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Study impact of foreign direct investment on Indian automobile sector

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Abstract

Innovation has long been a driving force behind human advancement, beginning with transformative inventions such as the wheel, which revolutionized mobility and productivity. This same innovative spirit underpins modern economic activities, including global investment strategies. Foreign Direct Investment (FDI) exemplifies this progression by enabling cross-border economic integration and development. Defined as an investment by individuals or companies in one country into enterprises in another, FDI includes equity investments, reinvested earnings, and intra-company loans. It serves as a vital channel for transferring technology, capital, and expertise across borders. Furthermore, FDI supports global business expansion by mitigating regulatory constraints, avoiding tariffs, and establishing a stronger local presence in foreign markets. Thus, FDI not only enhances individual business capabilities but also contributes significantly to global economic growth.

Keywords: Innovation, foreign direct investment (FDI), economic development, technology transfer

Introduction

"If There's a Wheel, There's a Way" - Fresh Quotes

This quote aptly captures the significance of innovation in human progress. From the invention of the wheel in ancient times, humankind has consistently advanced by developing tools to overcome everyday challenges. The wheel, being a turning point in technological evolution, laid the foundation for faster movement and improved productivity. This spirit of innovation continues to drive progress in modern sectors like the automobile industry.

Foreign Direct Investment (FDI)

Foreign Direct Investment refers to investment made by an individual or a company from one country into business interests located in another country. It typically involves ownership or significant influence in the operations of the target enterprise. According to global economic standards (such as BPM6 and OECD), FDI includes:

- Equity investments
- Reinvestment of earnings
- Intra-company loans

FDI data is usually reported as net inflows (investments received) and outflows (investments made abroad).

FDI plays a crucial role in transferring technology, capital, and expertise, thereby contributing to the economic development of both the investing and host nations.

Importance of FDI in Global Expansion

FDI supports global business strategies by

- Reducing pressure from foreign regulations on domestic production.
- Bypassing tariffs and trade barriers.
- Establishing local offices for better market penetration.
- Enhancing overall production capacity.
- Enabling partnerships, joint ventures, and licensing opportunities.

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Benefits of FDI to Host Countries

For the host economy, FDI offers multiple benefits:

- Introduction of new technologies and management practices.
- Access to global financial resources.
- Job creation and skill development.
- Growth in export capacity and local production.
- Increased competition and productivity in local markets.

However, there can be concerns such as repatriation of profits and potential loss of economic autonomy.

Automobile Industry Overview

An automobile is a wheeled vehicle designed for transport, usually powered by internal combustion engines.

India's automobile industry is among the largest globally. Key developments include:

- Becoming the 4th largest market (2017), especially strong in two-wheelers due to rising middle-class demand.
- Notable growth in commercial vehicle production and exports.

Government initiatives and private investments pushing India toward leadership in the two-wheeler and four-wheeler markets.

Market Size and Key Players

Growth Trends: Between 2013-2019, domestic vehicle sales and production saw a steady Compound Annual Growth Rate (CAGR) of over 6%.

Major Companies

- **Mahindra & Mahindra:** Known for utility vehicles and tractors, backed by modern infrastructure.
- **Bajaj Auto:** Transitioned from a trading company to a major two- and three-wheeler manufacturer.
- **Tata Motors:** India's largest commercial vehicle manufacturer, producing a wide range of vehicles with a significant global presence.

FDI in India's Automobile Sector

India has seen increasing FDI inflows in the automobile sector, driven by:

- Cost-efficient and skilled labor
- Technological capabilities
- Strong auto component and R&D ecosystem

FDI has significantly contributed to increased production, export potential, and overall industry growth—playing a key role in India's economic development.

The Indian automobile industry is one of the largest and fastest-growing sectors in the country, often referred to as the "industry of industries" because of its strong linkages with other sectors like metal, electronics, tires, and paints. Initially, the industry was heavily regulated, with only a few manufacturers dominating the market. Until the late 1970s, investors needed government licenses, and growth remained stagnant. Major reforms began in 1991 when the Indian government liberalized its economy and opened up to foreign direct investment (FDI). By 1993, FDI was permitted in the passenger car segment, and over time, policies were further relaxed, allowing 100% FDI under the automatic route.

