

# Analysis of the indian foreign trade with reference to automobile industry

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## **Introduction to the Automobile Industry**

Following are some important points in view of the automobile industry from the global perspective: The inception of automobile industry began in 1769 when first self-propelled road vehicle was built by Nicholas J Cugnot in France. Then we shifted towards electric carriages and gasoline vehicles powered by combustion engines. Then G W Daimler and Wilhelm Maybach created the 1st Gasoline 4 wheeled four stroke engine and just after that Charles Edgar Duryea and brother Frank Duryea made the Gasoline 1st successful gas powered car 4hp, 2 stroke motor and began the 1st American car manufacturing company.

Vehicles were using kerosene or other types of alcohol as their energy sources. It was Detroit, who started to manufacture cars in bulk which no one wanted. US then started the same thing and every year accessories were sold in larger amounts. US produced almost nine times more than Japan but it was Japan who emerged as leader in automobile industry in 1980 and clearly leading the race in today's world as well. After the advent of many organisations key to survival was the turnaround time on parts and accessories. How fast can parts be received and be installed. Companies and employees were helped by NAFTA and were benefitted by lower tariff rates. Ford, GM, and their employees were all benefitted from the cuts generated by NAFTA. Passenger car tariff was reduced by 1.2 % in 1995 and continued to be reduced until it was eliminated in 2005. Challenges ahead of global automobile industries are enormous. Let's discuss one market after other.

European market is weaker as the region is emerging from a six-year slump. For Russian market, sales have plunged down by 25% in Dec 2017. For India the market's performance has been inconsistent. And China, growth in the world's largest vehicle market has slowed, even though investments by most original equipment manufacturers (OEMs), which are betting big on future demand, continue to ramp up. Prompted by many global initiatives, mainly the Paris Agreement, many countries around the globe are enacting stricter emissions controls on new vehicle models. As such, automakers are beginning to expand their business into the electric mobility sector. Germany is expected to lead the way with projected electric car production to reach some 1.3 million units by 2021 according to figures stated by Statista. Internet-connected car technologies and autonomous vehicles are set to stir up yet another revolution in the automotive sector. The global market for autonomous driving hardware components is expected to grow from 400 million U. S. dollars in 2015 to 40 billion U. S. dollars in 2030. Objectives To study evolution and trends in Indian automobile industry and the share of Automobile in Indian foreign trade.

## **Methodology**

This is a conceptual research with explorative methodology. The secondary data was collected from different sources like research papers, news articles, and relevant agency sites. This study was made to have an overview of Indian foreign trade with emphasis on automobile industry. The study is confined to automobiles only. Literature Review One of the most important economic catalysts in every country is automotive sector. We have already

talked about facts and figures about sales, production, estimations etc. They require not only direct human resources but also indirect human resources from many functional organisations. This is to drive consultants, suppliers, partners across various countries. We know in today's world increasing competition, challenging customers and changing market scenario, all are contributing heavily and should be the main focus of any global market and business environment. In this report, we have tried to analyse the Indian and European market over a period of time mentioned with detailed analysis, like which are the factors leading to global import and export, what are the other parameters that is boosting sales and revenue, how well they are competitive in international business.

For an automotive industry, we need experts on various levels, so that they can help us in cutting cost and driving customer needs. Competitiveness of manufacturing sector embraces many aspects such as price, quality, productivity, macro-economic environment and overall efficiency. Here we have tried to identify on the parameters such as competitiveness, global comparisons, international activities, policies, and how industry is evolving. Cost efficiency plays an important role in automobile industry in order to retain or improve market share. What global manufacturers are actually doing is that they sourced from other developing countries. Automobile industry being a volume driven industry, it is imperative for any country to invest heavily on R&D, New product development to stay ahead of competition. For Indian Auto Industry, creating a strong and efficient supply base is the need of the hour, not only to emphasis on lower costs and

economies of scale but also to exploit export, overcoming infrastructural bottlenecks, overall we have to improve massively on manufacturing.

According to recent article and through reference of IBEF, automobile industry is supported by various factors such as availability of skilled labour at low cost, robust R&D centres and low cost steel production. The industry also provides great opportunities for investment and direct and indirect employment to skilled and unskilled labour. Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026. Two-wheelers are expected to grow 9 per cent in 2018, which is a booming sign.

Rentala and Anand (2014) studied the determinants of export performance for pharmaceutical company in India during the period of 2005-2013. This study has taken various independent variables as Firm Size, Import of Capital Goods, R&D Expenditure, Firm's Age, Import Of Raw Materials, Advertising Expenditure, Capital Intensity, Profitability, Foreign Equity, Capital-Output Ratio, Equity (FDI) and royalties paid whereas, the dependent variable were Export Sales and Export Intensity and Export Growth. The multiple regression analysis was applied for the data analysis. The results of the study showed that there was significant impact of firms' internal resources on their export performance and its success. Singh (2014) studied the growth and export potential for Indian Automobile as a whole and its sub-segments also. The study took secondary data and analyzed the growth and export potential through graphs and tabulation. The study found that the export intensity has improved. Sarangi et al. (2014) studied the growth of Indian automobile

industry and to reported the forecasted values for the 3 financial years from 2013-14 to 2015-16 using statistical technique. Two segments of automobile industry covered in the study were passenger and commercial vehicles.

A conceptual research by Shastri and Pradhan (2013), gave an overview of Indian foreign trade with emphasis on automobile industry. The study was confined to auto vehicles only. The study also discusses the growth drivers of Indian Automobile industry. A study by Jalali (2012) examined the relationship between export barriers and the export performance of Greek firms targeting the Iranian market. Six dimensions of variables taken in the study were: environmental dimension, financial dimension, operational dimension, legal dimension, logistic dimension and resource dimension. The study collected data through structured questionnaire and developed a structural equation model to understand that which dimension has greater effect on export performance. The results of the study showed that the most important barrier to Greek firms exporting to Iran is the operational dimension. The study by Falk and Hake (2008) empirically investigated the relation between exports and the outward FDI stock using a panel of industries and seven EU countries for the period 1973-2004. The study used Holtz- Eakin panel causality tests for finding the relationship between exports and FDI. The results of the study showed that exports have a strong positive effect on the outward FDI stock. The study by Dueñas-Caparas (2006) determined the factors affecting the export performance of firms in Philippines for manufacturing sector. The study had objective to identify the firm-level characteristics and their effect on firms' capabilities to export.

Firm size, firm age, human capital, capacity utilization, skill, training and foreign affiliation were identified as firm level characteristics and determined statistically whether it affects a firm's capability to export. The study used econometrics model and concluded that foreign affiliation has the most prominent influence on firms' export performance. Indian Automobile Industry The Indian Automobile industry consists of four market segments viz. , 2-wheelers, 3-wheelers, commercial vehicles and passenger vehicles.