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A study of growth in Indian automobile industry

Mr Jai Prakash
Associate Professor of Commerce
Pt. C.L.S. Govt. College, Karnal Haryana
Dr. S. S. Jadhav
Associate Professor of Commerce
B.K.D. College, Chakur, Distt. Latur, Maharashtra

Abstract

How widespread and effective is the current labor protest? The Indian car industry has made catering to this craze a key priority. It's true that since India's inception, she's been plagued by worker strikes and riots due to the country's democratic nature. Particularly severely hit are fast-growing sectors of the economy. The top brass in the car business are now doing a lot of research and development on how to mitigate or avoid this problem. This study will first examine the recent strikes in India's car sector, then investigate its features, and lastly attempt to develop an effective model to manage with it, revealing deep relationships between workers and their superiors in the process.

Key words: Indian automobile industry; Workers unrest; Motivation; Expectancy theory

Introduction

One of India's most important industries is the production of automobiles. The automotive business in India is strategically important because, as in any other country, a modern transportation infrastructure is essential to economic growth. The Indian government has taken legislative steps to support the car industry, which it views as a "core" or "pillar" sector necessary for the country's economic development. The automobile industry in India is highly intertwined with other manufacturing sectors, so it contributes significantly to the country's GDP, exports, and employment. Its health is seen as a reflection of consumer and business confidence, hence its performance is often used as an economic barometer. As a result, it's been labeled as an up-and-coming industry in India's economy. Even yet, the Indian car sector has been slowing down as of late, with 2019 predicted to be the worst ever due to a precipitous drop in sales and a buildup of inventories. Passenger car sales dropped by 17.98% from April to December of this year, as reported by the Society of Indian Automobile Manufacturers (SIAM). There are a number of variables that might affect a sector's rate of growth. The study's goal is to pinpoint the most consequential factors, which will help policymakers and economists create a framework for promoting the industry's fast expansion and revitalization, which will have far-reaching benefits for the economy as a whole. The research focuses on the time after globalization, which was a time of many changes. To stimulate rapid economic expansion and boost the country's international competitiveness, the Liberalization, Privatization, and Globalization (LPG) model was put into place. All areas of the economy saw reforms implemented in an effort to boost productivity. The new age was defined by progressive and unrestrictive leadership that put the nation on a path to rapid economic growth and cultural advancement. Some of the most significant shifts in history can be traced back to this time period, and they all contributed to the improvement of the car industry. Firms were able to reap the benefits of scale without becoming bogged down in bureaucratic red tape because to unlimited capacity growth. Capital is essential to every industry's development, and the influx of funds from outside companies and institutions maintained a steady flow of this resource. Unrestricted international commerce not only increased the size of the market, but also provided a springboard for improving quality. The Indian car industry benefited greatly from the sharing of technologies and business practices between companies from other countries, which sped up its development and expansion. Massive positive changes in the performance of the industry were brought about by the opening of the economy to foreign direct investment through the provision of facilities to foreign companies to invest in the industry, the removal of constraints and obstacles to the entry of multinationals in India, and the allowance of Indian companies to enter into foreign collaborations or to set up joint ventures in India and abroad. Jobs were created in large numbers, which lessened the country's overall poverty level and increased people's ability to buy goods and services. The purpose of this article is to re-examine, experimentally, the influence of the chosen drivers on the development of India's car sector.

Massive industrialisation in many industrialized and emerging nations is an indicator of economic progress. However, it poses a danger to the environment and calls for environmentally conscious business practices that advance the firm while simultaneously caring for the planet. According to a recent poll, 73% of consumers think about eco-friendly items, 92% of consumers think about fuel-efficient automobiles, and 47% of consumers desire a car that uses alternative fuel technology. Several of the world's largest automakers, like Toyota (which, according to the North American Environmental Report, spends an average of roughly $1 million an hour on R&D to create the automobiles and technology of the future), are among those making massive investments in this area. In addition to investing heavily in research and development, these automakers are also taking part in Green Supply Chain Management (GSCM) and other green initiatives to save costs and contribute to sustainability programs without sacrificing company performance. Focusing on life cycle costing, asset efficiency, waste reduction, and service innovation and recycling, GSCM stands out as a key characteristic of top automakers. By uniting teams around the same goal of cutting costs, GSCM boosts creativity in product development, increases asset utilization, and strengthens connections with and quality of service for customers. As a result of using GSCM, not only is the firm's performance boosted, but waste is also drastically reduced. Because it helps keep the company running smoothly, particularly in the area of supply chain management, and cuts costs by using reverse logistics. Green marketing is also becoming more important to the automotive industry. Green marketing is "the efforts of organizations to develop, advertise, package, and recover goods in a way that is sensitive or responsive to ecological issues," as defined by the American Marketing Association (AMA). Green marketing first emerged in the developed economies of Europe and the United States as a response to increasingly stringent environmental regulations affecting business. In this case, businesses have begun to establish environmentally friendly product marketing strategies. These strategies may involve eco-friendly product planning, packaging, promotion, pricing, and labeling. Ecological marketing, sustainable advertising, green branding, etc. are all names for green marketing. Many automakers have already begun developing such a system, and this trend will likely continue, as environmentally conscious consumers increasingly prioritize sustainability when making purchases. A company's willingness to adopt green marketing practices is a sign of success, and it also helps the planet. However, since sustainable development is not a short-term objective that can be readily quantified, it is impossible to declare which variables contribute more. However, research into the topic shows that green marketing and sustainable growth are inextricably linked. Adopting green initiatives is an additional expenditure for the company and may be seen as a burden, with the costs perhaps being recouped by charging higher prices for their goods. People in developing nations, such as India and its neighbors, may be unwilling to pay a greater price for the commodity. If this is the case, it is crucial to learn whether or not consumers are willing to pay a premium for products that are better for the environment. When it comes to cars, for example, Indian consumers are willing to shell out a little more cash if it means saving money on gas or getting a car that runs on something other than gasoline, such as LPG, CNG, or batteries. As a result, the current trends in the Indian auto industry show that the majority of manufacturers are placing a far greater emphasis on producing environmentally friendly vehicles in order to attract and retain consumers. There is no clear answer to the question of whether or not consumers in India care more about the environment than they do about their wallets, despite the fact that numerous companies, including Maruti Suzuki, Hyundai, Mahindra & Mahindra, and many others, are investing heavily in the development of environmentally friendly automobiles. Studies have shown that consumers are willing to pay a premium for ecologically sound goods. The question of which product categories customers are willing to pay a premium for may be answered with the right market research. When it comes to cars, consumers are only willing to spend more if they anticipate financial benefits. Since cars are the most common cause of pollution, the government has increased its scrutiny of the auto industry in an effort to get them to reduce their carbon footprint.

