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**Role Of The Indian Automobile Industry In The Economic Growth
And Development Of The Country. (An Empirical Study)**

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ABSTRACT

Indian automobile industry started a new journey in 1991 with delicensing of the sector and subsequent opening up for 100 percent FDI through automatic route. With the gradual liberalization of the automotive sector in India, the number of manufacturing facilities has grown progressively. In view of this, the study attempts to estimate the economic performance of Indian automobile industry in terms of growth in production and GDP level. The study also tries to assess the impact of various government plans and other factors which influence the production and economic growth of the country. In this paper, we study the data from 2004 to 2017. Our result shows that growth in automobile production make a direct and positive impact on GDP growth of the country and government plans also make the positive impact to the industry. After the economic reforms initiated in 1991 the automobile industry grows positively day-by-day.

Keywords: - Automobile, Economic Growth, Development, Gross Domestic Product (Gdp).

INTRODUCTION: - THE AUTOMOBILE INDUSTRY IN INDIA

The Automobile industry is one of the largest industries in global market. It has been recognized as one of the major driver of economic growth. Peter drucker called automobile industry as “The industry of industries”. In the country like India, industry sector plays a pivotal role in the economic development of the country. In India, industry sector contributes about 27% in country’s industrial GDP and accounts about 45% of India’s manufacturing GDP. The automobile industry is a major job creator, According to AUTOMOBILE MISSION PLAN 2006-2016, the automobile industry in India provide employment to 22% of labour force of the country and employed more than 35 million people directly. According to second phase of AUTOMOBILE MISSION PLAN 2016-2026 it is estimated that, the industry is expected to create 65 million jobs both direct and indirect over the next decade. The Automobile industry offers different types of automobile such as Car, Scooters, Bikes, Buses, Trucks, Three wheelers and four wheelers. At present, the Indian automobile industry continuously makes the rapid growth in every segment.

The automotive industry includes wide range of companies and organization involved in the design, development, manufacturing, marketing, and selling of motor vehicle, some of them are called automakers; it is one of the world’s most important economic sector by revenue and

employment. The automobile industry occupies a prominent place due to its forward and backward linkages with every key segments of the economy. The automobile industry has a strong multiplier effect and plays a pivotal role in the country's rapid economic and industrial development. The automobile industry gives boost to many allied industries like CNG (natural gas, Automobile workshops, Tyres shops, Automobile parts shops, Automobile insurance companies and many other like rubbers, steels, Fertilizers, Refineries, Shipping Textiles, Plastics, Metals, logistics, glass, petroleum and Capital equipment, Papers etc.

OBJECTIVE OF STUDY

- To study the present condition of Indian automobile industry.
- To study the role of industry in the economic development of the country.
- To study the role of the government in development of the auto sector.

METHODOLOGY

The research is mainly based on secondary data. The data is collected from previous studies, news articles, magazines, journals & yearly reports released by government and SIAM (society of Indian automobile manufactures).

HYPOTHESIS

It is hypothesized that there is a positive relation between production of automobile and GDP growth of country.

REVIEW OF LITERATURE

According to India brand equity foundation 2012, manufacturing sector holds a key position in the Indian economy. The ability of the manufacturing sector to absorb excess labor from the agriculture sector and shift the same to services renders it the driving force in the development process of an economy. While, the Indian manufacturing sector has witnessed remarkable growth in recent years; its contribution to GDP and employment is well below its true potential. There is a need for strong commitment from the government as well as the industry for the sector to enter the next orbit of high growth and employment generation.

According to planning commission of India in 12th five year plan(2012-17) automotive sector as an engine to propel manufacturing to a high growth trajectory in the present stage of economic development of the country, the manufacturing sector is absorb a much larger work force and relieving agriculture of the excessive burden and also contributes a big share in national GDP.

