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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	SUCCESS OF GREEN BANKING INITIATIVES AFTER DEMONETIZATION IN INDIA <i>Dr. K. KARTHIKEYAN & Dr. S. VADIVEL RAJA</i>	1
2.	AN ANALYSIS OF INDIAN AUTOMOBILE INDUSTRY SLOWDOWN AS AN OPPORTUNITY FOR DEVELOPMENT <i>P. LAKSHMI</i>	8
3.	THE USE OF ELECTRONIC TRANSFERS IN CASH ASSISTANCE: THE SATISFACTION OF PSNP BENEFICIARIES IN LIBOKEMKEM WOREDA <i>ABEL TADDELE HAILE</i>	14
4.	PERFORMANCE ANALYSIS OF INDIAN AUTOMOBILE INDUSTRY <i>Dr. PRANEETA SAHU</i>	22
5.	SERVICE QUALITY OF INTERNET BANKING AND ITS EFFECT ON CUSTOMER SATISFACTION <i>MEGHA RAJU</i>	26
	REQUEST FOR FEEDBACK & DISCLAIMER	29

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- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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AN ANALYSIS OF INDIAN AUTOMOBILE INDUSTRY SLOWDOWN AS AN OPPORTUNITY FOR DEVELOPMENT

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ABSTRACT

The automobile industry is one of the largest markets in the world. Nowadays, automobiles have become the necessity for everyone. There is a huge scope for automobiles in India, but nowadays Indian automobile industry is facing a big problem, i.e., slow down. The main purpose of this paper is to discuss the reasons for the slowdown in the automobile industry. It analyses the changing scenario of the automobile industry that influence the purchasing behaviour of consumers. It explains the sales analysis of various automobile companies in India. It also gives the scope for the future and highlights the solution with the help of new trends which should be adopted by the automobile companies to capture the market and increase the sales in future. It also throws the light on the new technologies for automobile sectors.

KEYWORDS

consumer, development, industry, market.

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INTRODUCTION

Who could ever imagine of car before 1478, when Leonardo DA Vinci first designed the “self-propelled car”, and today, none of us can imagine our world without that machine, i.e. the automobile. The history of the automobile itself expresses about the development that it brought into the world along itself. The Indian automobile market is the 4th largest market in the world the economic times retried 24 Mar 2018. As per SIAM passenger carrier sales registered a growth of 10.62 percent and goods carrier grew by 8.75 percent in April-March 2019 over April-March 2018. The automobile, as we know it was not discovered in a day or by any single maker. The pasts of the automobile replicate an achievement that took place around the globe. Automobile products are the second principle, optional buying made by consumer, after household acquisition, the affluences of the automobile industry are closely connected with the common progress of the economy, not reusable income and consumer sureness.

Around 85 years ago, the Indian automobile market was nothing because we did not have any automobile manufacture in India. There were some imported cars in India. After the independence of India, the government had started efforts to develop an automobile industry. In the beginning of the automobile industry in India. The progress rate was very slow. But now, the situation is relatively different. We have very large market for automobile industry. Currently, India has amongst the lowest vehicle solidities globally at 22 cars per thousand persons. This is very low as compared to other comparable economics.

The globalization has never proceeded at a faster pace, not only in terms of sourcing of complete products and components, but also in terms of markets. As a result, the cast of players in the world auto industry is ever increasing.

The Indian automobile industry is best segmented as follows:

- Medium and heavy commercial vehicles (M/HCV)
- Light commercial vehicles(LCV)
- Light utility vehicles (LUV)
- Passenger cars
- Two-wheelers

India is one of the limited markets where small car section growth is as solid as the in the superior and luxury segment. Even passenger car sales in rural areas have been growing while the share of urban areas has been declining. There are lots of options for transport like motorcycles, cars, SUV, etch for everyone. There are many automobile manufacturers in two wheelers & four wheeler segments. Few major automobile companies are Bajaj, HeroMotocorp, Maruti Suzuki, Mahindra & Mahindra, Hyundai, Tata Motors, TVS, and Chevrolet etc.

