

DECLINE IN THE AUTOMOBILE INDUSTRY

Aditya Chhadva, Chahat Chopra, Divy Chhadva, Lisha Aspat,
Mannat Sawant, Pezan Dolasha, Raj Manek, Surbhi Pansari

Narsee Monjee Institute of Management Studies, Mumbai

DOI: 10.46609/IJSSER.2020.v05i02.020 **URL:** <https://doi.org/10.46609/IJSSER.2020.v05i02.020>

ABSTRACT

This paper studies the importance of the automobile sector and its impact on the Indian economy in terms of GDP, employment and growth in general. This paper studies the sudden decline in the sectors and tries to find the reasons of such slow consumer demand. At the end it also points out certain recommendations based on our study.

Keywords: Slowdown, automobile industry, Decline in demand for cars, reasons for the slowdown in automobile sector, Importance of automobile sector.

INTRODUCTION

The car business includes a wide scope of organizations and associations engaged with the structuring, creating, assembling, showcasing, and selling. It is one of the world's biggest divisions regarding incomes. In any case, the car business does exclude individuals connected to the support of vehicles after the conveyance as far as possible client. The business' important items are traveller autos and light trucks, including pickups and game utility vehicles. Business vehicles like conveyance trucks and enormous vehicle trucks. The Indian automobile industry turned into the fourth biggest on the planet. The business expanding by 9.5% to 4.02 million units (barring bikes) in 2017. It was the seventh biggest maker of business vehicles in 2018. The Two Wheelers section because of volume deals due to a developing working class and youthful populace rules the market, likewise the organizations are keen on investigating the country advertise. India is likewise one of the biggest auto exporter and had a solid fare development desire for the not so distant future. The principal vehicle on Indian streets was as ahead of schedule as 1897 yet Jamshedji Tata was the principal Indian to claim a vehicle in 1901. It was in 1942, that Hindustan Motors made turned into the first car organization in Quite a while. Not long after India's freedom, the Government attempted to support the segment by empowering producing. Prior to that, the autos were imported. The year 1952 denoted the presentation of traveller autos in the nation. Producers like Hindustan Motors, Premier Automobiles and

Standard Motor were the market heads of that time. As of now the car business has been confronting a log jam everywhere throughout the world. In the Indian case, the industry was one of the quickest developing enterprises likewise a significant driver of the assembling segment. Contributing 7% to India's total national output (GDP) in 2018, it additionally gave immediate and backhanded work. A droop in car deals likewise influences different parts, for example, tire, steel and directing producers which is known as the falling impact. The present offers of vehicles have been the most reduced over the most recent 19 years, because of a drop in the residential interest. There was a dunk of 26% in vehicle deals in May 2019 versus a year ago, and subsequently an almost 8% fall in by and large vehicle creation. In 2017-18, the offers of four-wheelers, which were developing at 14% are currently down to 5%, while for bikes, the decay has been from 15% to 5% over a similar period. Carmakers have been ending creation to clear inventories. The impact of low request has hit the residential part producers the most noticeably terrible, with many revealed working at around 70% of their potential productivity level, either by embracing an amazed arrangement of work when they need to hold their workforce, or by just laying off labourers. Two inquiries emerge at this crossroads: first, regardless of whether this emergency has been really taking shape; and second, what its suggestions would be. Car deals in India saw its most keen decrease in about 19 years in July, dropping 18.71% coming about right around 15,000 labourers jobless. The log jam has influenced each fragment of the car industry. As indicated by the report, a critical diminishing in the interest, in country zones for new autos is liable for the degrowth of the vehicle business. This factor, according to the report, is another explanation for the auto log jam and has a weightage of 20 percent.

LITERATURE REVIEW

Jimmy Corton Gaddam (2013) clarified that the expansion in the pattern of creation and offers of car industry was because of the expansion development of the Indian economy and furthermore the increment of high-salary level of the customers. There is enormous future potential for car industry as there is as yet a low infiltration of car in India.

Dr. Mama Lokhande, (2013) clarified about the verifiable pattern of the car business in India. The Indian vehicle industry has opened up after the progression (1990) and now the car showcase had become an exceptionally focused one. To support in this focused, advertise the associations must be inventive and bring advancements.