The liberalization significantly boosted production, technology transfer, and competition. The entry of foreign companies like Suzuki in 1984 through a joint venture with Maruti led to major advancements in manufacturing and distribution. The sector saw rapid growth, with production increasing from around 4,000 vehicles in 1950-51 to over 25 million by 2017. This transformation supported related sectors, created millions of jobs, and encouraged entrepreneurship. The automotive mission plans and government support further helped position India as a global hub for auto manufacturing.

In recent years, major investments have continued. Amazon committed \$1 billion to support small businesses in India, MasterCard announced plans to invest another \$1 billion in R&D, and Total S.A. acquired a significant stake in Adani Gas. These developments reflect India's growing appeal to global investors. Despite temporary dips in FDI inflows, such as the decline from \$24.63 billion in 2009-10 to \$18.35 billion in 2010-11, the long-term outlook remains positive due to increasing proposals and strong economic fundamentals. The automobile sector's consistent growth has made it a key driver of India's manufacturing and economic expansion.

Table 1: Share of Top Five RBI Regions (with States Covered) in FDI Equity Inflows for the Automobile Industry

Ranks	RBI Regional Office	States Covered	Amount of FDI inflow (Rs Crore)	% Age with FDI inflows for Automobile
1	Chennai	Tamil Nadu	24,310.53	29.87%
2	Mumbai	Pondicherry, Maharashtra, Dadra and Nagar Haveli, Daman and Diu	17,412.85	24.65%
3	New Delhi	Delhi, part of UP and Haryana	16,936.74	22.31%
4	Ahmedabad	Gujarat	9,058.22	10.98%
5	Bangalore	Karnataka	2,737.25	3.59%
	Total of the above		70,455.59	91.40%

These amounts include inflows received through the FIPB/SIA route, acquisition of existing shares, and the

RBI's automatic route only.

Table 2: Details of Top FDI Equity Inflows Received in the Automobile Industry

Sl. No.	Name of Indian company	Country	Name of collaborator	RBI Regional office	Item of manufacture	Amount of FDI Inflows
1	Ford India Limited	USA	Ford Motor company	Regional office Chennai	Manufacture of motor cars and other motors	2,666.54
2	Daimler India Commercial Vehicles Pvt Ltd	Germany	Daimler AG	Chennai	Manufacture of Motor vehicles for the transport of Goods, Manufacture of special purpose Heavy Motor	2,075.98
3	Daimler India Commercial Vehicles Pvt Ltd	Germany	Daimler AG	Chennai	Manufacture of commercial vehicles such as Vans, Lorries, over-the-road tractors for semi-trailers	1,485.99
4	Renault Nissan Automotive India Pvt Ltd	Japan	Nissan Motor Company	Chennai	Manufacture of transport equipment & parts	1,477.00
5	Ford India Ltd	USA	Ford International Services Ltd	Chennai	Manufacture of Motor cars & other motor vehicles	1,443.46

Investment Scenario

Over the last 15 years, the total Foreign Direct Investment (FDI) inflows in the Automobile Industry amounted to Rs. 77,036.56 crore (US \$14.48 billion), which accounts for 5.20% of the total FDI equity inflows in the country. During this period, cumulative FDI equity inflows were received through:

- SIA/FIPB (Secretariat for Industrial Assistance / Foreign Investment Promotion Board) approvals,
- Acquisition of shares, and
- RBI's automatic route.

It is important to note that country-specific FDI equity inflow data for the automobile industry is available only from January 2000.

1.13 Present Situation

In the financial year April 2014 to March 2015, the automobile industry in India produced a total of 23,960,940 vehicles, as compared to 23,358,047 vehicles produced during April 2013 to March 2014, registering a growth of 2.58% year-over-year.

India is currently the 6th largest automobile market in the world, and is projected to become the 3rd largest car market globally by the year 2020.

According to the Automotive Component Manufacturers Association of India (ACMA), India's standing in the global automobile sector is as follows:

- Largest tractor manufacturer in the world
- 2nd largest two-wheeler manufacturer
- 2nd largest bus manufacturer
- 5th largest heavy truck manufacturer

As of today, 100% FDI is permitted in the Indian automobile sector through the automatic route, meaning that foreign investors do not require prior government approval.