REVIEW OF LITERATURE

R C Bhargava, the chairman of Maruti Suzuki India, has already said that his company's decision to stop producing vehicles with up to 1.3 litre diesel engine capacity was taken keeping in mind the rising cost of compliance with newer emission norms.

SIAM has already sought a GST relief coinciding with the implementation of the new emission norms, to prevent a further slide in vehicle sales.

The economic times in India 24 July 2019 updated-the automotive industry is facing an unprecedented slowdown. Vehicle sales in all segments continued to plummet for last the several months, ACMA President Ram Venkataramani told.

“Overall economic slowdown coupled with delayed monsoon and higher monsoon deficit in few regions have impact rural demand. Moreover, liquidity issue to some extent and inventory correction for better business viability at dealers and have resulted in sizable volume decline across the automobile segment,” Reliance Securities Senior Research Analyst Mitul Shah told India today 1st Aug 2019.

Business today 6th Sep 2019 Indian automobile industry growth story is about to collapse due to ongoing slump triggered by a variety of factors, including low consumer sentiment and non-availability of liquidity, Tata Motors CEO and Managing Director Guenter Butschek said.

OBJECTIVE OF THE STUDY

The objective of this study is to discuss about the slowdown in Indian automobile industry. It aims to study about the preferences of automobile consumers. The purpose of this study is also to find out the reasons of slowdown and further to discuss about the solutions.

RESEARCH METHODOLOGY

DATA COLLECTION

This study is based on secondary data has referred from books, newspapers, journals and articles, reports and survey published on SIAM.

TOOLS TO DATA ANALYSIS

The study done is empirical in nature. The statistical tools have been used to analyse the production and domestic sales trend it is also a quantitative study. The tool for appraisal of production and domestic sales trend percentage of pie chart analysis.

ANALYSIS

TABLE 1: AUTOMOBILE PRODUCTION TRENDS

Year	Passenger Vehicles	Percentage of Production for passenger vehicles	Commercial Vehicles	Percentage of Production for Commercial vehicles	Three Wheelers	Percentage of Production for Three Wheelers	Two Wheelers	Percentage of Production per Two Wheelers	Quadric Cycle	Percentage of Production for Quadricycle	Total
2013-14	3,087,973	14.36%	699,035	3.25%	830,108	3.86%	16,883,049	78.53%		0.00%	21,500,165
2014-15	3,221,419	13.79%	698,298	2.99%	949,019	4.06%	18,489,311	79.16%		0.00%	23,358,047
2015-16	3,465,045	14.43%	786,692	3.28%	934,104	3.89%	18,830,227	78.41%	531	0.00%	24,016,599
2016-17	3,801,670	15.01%	810,253	3.20%	783,721	3.09%	19,933,739	78.69%	1,584	0.01%	25,330,967
2017-18	4,020,267	13.82%	895,448	3.08%	1,022,181	3.51%	23,154,838	79.59%	1713	0.01%	29,094,447
2018-19	4,026,047	13.02%	1,112,176	3.60%	1,268,723	4.10%	24,503,086	79.26%	5,388	0.02%	30,915,420

Sources: <http://www.siamindia.com/statistics.aspx?mpgid=8&pgidtrail=13>, Report of Society of Indian Automobile Manufacture

Only Oct-March 2016 data is available for 2015 -16.

