

The Downturn in Indian Automotive Industry: A Worrying Subject-matter

Nowadays, automobile companies in India aren't having the best of days at work. Customer footfall at the showrooms through which different Indian organizations sell their vehicles has fallen tremendously in recent times. Declining footsteps and poor sales at showrooms for the past four quarters have undoubtedly shaken the automotive industry.

It is no secret that the Indian automobile sector, which holds the world's fourth-largest position, is witnessing the worst slowdown after over a decade of high growth. For instance – According to the May report, sales of passenger vehicles in the country fell near about twenty percent in the past few years. As per the Society of Indian Automobile Manufacturers (SIAM), it was the steepest drop observed in the past 18 years. Although the overall quarterly production of the automobiles grew from 5.6 million in June 2014 to around 7.21 million in June 2019, weak consumer demands for all automobile segments resulted in a remarkable decline in quarterly registrations year-by-year. Noticeably, domestic auto sales of production have dropped to 84.35 % in 2019 from 85.27% in 2014.

What led to the slowdown?

India's automobile industry came to this sorry state because of a host of reasons, which are as follows:

1. **A slump in demand:** A considerable decline in the interest of both rural and urban people for the purchasing of new automobiles is the foremost factor responsible for the 20 % downturn of the total slowdown in the auto industry.
2. **Increase in acquisition costs:** Due to insurance, safety, and emission norms that pertain to compliance expenses, vehicle costs have seen a hike in 2019 and are expected to continue in 2021. High insurance costs and the introduction of GST that have increased the acquisition costs by 2-5 percent are responsible for a 10 percent slowdown.
3. **New norms:** In July 2018, the Indian government aimed to bring the logistics costs down, and had officially up surged the maximum load-carrying capacity of large vehicles by around 20 percent. The specific decision had negatively

influenced the purchase of automobiles, especially commercial vehicles, and is believed to bring a 10 percent decline in the automotive industry sales.

4. **Other factors:** Because of comparatively lower prices of second-hand vehicles, people prefer buying pre-owned cars instead of the new ones. The continuously expanding pre-owned car market, which enabled the effortless buying and selling of second-hand cars, also affected the purchase and sale of new ones. Furthermore, the enhanced accessibility of automobile rentals makes consumers to rent vehicles rather than buying them. The lack of apt migration policies in regards to Electric Vehicles (EV) raises confusion among buyers, thus contributing towards a decrease in auto sales.

Hope for the better future

Though worrying yet these weak sales are thought to be a passing phase. For instance, managers of several companies like Maruti Suzuki and others, have notions that the primary reason why consumers are losing interest in buying new vehicles is the lack of festive flavour in the past few months. They expect that the upcoming wedding season will bring the consumers back to the showrooms.

New launches

The hope that auto sales will soon get upturned has proposed some carmakers to come up with new models.

The slump in the automobile industry has affected almost all segments of this sector. As the downturn in auto sales has affected the demand for automotive parts and production of materials like rubber, steel, plastic, glass, electronics, paint, and others, it is clear that the automobile industry has a robust linkage with the overall economic growth of the nation. So, growth in the automotive sector is crucial for the economic growth of the country.



info@kerdasoftech.com



www.kerdasoftech.com