Chapter III

History of the Development of the Bicycle Industry and its Problems
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HISTORY OF THE DEVELOPMENT OF THE BICYCLE INDUSTRY
AND ITS PROBLEMS :

INTRODUCTION :

In this Chapter the development of cycle industry and its problems, are analysed. The purpose of this analysis is to know whether the cycle industry will be in a position to cope with the ever increasing demand for bicycles for the present and in future. Problems of the cycle industry should also be analysed because these problems have impact on the quality of the product and the level of production. The following points are taken into consideration :

1) How industry originated.
2) What is the nature of bicycle industry in India?
3) Importance of the bicycle industry in India in the context of the important role assigned to a bicycle in increasing mobility of India's population in cities and villages.
4) Specific problems faced by the industry and its future role.
3.1 **ORIGIN OF THE INDUSTRY:**

An account of the development of the Bicycle industry cannot start without a mention of what happened in Great Britain in the late 19th century. At the end of 19th century nearly ten million bicycles were in use in Great Britain and on an average there was 1 bicycle available per 5 persons. Most of the bicycles were manufactured by Raleigh industries or firms like Philips, or Hercules or Rudge-Whiteworth. These companies became a part of the Raleigh empire which controlled 15% of the production of bicycles.

At the end of 19th century there emerged large sized cycle firms and small local manufacturers. At the end of 1890's there was a slump and around 1900 the number of cycle manufacturing firms, large and small, steadily diminished. Raleigh remained expanding in good order. The quality of the Raleigh product was supreme. The customers of the Raleigh concern
gave compliments to the company for the high quality.

In the advertisement campaign organised by the Raleigh concern, health aspect was emphasised and later Raleigh went out to manufacture bicycle for customers like factory-workers, clerks and shop-assistants.

3.2 THE BICYCLE INDUSTRY IN INDIA

The Bicycle industry in India took birth at about 1938, when the IIInd world war was imminent. Initially the Indian cycle manufacturing companies were set up for producing spares and accessories. Till the indigenous production was started in 1943, the British cycles were used by the Indians. In 1943, it was decided to establish a Cycle Manufacturers' Association, to co-ordinate activities, work-out production problems, freeze foreign competition and standardise Indian manufacture. The pioneers in the Indian cycle Industry were

1. Mr. L.N. Birla - who initiated the movement.
4. Mr S.K. Sen of Sen Raleigh and the CMA.
The growth of cycle industry in India can be traced in the following stages:

1. **1938**: India began production. Two units were opened at Bombay and Patna.
2. **1943**: The Cycle Manufacturers' Association was set up.
3. **1963**: Government introduced voluntary price control. "Export Pool" was started to close the gap between local selling prices and the much lower export rates.
4. **1964**: Government joined the "Export Pool".
5. **1966**: "Export Pool" closed down.
6. **1968**: Indian cycle and accessory exports cross the Rs. 2 crore mark.
7. **1969**: India signed the 4 million dollar contract with Holland.
8. **1970**: India became the fifth-largest bicycle producer in the world, Government permitted a rise of Rs. 9.50 in bicycle prices to ease economic pressure in Industry.
9. **1971**: Target for manufacture of 1.9 million bicycles was set for the year.

3.3 **IMPORTANCE OF THE BICYCLE INDUSTRY IN INDIA**

The bicycle is the poor man's carriage. The
India of the villages has definitely entered "the bicycle age" and there is an increasing demand from the rural areas for this cheap and convenient form of road vehicle. There are approximately 4,000,000 bicycles in use in India at present and the target of the Third Plan was the production of 2.5 million bicycles annually. It is an interesting thought that although supersonic airliners may soon take a passenger from Calcutta to New York in 12 hours, the utility of the bicycle will not diminish.

The output of bicycle in 1971 was 1,900,000 and by 1973 it was expected to reach 3,000,000. The export of cycles also showed a rising trend between 1960 and 1969. This is significant because until Independence Indian made cycles had made no mark abroad and were still to capture the home market.

The sale of cycles in India increased from 37,000 in 1947 to 20.1 lakhs till 1969. It slightly reduced to 19.3 lakhs in 1970. The annual output in 1971 and 1973 was supposed to be 19 lakhs and 30 lakhs respectively.
As the following graph indicates there has been consistent rise in the cycle sales from 37,000 in 1947 to 19.3 lakhs in 1970.

*cycle sales in india (1947–1970)*

As against this, the production of bicycles is carried on by seven units which are concentrated in Punjab, Bengal and Madras complex. The main centres of cycle production as shown in the following map are Bombay, New Delhi, Calcutta, Madras, Ludhiana and Rajpura. The average annual production of bicycles is 15 lakhs of bicycles.

