CHAPTER VII

SUMMARY OF FINDINGS AND CONCLUSIONS

Industrial development is the key factor for rapid economic development of any nation. It is true in the case of developing economies since it would help combating many economic evils which they have been facing. Rapid industrialization results in increased production of both consumer and capital goods. It accelerates economic growth and increase national income. It is the only means of raising the standard of living of people substantially and also permanently. Without industrial development, no country in the world could reach the level of per capita income of developed countries. India being a developing country, its development mainly depends upon the growth of various industries.

Automobile industry, globally, as well in India, is one of the key sectors of the economy. Automobile has become an important ingredient of nearly every aspect of economic and social life. Its impact on everyday life and human perception is so great that it has become something like a symbol of progress and development. Automobile industry is not only an issue of consumption but also regard as an industry that drives the entire economy.
Automobile sector’s most obvious benefit is its input into the motor transport industry, viz., in ferrying goods and people from one place to another in a more flexible and very often more efficient manner than by other forms of transport. Road vehicles can penetrate into areas where other forms of transport cannot, thereby contribute towards the integration of backward areas into the national main stream. Due to its deep forward and backward linkages with several key segments of the economy, automobile industry has a strong multiplier effect and is capable of being the driver of economic growth. It is also important from a strategic viewpoint, as it strengthens national security.

The evolution of India’s automobile industry is identified to have occurred in four phases. In the first (1947-1965) and second phase (1966-1979), the important policies identified were related to protection, indigenisation and regulation of the industry. In the third phase (1980-1990), the single most important policy identified was the one with regard to relaxation in the means of technology acquisition. The foreign competition inducted into the industry transformed its dynamics. Lastly, in the fourth phase (1991 onwards) the liberalisation with regard to foreign investment had a significant influence on the Indian automotive industry as we see it
today. In contrast to 4,000 vehicles produced in the year 1950, the production of vehicles in the country crossed a historic landmark of 11 million units in the year 2006-07. Rising demand owing to the strong growth of Indian economy post liberalisation and the changing landscape in the global automotive industry have fuelled such a growth.

India is currently the 9th largest producer of automobiles in the world and also 4th largest exporter of automobiles in Asia, behind Japan, South Korea and Thailand. India, is also the 2nd largest producer of 2-wheeler, 4th largest producer of commercial vehicles (CVs) and 11th largest producer of passenger car in the world. It is expected that, India would be the 7th largest car producer and retain 4th largest position in world truck manufacturing by 2016. According to Bric (Brazil, Russia, India, China) report, India is expected to be the top in the world in car volumes with approximately 611 million vehicles on the nation’s roads by 2050.

Today, the Indian automobile industry contributes to roughly 5 per cent of country’s GDP and accounts for 24 per cent of the industrial output. By 2016, it is expected that the automotive sector would double its contribution to the country’s GDP and also go up to around 35 per cent of
the industrial output. More importantly, it provides employment to 200,000 persons in vehicle manufacturing, 250,000 in component companies and 10 million at different levels of the value chain – both through forward and backward linkages. The expected growth in investments and output of India’s automotive sector will create further employment opportunities in the country. Additional 25 million jobs are likely to be created by the way of direct and indirect employment in automotive companies and in other parts of the vehicle value chain such as servicing, repairs, sales and distribution chains.

In the year 2008-09, the gross turnover of the Indian automobile industry was US $ 38,238 million. Favourable investment conditions and the changing scenario of global competition have attracted world’s major auto manufacturers into India. Be it market-seeking or low-cost sourcing, India has emerged as an attractive automotive location to offer (global) automotive sector firms strategic advantages. Increased competition on the home turf as well as the growing acceptance of their products in the foreign markets have encouraged the Indian auto manufacturers to upgrade their technological capabilities, either through in-house research and development (R&D) efforts or through other means of technology acquisition. The
industrious efforts of Indian auto manufacturers are earning acclaim worldwide. For example, the world’s cheapest car recently unveiled by the Indian 4-wheeler manufacturer Tata Motors received attention of auto manufacturers around the world. The Indian automotive industry with its large number of domestic and foreign players is operating in terms of the dynamics of an open market. The growing installed capacity of the industry reached a figure of 3.88 million 4-wheelers and 14.31 million 2-/3-wheelers in the year 2009-10. The competitive conditions within the industry have substantially benefited the Indian consumers, who now have access to a wide variety of vehicles with affordable price tags.

Tamil Nadu is one of the well developed states in terms of industrial development. In the post-liberalisation era, Tamil Nadu has emerged as one of the front-runners by attracting a large number of investment proposals particularly in recent times. Today, Tamil Nadu is the third largest economy in India. With the setting up of major automobile projects namely Ford-Mahindra, Hyundai Motors, Hindustan Motors, Mitsubishi, Ashok Leyland and TAFE, Chennai, has emerged as the Detroit of South East Asia. Tamil Nadu has always been a fore-runner in the industrial process, both in terms of industrial output and in encouraging various new large scale products.
Tamil Nadu has the second highest number of petrol pumps at 2,965. As on 1st October 2010, Tamil Nadu has 1.10 crore registered motor vehicles, which stood second among the states in the country with Maharastra being first where about 1.25 crore vehicles were registered.

**MAIN FINDINGS OF THE STUDY**

*Production of Automobiles*

- Commercial vehicles has shown positive trend over the period of study except in 1970s. The compound growth rate of the commercial vehicles has increased from 3.78 per cent in 1970s to 4.78 per cent in 1980s and 16.64 per cent in the current decade. However, it has declined to 2.67 per cent in 1990s.