Jatinder Singh (2014) clarified car industry in India has experienced genuine rebuilding since changes started in 1991. The commitment of car industry came to about 8% of GDP of India. Due to increment of salary of the centre level families in India. Simple credit strategies for purchasing bikes and vehicles pursued by the banks helped fast development of car part. The

quick development is likewise because of overwhelming FDI inflows, around 48% of complete FDI between the period 2000-2011.

M. Krishnaveni, (2015) clarified that creation and fares patterns of the vehicle in India has been rising step by step. The ascent popular and increment in the inflows through 100% FDI has added to the ascent in the generation and fares of the autos in India.

"The headwinds looked by the car business proceed because of the stifled customer assessment, which is activated by different elements. The business needs boost to resuscitate customer request and changes," said Veejay Ram Nakra, Chief of Sales and Marketing, Automotive Division, M&M Ltd. (2017)

"The degrowth in the car business further strengthened a month ago in the midst of powerless purchasing supposition and generally speaking stoppage. We are likewise seeing parcel of deferment of buys," said Rajesh Goel, Senior Vice President and Director, Sales and Marketing, Honda Cars India Ltd. (2017)

"There are two purposes behind the sharp fall in numbers," clarified Deepesh Rathore, prime supporter of Gurugram-based car consultancy Emerging Markets Automotive Advisors. "A long haul revision had been pending for quite a while in the part. Vendors have now put a break on the stock, basically because of the lull in deals. Besides, the on-going races and the vulnerability over the outcomes have likewise added to the lull," he included. (2018)

There is a critical requirement for some sort do activity. The business is doing everything it can to advance deals. I think this is the point at which the business actually needs the help of government turning out with a recovery bundle," SIAM Director General Vishnu Mathur told columnists. The recovery bundle is important to handle the fall in deals and to bring back the business on a development way, he included. Mathur said that generally brief and easygoing specialists have lost their positions. Furthermore, over a million employments are at stake in the car parts portion, he included. (2019)

Declining car deals are basically a marker of how the Indian economy is performing, especially the acquiring intensity of individuals while a stoppage in business vehicle deals shows a venture cycle log jam. The vehicle business droop influences with a general financial lull in the modern part that influences practically all portions, notwithstanding non-strong utilization merchandise. The car division has solid in reverse linkage for the general financial development as the generation impacts the interest for creation of middle person materials. Along these lines, development in the vehicle business is basic for the general monetary development of the nation.

At last, as expressed in News 18 article, the Indian car industry's decrease has been cataclysmic. In the event that significant restorative advances are not taken, we could see the start of a

significant downturn on the planet's fourth biggest car advertise. While the business is distinctly looking at the all legislature's moves, it is likewise banking upon all the newer dispatches and the up and coming merry season for a hint of something to look forward to. Be that as it may, significant changes and impetuses could be expected to drag the business out of this droop. While the administration has said it is chipping away at a restoration plan, the free-fall may proceed for some additional time.

RESEARCH METHODOLOGY

Research Motive

The car division represents half of all out assembling yield of Indian economy; \$93 billion car industry contributes 7.1% to India's GDP and practically 49% to the country's assembling GDP (FY 2017-2018). As per Society of Indian Automobile Manufacturers information, traveller vehicle deals dropped to 2,23,317 units in September from 2,92,660 every year back while traveller vehicle deals dropped by 33.4 percent to 131,281 units contrasted with a similar period in 2018. The SIAM information likewise shows that the all-out traveller vehicle creation declined by more than 18 percent to 2,79,644 units in September contrasted with the figure of 3,41,539 units in September a year ago. The generation of complete business vehicles dropped by 72.07 percent in September against a similar period a year ago. As far as fare, the business vehicle deals dropped by 45.06 percent. Along these lines, it is critical to contemplate the different essential and relative reasons for this over the top decay. The exploration paper targets breaking down the droop in vehicular deal that has proceeded in the eleventh straight month when the nation's auto area is confronting one of the most noticeably terrible lulls in decades.

