# Role of Automobile industry in growth of Indian Economy. An Overview.

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***Abstract*—For many years, the Indian auto industry has been a reliable gauge of the country's economic health. The two-wheeler category dominates the market in terms of volume due to a growing middle class, a predominantly young population, and increased demand from rural areas. The demand for commercial vehicles has increased due to the expansion of passenger and logistical transportation services. It is expected that emerging trends, such as vehicle electrification, particularly in three-wheelers and small passenger cars, will impact market expansion.**

**India has established itself as a significant car exporter with bright prospects for future expansion. Automobile exports increased by 19% to over 5.3 million units in FY25 due to the robust demand for passenger cars, two-wheelers, and commercial vehicles in foreign markets. Thanks to government initiatives like the Automotive Mission Plan 2026, the scrappage policy, and the production-linked incentive plan, India is expected to emerge as a global leader in the two-wheeler and four-wheeler sectors.**

**The government created the car Mission Plan 2016 to 2026 to boost the size, technological prowess, enhanced institutional framework, and global competitiveness of the Indian vehicle industry. 7.1% of India's GDP comes from the automobile sector. There are 37 million workers in this industry. 40% of global R&D is conducted in India. 4.7% of the country's automobiles are exported. This article highlights the growth of automobile industry in India.**

***Index Terms*—Industry, Production, Sales, EV, Brand**

## I. INTRODUCTION

During the COVID-19 lockdown period in 2020, the Indian automotive industry faced severe losses of INR 2,300 crores per day. The virus wreaked chaos all across the world. Due to the pandemic, it is predicted that the sales volume of two-wheelers may decrease by 16% to 18%, the sales volume of passenger vehicles may decrease by 22% to 25%, the sales volume of light commercial vehicles may decrease by 17% to 20%, and the sales volume of medium and heavy commercial vehicles may decrease by 35% to 40%.

## II. RESEARCH METHODOLOGY

2.a. Data Collection

The data is collected from secondary sources such as economic reviews, newspapers, journals, magazines, and the Society of Indian Automobile Manufacturers (SIAM). The current study collected data from secondary sources about two-wheeler manufacturing, exports, and domestic sales for the previous seven years, from 2018 to 2025.

2.b. Objectives of the Study

The present study based on following objectives:

1. To know about the expansion of the Indian automobile industry.
2. Data Analysis: Data can be analysed with the help of statistical tools trend analysis, diagram etc.

2.d. Limitations of the Study: The study is based on secondary data and finding of the study depends entirely on the accuracy of such data.

## III. INDIAN AUTOMOBILE INDUSTRY

The automotive industry is divided into four distinct sectors, which are as follows:

1. Two-wheelers, including motorcycles, scooters, mopeds, and electric two-wheelers
2. Passenger automobiles, utility vehicles, and multipurpose vehicles are examples of passenger vehicles.
3. Light and medium-heavy commercial vehicles
4. Three-wheelers that can transport both passengers and cargo

3.a. Major Players in Automotive Industry in India:

1. Tata Motors: Based in India, this international automaker was founded in 1945. When it

entered the passenger vehicle market in 1988, it started producing vans, trucks, sports cars, and buses. It also produces military vehicles. The company makes some of the safest vehicles in India with the best quality and safety features.