CHART 1: COMPARATIVE PRODUCTION ANALYSIS OF PASSENGER VEHICLES FROM 2013-14 TO 2018-19

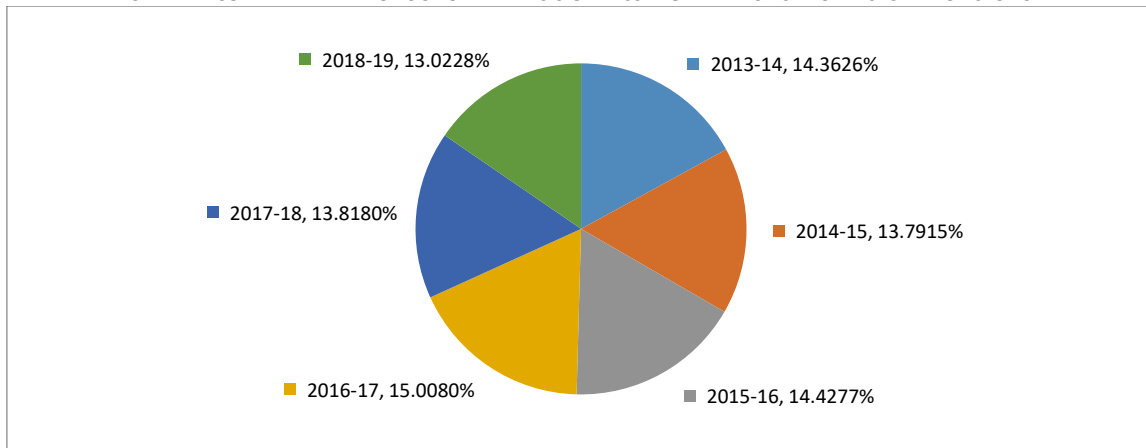


CHART 2: COMPARATIVE PRODUCTION ANALYSIS OF COMMERCIAL VEHICLES FROM 2013-14 TO 2018-19

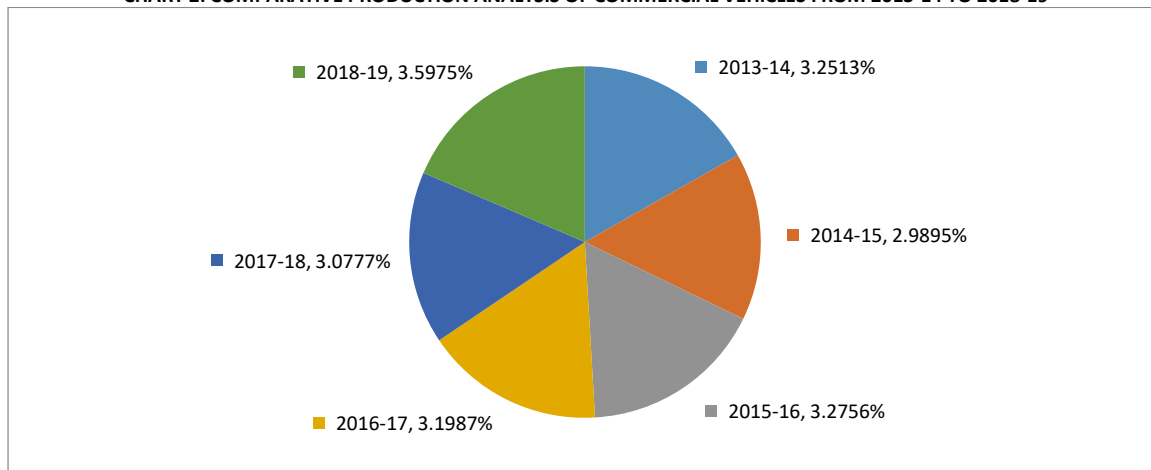


CHART 3: COMPARATIVE PRODUCTION ANALYSIS OF THREE WHEELERS VEHICLES FROM 2013-14 TO 2018-19

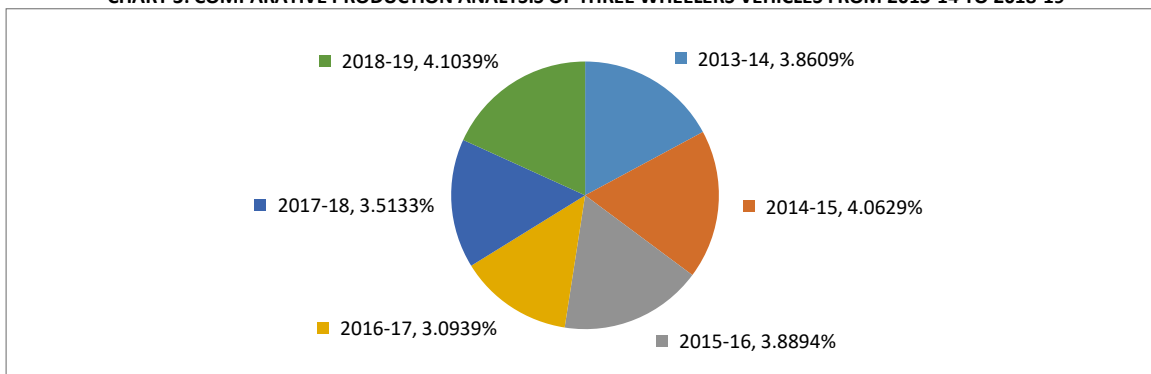


CHART 4: COMPARATIVE PRODUCTION ANALYSIS OF TWO WHEELERS VEHICLES FROM 2013-14 TO 2018-19

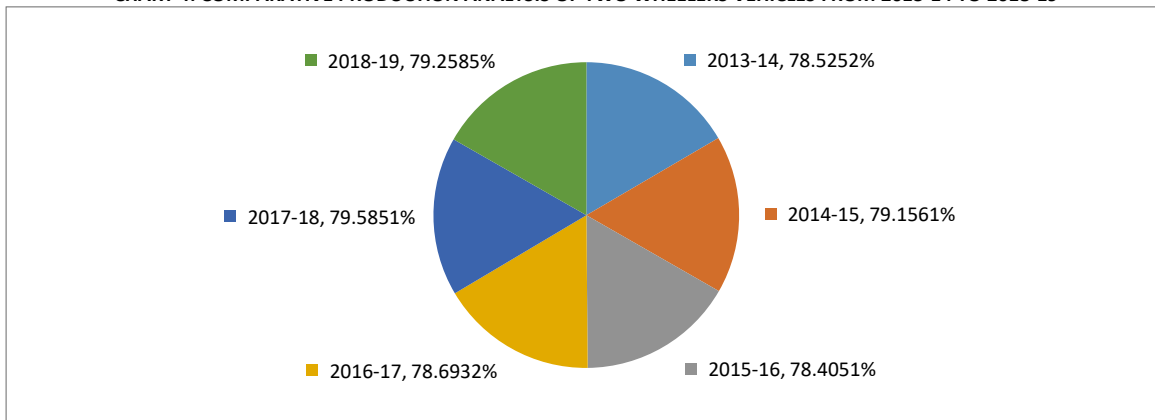


CHART 5: COMPARATIVE PRODUCTION ANALYSIS OF QUADRIC CYCLE VEHICLES FROM 2013-14 TO 2018-19

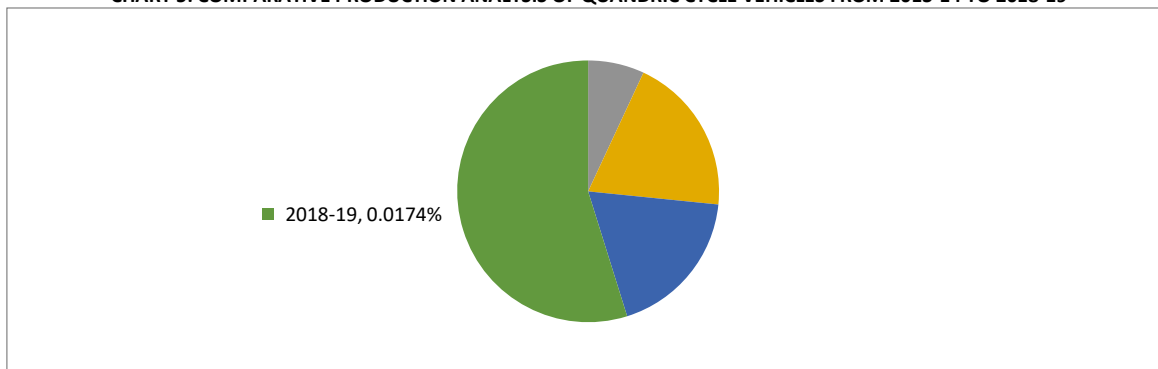


TABLE 2: AUTOMOBILE DOMESTIC SALES TRENDS

Year	Passenger Vehicles	Percentage of Domestic sales for passenger vehicles	Commercial Vehicles	Percentage of Domestic sales for Commercial vehicles	Three Wheelers	Percentage of Domestic sales for Three Wheelers	Two Wheelers	Percentage of Domestic sales for Two Wheelers	Quadricycle	Percentage of Domestic sales for Quadricycle	Total
2013-14	2,503,509	13.59%	632,851	3.44%	480,085	2.61%	14,806,778	80.37%		0.00%	18,423,223
2014-15	2,601,236	13.19%	614,948	3.12%	532,626	2.70%	15,975,561	80.99%		0.00%	19,724,371
2015-16	2,789,208	13.63%	685,704	3.35%	538,208	2.63%	16,455,851	80.39%		0.00%	20,468,971
2016-17	3,047,582	13.94%	714,082	3.27%	511,879	2.34%	17,589,738	80.45%		0.00%	21,863,281
2017-18	3,288,581	13.16%	856,916	3.43%	635,698	2.54%	20,200,117	80.86%		0.00%	24,981,312
2018-19	3,377,436	12.86%	1,007,319	3.83%	701,011	2.67%	21,181,390	80.64%	627	0.00%	26,267,783

Sources: <http://www.siamindia.com/statistics.aspx?mpgid=8&pgidtrail=14> Report of Society of Indian Automobile Manufacture Only Aug 18 –March 2019 data is available for 2018-19

