ABSTRACT

About a hundred years have passed since automobiles came in to being. As a revolutionary product for travel and transportation, it has transformed society and grew in to a giant industry. As a mass production and multidivisional form of a corporate organization; it has provided representative business models of the 20th century. Indeed, the 20th century could be described as an ‘Age of Automobiles’. It has also pulled up the economy and led to technological innovations. At the same time, trade and investment liberalization policies and global expansion of the auto industry have transformed the industry especially in developing countries during the last few decades. The protective instruments that ones shielded most developing countries from international competition have been fully dismantled. The worldwide, largely for this reason, automobile industry is increasingly become internationalized. The automobile industry, in India, has been subjected to substantial policy changes over the last two decades. These changes dispensed with the bulk of controls and regulations and for the first time since independence assigned a central role to the market forces. As a result, the automobile industry in India is now working in terms of the dynamics of an open market. In the dynamics of transition of the Indian economy, the automobile industry is emerging as a leading industry, with the increase in production and capacity creation and with substantial growth in exports. Far-reaching economic reforms have moved India in to the front ranks of rapidly growing Asia-Pacific Region in the automobile industry. The aspects of such an importance especially changes in both the demand and supply sides of the industry in the context of macro-economic reforms have become the focal point of considerable interest in our investigation.
The evidence from related studies using different methodologies and data sets does not support the common view regarding openness and trade. While most of the empirical studies ultimately find the evidence to supports the view that these reforms have strengthened the industrial performance, few studies establish an inverse relationship between openness and industrial performance. The remaining studies advocate no link between reforms and industrial growth and find stagnancy in the growth performance and behavior during the reform period. Hence, based on the study gap, we focus mainly on impact of macro-economic reforms on growth, structure, conduct and performance of the automobile industry in supply side. While the demand side we spread light on consumption behavior and its determinants. We also attempt to investigate whether supply side alone or even demand side factors contributed to the changes in the Indian automobile industry.

The results show that policy reforms introduced by the government have a significant impact in the form of an increase in technology inflow through various models. In sum both the national and international business responded to an emerging Indian market by introducing capital and technology through joint ventures and subsidiaries. As a result, the moribund Indian automobile industry has been reinvigorated. Now the automobile industry has become much more diversified, with a broader technological base than it was before. The automobile Industry in India is now working in terms of the dynamics of an open market. The policy changes along with the changes in economic environment did much to shape the firms in terms of technological up gradation, modernization, production, growth, market structure, conduct and performance in supply side while to shape the consumer attitude in demand side. Now the automobile industry in India has become one of the largest
manufacturing industries in India. Thus automobile industry in India has a maneuver its way on obstacle-ridden past. Its growth stems from the preserving vision of the automobile manufacturers and the governments' gradually response to their desires to make the market competitive. However, the factors that led to its growth are wide and varied. Our findings suggest three factors at work, namely the capability of the technological system, knowledge of customers and the business environment. These three factors are largely governed by three important forces, i.e., government policies, global forces in the supply side and changing attitude of the consumers in the demand side. The policy reforms have spread a new light on these segments. The Government of India has, thus, provided a suitable economic and business environment conducive to the success of the established and prospective foreign partnership ventures. The far-reaching economic reforms undertaken since 1991 have unleashed the growth potential of the car and two wheeler-manufacturing segments. In the dynamics of transition of the Indian economy, the automobile industry is emerging as a leading industry.