Objectives of the study

1. To examine the primary causes for the decline.
2. To understand the consumer behaviour regarding the state of automobile sector.
3. To understand how the companies are coping with the slump in sales.
4. To relate the surge in car service providers like OLA to the slowdown in industry.
5. To analyse and evaluate the support for foreign standard and electric cars.
6. To analyse the impact of the decrease in production on employment.
7. To come up with recommendations and suggestions for recovery.

Nature of Study

The study is based on survey research, interviews, blogs, news articles and research papers. The period of decline in the industry i.e. the present year has been taken as a time frame for research work.

We conducted an interview with Mrs. Manjeet Sawant; CEO LANDMARK CARS.

We have also used secondary sources as well as primary since the research is nation-wide, it would have been ineffective to carry it out with primary sources, given our time and resource constraints. All the sources used explained certain aspects of the automobile sector in India, and each one contributed to our holistic knowledge of the state of Indian Automobile industry.

Scope of Study

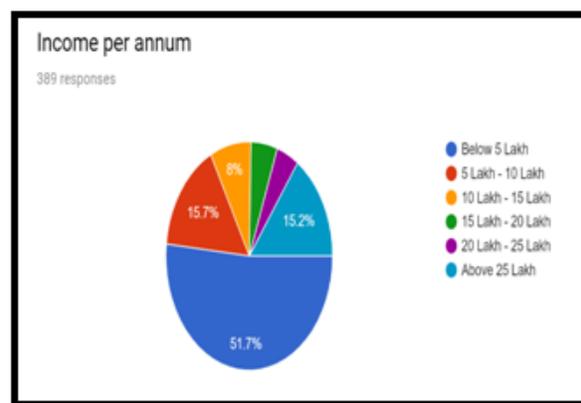
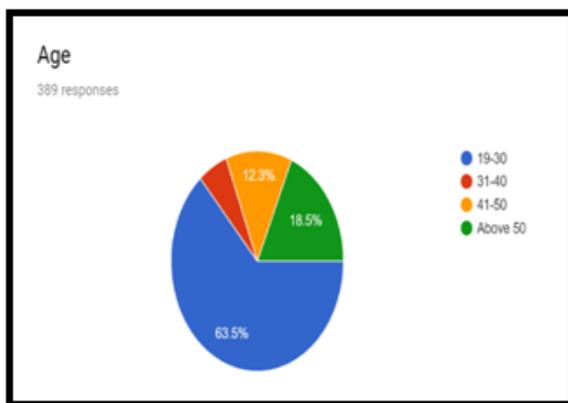
The scope of the research is the study of millennial and Gen-y consumers i.e. people around the age of 19-30 years around in Mumbai. The time period for analysis is from the time of decline i.e. FY 2018-19.

The inputs from interview helped us to understand how the industry is coping with the slowdown and the strategies implemented to improve the sales.

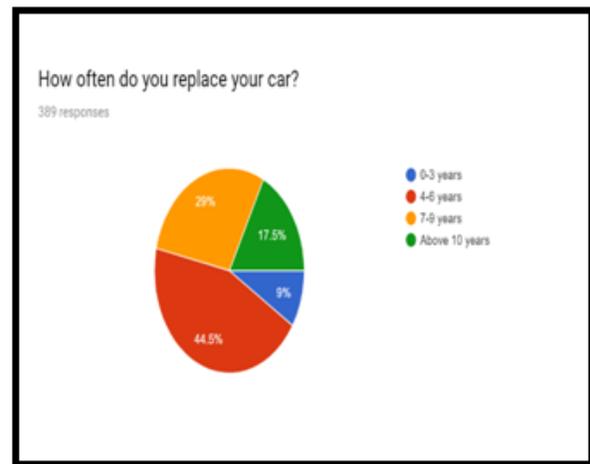
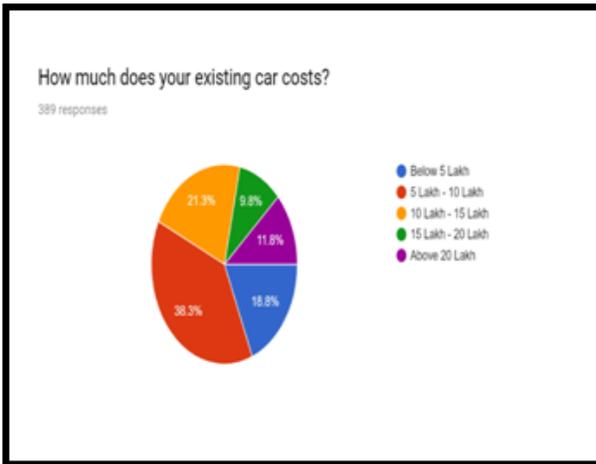
Collection of Data and Sample Size