According to data from the Department of Industrial Policy and Promotion (DIPP), the sector attracted USD 15.065 billion in FDI between April 2000 and March 2016.

This clearly reflects that India has emerged as a major global player in the automobile industry, both as a producer and consumer. The sector has seen significant growth in recent years and has become a manufacturing base for global auto brands.

Several global automobile manufacturers now manufacture and assemble vehicles locally in India, including:

- Volkswagen, Nissan, Renault, General Motors, Ford, Honda, Suzuki, Hyundai, Daimler, BMW, Škoda, and

Audi.

Key recent developments:

- Mercedes-Benz started local production of its GLA-Class SUV.
- Honda Motorcycle and Scooter India (HMSI) launched its 4th and world's largest scooter plant in Gujarat.
- Chrysler announced an investment of USD 513.5 million in Maharashtra to manufacture the Jeep Grand Cherokee.

New Initiatives & Vision for the Future

The Government of India is committed to sustaining the upward growth of the automobile industry through strategic initiatives. One such initiative is the Automotive Mission Plan 2016-26 (AMP 2026), which outlines a clear vision to position India among the top three global automotive industries. The plan targets an industry size of USD 300 billion, aims to increase the sector's contribution to GDP to over 12%, generate 65 million jobs, and expand exports to 35-40% of total output. Another key initiative is the FAME India Scheme, launched in 2015 with a capital outlay of USD 122.3 million, to promote the adoption and manufacturing of hybrid and electric vehicles across all segments, in line with the National Electric Mobility Mission Plan (NEMMP) 2020. Additionally, the emergence of five major automotive clusters—in Delhi-Gurgaon-Faridabad (North), Sanand-Halol and Mumbai-Pune-Nasik-Aurangabad (West), Chennai-Bengaluru-Hosur (South), and Jamshedpur-Kolkata (East)—is rapidly transforming India into a global manufacturing hub. The government continues to actively support and guide the sector to realize its full potential.

Review of Literature

Several researchers have explored the role and impact of Foreign Direct Investment (FDI) on India's automobile sector and broader economy.

Kriplani (2004)^[10] presented a comprehensive overview of India's automobile industry, highlighting its rapid growth, structural evolution, and global competitiveness due to the entry of foreign auto giants. Similarly, Kerin *et al.* (2005)^[11] emphasized the sector's expansion post-FDI liberalization in 1996, noting a surge in production, model variety, and India's emergence as a hub for auto components.

Rajalakshmi and Ramchandaran (2006)^[12] underlined the attractiveness of India for global carmakers due to its mid-income consumer base, low-cost labor, and favorable FDI policy, positioning India as a potential hub for small car

exports.

Janardhanam *et al.* (2008)^[13] and Bajpai & Sachs (2009)^[13] explored how FDI contributes to resource enhancement, risk-sharing, technological advancement, and market expansion. However, they also cautioned about domestic challenges like infrastructure deficits and bureaucracy.

Rozas *et al.* (2009)^[14] provided a historical analysis of FDI trends, showing India's progress but also highlighting that its performance lags behind peer countries, indicating untapped potential.

Singh (2010)^[15] and Ansari & Ranga (2010)^[16] examined the uneven effects of FDI, noting that while industrial reforms have encouraged inflows, more infrastructure improvements are needed to maximize benefits.

Chakraborty & Nunnenkamp (2011)^[17] found that FDI had only temporary effects on the services sector and that easing regulations alone may not be sufficient for sustained growth. Finally, Sasidharan & Kathuria (2011)^[18] assessed the impact of FDI on domestic R&D, suggesting mixed outcomes depending on ownership structure and industry type, with stronger innovation incentives seen in minority or foreign-owned high-tech firms.

Basu *et al.* (2012)^[19] studied qualitative shifts in India's FDI inflows over a 14-year post-liberalization period. Their findings highlight India's attractiveness not only as a cost-effective destination but also for R&D investments, especially in industries like agriculture and manufacturing. The study also suggests boosting FDI in the agriculture services sector.