2. Toyota Motor: Founded in 1937, Toyota Motor is a Japanese company with its headquarters located in Japan. At the moment, it is the second-largest automaker in the world. It is globally renowned for producing and marketing hybrid electric vehicles. Because Toyota engines are perceived as long-lasting, customers prefer them.
3. Volkswagen: This German company was founded in 1937. Since its founding by Adolf Hitler, it has maintained a stellar reputation. The original Volkswagen Bettle continued to be the best-selling car for the whole 20th century. The cars stand out from the competitors due to their simple and conservative style, in addition to being extremely comfortable and offering a safe ride.
4. Honda: This well-known Japanese automaker makes power equipment, vehicles, and motorcycles. It was founded in 1946 and started operating two years later. Tokyo, Japan, is home to its headquarters. It is one of the oldest in the well-known group of leading automakers.
5. Maruti Suzuki: Founded on February 24, 1981, Maruti Suzuki was India's first automaker. Maruti Suzuki has become one of the largest automakers in the country due to its low cost and affordability. Compared to its competitors, it has lower operational costs. After the firm was established in Gurugram, Haryana, its first car was the Maruti Suzuki 1000, which had a 970cc engine.
6. Hyundai Motor: This company has the largest interest, second only to Maruti Suzuki. In 1996, it changed its name to Hyundai Motor India. The range of changes provides a thorough grasp of how it helps customers across all consumer groups.
7. Kia Motors: Located in Seoul, this South Korean company debuted in India in July 2019. Kia Motors has demonstrated its ability to transform the Indian market with the introduction of their SUV, the Kia Seltos. Because the company is the oldest carmaker in South Korea, customers trust it. The corporation produces three million cars a year.
8. Skoda: Founded in 1895, this automaker is headquartered in the Czech Republic. The company has been in operation for 125 years. The company is reportedly the standard bearer of German technology. It places a strong emphasis on accurate and superior output.
9. M.G. Motors: Based in London, UK, M.G. Motors is a British automaker that started selling in India in 2019 after establishing itself there in 2017. Its cars have some of the best features that were previously unheard of in cars made by M.G. Motors. The company is well-known for their two-seater open sports car.
10. Mercedes: The company is renowned worldwide for manufacturing luxury automobiles. Mercedes was founded in 1926 and is headquartered in Germany. In addition to luxury cars, it manufactures commercial vehicles.
11. Nissan: This company was founded in 2005 and offers a variety of novel and distinctive products for the sedan, SUV, MUV, and hatchback industries. Nissan and Renault, two members of their global alliance, built a manufacturing facility and Research & Development Center close to Chennai. It has a 0.4% market share.
12. One of the newest players in the Indian passenger car market is the Chinese multinational automaker BYD (Build Your Dreams). With a strong emphasis on sustainable transportation, BYD, a globally recognized leader in electric mobility, is now expanding its presence in India. Despite being a small company in July 2025, the brand has enormous potential as EVs proliferate.
13. Renault: Renault is well-known in India for producing stylish and reasonably priced automobiles. The company prioritizes providing automobiles with a wide range of amenities at cheap prices in order to appeal to Indian consumers who desire affordable yet well-equipped cars. Minivans and sports utility vehicles are among its products.

IV. Automobile Production Trends in India from 2018 to 2025

Table-1 Automobile Production Trends (in Nos.)

| Category | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|---|---|---|---|
| Passengers Cars | 27,11,160 | 21,56,868 | 17,72,972 | 18,44,985 | 21,84,844 | 19,79,907 | 17,49,506 |
| Utility Vehicles | 10,99,780 | 11,36,209 | 11,82,144 | 16,91,081 | 22,61,749 | 27,77,051 | 31,55,312 |
| Vans | 2,17,531 | 1,31,487 | 1,07,164 | 1,14,632 | 1,40,523 | 1,44,882 | 1,56,346 |
| Total Passenger Vehicles | 40,28,471 | 34,24,564 | 30,62,280 | 36,50,698 | 45,87,116 | 49,01,840 | 50,61,164 |
| M&HCVs | 4,44,356 | 2,32,414 | 1,81,242 | 2,72,167 | 3,79,259 | 3,93,463 | 3,93,619 |
| LCVs | 6,68,049 | 5,24,311 | 4,43,697 | 5,33,360 | 6,56,367 | 6,74,041 | 6,39,026 |
| Total Commercial Vehicles | 11,12,405 | 7,56,725 | 6,24,939 | 8,05,527 | 10,35,626 | 10,67,504 | 10,32,645 |
| Three Wheelers | 12,68,833 | 11,32,982 | 6,14,613 | 7,58,669 | 8,55,696 | 9,96,159 | 10,50,020 |
| Scooters | 70,95,164 | 60,27,198 | 45,59,222 | 44,57.790 | 56,01,501 | 63,91,272 | 74,37,681 |
| Motorcycles | 1,64,99,424 | 1,43,56,051 | 1,31,54,501 | 1,28,90,149 | 1,34,21,208 | 1,45,89,393 | 1,59,22,027 |
| Mopeds | 9,05,189 | 6,49,678 | 6,36,218 | 4,73,172 | 4,36,300 | 4,87,862 | 5,24,149 |
| Total Two wheelers | 2,44,99,777 | 2,10,32,927 | 1,83,49,941 | 1,78,21,111 | 1,94,59,009 | 2,14,68,527 | 2,38,83,857 |
| Quadri cycle | 5,388 | 6,095 | 3,836 | 4,061 | 2,897 | 5,006 | 6,488 |
| Grand Total | 3,09,14,874 | 2,63,53,293 | 2,26,5,609 | 2,30,40,066 | 2,59,40,344 | 2,84,39,036 | 3,10,34,174 |