The study is a blend of both primary and secondary data. The primary data includes questionnaire survey filled up by 389 people in Mumbai. The samples include both men and women having varied income levels and different levels of education.

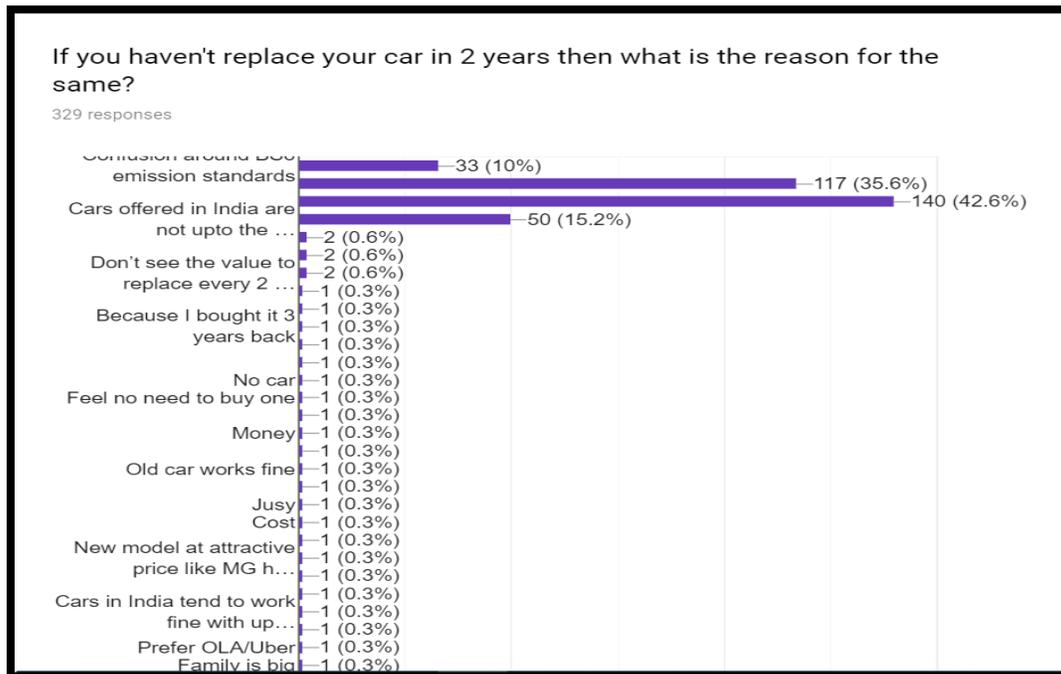
ANALYSIS



From the above two graphs we can observe that most of our respondents are from the age group i.e., 63.5% lying between 19-30 years and these are the people who would have just started earning or are in the initial stage of their careers which is in line with the income per annum of most respondents being less than 5Lakh.

