



General Studies-3; Topic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

India's Auto Industry

Introduction

- In the last 3 decades, auto industry has grown substantially. The passenger vehicles, the SUV and two-wheeler volumes have grown more than 10 times.
- The technology features, the safety, the comfort, the emissions, and the energy consumption have all improved.

Advancements in the Auto Industry

- Advancement of the supplier ecosystem in India, both homegrown as well as the MNC offshoots.
- The build-quality of our products.
 - Quality defects have reduced by a staggering 90 per cent and now compare favourably with most advanced markets.
- Our ability to design, engineer and develop world-class products completely in India.
 - Today, every major carmaker has an engineering centre in India, and many have complete product development capability here. This also gives India a competitive edge.
- To increase the adoption of electric vehicles, In the recent budget the government announced that it will release a policy for battery swapping that will bring in standardisation and interoperability.
- This is likely to boost the setting up of charging stations for electric vehicles through subsidies and incentives.

Auto Industry and MSME Sector

- **The auto industry does a lot of good for the MSME sector which is a big employment generator for India.**

- The MSME share of value-addition to a car is 35 per cent.
- The automotive aftermarket provides economic opportunities to thousands of MSMEs.
- One estimate puts the total number of MSMEs engaged in the auto value chain in the range of 25,000-30,000.

Auto industry's Contribution to the Economy

- The Indian auto industry embodies the spirit of Atmanirbhar Bharat, and many other industries can take some lessons from it.
- The industry contributes 6.4 per cent to GDP, around 35 per cent to manufacturing GDP, supports over 8 million jobs directly and as many as 30 million more in the value chain.
- It accounts for cumulative investments of \$35 billion over last 10 years, and generates export revenue of \$27 billion that is nearly 8 per cent of the total merchandise exports from India.
- However, the global semiconductor shortage affects Indian automobile industry.

Potential of the Indian auto industry

- The potential of the Indian auto industry, though, is much larger.
- Auto industry must not be seen as a “sin” industry, but as an important economic growth driver for the country.
- If the nation wants to be a \$5 trillion economy, it cannot happen without the auto industry making a major contribution.
- The scrappage policy will further help to take polluting, unsafe, gas-guzzlers off the roads.
- Rapid localisation of EV tech also offers a big economic growth opportunity for the auto component sector.

Way Forward

- The time is right for the government and the industry to work together in a mission mode to grow the industry by 10-12 per cent per year for the next 10 years.
- We need to enhance local value addition and make large investments in capacities.
- Indian products need to be globally competitive in cost, quality, and technology.
- India needs to sign bilateral treaties to get favourable tariff regimes for auto exports.
- The government needs to take a hard look at rationalising the extremely high GST rates on automobiles in a phase-wise manner and be pragmatic about introducing new regulations.
- The government had released an Automotive Mission Plan 2026. This plan needs to be revised in the current context jointly with the industry.
- All stakeholders must treat this as a strategy document and commit to implement it.
- Done right, a \$200 billion industry with exports of \$50 billion by 2026 is not out of reach.