Vyas (2015)^[21] analyzed country-wise FDI approvals and sectoral inflows between April 2000 and June 2015 using secondary data. The study identified Mauritius as the dominant FDI source due to the Double Taxation Avoidance Agreement (DTAA) and noted a preference for investment in India's services sector.

Angamuthu (2018)^[22] focused on the automotive industry over the period 2008-2018, confirming its status as a sunrise sector of the Indian economy. The study linked FDI inflows to increased production and export growth, while also noting the negative impact of high corporate taxes on FDI.

Sharma and Khurana (2013)^[20] examined the sector-wise distribution of FDI and its contribution to economic growth. Their findings showed a positive correlation between automobile production and GDP growth, reinforcing the sector's importance in national development.

Research Methodology

Meaning of Research

Research is a scientific and systematic search for relevant information on a specific topic. It is an academic activity aimed at discovering new knowledge through careful investigation and inquiry. According to the *Advanced Learner's Dictionary*, research is defined as "a careful investigation or inquiry, especially through a search for new

facts in any branch of knowledge."

Objectives of the Study

1. To analyze the FDI inflows in India's automobile industry.
2. To estimate the growth and role of the automobile sector in terms of production, sales, and exports.
3. To study government policies that support the growth of the automobile sector.

Research Design

This study follows a descriptive research design. It aims to explain the impact of FDI on the automobile industry and how FDI influences the operations of automobile companies.

Survey Design

The study is cross-sectional, as data was collected at a single point in time. A convenience sampling method was used to select the respondents based on accessibility and relevance to the research.

Sampling Plan

- Target Population: Companies involved in the automobile sector that are directly or indirectly impacted by FDI—whether focused on exports or domestic markets.
- Sampling Method: Convenient sampling was adopted due to the availability and accessibility of relevant respondents.

Sampling Unit

The research study area is Ludhiana, Punjab.

Sources of Data Collection

- Secondary Data: Data collected from existing sources such as government agencies, newspapers, magazines, books, journals, and websites like the IBEF report.

Need and Scope of Study

This research focuses on the impact of FDI on the automobile industry. It explores how FDI creates growth opportunities, boosts sector development, and the role of government policies in attracting maximum FDI.

Limitations of the Study

The study relies entirely on secondary data; thus, its accuracy depends on the reliability and authenticity of the sources. Economic stability and the timing of the study are also critical factors influencing the findings.

Analysis and Interpretation

Table 3: FDI Received and Sectorial Contribution

Year	FDI inflows (cr)	FDI inflow in Automobile	% contribution of FDI in Automobile sector
2015	189107	17199	9.09
2016	262322	16951	6.46, 3.75, 5.06
2017	291696	10948	6.07
2018	288889	14631	
2019	306222	18602	



Fig 1: Referred to Table 3

Analysis and Interpretation

The data indicates a consistent rise in FDI in India, especially under the Modi government, making India a preferred investment destination. The automobile sector has seen tremendous growth due to several key factors.

Growth Drivers for FDI

- 1. Growing Income:** Average household income tripled from \$6,393 in 2010 to \$18,448 in 2020.
- 2. Young Population:** India will be the youngest nation by 2025 with an average age of 25.
- 3. Vehicle Penetration:** Expected to reach 72 vehicles per 1,000 people by 2025.
- 4. R&D Hub:** India contributes 40% to global engineering R&D spending, with 8% in auto sector.
- 5. Industry Growth:** Automobile industry valued at \$74 billion (2018), expected to hit \$300 billion by 2026 with 15% CAGR.

FY 2018-19

- Passenger vehicle sales ↑ 2.7%
- Two-wheelers ↑ 4.86%
- Three-wheelers ↑ 10.27%
- Exports ↑ 14.5%
- Commercial vehicles ↑ 17.55%

6. Market Size

- Domestic sales (FY13-19) CAGR: 6.71%
- Production CAGR: 6.96%
- Premium bikes, electric two-wheelers, and luxury vehicles like BMW and Mercedes show steady growth.

7. Investments

FDI inflows of \$22.35 billion (April 2000 - June 2019) in the automobile sector, driven by increased demand and policy support (as per DPIIT).