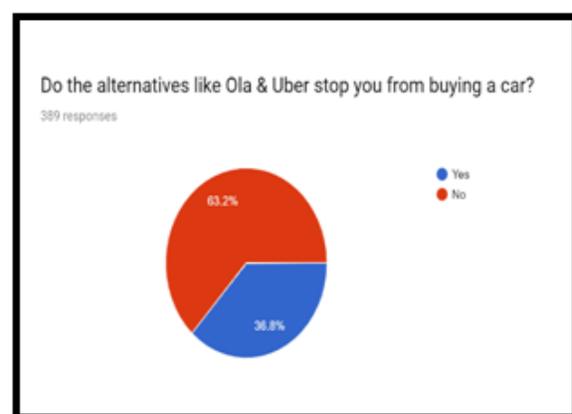
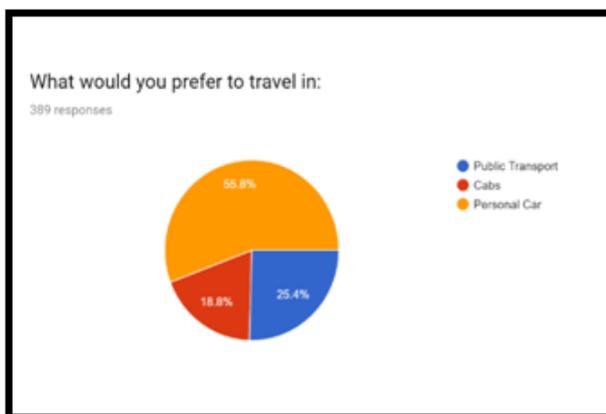


As we can see from the above two graphs that most of the people i.e. 44.5% of the respondents replace their cars in a period of about 4-6 years and the range of the car is lying between 5-10 Lakhs.



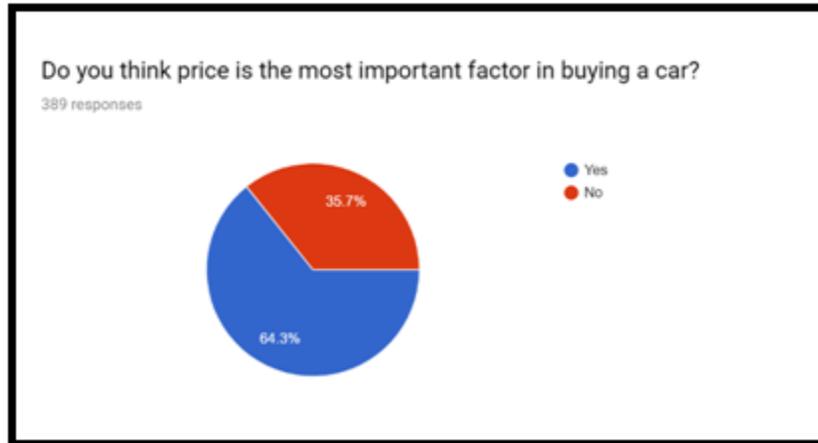
Even though most of the people replace their cars in 4-6 years, but in the current automobile situation, most of them are reluctant in buying any car right now. This has been leading to the current decline in the automobile industry. The following reasons are the main contributors to this situation:

1. The customers feel that the cars offered in India are not matching the standards of the cars offered in foreign countries.
2. Customers are reluctant to buy cars right now due to the fact that post 1st April 2020 India will upgrade to BS-VI from BS-IV emission standard given that general price hike over the previous decade was 1-2 per cent per annum, a sharp increase in vehicle prices over FY19-21 can restrict the recovery.
3. In expectation of a cut in the Goods and Services Tax (GST), existing vehicles purchasers have kept down their buy, according to carmakers. The business has been looking for a slice in GST to 18 percent from 28 percent. The legislature, in any case, has not indicated a lot of inspiration towards this
4. Between August 2015 and August 2019 cost of petroleum has ascended by 15 percent according to information gave by the state-run Indian Oil Corporation. Government raised extract obligation on petroleum and diesel by Re 1 during the 2019 Union Budget.
5. Despite decreases in rates by the RBI in the course of recent months banks have not given the advantage to the end customer. Further, banks have been extra watchful in loaning because of the high vulnerability of a default. In this way, vehicle credit development has stayed poor.
6. The government's continued push for electric versatility has made questions for purchasers who are presently contrasting proprietorship cost of an oil/diesel vehicle to that of a battery-controlled vehicle. Carmakers have vowed to dispatch a reasonable scope of electric autos in the following 2-3 years



The vast majority of our respondents might want to have the pride of having their own vehicle yet at the same time there is a modest quantity of populace in packed urban areas like Mumbai who might whenever want to go in Ola or Uber regardless of whether they have their own vehicle which spares a great deal of time and bothering of driving in a ton of traffic. Overwhelming traffic blockage, absence of leaving space accessibility, low quality streets, costly

vehicle possession cycle and diminishing resale esteem are a portion of the reasons why more individuals are inclining toward Ola and Uber.