CHART 6: COMPARATIVE DOMESTIC SALES ANALYSIS OF PASSENGER VEHICLES FROM 2013-14 TO 2018-19

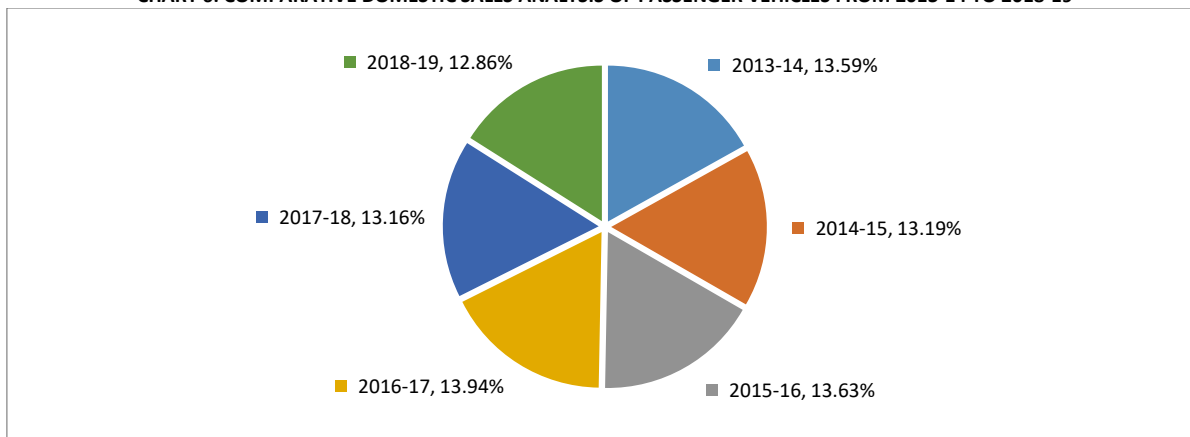


CHART 7: COMPARATIVE DOMESTIC SALES ANALYSIS OF COMMERCIAL VEHICLES FROM 2013-14 TO 2018-19

