

Project Proposal

Influence of Government Policies on Industry Development:

The Case of India's Automotive Industry

A project of:

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Background

The automotive industry in India has come a long way from its inception in the early 1940s to the present day dynamic form. As compared to a mere production of 4,000 vehicles in 1950, the production of the industry crossed a historic landmark of 10 million vehicles in 2006. The industry is witnessing an impressive growth in production in all the vehicle segments; see Figure 1.

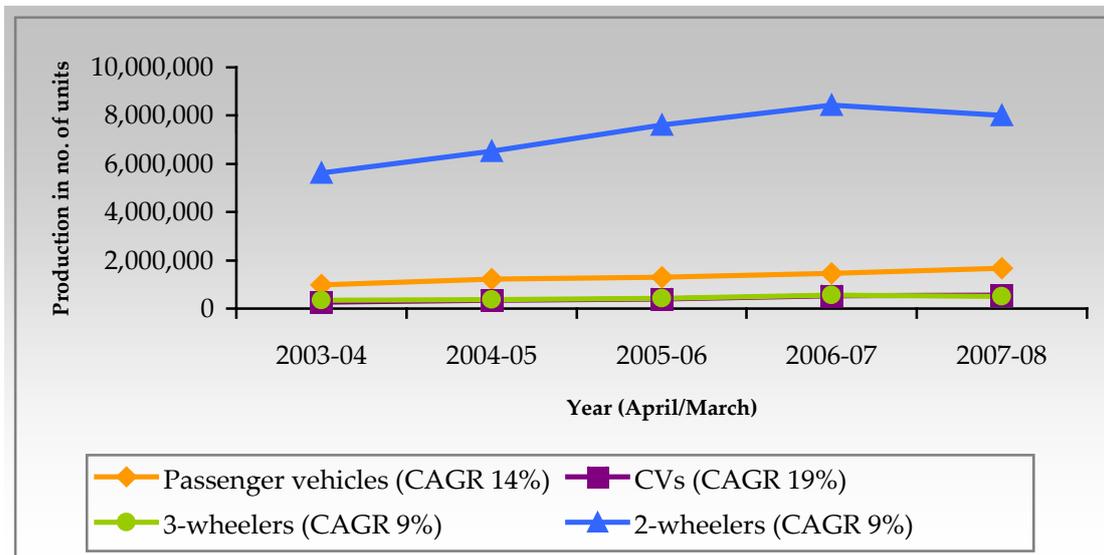


Figure 1: Production of India's automotive industry
(Source: ACMA 2008)

The Indian automotive industry today operates in terms of the dynamics of an open market. Both the automobile and the auto-component industries, which constitute the automotive industry, exhibit a good balance of domestic and foreign players. The direct foreign competition in the industry is on a continuous rise as evident from the industry's FDI figures; see Figure 2.

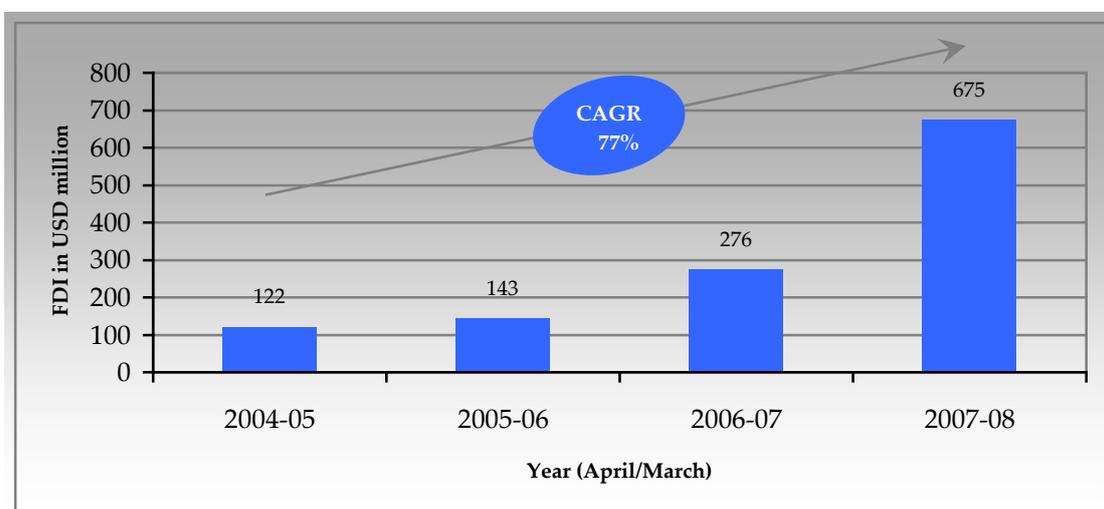


Figure 2: FDI trend in the Indian automotive industry
(Source: GOI 2008)

The influx of global auto-majors and Tier-1 suppliers into the Indian automotive industry has catalysed the development of capabilities of the industry. The industry is producing nearly all kind of vehicles and components. The exports and R&D efforts of the industry are on the rise. Today, the Indian consumers have at their disposal a broad array of vehicle models to select from at competitive prices and satisfactory quality levels.

However, much of the growth of the Indian automotive industry has happened over the last two decades. Prior to the 1980s, the functioning of the industry was heavily regulated by means of a bureaucratic licensing system. Automotive firms were required to obtain licenses from the Indian government for entry, expansion, diversification and relocation. The vehicle models produced by the industry were restricted to an absolute minimum. On one hand, such restrictive government policies helped the Indian automotive industry to develop indigenous capabilities, while on the other, it hindered the process of demand development and led to unsatisfactory industrial performance (Narayana 1989). The partial-liberalisation of 1980s and the liberalisation of 1990s have put the industry on the fast track of development. Today, the industry with its rising contribution to the GDP is considered as a sunrise sector for the Indian economy (GOI 2006).

The development of the Indian automotive industry has been shaped by the demand on one hand and the government interventions on the other, the influence of the latter being considerable (Narayana 1989). Various government interventions in the form of policies, existing at various points of time, have influenced the development of India's automotive industry. It is of interest in the undertaken study to identify these government policies and to understand the influence they had on the development of India's automotive industry. It is also of interest to understand the considerations made on the part of the Indian government that underlie these policies and to explore the role played by it in different stages of industry's competitive development. Such a study shall help to obtain a broader understanding about the role the government plays in the development of an industry. It shall also help to explain the industry structure and the demand characteristics of the Indian automotive industry as we see it today.

The objectives of the study and the proposed research methodology are outlined below.

Objectives

In light of the discussion made so far, the objectives for the undertaken study shall involve:

1. Providing current overview of India's automotive industry.
2. Identifying government policies that have influenced or are influencing the development of India's automotive industry.
3. Understanding the influence important government policies had on the development of India's automotive industry.

4. Exploring the role played by the Indian government in different stages of automotive industry's competitive development.

Proposed Methodology

The objectives of the study shall mostly be met through desk research. More specifically,

1. Relevant literature sources shall be obtained from local libraries and the world wide web.
2. Literature sources pertaining to the Indian automotive industry in general, its history, functioning of the Indian government and policies of the Indian government towards the automotive industry shall be specifically searched for.
3. Additionally, government websites and news on India's automotive industry shall also be looked at.
4. Collected literature shall be analysed to identify the relevant government policies and to understand the influence they had on the development of India's automotive industry.
5. The results generated and the conclusions arrived at shall be documented in form of a scientific report.

References

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