive industrial segment. Today auto industry is enjoying the benefits while the auto component sector is in its gloom despite of hard efforts of survival. The factors making the differences are unavailability of resources like skilled labour and technology, high cost of production due to inflation and Government policies of indirect taxes such as customs and excise. The paper highlights the challenges faced by Indian automobile industry in domestic and global market.

**Keywords-** Automobile, Accessories, International Trade, Exports, Imports.

## **Introduction :**

The later globalization period enhanced the trade in all sectors which includes automobile and auto components in top trading commodities. The new auto policy helped to promote the auto sector worldwide. The cheap labour and resources in India has captivated the attention of developed countries from long years back. Only on the globalization the trade benefits came into clear picture and also India realized the potential of the world market. Despite of free trade agreement, the preferential and regional trade agreements brought the higher potential markets closer to India to develop the international trade and flourish the Indian presence. Today the international markets are so saturated and the cut throat competition is spread all over the globe as the whole world has become a single market. The rule of 'survival of the fittest' is applied at every stage and in all the sectors. This enabled Indian auto industry to grow at certain extent. The threat of other competitive countries and the internal country policies affecting the sector directly or indirectly, the loop holes are stretching the limbs behind and withdrawing its roots of development. On one side the automobile industry is flourishing while on the other side the Indian auto component/ parts which is a spine of Indian automobile industry is shrinking. The study envisages the real problems faced by Indian auto component sector in international trade and the challenges to meet ahead.

India is expected to become one of the leading economies of the world in the coming decades. With a population of more than 1.2 billion, it is the second most populous country after China and ranks third in terms of Gross Domestic Product (purchasing power parity), after China and the United States. With growing population, India is simultaneously experiencing massive urbanization. Between 1991 and 2011, the urban population increased from 26 per cent to 31 per cent. An estimated 10 million migrate to cities and towns each year for exploring economic opportunities. Growing population, particularly in urban centres, has resulted in the formation of a sizable middle-class, and India is soon expected to have the largest and youngest workforce the world has ever seen.

Increased and better forms of mobility are one of the key outcomes of growth and development of any economy. It can also be argued that increased mobility will further promote economic growth and development since it connects people to jobs, markets, and services, and gives people a chance to gain equity in the political, economic, and social spheres. Considering an insatiable demand for vehicles in an economy that is expected to grow at an average of 7% for the next 20 years, the automobile sector in the country will require disproportionate amounts of natural resources which will not only have economic cost implications, but also have strong environmental and social impacts. Future growth will be associated with increased raw material extraction, pollution arising from production, processing of primary materials for production of automobile, GHG emissions during the manufacturing phase, use/operation phase, traffic congestion, etc.

TERI in association with GIZ India is undertaking a project supported by Federal Ministry for the Environment, Nature Conservation, Building and Nuclear safety (BMUB) and Ministry of Environment Forest and Climate Change, to understand the existing and future dependence on material resources of India's growing automobile sector and exploring opportunities of saving resources along the value chain for improved sustainability of the sector. The consortium is working with medium and small-scale industries producing automobile as well as the end of life vehicle (ELV) dismantlers in implementing pilot interventions to achieve material use efficiency. The three year project will also be developing policy framework and guidelines that would facilitate adoption of resource efficiency interventions across the automobile industry in India.

Automobile industry grew at the rate of 14.4% over the past decade, making India the world's sixth largest producer of automobile in terms of volume and value. The sector employed 12.5 million people (about one per cent of India's population), directly and indirectly, and contributing nearly five per cent to India's GDP.

Currently, India's share to global production of automobiles is 4.9 per cent, making it the fifth largest producer after China, Japan, Germany, and South Korea. Government of India aims to make automobiles manufacturing the main driver of 'Make in India' initiative, as it expects passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26.