According to the Nirmal K.Minda 2018, President of Automotive Component Manufacturers Association of India (ACMA), at a recent machine tool event in Bengaluru march,2018 said, "Over the years, the automotive industry in India has witnessed steady growth and today the industry is the fifth largest auto industry in the world and will soon be positioned at No 3." The Indian automotive market scenario has opened up enormous opportunities for domestic and global automobile manufacturers.

Ministry of External Affairs Government of India, 2012 says that Automobile industry one of the key drivers of the national economy as it provides large-scale employment, having a strong multiplier effect. Being one of the largest industries in India, this industry has been witnessing impressive growth during the last two decades.

According to Sbhutani, Jun 2006, the automobile industry in the country is one of the key sectors of the economy in terms of the employment opportunities that it offers. The industry directly employs close to around 2 million people and indirectly employs around 10 million people. The prospects of the industry also has a bearing on the auto-component industry which is also a major sector in the Indian economy directly employing 0.25 million people.

Ray surbapriya 2012, "Economic performance of Indian automobile industry: an econometric appraisal" the study attempts to estimate the economic performance of Indian automobile industry in terms of capacity utilization at an aggregate level. The study also tries to assess the impact of various factors influencing capacity utilization. In this paper, optimal output is defined as the minimum point on the firm's short run average total cost curve and the rate of capacity utilization is merely ratio of its actual output to capacity output level. The researcher used an econometric model to determine the optimal capacity output. **According to article by Rais Ahlam mm international on march,2018**

- "India is the next manufacturing hub for automobiles"
- Indian automotive industry is fifth largest in the world.
- Biggest two wheeler market across the globe.
- By 2026, India expected to be third largest automotive market by volume.
- 100% Foreign Direct investment (FDI) is allowed under the automatic route in the auto sector, subject to all the applicable regulations and laws..
- Presence of four large auto manufacturing hubs across the country: Delhi-Gurgaon-Faridabad in the north, Mumbai-Pune-Nasik-Aurangabad in the west, Chennai-Bengaluru-Hisar in the south and Jamshedpur-Kolkata in the east

ROLE OF AUTOMOBILE INDUSTRY IN ECONOMIC DEVELOPMENT OF THE COUNTRY

The economy of India is the sixth-largest in the world measured by nominal GDP and the third-largest by purchasing power parity (PPP). The automobile industry is a main pillar of any country's rapid economic growth and development. The automobile industry plays a crucial role in manufacturing sector and employment generation in any developing and developed country. The growth of every country depends on living status of the population of the country, if the country has its population's high per capita income and huge amount of employed population, so that country's economy grow very fast. India is one the fastest growing economies, has been growing faster ever since 'economic liberalisation' opened the floodgates of worldwide trade in 1991.

The GDP or Gross Domestic Product is the chief marker used to estimate the wellbeing of a nation's economy. The GDP of a nation is defined as the market price of overall goods and services generated within a country in an allotted time frame. The Gross Domestic Product or