Source: Illustrated Weekly of India, Nov. 1971
3.4 THE CHARACTERISTICS OF THE BICYCLE INDUSTRY IN INDIA:

These problems for the bicycle industry in India, are created by the growth process in the economy where structural changes are created during the process of development. The following features of the industry should be carefully noted for understanding its problems and finding out solutions to them.

1) Bicycle has become the poor men's vehicle in the city and in the countryside.

2) In order that industry should grow, it is necessary that growing demand for bicycle is assured to the industry. The growing population in villages and in cities will lead to rising demand, and it is the responsibility of the industry to meet the social obligation at reasonable cost.

3) The industry provides employment to large number of workers and has sufficient scope for expansion in future.

4) The bicycle is a composite product requiring hundreds of accessories and parts. As a result of this, development of the cycle industry will lead to development of other ancillary industries on a large scale.
5) The industry has made rapid progress and is now firmly established. It is utilising advanced technical knowledge and skill. It can satisfy country's present and future demand for bicycles and need not rely on import of components in future. It has also done creditably well in exports. However industry's capacity to satisfy the present and future demand of the bicycle and thereby influence mobility of population in villages and in cities would depend on the solution of the following important problems.

3.5 THE PROBLEMS OF BICYCLE INDUSTRIES IN INDIA:

Stability and the strength of the industry, should be maintained and improved by solving the following important problems:

1) Production of cycles must always be little ahead of demand. However industry should not suffer from recession, as a result of fall in demand in future. In other words the industry must be assured of steady local demand or home market.
2) **The industry should also be assured of steady supply of raw materials.** These raw materials should be indigenously produced because industry has reduced its dependence on imports. The import bill on bicycle - raw materials is now only about 4% of its costs. This percentage was 70, twelve years ago. The efforts at import substitution should be vigorously made in future. At the same time we must take into consideration such problems as technical feasibility, ready availability and consumers' resistance to the indigenous materials. Availability of high raw materials in the country is most important because the bicycle using population in India is extremely quality conscious though not cost conscious. Attempts at import substitutions will also lead to saving of foreign exchange. In the near future however, industry's dependence on the foreign supply of materials will continue to be low if regular supplies of high quality and uniform raw materials and components are assured to the industry and it can be self-sufficient. Uncertainty in the supply of the raw materials and components require the industry to hold large inventories of tyres, tubes and other spare parts.
2) There is another problem of keeping prices of bicycles under control. This problem is important because the poor population is the main customers of the bicycles. If prices are not kept at a reasonable level, the comparative cost advantage enjoyed by the poor cycle rider will be vanished. The general increase in the price of bicycle is 2% to 4% over a period of 12 years. Though the industry has been trying its best to absorb increases in cost, it is difficult for the manufacturers to maintain stability of prices. This is because of the unavoidable factors like increase in the cost of components, wage-increases and increase in the employee's benefits of various kinds. The fiscal policy of the Government is responsible for this state of affairs. For example, the successive doses of indirect taxation on consumable articles have led to the rise in price of minor products. The high taxes are naturally reflected in high price. In spite of Government's efforts and anxiety to control prices, prices continue to increase. It is for the Government to take measures to control prices by statutory measures. In absence of Government's measures manufactures themselves cannot exercise price control.
Thus maintenance of production and maintenance of prices are the two basic problems of the industry. A large amount of co-operation and understanding on the part of the government is needed to solve the problem.

The energy crisis however is going to increase the importance of the bicycle. India cannot solve the energy problem by blindly following the West. The common man in India is badly in need of a vehicle like bicycle, which is the most efficient means designed to convert human energy into propulsion. Assuming that there would be a population rise of 2% to 3% per year, it is anticipated that the demand for bicycle in India will rise from 3.02 million vehicles in 1981 to 5.42 million in 1996.

The bicycle boom, if it comes to India, will indeed be a boon to our people. Because of the vastness of the country the acute congestion in cities, the menace of population growth and the virtual chaos in urban transport the bicycle will be an ideal mode of transport from the point of view of cost and convenience to the masses in cities and villages. The time has come for the Government and the private sector to give a big boost to the bicycle industry.
If the above mentioned important problems of the bicycle industry are solved in the near future, it will not be difficult for the industry to maintain the satisfactory level of production such that bicycles of high quality in required quantities may be provided in future to the Indian population in the cities and villages.

NOTE : A detailed analysis of the demand position and supply position is made in the Chapter VI.