CHAPTER VII

THE FINDINGS AND RECOMMENDATIONS

FINDINGS

RECOMMENDATIONS

DIRECTIONS FOR FUTURE RESEARCH

CONCLUSION
CHAPTER VII
THE FINDINGS AND RECOMMENDATIONS

This Chapter presents a summary of the findings, recommendations and conclusion.

Findings

Lack of Enterprise and Government's Support during the Initial Stages

The historical perspective of the passenger car industry is generally the same as that of the automobile industry in India. The analysis has revealed that the automobile industry of India has been considered as a low priority industry by the planners of the country, so also by the Government of India. Automobile production presupposes the availability of certain pre-requisites such as ancillary and related industries huge capital, technical know-how and trained man-power. The paucity of these pre-requisites on which the producers have no control curbed the zeal of the manufacturing firms. As such, the firms had confined their activities to mere assembling works, during the initial stages. Thus the growth of the industry has been quite slow for a very long period of over three decades.

Belated Realisation

Government of India having understood the vitality of the automobile industry came forward to encourage the industry by means of appropriate policy measures. Several Adhoc Committees
have been appointed from time to time. Based on the recommendations of the committees effective steps have been put forth towards the formation of a sound automobile industry. One of the effective steps undertaken by the Government of India was that the Government had come forward to terminate the operations of foreign firms which were mere assemblers, without having any manufacturing programmes. As such, companies such as General Motors India, Ford Motor Company of India, French Motor Car Company and Peninsular Motor Company had to close down their operations in India, as they considered the demand for passenger car in India was too low to warrant indigenous production.

The Progressive Manufacturing Programmes

Among other things, the Tariff Commission, 1953 had recommended for a progressive manufacturing programme for the automobile industry. Accordingly, with respect to the production of passenger cars, the Government of India had granted permission to five firms, viz., M/s Hindustan Motors Limited, M/s Premier Automobiles Limited, M/s Automobile Products of India Limited, M/s Standard Motor Products of India Limited, and M/s Ashok Motor Limited. The firms were authorised to produce big cars, medium cars and baby cars. Out of the said five firms, significant progress was shown by M/s Hindustan Motors Limited, followed by M/s Premier Automobiles Limited.
Protection to Automobile Industry

In tune with the recommendations of the Tariff Commission 1955, the Government of India had granted protection to the automobile industry for ten years ending December, 1967. However, the period of protection was extended further on the recommendation of the Tariff Commission 1968. The protection so granted enabled the industry to develop on sound lines.

Modification of Approved Manufacturing Programmes

During 1957, the strain on the foreign exchange had compelled the Government of India to modify the already approved manufacturing programmes. Accordingly, the Government of India had advised the firms to discontinue the production of those models of cars which require substantial outflow of foreign exchange. As a result, production of cars such as Stude Backer, Dodge, Desoto and Plymouth were given up by the respective firms manufacturing those models.

Concern over Indigenisation, Fuel Efficiency and Better Quality

In view of the objective of indigenisation, stringent policy measures have been announced by the Government of India from time to time. As a result, the indigenous content of the Indian made cars has been showing a gradual increase which is hoped to reach cent per cent within a short period of time at least in the case of a few firms. With respect to fuel efficiency, the Government of India, during 1956 came out with its policy of encouraging fuel efficient cars, through certain fiscal concessions. The Government
had insisted on the makers to obtain fuel efficiency certificate as a precondition to introduce the product in the market. The procedure for obtaining such fuel efficiency certificate has been streamlined. These measures have obviously directed the makers to show more attention on the production of fuel efficient vehicles. Further, for improving the quality of cars, effective steps have been taken by the Government of India as per the recommendations of the Pande Committee. This has resulted in substantial progress in the quality-standards of cars manufactured in India.

The Makers of Passenger cars

Presently, there are five firms manufacturing passenger cars in India. M/s Hindustan Motors Limited, incorporated during 1942 is now operating with an approved capacity of 50,000 cars and trucks per year. The firm was the pioneer firm in the matter of production of passenger cars in India. This was followed by M/s Premier Automobiles Limited which was incorporated during 1944, now operating with the approved capacity of 35,000 cars and trucks. Both these firms have been performing encouragingly well right from the beginning. Their contribution to the growth of Indian Passenger car industry is quite noteworthy. M/s Standard Motor Products of India which was incorporated during 1948 is now operating with the approved capacity of 15,000 cars. During 1986, the company has been granted the Letter of Intent for expanding their existing capacity of passenger cars as well as commercial vehicles to a final capacity of 27,500 cars. The performance of
the firm has not been encouraging right from the beginning. M/s Maruti Udyog Limited which was originally started during 1965, as a private limited company with the objective of producing low-cost small cars, was taken over by the Government of India in the year 1981. The approved capacity of the company is 1,40,000 vehicles. The performance of Maruti Udyog is a milestone in the Indian passenger car industry. The overwhelming response to Maruti products reflects a new trend in customer preference for small cars. Accordingly, the other makers have been compelled to launch programmes for technological upgradation, product modernisation and such other measures to suit to the changing market conditions. M/s Sipani Automobiles has been granted licence to produce low-cost small cars during 1975. The approved capacity of the company is 3000 cars. The performance of the firm is not satisfactory.