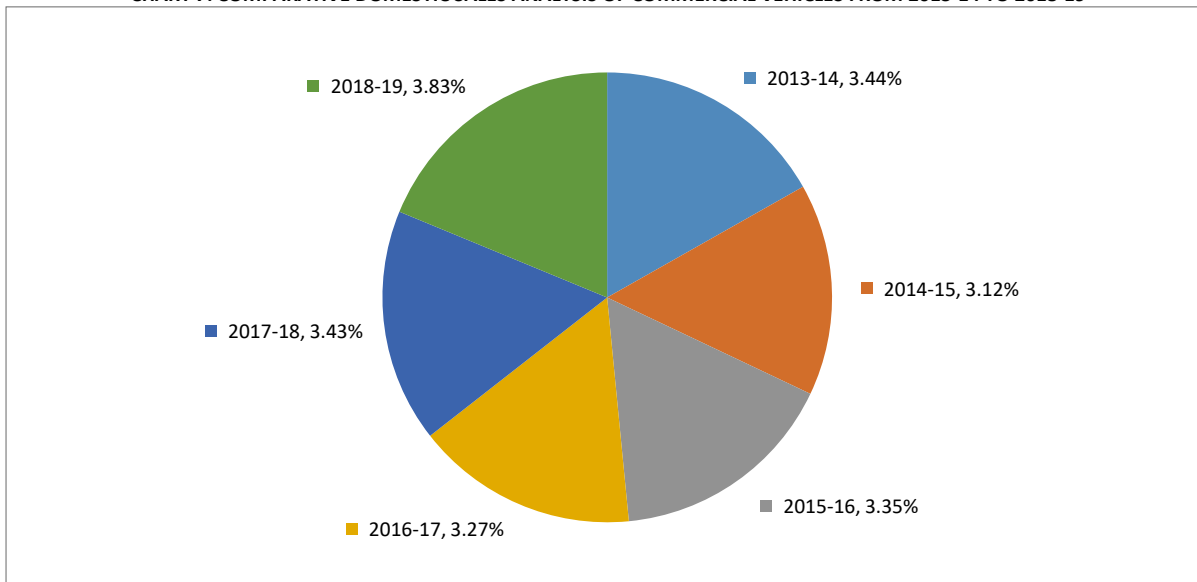


CHART 8: COMPARATIVE DOMESTIC SALES ANALYSIS OF THREE WHEELERS FROM 2013-14 TO 2018-19

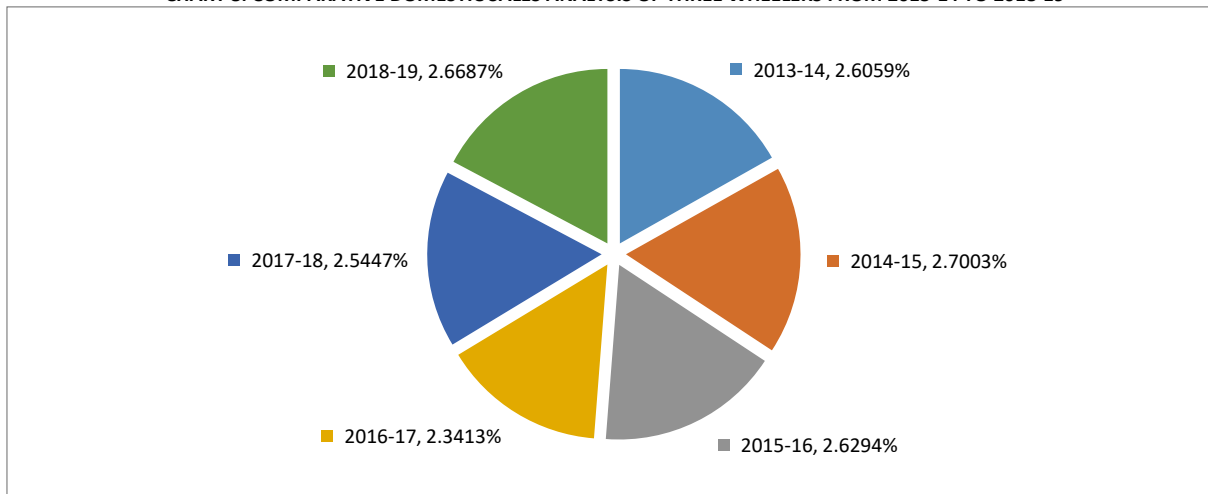
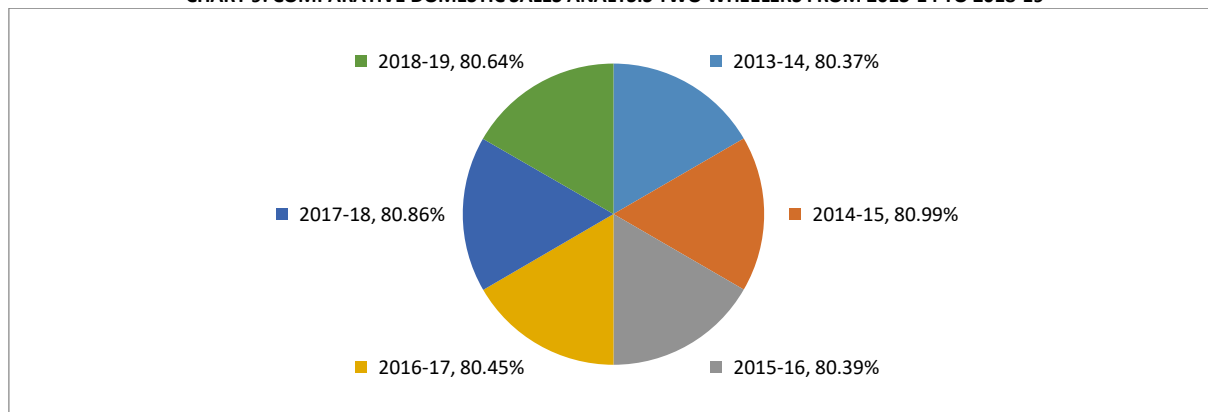