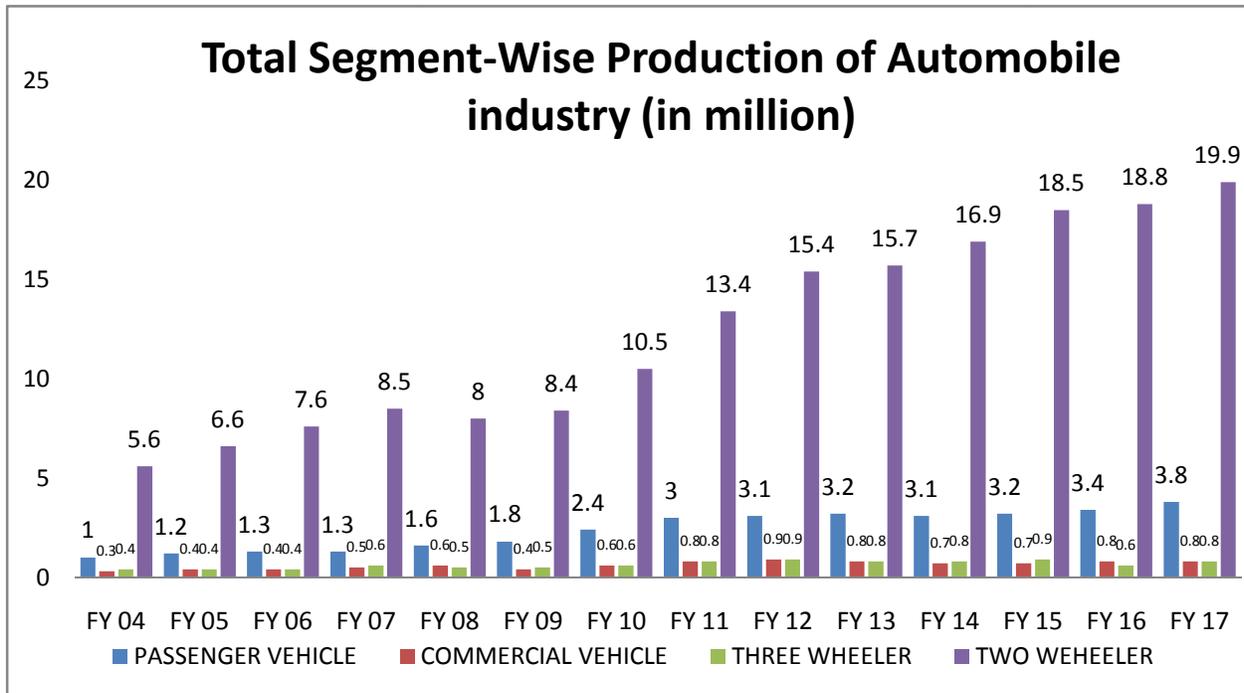
GDP is the indicator of the performance of an economy. India's economy grew by 8.0 per cent in fiscal year (FY) 2016, the fastest pace since 2011-12. However, in 2016-17 the GDP growth rate slowed down to 7.1 per cent, mostly on account of deceleration in gross fixed capital formation. IMF's latest growth forecast shows that disruptions caused by demonetization is unlikely to affect economic growth over the longer term, and GDP growth is expected to rebound to 7.2 per cent in 2017-18 and 7.7 per cent in FY 2019.

India is a vast country, so the sectors contributing to the country's GDP is also big in numbers. Various sectors falling under the India GDP composition includes food processing, transportation equipment, petroleum, textiles, software, agriculture, mining, automobile, machinery, chemicals, steel, cement and many others. India has second largest labour class in the world with 48.66 crore workmen, is poised to attract massive foreign investments.

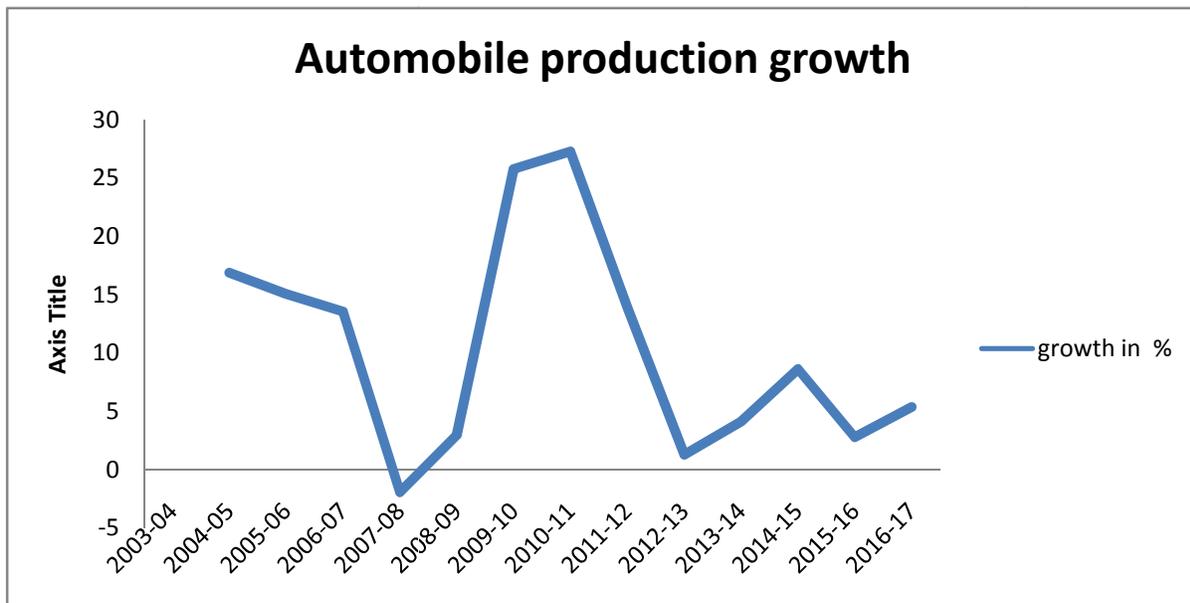
According to India brand equity foundation, the automotive industry in India is one of the largest in the world with an annual production of 25.31 million vehicles in FY (fiscal year) 2016-17, following a growth of 5.41 per cent over the last year. The automotive industry accounts for 45% of the country's manufacturing gross domestic product (GDP) and 7.1 per cent of the country's gross domestic product (GDP). The Two Wheelers segment, with 81 per cent market share, is the leader of the Indian Automobile market. Today, almost every global auto major has set up facilities in the country. Different types of vehicles are not only being produced in India; but also exported to different countries around the world.