About 64.3% of the respondents think that price is the most important factor in buying a car due to the slowdown in the economy which is why there has been liquidity crunch in the economy.

Rank	Brand	Car Sales			Market Share			
		2018 H1	2019 H1	% Change	2018-19 H1	2019-20 H1	% Change	
1	MARUTI SUZUKI	908530	663522	-27% ↓	52.8%	50.2%	-2.6% ↓	Highest drop in Market Share
2	HYUNDAI	274177	244434	-11% ↓	15.9%	18.5%	2.6% ↑	Lowest drop in Volume & Highest gain in Market Share
3	Mahindra	112233	99342	-11% ↓	6.5%	7.5%	1.0% ↑	Lowest Drop in Volume
4	TOYOTA	79563	64180	-19% ↓	4.6%	4.9%	0.2% ↑	Moved from 6th to 4th position
5	TATA	106865	62844	-41% ↓	6.2%	4.8%	-1.5% ↓	Slipped from 4th to 5th position
6	HONDA	94486	60870	-36% ↓	5.5%	4.6%	-0.9% ↓	Slipped from 5th to 6th position
7	Ford	49038	35566	-27% ↓	2.9%	2.7%	-0.2% ↓	
8	RENAULT	39998	35314	-12% ↓	2.3%	2.7%	0.3% ↑	2nd Lowest Drop in Volume
9	VW	18167	14520	-20% ↓	1.1%	1.1%	0.0%	Moved from 10th to 9th position
10	KIA		13990		0.0%	1.1%	1.1% ↑	2nd Highest gain in Market Share
11	JEEP	19741	9568	-52% ↓	1.1%	0.7%	-0.4% ↓	Highest drop in Volume hence slipped from 9th to 11th position
12	SKODA	8162	6734	-17% ↓	0.5%	0.5%	0.0%	
13	MG		6134		0.0%	0.5%	0.5% ↑	
14	FCA	8985	4815	-46% ↓	0.5%	0.4%	-0.2% ↓	Slipped from 11th to 14th position
	Total Industry	1719945	1321833	-23% ↓				Auto Punditz

Brand	Apr	May	Jun	Jul	Aug	Sept	YTD	Comments
 SUZUKI	53.5%	51.2%	50.1%	48.4%	47.6%	49.6%	50.2%	Drop in Market share M-o-M since May but improved in Sep
 HYUNDAI	17.1%	18.0%	19.0%	19.6%	19.5%	18.3%	18.5%	Gain in Market Share after launch of Venue in Mid May'19 but dipped in Sept
 MAHINDRA	7.7%	8.3%	8.0%	8.0%	6.7%	6.3%	7.5%	Started losing Market share since Aug
 TOYOTA	4.1%	5.1%	4.8%	5.2%	5.5%	4.6%	4.9%	Gained share in Jul, Aug
 TATA	5.2%	4.6%	6.0%	5.3%	3.7%	3.6%	4.8%	Losing Market share since Jul
 HONDA	4.6%	4.8%	4.7%	5.1%	4.2%	4.2%	4.6%	Market share dropped in Aug
 FORD	2.7%	2.7%	2.4%	3.1%	2.8%	2.5%	2.7%	Gradual drop in share since Aug
 RENAULT	2.5%	2.5%	2.4%	1.8%	2.9%	3.7%	2.7%	Gained Market share in Aug & Sept due to launch of Tribes, Kwid facelift
 VOLKSWAGEN	0.8%	1.1%	1.1%	1.3%	1.2%	1.1%	1.1%	Maintaining its share
 KIA	0.0%	0.0%	0.0%	0.0%	3.2%	3.5%	1.1%	New Entrant with quick & high gain in share
 JEEP	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.7%	Losing Market share gradually
 SKODA	0.5%	0.5%	0.4%	0.5%	0.6%	0.6%	0.5%	Meagre improvement in share
 MG	0.0%	0.0%	0.0%	0.8%	1.0%	1.2%	0.5%	New Entrant with quick gain in share
 FCA	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%	Losing Market share gradually