CHART 9: COMPARATIVE DOMESTIC SALES ANALYSIS TWO WHEELERS FROM 2013-14 TO 2018-19



REASONS OF DOWNFALL IN INDIAN AUTOMOBILE INDUSTRY

VEHICLE DEMAND

As we have seen through above analysis, the Indian automobile is facing a slowdown in sales. Market share of India’s top automobile companies has fallen.

HIGH FUEL PRICES

India’s automobile market, which has appealed venture from worldwide companies for growth in developing markets, has vanished some of its shine as high fuel prices and increasing interest rates as well as rise of job losses in a slowing economy have kept customer away. The weak economy has also injured demand for commercial vehicles.

In modern times, the prices of fuel have been rising suddenly, making it challenging for a lot of buyers to sustain the use of an automobile vehicle. It is unidentified fact that a high proportion of the Indian buyers belong to the lower and middle class income groups. These customers are continuously on the searching for substitutes for fuel, which has resulted in the rise for CNG and LPG vehicles.

MOTOR FINANCE

Since most Indians buy vehicles with loaned out money, high interest rates have been a major factor hurting sales. The RBI cut repo rate by 35 basis points (bps) in its last policy review. This has triggered a trickle-down effect with public-sector (PSBs) slashing lending rates for vehicle loans by 10bps-15bps.

NBFCs have been more active in utility vehicles, commercial vehicles and used cars. Many passenger vehicles and two wheelers have captive financiers. Large players such as Finance and Mahindra Finance not only cater to their own clients but also to customers of other brands.

Tighter lending norms over the last few years kept vehicle loans on a tight leash. Since the entire outstanding amount has to be entered as loss on the balance sheet if a borrower delays repayment or errs on interest payment, it impacted NBFCs rating from raising their borrowing cost.

The default time limit too has been reduced from 120 days to 90 days, making NBFCs more cautious in rural areas, farmers have to give income proofs and land-holding papers to access loans for vehicles used for commercial purpose.

People who are averse to debt burden are slowing down on purchases. It could also be due to increased margin requirements by banks. "Moreover, the new generation prefers rental car services to owning a vehicle. It is worth that financial savings of households are seeing a decline, resulting in lower capacity to pay.

INCREASE REGULATORY COST PRESSURE

Over FY19-21, vehicle prices are estimated to jump 13-30 per cent (1-2 per cent per annum over previous decade) due to safety, insurance and emission related compliance costs. Come 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.

USED CAR SALES

The trend, it seems, is not a blip or limited to a particular market. The economic slowdown and the steep fall in the value of the Indian rupee have erased the dividing line between those who scouted for a new car and those willing to settle for a well maintained used car.

The depreciation of the rupee, among others, has also meant an increase in input costs, leading to prices of cars being raised even as demand was falling. As a result, for the Indian automobile market, the used car market was valued at USD 21.04 billion in 2018, and is expected to reach USD 49.01 billion by 2024, estimating a CAGR of 15.12%, during the forecast period.