According to 12th five year plan (2012-17), At present, there are 19 manufacturers of passenger cars & multi utility vehicles, 14 manufacturers of commercial vehicles, 16 of 2/3 wheelers and 12 of tractors besides 5 manufacturers of engines in India. This includes virtually all the major global Original Equipment Manufacturers (OEMs) and also home grown companies. . Indian auto industry is the 6th largest vehicle manufacturer globally. Today, it is the largest manufacturer of tractors, second largest manufacturer of two wheelers, 5th largest manufacturer of commercial vehicles and the 4th largest passenger car market in Asia. During 2000-11, India exported 2.35 million vehicles to more than 40 countries which included 0.45 million passenger cars and 1.54 million two wheelers. The automobile industry is boosting the Indian economy by creating employment opportunities, improvement in productivity as well as facilitating the consumers in travelling and other day-to-day activities.

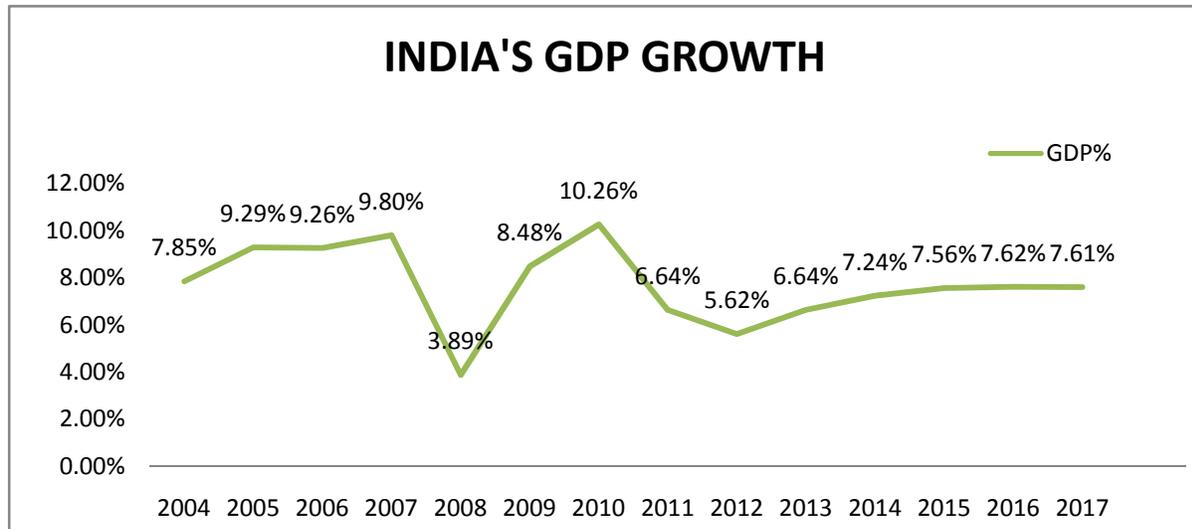
Top automobile companies in India like Tata Motors Ltd. Mahindra & Mahindra Ltd. Maruti Suzuki India Ltd. Hero MotoCorp Ltd. Bajaj Auto Ltd. Ashok Leyland Ltd. Sundaram Clayton Ltd. TVS Motor Company Ltd. Eicher Motors Ltd. Force Motors Ltd are contribute a major part in the growth of the industry.



