

Impact of COVID - 19 on Automobile Industries in India

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Abstract - The present study is intended to emphasize the crucial impact of COVID -19 a global pandemic in automobile industries in India. COVID -19 was declared as a global pandemic on March 11, 2020, by the world health organization. Globally over 430 million enterprises are at the risk of disruption, much focus in the press has been on the impact on Europe and North America, but the effect on developing country is more critical and scater seen.

India consists of various sectors of industries and the pharma, automobile and others are largely affected due to COVID - 19. One of the hard hits is ‘automobile industry’. This industry is facing much more problem due to lockdown in two ways viz Impact of COVID -19 in emission standard in India from BS4 to BS6& impact of lockdown in India and other countries on automobile industries.

This research paper is aimed to unearth the impact of COVID 19 on automobile industry in India.

Index Terms - Indian economy, COVID -19, automobile industry.

INTRODUCTION

India is the seventh largest country in the world and is the second most populous country and biggest democracy in the world. Indian economy is the developing economy and the fastest growing economy in the world.

Automobile industry in India is one of the largest and vast business, producing large number of bikes and cars annually. India has emerged as fourth largest automobile market in world after Japan, south Korea and Thailand in 2009. The industry contributes around 7.3 % to the GDP of the nation. The two-wheeler segment which contributes 80% of market share is leader in Indian automobile industry. The passenger vehicle (PV) has 14% market share. In 1897 the first car ran on Indian road. One of the most important chapter in Indian automotive industry was written by Maruti in 1980s. it went on to become staple car on

India. India also saw emergence of Indian players like Tata Motors and Mahindra and Mahindra. Auto exporter and has strong export growth for the near future. This industry also provides employment to the skilled and unskilled worker of the nation.

Coronavirus was first identified in Wuhan, China, has been named coronavirus disease 2019(COVID – 19)- CO stands for Corona, VI stands for virus and D stands for disease. Formerly the disease was referred to as 2019 novel corona virus. The COVID - 19 virus is a new virus linked to the same family of viruses as severe acute respiratory syndrome (SARS) and some type of common cold. The virus is transmitted through direct contact with respiratory droplets of an infected person (generated through coughing and sneezing) and touching surfaces and contaminated with virus. The COVID -19 virus may survive on surfaces for several hours. Symptoms of corona virus includes fever, cough and shortness of breath in more severe cases, infection can cause pneumonia or breathing difficulties.

OBJECTIVES OF THE STUDY

1. To study the impact of COVID -19 pandemic on automobile sales in India
2. To study the impact of GST on automobile sales in India

REVIEW OF LITERATURE

Neelofar Kamal (2017) conducted a study on “Impact of Make India on Automobile Sector”. the study aims to identify make in India initiative for automobile sector and investment proposals in automobile sector recently and to analyze the impact of make in India initiative on automobile sectors growth. The study used both primary and secondary data from users and vendor organization and for secondary date internet-

based discussion forum, enterprise resource planning system information from suppliers and some company specific annual reports, accounting and audit reports were used. The results of the study indicate that the concept of make India has really succeeded as it added more employment. The study also suggests that the likely rollout of Goods and Service Tax (GST) would also help improve doing and establishing new business in the country

Jatinder Singh (2014) made a study on “India’s Automobile Industry: Growth and Export Potential”, the study aims to understand the growth and development of the automobile industry in India and to explore its export potential in the era of globalization. The current study is based on secondary data. The results of the study were that the automobile sector grew rapidly under the new policy regime with manifested itself in increased output share of this segment in total output of the industry.

Srivastava Anubha (2014) made a study on “A Comprehensive Study of Performance of Indian Automobile Industry – a stock of market perspective, the study aims to understand the economic indicators supporting Indian automobile, to evaluate and analyze the growth and trends of the automobile sector, to analyze the financial performance of selected automobile companies and to find the relationship between automobile sector and index with market index. The findings of the study were that Mahindra and Mahindra has a great position on the stock market and will attract investors and this could lead to expansion and growth. The study suggests that the TATAs and Maruti need to take care of their stock and work on its consistency.

Burange L.G and Yamini Shruti (2008) made a Study on Competiveness Of Firms in Indian Automobile Industry, the study aims to bring out the complete flavor of Indian automotive industry. The sample of firms has been chosen on the basis of market share data given by SAIM (2007) for the year 2005-06. Representative samples which cover at least 85% of market shares in each segment of industry was used for data collection. The study shows that all the firms in automobile are in terms of their competitiveness performance in various indicators are above the industry average and hence showing good competitive behavior.