Source Annual Report of SIAM 2025

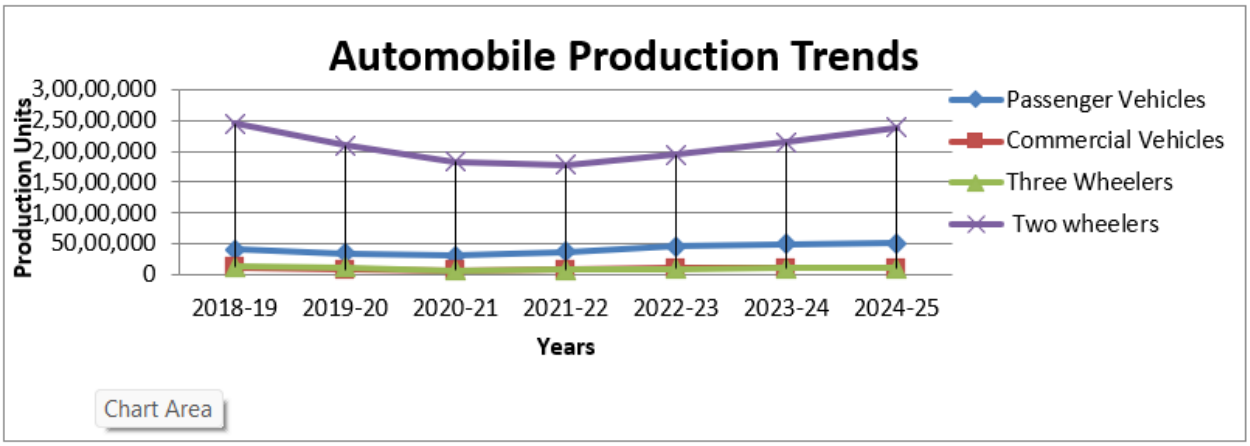


Table -1 shows . Automobile production Trends in India from 2018 to 2025.The industry produced a total of 3.10 Crore vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers, and Quadri cycles in FY 2024-25, as against 3.09 Crore vehicles in FY 2018-19

V. Automobile Domestic Sales in India from 2018 to 2025

Table-2 Automobile Domestic Sales Trends (in Nos.)

| Category | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|---|---|---|---|
| Passengers Cars | 22,18,489 | 16,95,436 | 15,41,866 | 14,67,039 | 17,47,376 | 15,48,947 | 13,53,287 |
| Utility Vehicles | 9,41,474 | 9,45,959 | 10,60,750 | 14,89,219 | 20,03,718 | 25,20,691 | 27,97,229 |
| Vans | 2,17,426 | 1,32,124 | 1,08,841 | 1,13,265 | 1,39,020 | 1,49,112 | 1,51,332 |
| Total Passenger Vehicles | 33,77,389 | 27,73,519 | 27,11,457 | 30,69,523 | 38,90,114 | 42,18,750 | 43,01,848 |
| M&HCVs | 3,90,732 | 2,24,428 | 1,60,688 | 2,40,577 | 3,59,003 | 3,74,012 | 3,73,819 |
| LCVs | 6,16,579 | 4,93,165 | 4,07,871 | 4,75,989 | 6,03,465 | 5,94,758 | 5,82,852 |
| Total Commercial Vehicles | 10,07,311 | 7,17,593 | 5,68,559 | 7,16,566 | 9,62,468 | 9,68,770 | 9,56,671 |
| Three Wheelers | 7,01,005 | 6,37,065 | 2,19,446 | 2,61,385 | 4,88,768 | 6,94,801 | 7,41,420 |
| Scooters | 67,01,430 | 55,65,958 | 44,82,305 | 41,12,672 | 51,90,702 | 58,39,325 | 68,53,214 |
| Motorcycles | 1,35,98,190 | 1,12,13,662 | 1,00,21,231 | 89,84,186 | 1,02,30,502 | 1,16,53,237 | 1,22,52,305 |
| Mopeds | 8,80,227 | 6,36,812 | 6,17,247 | 4,73,150 | 4,41,567 | 4,81,803 | 5,01,813 |
| Total Two wheelers | 2,11,79,847 | 1,74,16,432 | 1,51,20,783 | 1,35,70,008 | 1,58,62,771 | 1,79,74,365 | 1,96,07,332 |
| Quadri cycle | 627 | 942 | (12) | 124 | 725 | 725 | 120 |
| Grand Total | 2,62,66,179 | 2,15,45,551 | 1,86,20,233 | 1,76,17,606 | 2,12,04,846 | 2,38,57,411 | 2,56,07,391 |