FINDINGS

1. The petroleum and diesel costs have seen 15% expansion from August 2015 to August 2019.
2. India's total national output development backed off to 5 percent, a 6-year low in the June quarter. Utilization crumbled to an 18-quarter low of 3.1 percent from 10.6 percent in the March quarter.
3. An assessed 2 lakh individuals identified with the car business have lost their positions in under a year. There were 18.6 million Indians without an occupation in 2018 and this is evaluated to go up to 18.9 million by end of this current year, as per the International Labour Organization.
4. The Motor Vehicle Amendment Act, 2019 which was passed by the Parliament was brought into impact on September 1. Stricter guidelines for driving and punishments which have ascended by four to multiple times contrasted with their past levels have gone about as a buy impediment.
5. High financing costs, stricter security - Despite decreases in rates by the RBI in the course of recent months banks have not given the advantage to the end purchaser. Further, banks have been extra cautious in loaning because of the high powerlessness of a default. Consequently, vehicle advance development has stayed poor.

6. High protection and enrolment cost - Mandatory multi-year acquisition of outsider protection has pushed the expense of responsibility for higher. Purchasers currently need to purchase three-year protection rather than one year. Enlistment expenses for vehicles was climbed by multiple times by the Centre. This anyway has been put off till June 2020.
7. In expectation of a cut in the Goods and Services Tax (GST), existing autos purchasers have kept down their buy, according to carmakers. The business has been looking for a slice in GST to 18 percent from 28 percent. The administration, in any case, has not demonstrated a lot of inspiration towards this.
8. The government's continued push for electric versatility has made questions for purchasers who are currently contrasting possession cost of an oil/diesel vehicle to that of a battery-fueled vehicle. Carmakers have vowed to dispatch a moderate scope of electric vehicles in the following 2-3 years.
9. Rise of self-drive vehicle organizations, for example, Zoomcar and Myles have additionally affected new vehicle deals.

According to our surveyed population, we found out that:

1. Brands like Audi, Volkswagen, Toyota, Maruti, Honda and Hyundai are the car brands preferred by the people to buy.
2. Maximum number of people replace their car in 4-6 years.
3. Maximum number of people find cars not up to the standards offered in the foreign countries as the cars offered by the same company are different for different countries.
4. The availability of options like Ola and uber don't stop maximum people from buying car due to the convenience and comfort they get from their own car.
5. Maximum people still preferred to travel in their own cars than in public vehicles and cabs.
6. Companies like MG Hector, Kia are beating the slowdown and have a waiting period for the bookings because these cars are more technologically advance, equipped with internet, safety features.

The several reasons why the customers are not buying a car right now are:

- Confusion over BS VI:
Customers have several confusions over this if they would be able to use their BS 4 vehicles after 31st March 2020, If they should buy a BS 4 car now, the difference in the fuel, Future of diesel cars, will there be an increase in the fuel prices. These are the few questions and confusions in the customer's mind.
- Cars not up to foreign standards:

The cars in other countries are more technologically updated, better services, engines than India and at prices lower than India due to taxes are a few reasons why the Indian customers are not happy with the current offerings of cars in India.

- Big cities are too crowded:

Many people feel that the metro cities in India are very crowded and face a regular problem of traffic, congestion, and parking problem which is frustrating for the users.

- Liquidity crunch:

As the current situation of the Indian economy is not good and it is in a slowdown people don't have money in their hand and don't want to spend their money on luxury goods. People who used to replace their cars in 3-4 years are currently not replacing their cars.

- Waiting for better technology:

Some people are waiting for better technology to arrive in the Indian markets like the more concrete and scalable option of electrical cars.