The Performance of the Industry

An overview of the performance of the industry reveals that on an average there has been consistent increase in the production as well as the sales volume. Major portion of the demand is met by both M/s Hindustan Motors Limited and M/s Premier Automobiles Limited. However, with its emergence M/s Maruti Udyog Limited has started sharing a sizeable portion of the market. The production and the sales trend of passenger cars, as compared to two-wheelers and commercial vehicles reveal that on an average
for every 5 cars produced and sold, 38 two wheelers and 7 commercial vehicles are produced and sold in the country.

**Low Cost Small Car Project**

The long time desire of the Government of India with respect to the production of low cost small cars has been partially fulfilled with the introduction of Maruti and Dolphin cars. These cars even though small in size, are priced high. As a result, it is not within the easy reach of the middle income group. As such, the Government of India is still pondering over the idea of low cost small cars.

**Problems associated with the Industry**

The major problems associated with the industry are identified. From the view point of the makers, the problems identified are

i) The industry does not enjoy the support of the Government

ii) The component and other related industries are not able to meet the requirements of the industry in quality and quantity

iii) High cost of operation

iv) Uneconomic scale of operation

and

v) Absence of sophistication due to lack of technical know-how.

Problems identified from the point of view of the users are different. Apart from the general trend, even the sample survey reveals that the buyers have a limited choice, coupled with limited supply.
Also the other problems faced are high price, poor quality standards lack of after-sales service increasing fuel cost, non availability of standard quality of spare parts and differing tax rates from State to State.

Profile of the Sample Users and Their Ownership

The profile of the sample users revealed their demographic and psychographic features. It is found that the majority of the sample users are males, within the age group of 31-50 years. The family size of the majority respondents is above five members. Most of the sample respondents are self-employed with a monthly income of above Rs.3000/-. It is also found that majority of the respondents are conscious of social and economic status and self image and that they are challenge, change, enjoyment and family oriented.

With respect to ownership, the study shows that the majority of the respondents owned a car or a two wheeler prior to the acquisition of the present brand of car. It is also found that most of the respondents retain their previous ownership for reasons such as sentimental value, occasional usage, economy and aesthetic value.

The Brand Selection Process

The brand selection process of the sample respondents is studied under different sub-heads viz., Need Identification, Inquiry Process, Evaluation Process and Ultimate Decision. With respect
to Need Identification, it is found that for the majority of the respondents the need was social status coupled with professional status and the need identification source is the user himself in the majority of the cases. As regards the inquiry process, it is found that the dealers and the makers appear to be the major source of information to the majority of the sample respondents. The types of information sought by most of the respondents were both product and market related information. In the evaluation process, the brands considered by the sample respondents were identified. It was found that most of the sample respondents have considered Ambassador brand for the purpose of selection.

The involvement of the family members in the purchase decision process was also studied. In the majority cases, the timing of purchase was decided by the user himself. Spouse and children had significantly participated in deciding the brand, colour and the model.

Brand Choice - The Influencing Characteristics

The characteristics influencing the brand choice by the respondents are identified and grouped under three major heads viz., product related characteristics, market related characteristics and Buyer related (Personal) characteristics.

The product characteristics identified are comfort, exterior design, fuel efficiency, interior design and maintenance cost. The market characteristics identified are availability, guarantee, price, resaleability and terms of sales. The buyer
related (personal) characteristics are grouped under two subheads viz., demographic characteristics and psychographic characteristics. The demographic characteristics identified are age, economic status, educational status, family size, marital status, occupational status and sex. The psychographic characteristics identified are challenge consciousness, change consciousness, enjoyment consciousness, family consciousness, image consciousness and status consciousness.