These businesses are consistently at work on the problem, but the cost often stands in the way, leaving them perplexed since they know they need to keep product costs as low as possible to survive in today's market. Under pressure from the government, the environment, and the public, these businesses are investing in R&D to find ways to reduce carbon emissions while still keeping their operations running smoothly. The goal of this study is to examine the influence of green efforts on sustainable development by drawing on a wide body of research to draw conclusions about the connection between firm performance and green initiatives. Authors from all around the world have analyzed this problem seriously and provided their best solutions. We have done the same thing, collecting related research articles and analyzing them to arrive at more substantial conclusions. In 1991, the Indian government lifted statutory censing of the automotive industry, paving the way for a flood of foreign direct investment (FDI) through the automatic method. The number of units produced in India increased from 2 million in 1991 to 9.7 million in 2006 [SIAM,2007-08]. Major automakers have shown interest in the Indian market because of the expanding middle class and its rising buying power, as well as the country's robust economic development over the previous several years. Incomes have risen, taxes and interest rates have fallen, and this has increased people's take-home pay. The enormous expansion in communication has urbanized the perspective of rural consumers and boosted their inclination to buy. This is due in large part to a shift in consumer priorities away from real estate investment and toward more discretionary purchases. As a result, there has been an uptick in the consumption of capital good products for human convenience as a result of both rising incomes and rapidly shifting buying patterns. The attractiveness of the Indian domestic market has been bolstered by a number of factors, including the market-linked currency rate and the availability of skilled people at competitive cost. Growth in the Indian market, on the one hand, and near stagnation in the car sector in the markets of the United States, the European Union, and Japan, on the other, have acted as a push factor for the reallocation of new production facilities and investment money to India's automobile industry.

Review of literature

(Galib et al., 2011) studied "a Case Study about Worker Unrests in Indian automobile Industry" discovered, and How widespread and effective is the current labor protest? The Indian car industry has made catering to this craze a key priority. It's true that since India's inception, she's been plagued by worker strikes and riots due to the country's democratic nature. Particularly severely hit are fast-growing sectors of the economy.

(Sahoo & Rath, 2018) studied "Productivity growth, efficiency change and source of inefficiency: evidence from the Indian automobile industry" discovered, and In this study, we analyze the rise in productivity and the shift in efficiency of a subset of India's car sector from 2009 to 2015. Measurements of productivity expansion and efficiency shifts are derived using a data envelopment analysis (DEA) model in this research. According to the data, the productivity of the three major subsectors of the auto industry—passenger cars, trucks, and motorcycles—has all increased during the last few years. To the contrary, our research shows that commercial vehicles are more productive than either passenger cars or two-wheeled vehicles.

(Sarbapriya, 2012) studied "economic performance of indian automobile industry: an" discovered that the Indian car industry began a new chapter in 1991, when the sector was delicensed and opened to 100 percent foreign direct investment (FDI) through the automatic method. As a result, the aim of the research is to provide a broad assessment of the economic performance of the Indian car industry in terms of capacity utilization. Capacity utilization rates are estimated econometrically, and their trend from the year 1991–1992 through 2005–2006 is analyzed. Several variables that may affect capacity use are also being evaluated in this research. In this work, we define optimum output as the location where the irm's short-run average total cost curve is the lowest, and we define capacity utilization as the ratio of actual production to potential output. To calculate the optimum capacity output, we use a statistical model. We find that since the groundbreaking economic reforms of 1991, capacity utilization has increased by around 5 percent annually, but capacity expansion has outpaced production growth.

Conclusions

This article makes an effort to look at the aggregate level changes in capacity utilization in the Indian car industry after economic liberalization. Following is a brief synopsis of the main points made in this investigation. First, there was significant variation in the annual increase rate of capacity use over our analysis period. As a second point, the yearly average growth rate of capacity production shows a high rising trend, whereas the growth rate of actual output is far lower. Based on the data we gathered, it seems that the large amount of public investment made in this sector during the post-reform era is responsible for the greater rate of capacity development and hence the supply side assistance it gives to the Indian car industry. In light of this, the trend in capacity expansion reflects the faster rate of increase seen in the post-reform era. Business owners may have been motivated to spend more and increase plant capacity as a result of the gradual delicensing of the car industry after ground-breaking economic changes after 1991.

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