Bansal Narendra Kumar (2020) made a study on:” A Study of COVID -19 A Global Pandemic on Indian

Economy: With Special Context to Goods and Service Tax. The study aims to find the effects on Indian economy due to COVID 19 global pandemic situation, to find the GST effect on Indian economy suffer during lockdown period, the study is descriptive in nature having quantitative and qualitative merits entire study is based on secondary data which includes various books, research paper, journal, newspaper etc. The study reveals there will be a huge impact and negative impact over Indian economy and social life due to lockdown. Commercial activities, services industries, manufacturing industries and various other ancillary industries are also affected.

Kharde S.D (2017) made a study on “Impact of GST on Indian Automobile Industry”. The study aims to know the impact due to GST on different variant of cars manufactured and sold in India and the different tax structure within automobile industry. The present study is done on secondary data. The findings reveal that there are some cars which can be benefited from GST the study also reveal if the tax rate is reduced the state government can increase the road tax to compensate the loss in revenue because of reduction in VAT from 14% to GST 9%.

Neelavathi, K and Sharma Rachana made a study on “Impact of GST on Automobile Industry”. The study aims to understand the implementation of GST on automobile in India, to know the growth of automobile sector in India, and analyze tax levied on different category of vehicles, the study is based on secondary data. The execution of GST on automobile industry is required for economic growth of a nation.

Rajan Saravana S and Kirubakaran K (2018) made a Study on “A Study on GST (goods and services tax) and its impact on automobile industry in India”. The study aims to know the impact of GST on Indian automobile industry. The findings of the study are that GST has contributed to the rising of economic development of the nation. GST is going to reduce tax leakage and corruption in pricing of the product.

Manda Vijaya Kittu And Babu Beatrice Betsy made a study on “The Indian Automobile Sector Slowdown”, the study aims to know the reasons for slowdown in Indian automobile industry, to study the consequences from the sectoral industry and identify potential solutions, Secondary data is used for the present study from various journals , research papers, websites, including from the official websites of both the companies and other agencies, the study suggests that

methods like green initiative and EV might not India in the saw way they worked elsewhere. The study suggested that stable term policies and stronger economic push from government is necessary to revie the sector

Nag Biswajit, Banerjee Saikat And Chatterjee Rittwik (2007) made a study on “Changing Feature of the Automobile Industry in Asia: comparison of production, trade and market structure in selected countries”. The study analysis the changing features of automobile industry in China, India Indonesia And Thailand. The study is done on various elements like ownership pattern, market concentration, and number and size of firms etc. The study reveals that china is specializing in basic component, Indian in two-

wheeler and small cars, Thailand in passenger cars and pick-up trucks and Indonesia is making attempt to specializing in utility service. The study also suggests that government need to create proper investment, incentives for R& D and strong patent regime

METHODOLOGY

It is thus an original contribution on the existing stock of knowledge for making its advancement. The present study is based on secondary data. Secondary data is collected through published books, journals, government report, annual report, newspaper, doctoral thesis, dissertation, etc

Total Sales of Automobiles units in India including domestic sales and export sales

Names of Indian automobile companies	March 2020 (sales in unit)	March 2019 (sales in unit)	April 2020 (sales in unit)	April 2019 (sales in units)	May 2020 (sales in unit)	May 2019 (sales in unit)	June 2020 (sales in unit)	June 2019 (sales in units)
MARUTI SUZUKI INDIA LTD	83792	158076	632	143245	18539	125552	57428	124708
HYUNDAI MOTOR COMPANY	32279	61150	1341	42005	5700	6600	21320	42007
TATA MOTORS LTD	12924	74679	-	42577	3152	11000	11419	13351
MAHINDRA & MAHINDRA LTD	7401	62952	733	43721	9560	45421	19358	42547
HERO MOTA CORP LTD	334647	581279	632	574366	112682	652028	450744	616526
HONDA MOTORCYCLE & SCOOTER INDIA Pvt Ltd	261699	249136	2630	11272	54820	459897	1398	10314
TVS MOTOR COMPANY	144739	325323	9640	319000	58906	307106	198387	297102
BAJAJ AUTO LTD	242575	393351	32009	160393	127128	419235	278087	404624
EICHER MOTORS LTD	-	-	-	-	19113	62371	38065	58339

Maruti Suzuki India Ltd is the top leading automobile company India followed by Hyundai and Tata Motors. Maruti Suzuki which was previously known as Maruti Udyog ltd. Its headquarterd in New Delhi. Maruti Udyog limited was formed by the govt of India on Feb 24 1981 only to merge with the Japanese automobile company Suzuki in the year October 1982.It is a subsidiary of Japanese Company Suzuki Motor Corporation. Maruti Suzuki sales were dropped to 83792 in March 2020 and the sales during the month of March 2019 were 158076, in the month of April the domestic sales were nil of all the automobile companies in India, but the export were 632 and of

April 2019 sales were 143245, during the month of May 2020 the sales were 18539 , during May 2019 were 125552 and during the month of June 2020 were 57428 during June 2019 were 124708 .Auto industry has been severely hit by the pandemic, hence economy will suffer in terms of GDP deficit and government revenue will be reduced in terms of GST collection. Hyundai motor company is the second largest automobile company in India with 16.2% market share as of Feb 2019. Hyundai Motor India is a wholly owned subsidy of Hyundai Motor Company headquarter in south Korea. It was founded in the year 6th may 1996 headquarters at Chennai Tamil Nadu.