- Both the passenger cars and multi-utility vehicles segment has also shown a significant growth trend over the period of study except in 1970s. The compound growth rate of both the passenger car and multi-utility vehicles has registered ups and downs over the period of study.

- 3-wheelers have shown a consistent growth over the period of study. It was also worth to note that except in 1980s the compound growth
rate of 3-wheelers was more than that of the overall vehicles growth rate.

- 2-wheelers have shown a positive performance over the period of study in its accelerating nature and the compound growth rate also shown a positive trend over the period of study.

- Tractor segment has registered a poor production performance throughout the study period. This might be due to decreasing number of framers and lack of mechanization in agriculture. This might also be due to shift of agricultural lands in to special economic zones.

- Overall vehicles in the overall period have shown an acceleration trend except in 1990s.

**Domestic Sales of Automobiles**

- The growth models were highly fitted for domestic sale of automobiles in India in order to estimate the performance over the period of study.

- The nature of growth rate has shown acceleration over the period of study except in 1990s due to the insignificant nature of t value.
• The compound growth rate of commercial vehicles has increased from 4.32 per cent in 1970s to 16.72 per cent in current decade. However, it has declined to 2.6 per cent in 1990s.

• Passenger cars have shown insignificant growth both in 1970s and in 1990s. However, except in 1970s, the compound growth rate was more than that of the overall sales of vehicles over the period of study.

• 3-wheelers has shown positive increasing trend over the period of study. It has registered higher growth rate than that of the overall sales performance over the period of study.

• 2-wheelers have also shown acceleration over the period of study.

• Tractors have also shown positive increasing trend over the period of study.

• The compound growth rate for the overall sales of automobiles has also shown an increasing trend over the period of study.

_Reasons for Demand for Cars_

• The higher income group access was positive towards the demand for car.
• The self employed persons highly preferred their own car when compared with other kind of employed persons.

• In case of behaviour pattern of consumer in demanding for car, the comfort travel took the highest priority in both kinds of car, than any other quality behaviours.

• The cent percent of car users are well aware about the after sales service and insurance premium dues for their safety drive.

• Both kinds of cars were serviced in every six months and its association was highly significant, from the hypothesis testing result.

Reason for Supply of Cars

• Service centres, spare part sellers and dealers showroom exist in road side especially preferring highways for convenient of automobile users. Hence their cost value of the location was high in all over Tamil Nadu.

• The department which involved in after sales service and demo has good relationship with the customers for marketing their employer’s products.
• R&D was working effectively for finding new strategy to sell their product effectively.

• In warranty period customers complaints were minor problems than in the non-warranty period. It might be due to usage of the car by users.

• Employees were not receiving salary and wages according to their efficiency.

• The researcher was not able to judge the cost and return of the showroom dealers in Tamil Nadu, because their cost was higher than the return in their statements, then how it was possible to survey. Hence, an organisation was essential to monitor these organisations.

• The last but the least, the role of employees were the main factors in determining the supply of cars and its services which was further depend upon the salary and wages to avoid the labour turnover.
SUGGESTIONS AND POLICY IMPLICATIONS OF THE STUDY

- Adopting fuel economy standards would not help to check the growing consumption of petrol and diesel, it would also reduce the transport sector's contribution to accumulation of CO₂, not to speak of conventional air pollutants such as particulate matter, oxides of nitrogen and hydrocarbons. The less fuel burned/consumed per kilo metre travelled, the less would be the emissions.

- Promotion of Research and development to ensure the technology upgradation, building better designing capacities to remain competitive in the world.

- There are a lot of employees involved in this un-organised sector; so this sector is to be organised in fixing the minimum wages and salaries for the nature of work done by the employees.

- To expand domestic market, the industry should have strive for the acquisition of tools for faster product design and validation.
for enhancing the capability to create and introduce products that are appropriate to the market needs at a quicker pace and on a sustainable basis.

- To increase exports a three-tier tariff structure for raw materials, intermediate products and finished products is to be maintained.

- Industry should work towards bridging the gap on product quality, aesthetic, features and performance with world class products.

- Continuous investment in infrastructure is essential. Infrastructure should keep pace with growth in manufacturing sector and trade.

- Appropriate tariff policy is to be followed.

- Polluter tax must be levied from persons who emit and pollute the environment more than prescribed by the government as per the road and traffic act.
• Establish a state level society for automobiles manufactures in Tamil Nadu as 'Society of Tamil Nadu Automobile Manufactures' through we could enhance the body building, engine construction and produce zero defect products.

• The age of commercial vehicles should be clearly mentioned to avoid accidents and safety driving. The vehicles over the life span must be arrested and levy a high taxing if it ride on the road.

CONCLUSION

The overall analysis clearly shows that in the post-liberalisation period the rate at which the vehicles market had been growing in 1970s and 1980s could be sustained in 1990s and it came down substantially; the reasons are many – unstable growth of the economy coupled with fall in government investment expenditure in basic core sectors like agriculture, industry and infrastructure; worldwide recession further impeded the export growth of our country in 1990s; taking the advantage of our new globalised policy, lot of foreign companies set up their manufacturing plant with high capacity. As a result, the market became fiercely competitive and strong
brand equity-quality war and price war started among manufactures pushing the investment expenditure and selling expenses to a further high level. However, in the current decade, the growth rate of automobile industry in India has marked a significant trend than 1990s.