RECOMMENDATIONS

There is no impact of any future laws on Existing registered cars of BSIV. An individual can avail 30 % depreciation on cars. The price will be higher of BS VI cars with no kinds of discounts to be offered on BSVI cars. If Stock levels reduce at the dealership, they will not offer discounts on year end. The Diesel cars will be costly by minimum Rs 1 later. lakh Petrol Cars will cost more by minimum Rs 50000. The fuel at Petrol pumps is already compatible for BS VI. No price change in the fuel, Resale value is calculated as per the remaining life of car. As petrol after 15 years and Diesel after 10 years have scrap value only. Service cost will have marginal increase in BSVI for City, it is okay to have CNG or EV cars but Outstation it would be little complicated. When BS4 norm was mandated in 2017, the resale value of BS3 & BS4 has shown not much difference. -With BS4 & BS6 vehicles too, the resale value is expected be in the same trend. -As of now, the policy states that, all BS4 powered vehicles purchased before March 2020 will have a validity of 15 years across India (both Petrol & Diesel) & 10 Years for Diesel in Delhi. You can use BS6 fuel in BS4 vehicles but you cannot use BS4 fuel in BS6 vehicles -With BS4 vehicles using BS6 fuel, there will be no harm to the engine or the engine components. The government should introduce some kind of tax cuts and some relief on the manufacturers. It's is not only the manufacturers of the cars that are getting affected but also the companies who are the OEMs for these giant manufacturers and various other workers who contribute to a great extent in the manufacturing process. The government should also reduce the import duty on import of fuel. The government cannot give few slews of measures for bringing the automobile industry back on track. They will have to implement certain stringent measures which will help

boost the industry such as increased depreciation cost on corporate cars and they also should reconsider their "scrapage policy" and redefine with careful consideration. The increase in the one-time registration fees should also be done through with and should be deferred till the time that the industry is back on its feet.

CONCLUSION

India's car division has been hit by an extreme lull for a long time now and its exceptional deals decay has stopped to astonish. The most recent numbers have rather started raising serious worries for the economy all in all. This implies lost positions for provisional labourers at first yet in the event that this stoppage develops, at that point lasting specialists also might be given up. The vehicle business utilizes near forty million individuals. The area represents practically a large portion of the assembling GDP of India. Development has been easing back since the second from last quarter or from the earliest starting point of the happy season a year ago. Normally, offers of vehicles blast during the celebrations starting with Navratri and proceed through Diwali and different merriments during the second from last quarter each year. Be that as it may, during the last Navratri-Diwali period, this business spike was missing and gradually from that point forward, a decrease has been sneaking in. The looming cut-off time of obligatory progress to the Bharat Stage VI (BS VI) discharge standards is an aggravation. The go heads to head between the business and the policymakers over a proposed cut-off time to change over some vehicle classifications to electric from the present inward burning motor (ICE) innovation clearly didn't help either.

ACKNOWLEDGEMENT

We would like to express our special thanks of gratitude to Mrs. Manjeet Sawant who helped us to do this research paper on the topic- Decline in the automobile industry. The success and final outcome of this project required a lot of guidance and assistance from many people and we are extremely privileged to have got this all along the completion of my project. All that I have done is only due to such supervision and assistance and we would like to thank all of them.

REFERENCES

- <https://en.wikipedia.org/wiki/?search=automotive>
- <https://www.britannica.com/technology/automotive-industry>
- <https://10times.com/india/automotive>
- <https://brainly.in/question/8287307>
- <https://www.drona.in/public-private-sector-jobs>

<https://timesofindia.indiatimes.com/auto/miscellaneous/auto-sales-in-india-sees-sharpest-fall-19-years-in-july-15000-workers-lose-jobs/articleshow/70657817.cms>

<https://www.cnbctv18.com/auto/whats-ailing-indias-automobile-industry-nbfc-crisis-sluggish-demand-new-norms-4048901.htm>

<https://www.scribd.com/document/412117826/A-Study-on-Automobile-Industry-Growth-in-India-and-Its-Impact-on-Air-Pollution>

<https://www.scribd.com/document/412117826/A-Study-on-Automobile-Industry-Growth-in-India-and-Its-Impact-on-Air-Pollution>

<http://www.forbesindia.com/article/special/whats-going-on-with-indias-automobile-sector/53527/1>

<https://indianexpress.com/article/business/passenger-vehicle-sales-fall-for-9-consecutive-months-drop-31-in-july-5900719/>