Source Annual Report of SIAM 2025

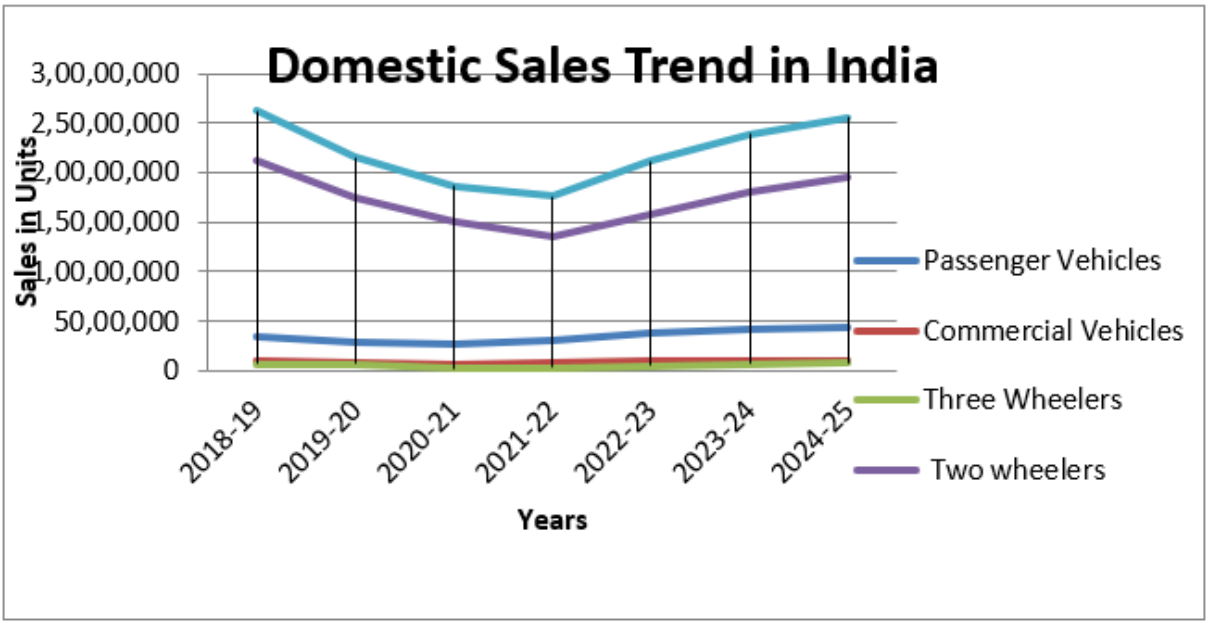


Table -2 shows. Automobile domestic sales Trends in India from 2018 to 2025. The overall Commercial Vehicles sales decreased from 10.7 Lakh to 9.56 Lakh units. Sales of Medium and Heavy Commercial Vehicles decreased from 3.96 Lakh to 3.73 Lakh units while sales of Light Commercial Vehicles decreased from 6.46 Lakh to 5.82 Lakh units in FY 2024-25 as compared to the previous year Sales of