## **Review of Literature :**

Review of related literature is an important research effort as it provides comprehensive understanding of what is already known about the topic. Familiarity with research work of others provides up-to-date knowledge of the latest developments, findings, recommendations, tools and loop holes of researches. It helps to avoid duplication of what has already been done, and provides useful directions and helpful suggestions for research work.

**Biswajit Mahanty and Virupaxi Bagodi (2007)** More than 55 million two-wheelers are moving on Indian roads. Accordingly, two-wheeler service sector should have generated

revenue amounting to INR 100,000 million per year, but in reality, this has not been realised in the organised service sector, the Indian two-wheeler service industry has not considered servicing as a line of business and providing conveniently reliable services is most important in two-wheeler services in India to capture the market.

**Abhijeet Singh and Brijesh Kumar (2011)** Hero Honda Motors. Ltd. is running a program called good life passport to relationship Reward, with an objective to create an innovative environment for interaction between Hero Honda and its customers. Members of this program are given a magnetic card in which all information is stored and this card is swiped when using any service at a showroom or workshop and it works like a loyalty benefit card.

**Pawan Chabra (2011)** Nowadays every second bike sold in the premium segment is a pulsar and this shows the dominance of Bajaj in the Indian market place, this was possible because the company has been regularly making the alterations to make the motorbike look fresh at all times and Bajaj today holds over 50% market in the premium segment (for FY 2010-2011) followed by a distant second largest player Honda Motorcycle & scooter India with a 19% market share.

**Oyama (2012)** Honda Motor wants to be number one in the Indian market and the company wanted 30% of Honda's global sales to come from Indian operations by 2020. HMSI have had issues related to production in the past with most of its models having the longest waiting period in the country, this reduced in Honda's penetration in the rural market, which is less than a third of Hero Moto Corp.

#### Research Methodology :

The method used in this paper is descriptive-evaluative method. The study is mainly review based. It is purely supported by secondary source of data, i.e. books, journals, papers and articles and internet.

#### Objectives of the Study :

- To analyse the Problems faced by Indian Automobile Industry.
- To identify the barriers and the challenges for Indian automobile industry in international trade.

#### Major challenges faced by the automobile industry in India :

**Drawing talent-** As the automobile manufacturing industry continues transforming; manufacturers will require continuing attracting the top and the brightest talent in order to acclimatize to the times.

**Overloading-** Like all companies automobile manufacturing come across with ups and downs. Overcapacity is the issue that happens when a producer has already invested the resources such as payroll and materials into constructing a definite quantity, only to find out later that they do not require producing as much as they had planned for. The result is an over-expenditure that can spoil cash flow and result in waste. The excellent way to prevent overcapacity is to endow in increased manufacturing floor responsiveness and enhanced master production scheduling.

**Globalization-** Enhanced global competition implies that lower market prices for several vehicles: once again, most solutions call for enhanced efficiency in order to offset a minor margin of income.

**Sustainability-** Consumers are more and more worried about sustainability. Manufacturers, consequently, must struggle to generate more Eco-friendly cars and to be more competent in manufacturing.

**Urbanization-** At present consumers have a dissimilar set of criteria for their cars, numerous of which are relevant to urbanization. They comprise smaller vehicles, better maneuverability, and enhanced fuel mileage.

#### Conclusion :

Automobile manufacturing industry serves as the single source of customer legitimacy, providing a complete history of customer interactions across channels one interface for agents to utilize regardless of communication platform and a dependable, complete source of the voice of the customer insights. The internal barriers in the country and constraints a international level had sluggish down the industry growth, these barriers predominantly are hindrances like – Tax structure especially the disparity in custom and excise duties on the raw material of automobile, and automobiles. The unavailability of resources at reasonable cost for example- Power, Skilled Labour, Technology etc is also a major constraint. The challenges are mainly to overcome with these hindrances and sustain into international competition with other low cost countries. Adding up the extra values to the products and seeking government active participation in the meager resources may help to break the barriers. The active participation is also needed in making the goods cost effective by considering various parameters like providing extended help to bring overall sector under organized platform and liberalized policies.

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