Hyundai Motor Company sales were dropped to 32279 in March 2020 and the sales during the month of March 2019 were 6115, the export were 1341 and of April 2019 sales were 42005, during the month of May 2020 the sales were 5700 , during May 2019 were 6600 and during the month of June 2020 were 21320 and during June 2019 were 42007. The COVID-19 has resulted in the truncation of consumer demand in the short run and is also expected to change long term consumer preference moving it away from luxuries.

Tata Motors Ltd is the third largest automobiles manufacture of cars in India. Tata motors limited is an Indian multinational automotive manufacturing company headquarters in Mumbai, Maharashtra India. It is a part of tata group.it was founded in the year 1945. ATATA Motors sales were dropped to 12924 in March 2020 and the sales during the month of March 2019 were 74679 units, in the month of April the export were 42577 and of April 2019 sales were 143245, during the month of May 2020 the sales were 3152, during May 2019 were 11000 and during the month of June 2020 were 11419 and during June 2019 were 13351. Financial year 2020- 2021, would be one of the worst years for the automobiles as government is not in the favour of rationalising the tax rates which could help bring back the demand in the sector

Mahindra and Mahindra are the fourth largest automobile company in India. It is an Indian multinational car manufacturing corporation. Its headquarters is Mumbai Maharashtra. It was founded in the year 1945, earlier it was named as Mohammad and Mahindra and later changed the name to Mahindra and Mahindra. Sales were dropped to 7401 in March 2020 and the sales during the month of March 2019 were 62952, in the month of April the export were 733 and of April 2019 sales were 43721, during the month of May 2020 the sales were 9560 , during May 2019 were 45421 and during the month of June 2020 were 19358 and during June 2019 were 42547 .Deferment in GST payment will help in boosting liquidity while suspending tax audit in short term will help companies in rebuilding trust.

Hero Motor Cop Is the fifth largest vehicle making company. Earlier it was known as Hero Honda. Its headquarters is in Delhi. It's one of the biggest two-wheeler companies in world. HERO motor cop sales were dropped to 334647 in March 2020 and the sales during the month of March 2019 were 581271, in the month of April the export were 2630 and of April 2019

sales were 574366, during the month of May 2020 the sales were 112682 , during May 2020 were 652028 and during the month of June 2020 were 450744 and during June 2019 were 616526. The Indian automobile industry contributes 7.1 percent to the total GDP of the country, while the auto component sector employs around 40 million people in the country, automobiles sectors are very crucial for the economic development of our nation, hence due to lockdown manufacturing and sales of automobile will be affected and there will be loss to Indian economy.

The Honda Motor Company Ltd is the sixth largest motor company vehicle making company. it's a Japanese multinational company. Founded in the year 1948. Honda's founder, Soichiro Honda, had an interest in automobiles. Honda motor company sales were dropped to 3697 in March 2020 and the sales during the month of March 2019 were 17202 in the month of April, the export was 2630 and of April 2019 sales were 11272, during the month of May 2020 the sales were 54820 , during May 2019 were 11442 and during the month of June 2020 1398 and during June 2019 were 10314. The GST rates are higher on automobiles in India are higher than in most other countries. A cut in rates will not only give the sector a much-needed boost from its current slump, but also make it competitive in the global market.

TVS motor company is a multinational motorcycle company, headquarter is in Chennai. Its third largest motorcycle company. TVS motor company sales were dropped to 144739 in March 2020 and the sales during the same month of March 2019 were 325353, in the month of April the export were 9640 and of April 2019 sales were 319000 units during the month of May 2020 the sales were 58906, during May 2019 were 307106 and during the month of June 2020 were 198387 and during June 2019 were 297102. The lockdown has severely affected the sales in domestic and export of units in total, cut in GST rates will help to revive the industry.