The relationship between brand choice and each one of the above characteristics has been analysed and tested. The findings show that as regards product characteristics all the characteristics are supportive of the hypothesized relationship with brand choice. Regarding market characteristics while the characteristics availability, guarantee and price are supportive of the hypothesized relationship with brand choice the characteristics resaleability and the terms of sales do not support the hypothesized relationship with brand choice. Regarding the buyer related (personal) characteristics none of the characteristics identified as demographic characteristics support the hypothesized relationship with brand choice. In case of Psychographic characteristics only one characteristic "Enjoyment consciousness" support the hypothesized relationship with brand choice and the others do not.
Recommendations

From this research study, the following recommendations emanate. The recommendations include those offered by the makers as well as by the sample users. The recommendations are presented under two heads viz.,

1. Those from the makers' point of view
2. Those from the users' point of view.

1. Recommendations from the Makers' Point of View
   a) It has been found that one of the serious problems that hamper the healthy growth of the passenger car industry is the ever increasing cost of production. As such, any measure leading towards cost reduction will be of great fillip to the industry under the existing conditions. It has been noted that the passenger car industry suffers from heavy burden of taxation resulting in very high selling price. Hence it is recommended that a rational revision of the tax policy with respect to automobile industry in general and passenger car industry in particular may be adopted by the Central Government. The revised tax policy should be such that it ensures increased sales to the makers and lower prices to the buyers.
b) Any attempt by the makers towards the cost reduction may be viewed quite liberally by the Government of India. As such, attempts towards transfer of appropriate technology, man power and other related inputs which may enable cost reduction are to be encouraged. Concessional import duties, liberal allocation of foreign exchange and the like are to be provided, linking them with cost reduction.

c) The passenger car industry and the auto component industry are to be linked in such a way that some of the components may be manufactured by the auto component industry by taking advantage of the economies of small scale industry. This process may enable the industry to achieve cost reduction to some extent. However, in view of the passenger car models which are different the veracity of this recommendation is questionable. In the light of this, it is suggested that the makers can think in terms of standardising the components to the extent possible.

d) The car plants require modernisation programmes in tune with the technological development. The makers may be encouraged towards modernisation programmes in a phased manner. The Government may come forward to exercise suitable fiscal concessions in matters relating to such modernisation programmes.
e) The quality and the price of passenger cars to a greater extent depend upon the spare parts supplied by the auto component industry. Hence stringent measures on cost and quality standards should be imposed on the component industry in order to ensure control of costs and better quality of the cars. It is also recommended that the auto component industry should come under the surveillance of the Government so as to ensure faster indigenisation of spare parts coupled with cost reduction.

Recommendations from the Users' Point of View

a) In view of the huge financial commitment associated with the purchase of a car, it is recommended that the makers may come forward with leasing type of contracts through authorised financial institutions including that of the nationalised banks. This sort of an arrangement may enable to boost the sales.

b) One of the problems faced by the users is the lack of adequate after-sales service. In view of this lacuna, it is recommended that the makers can come forward to develop a chain store type of after-sales service workshop which may, after the guarantee period, provide enough dividends. Since the private garages take abnormal time and render services to owners of all types of vehicles, chain store type of after-sales service workshop started by the makers may attract the users and pave the way for quality services.
C) The Maruthi Udyog Limited's experiment of making multi-use vehicles (i.e., a vehicle that can be used as a car, a van and so on) is proved to be successful since there seems to be a good demand for the same. Hence it is recommended that other makers may also come forward to have multi-use vehicles in their product mix.
Directions for Future Research

The researcher suggests the following directions for future research.

(1) A complete diagnostic study of the automobile industry with special reference to the post independence position in India may be attempted to enable policy making at the national level.

(2) A comparative study may be undertaken between Indian market conditions and market conditions of a country which is free from the constraints faced by Indian automobile market.

(3) The post purchase opinion of the automobile owners is another direction for research. Such study may focus attention on the level of satisfaction of the automobile owners and the problems faced by them after the ultimate purchase.

(4) The problem of "Poorman's car" remains unsolved in the sense that the prices are escalating to that extent, leaving alone the poor, even the middle class are not able to afford the purchase of a new car. This is borne by the fact that Maruti which was introduced as a "Poorman's car" is now quoted at a price of Rs.1,12,659/- which is very close to the price of premier Padmini car. Also due to lack of good traffic facilities maintenance costs including fuel costs are also likely to be on the increase. These aspects also may be probed into to solve the problem of "Poorman's car". In this context studies as to the income level for owning a car may also be undertaken in order to forecast the future demand for automobiles.
Conclusion

In this research study, the researcher has made an attempt to present two aspects of the passenger car industry in India viz., the market conditions and the brand selection behaviour of the users. As such, the study focuses attention on the industry from the viewpoints of both the makers and the users. In addition to the said two aspects, the problems associated with the industry have also been dealt with and appropriate recommendations have been made to overcome the situation. In the context of lack of research studies on the passenger car industry of India, the researcher feels that his attempt would serve a useful purpose. Besides it is hoped that the study would act as a stimulus to further studies on the same or related industry. The researcher shall feel amply rewarded if the study is made use of by anyone connected with the industry.