Three Wheelers increased from 7.01 Lakh to 7.44 Lakh units in FY 2024-25 as compared to the previous year Two Wheelers sales decreased from 2.11 Crore to 1.76 Crore units in FY 2024-25 as compared to the previous year

Total Passenger Vehicle sales rose to 43.02 lakh units in FY 2024-25 from 33.77 lakh units in FY 2018-19. Specifically, Utility Vehicle sales increased from 9.41 lakh units to 27.97 lakh units in FY 2024-25, and sales of Vans grew from 2.17 lakh units to 1.51 lakh units. However, Passenger Car sales declined from 22.18 lakh units to 13.53 lakh units in FY 2024-25

VI. Automobile Export Trends in India from 2018 to 2025

Table-3 Automobile Exports Trends (in Nos.)

| Category | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|---|---|---|---|
| Passengers Cars | 5,13,912 | 4,75,801 | 2,64,907 | 3,74,986 | 4,13,786 | 4,29,677 | 3,98,879 |
| Utility Vehicles | 1,58,251 | 1,83,468 | 1,37,842 | 2,01,036 | 2,47,306 | 2,34,720 | 3,62,160 |
| Vans | 4,029 | 2,849 | 1,648 | 1,853 | 1,611 | 7,708 | 9,325 |
| Total Passenger Vehicles | 6,76,192 | 6,62,118 | 4,04,397 | 5,77,875 | 6,62,703 | 6,72,105 | 7,70,364 |
| M&HCVs | 48,676 | 22,333 | 17,548 | 32,181 | 22,067 | 18,225 | 23,251 |
| LCVs | 51,257 | 38,046 | 32,786 | 60,116 | 56,578 | 47,593 | 57,735 |
| Total Commercial Vehicles | 99,933 | 60,379 | 50,334 | 92,297 | 78,645 | 65,818 | 80,986 |
| Three Wheelers | 5,67,683 | 5,01,651 | 3,93,001 | 4,99,730 | 3,65,549 | 2,99,977 | 3,06,914 |
| Scooters | 3,98,316 | 3,69,998 | 2,32,020 | 3,50,443 | 4,16,935 | 5,12,347 | 5,69,093 |
| Motorcycles | 28,65,851 | 31,35,548 | 30,42,453 | 40,82,442 | 32,30,981 | 29,43,341 | 36,20,886 |
| Mopeds | 16,674 | 13,859 | 8,313 | 10,246 | 4,206 | 2,728 | 8,424 |
| Total Two wheelers | 32,80,841 | 35,19,405 | 32,82,786 | 44,43,131 | 36,52,122 | 34,58,416 | 41,98,403 |
| Quadri cycle | 4,400 | 5,185 | 3,529 | 4,326 | 2,280 | 4,178 | 6,422 |
| Grand Total | 46,29,049 | 47,48,738 | 41,34,047 | 56,17,359 | 47,61,299 | 45,00,494 | 53,63,089 |