Bajaj auto limited is an Indian multinational two-wheeler and three-wheeler manufacturing company based in Pune Maharashtra. It's a part of Bajaj Group, founded By Jarnalal Bajaj in Rajasthan 1940s. Bajaj auto sales were dropped to 24575 units in March 2020 and the sales during the month of March 2019 were 393351, in the month of April the domestic sales were nil of all the automobile companies in India, but the export were 32009 and of April 2019 sales were

160393, during the month of May 2020 the sales were 127128 , during May 2019 sales were 419235 and during the month of June 2020 were 278087 and during June 2019 were 404624 units the GST slabs range from 5 to 28% in the sector depending on the type of vehicle, the automobile industry is facing one of the toughest time in history and need government support through reduction of GST and incentives – based scrappage policy”

Eicher limited is an Indian, manufacturer of motorcycles and commercial vehicles. Eicher is parent company of Royal Enfield. Eicher has a joint venture with Sweden Volvo Trucks – Volvo Eicher Commercial Vehicles Limited (VECV). The founder Of Eicher Motors Limited Is Vikram Lal. Eicher ltd sales were dropped during the month of May 2020 the sales were 19113, during May 2019 62371 and during the month of June 2020 sales were 38065 and during June 2019 were 58339. the COVID– 19 pandemics has even caused harmful effect of Eicher limited sales also. Government reduction in GST rates will defiantly help the company to review.

GST RATE ON AUTOMOBILES IN INDIA

As per the data available on April 2020, Goods and service tax (GST) currently applies to most goods and services in India including motor vehicles. The lowest GST rate on vehicle of 5% is use by disabled people and related accessories. A compensation cess of up to 22% may be levied on cars in addition to the 28% GST that is applicable. The most relevant GST rate on cars

is 28%. The maximum tax rate after GST is as high as 50%. Vehicles for personal use such as motor cars, motor vehicles and even bicycle features GST from 5% 10 12%.the lowest GST rate applicable to vehicles is 5% which is applicable to carriages for use by disabled persons and carriages for use by disabled person. Cars for physically handicapped people (subject to specific terms and conditions) and baby carriages and replacement parts includes GST OF 18%.

Motor vehicles (petrol and diesel) for the transport of people including racing cars and station wagons irrespective of sized, motorcycles and mopeds with or without sidecars, parts and accessories of motorcycles/ mopeds including sidecars are charged with 28% GST. 12% GST rate is imposed on vehicles that are driven by electric motors, vehicles by fuel cells etc. Cars for physically handicapped people and baby carriages 18% GST is applicable.

Commercial vehicles like Tractors except road tractors for semi-trailers with engine capacity exceeding 1800cc and self – loading / self -unloading trailers for agriculture purpose are levied with GST rate ranging from 12% to 28%. Vehicles which include 18% GST rates are buses for use as public transport that exclusively operate on Bio – fuels, Refrigerators motor vehicles etc. The GST rates on used car applicable rate includes 12% for smaller preowned vehicles i.e., petrol cars of engine capacity up to 12000cc and diesel cars of engine up to 1500cc.

GST compensation cess on cars:

Type of Vehicle	GST Rate	Compensation Cess	Total Tax Payable
Petrol/CNG/LPG car less than 1200cc and length less than 4 meters	28%	1%	29%
Petrol/CNG/LPG car less than 1200cc and length more than 4 meters	28%	15%	43%
Petrol/CNG/LPG car over 1200cc (irrespective of length)	28%	22%	50%
Diesel car less than 1500cc and length less than 4 meters	28%	3%	31%
Diesel car less than 1500cc and length more than 4 meters	28%	20%	48%
Diesel car over 1500cc engine capacity, greater than 4 meters length and ground clearance of 170mm or more	28%	22%	50%
Electric Cars (all sizes including 2 and 3 wheelers)	12%	Nil	12%
Vehicles fitted for use as an ambulance	28%	Nil	28%
Three wheeler motorized vehicles	28%	Nil	28%
Fuel Cell Vehicles including hydrogen fuel cell vehicles	12%	Nil	12%
Motorcycles/mopeds with engine capacity of up to 350cc	28%	Nil	28%
Motorcycles with engine capacity greater than 350cc	28%	3%	31%

Source: <https://www.paisa bazar.com/tax/gst-on-cars/>

LIMITATIONS

The present study is not free from limitations. the study carried is based on the first phase of COVID- 19 a global pandemic and vary from time to time. Hence result may vary on the base on lockdown period

CONCLUSION

Being one of the significant contributors to GDP of the nation, and top employment provider to the skilled and unskilled section of the nation, the automobile sector is important for the economic progress of the nation, the COVID 19 had created a harmful effect of the sales of automobiles units in terms domestic sales as well as export. F or the revival of the industry the government should consider to reduces the GST rates of vehicles and other incentives should be provided to the automobiles industry in India

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