Source: - SIAM STATISTICS



Source: - SIAM STATISTICS



Source: - DATA.GOV.IN

As we can see in above charts, we can say that there is a positive relation between the economic growth and the production of automobile. When production of automobile industry increases, the GDP growth is also boost.

ROLE OF GOVERNMENT IN DEVELOPMENT OF THE AUTOMOBILE INDUSTRY

The Indian government is playing a crucial role in making the Indian automobile industry as the booming hub of country. To achieve this target government is making a separate policies and plans for auto sector in every project. The government policy plays an important role in determining the structure growth and performance of automobile industry in India. The Government of India encourages foreign investment in the automobile sector and allows 100 per cent foreign direct investment (FDI) under the automatic route.

Some of the major initiatives taken by the Government of India are:

- The Government of India aims to make automobile manufacturing the main driver of "Make in India" initiative, as it expects the passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26.
- In the Union budget of 2015-16, the Government has announced plans to provide credit of Rs 850,000 crore (US\$127.5 billion) to farmers, which is expected to boost sales in the tractors segment.
- The government plans to promote eco-friendly cars in the country—i.e. CNG-based vehicles, hybrid vehicles, and electric vehicles—and also to make mandatory 5 per cent ethanol blending in petrol.
- The government has formulated a Scheme for Faster Adoption and Manufacturing of Electric and Hybrid Vehicles in India, under the National Electric Mobility Mission 2020,

to encourage the progressive introduction of reliable, affordable, and efficient electric and hybrid vehicles into the country.

- The Indian Government has introduced the National Automotive Testing and R&D Infrastructure Project (NATRIP) that will look to create core competencies in the national automotive sector that are at par with global standards. This project will also help the Indian auto industry become a key part of the world economy. The project will aim to create the very best infrastructure infesting, research and development, and validation and help the industry gain international repute. The project will invest INR 1718 crore in 3 automotive centers across the country for establishing top class homologation facilities.
- Government put into operation bharat stage IV norms by 2010.
- The government also cutback the excise and custom duty on automobile product.
- GST (goods and service tax) introduced in July, 2017 is also optimistic for the automobile industry.

CONCLUSION AND SUGGESTION

It would be impossible to list all of the specific effects of automotive industry on our economy, but these are especially significant. From the above study, it is concluded that the automobile industry is the main pillar for the economic growth and universal development of the country. The Indian government is playing an essential role in development of the industry and automobile industry plays a big role for complete development of country.

Now a day, Motor vehicle exports are essential to maintaining the balance of international trade. The automotive industry has become a vital element in the economy of industrialized nations like United Kingdom, India, Japan, France, Italy, Sweden, and Germany motor vehicle production and sales are one of the major indicators of the status of the economy in those countries. The effect of motor vehicle manufacturing on other industries is very considerable as well. Almost one-fifth of US steel production and nearly three-fifths of their rubber output goes to the automotive industry, which is also the largest single consumer of machine tools. Moreover, the special requirements of automotive mass production have had a big influence on the design and development of highly specialized machine tools and have encouraged technological advances in petroleum refining, steel making, paint and plate-glass manufacturing, and other industrial processes.

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