Source Annual Report of SIAM 2025

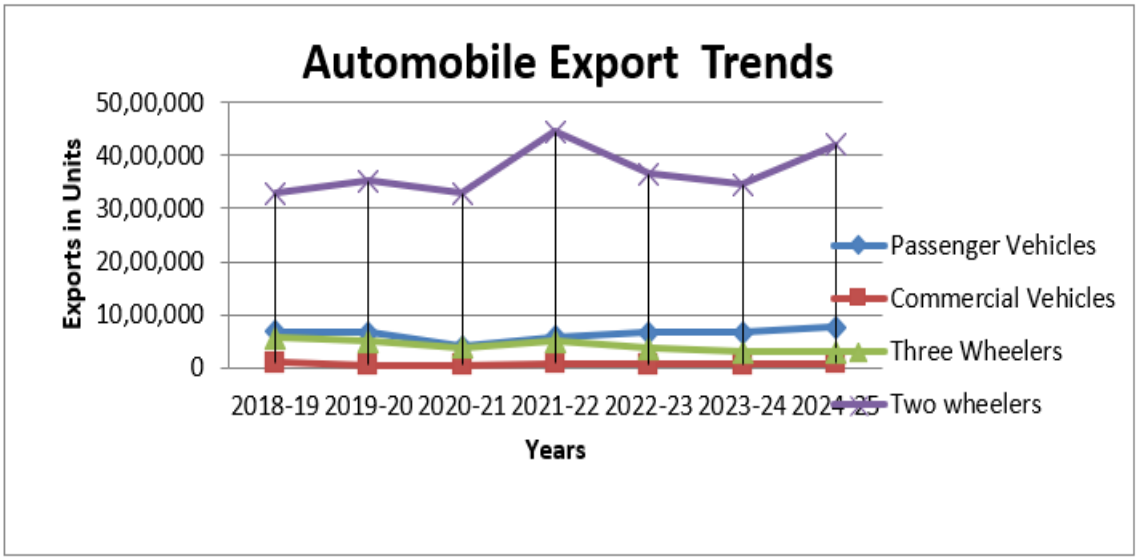

Table -3 shows. Automobile Export Trends in India from 2018 to 2025. In FY 2024-25, Passenger Vehicle Exports increased from 6.76 Lakh to 7.70 Lakh units, while Commercial Vehicle Exports decreased from 0.97 Lakh to 0.80 Lakh units. Three-Wheeler Exports decreased from 5.67 Lakh to 3.06 Lakh units. Two Wheelers Exports also increased from 32.00 Lakh to 41.98 Lakh units over the same period last year.

## VII. GLOBAL TRENDS SHAPING THE SECTOR

India's electric vehicle (EV) market is growing faster than the country's overall car industry. The development has been more apparent in the markets for three-wheelers and electric scooters, but acceptance in passenger cars and motorbikes is still slow. Financial benefits, regulatory obligations, and government incentives are driving the EV ecosystem forward. Wider market adoption is nevertheless hampered by significant challenges like costly batteries, a lack of infrastructure for charging, and concerns about profitability. The Indian automobile sector is managing short-term problems like rising costs, shifting rules, and uneven EV adoption, even as its long-term fundamentals remain strong. Electric mobility is accelerating, especially in 3Ws and scooters, but full-scale adoption may take some time due to infrastructure and financial obstacles.

## VIII. CHALLENGES OF INDIAN AUTOMOBILES INDUSTRY

1. The industry is adopting greener technology and practices due to growing environmental laws and the need for sustainability. A major difficulty is striking a balance between economic viability and environmental aims.
2. Growing labor, energy, and raw material costs may have an effect on profitability. The expense burden is further increased by competitive price pressures and the requirement for ongoing investments in innovation and technology.
3. It can be difficult to navigate the complicated regulatory environment. Strict rules pertaining to import/export laws, safety requirements, and emissions must be followed by the industry. Manufacturers may face challenges due to frequent changes in rules and compliance requirements.
4. Infrastructure problems like poor road networks, logistical difficulties, and a lack of electric vehicle (EV) charging infrastructure can impede the effective transportation of vehicles and products even with advancements.
5. The industry experiences supply chain disruptions, such as shortages of essential components, price swings for raw materials, and part delivery delays. Cost structures and manufacturing timelines may be impacted by these problems.
6. The transition to autonomous and electric vehicles necessitates a significant investment in new infrastructure and technologies. It might be difficult and expensive to adjust to these changes and incorporate them into current operations.
7. In order to remain competitive, manufacturers must constantly develop and modify their product offerings in response to shifting consumer preferences and the need for more sophisticated features and technology.
8. Variations in the economy, such as shifts in interest rates, inflation, and currency exchange rates, can affect the purchasing power of consumers and the stability of the market as a whole.

## Conclusion

The Indian automotive sector must embrace new technologies. By delivering a variety of tools that can assist businesses in overcoming these obstacles and fostering future growth, Sales force can give the sector the support it needs. India's automotive industry is at a critical juncture where targeted reforms, clear policies, and industry alignment can propel it into the ranks of the world's top automakers. India has to expedite its inclusion into global value chains by developing competitiveness in high-precision components, encouraging innovation, and expanding its export footprint in light of the world's accelerating shift towards clean, smart, and connected transportation.. India has the potential to become an internationally recognized provider of next-generation mobility solutions with the correct combination of ambition and action.

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