Additional factors, such as a rise in income levels, increasing demand for luxury cars, shorter car ownership periods, and increasing demand for two-wheeler owners of small and compact cars, are driving the growth of the market. Approximately 60% of the used car buyers are first-time buyers, followed by multi-car families, 37% and only 3% replaced their pre-owned car with another pre-owned car. It is declining in the new car sales, industry experts said.

SWOT ANALYSIS OF INDIAN AUTOMOBILE INDUSTRY STRENGTHS**STRENGTHS**

- Investments by global manufacturers
- The Indian market is very large
- Low labour cost
- Government assistance in production
- Increase demand for international quality
- Rise in the working and middle class income
- Continuous product innovation & technological advancement

WEAKNESS

- Government taxes increase the cost of manufacturing
- Lack of research & development
- Lack of appropriate manufacturing units
- Production costs are generally higher than some other countries like China etc.
- High interest rates
- Labour productivity is low
- Local demand is still towards low cost vehicles, due to low income levels
- Cars recalled
- Bargaining power of consumers

OPPORTUNITIES

- Rising rural markets
- Increase in population
- Growth in living standard
- Constant increase in salaries/incomes
- Auto vehicle (Car etc.) as status symbol
- Demand of the best and latest technology
- Introducing fuel-efficient vehicles
- To make a major shift to electric vehicles
- Government giving tax deduction for electric vehicles

THREATS

- High rate of interest
- Lack of technological setup for Indian companies
- Tough competition with Chinese manufacturers
- Costly raw material
- Less skilled labour
- Congestion on the urban roads
- Sluggish economy
- Volatility in the fuel Prices

ACTION PLAN FOR THE FUTURE GROWTH

As we have already discussed that the automobile industry is facing the problem of slowdown. Companies should try to increase their market with various ways. Companies have to be prepared with new dealers and models to drive growth of the automobile market. Companies will have to focus on the core values, as technology, quality, performance and uniqueness. It is not surprising that the high growth witnessed in the Indian automobile industry for the past few years had coincided with similar high GDP growth rates recorded by the country along with growth in incomes. The increasing purchasing power of rural India, accelerated development of roads and highways are factors that will help fuel further demand for mobility and vehicles. Though personal taste and lifestyles of customers are changing, companies should develop new designs for the vehicles which may fulfil the demand of current consumers. As per the analysis done by industry experts, electric vehicles may be the alternative for Indian buyers of automobile vehicles. These vehicles are more environment friendly than normal vehicles. Currently Toyota Prius, Honda Accord Hybrid, Toyota Camry, MG Hector, Suzuki Ciaz, Suzuki Swift, Suzuki Ertiga, Mahindra Scorpio Intelli hybrid is a hybrid vehicle which has been seen in the Indian market.

Given all the drawbacks industry experts still feel that electric cars will gain prominence in the Indian car market in coming years in the year 2019 Union Budget, the Indian government claimed that it will provide funds to give all the drawbacks, industry experts still feel that electric cars will gain prominence in the Indian

car market in coming years. In the Union Budget, the Indian government claimed that it will provide funds to support the production of hybrid and electric models. OEMs should concentrate on filling the gaps in their respective portfolios as well as designing and developing value for-money products. Companies should have the top preference for R & D activities to think of ways to achieve higher fuel efficiency. There should be nonstop development of current and new resources and procedures in order to produce the components that are price effective and biodegradable, today, it is the prime responsibility of the top management of every automobile company to share their knowledge and expertise to take initiative for new phase of vehicles. There should be new innovation in Indian automobile industry to solve the problem of slowdown.

CONCLUSION

It can be concluded from the above study that the demand for vehicles is also reliant upon various elements such as convenience and cost of finance, vehicle density, demographic shape of the marketplace and the earning capability. Thus, there is a huge potential market for automobiles that is yet to be tapped through the developments with the use of new technology. Obviously, the slowdown is the opportunity for the marketers for new developments; they have the scope for new innovations by conducting research. Automobile companies will have to produce such types of vehicles which may give the motivation to the customers for purchasing of the automobiles. So companies should take the slowdown period as an innovation era. It may lead to an increase in the sales.

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