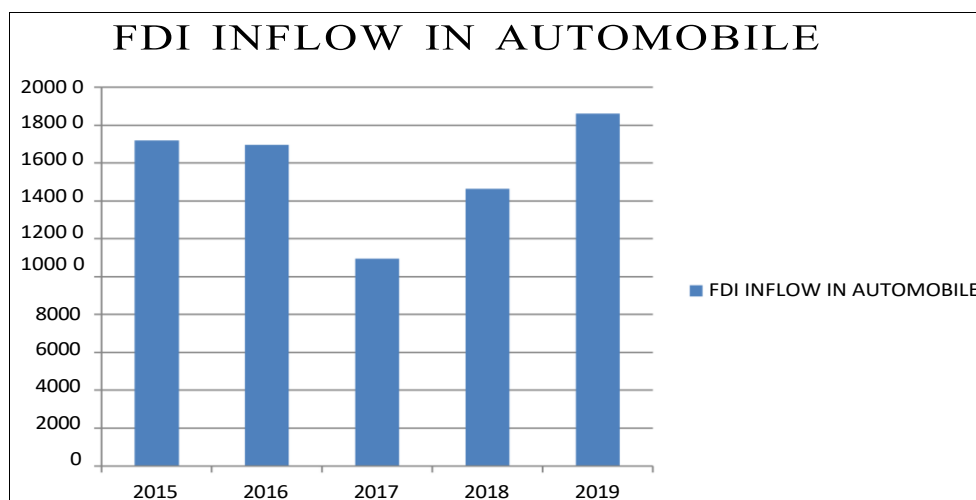


Fig 2: (Referred from Table 3)

Analysis and Interpretation (In Short)

The analysis reveals that FDI inflows in India, especially in the automobile sector, have grown steadily over the years due to favorable government policies, such as allowing 100% FDI. Under the Modi government, India has become a preferred investment destination. Key growth drivers include rising household income, a young population, increasing vehicle penetration, and India's role as a global R&D hub. The automobile industry, valued at \$74 billion in 2018, is projected to reach \$300 billion by 2026, with strong

growth in production, sales, and exports.

Several global automobile companies, including Audi, MG Motor, BMW, Toyota, and Hyundai, have made or planned significant investments in India, especially in electric vehicles (EVs). The government has supported this through schemes like FAME and initiatives such as setting up R&D and testing centers under NATRIP. These efforts have collectively boosted the sector's growth and its attractiveness to foreign investors.

4.4 Road Ahead

4.5 Major Investors in India

Several global automobile giants have invested in India, including:

Ford, GM, Isuzu, MAN, Mercedes-Benz, Piaggio, Scania, Volvo, Volkswagen, BMW, Hyundai, Nissan, Fiat, Renault, Suzuki, and Toyota. These companies are driving innovation, production, and employment in India.

4.6 Automobile Cluster

Key automobile manufacturing clusters in states like Gujarat and Madhya Pradesh include major players such as:

1. CNH Industries
2. Ford
3. Honda Motorcycle and Scooter
4. John Deere
5. Gujarat - Madhya Pradesh: SAIC Motors, Tata Motors, VECV
6. Maharashtra - Karnataka:
7. Bajaj Auto
8. Daimler
9. FCA (Fiat Chrysler Automobiles)
10. Force Motors
11. General Motors

12. Piaggio
13. Scania
14. Toyota
15. Volvo
16. Volkswagen
17. Haryana - Rajasthan - Uttar Pradesh:
18. Eicher
19. Hero MotoCorp
20. Honda
21. JCB
22. Maruti Suzuki
23. New Holland Agriculture
24. Yamaha
25. Andhra Pradesh - Tamil Nadu:
26. Ashok Leyland
27. BMW
28. Hyundai
29. Isuzu
30. Kia Motors
31. Peugeot
32. Renault
33. Royal Enfield
34. TVS
35. Yamaha

Table 4: Export Trend in Automobile Industry in India

Category	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Passenger Vehicle	3,35,739	4,46,145	4,44,326	5,08,783	5,59,414	5,96,142
Commercial Vehicles	42,673	45,009	74,043	92,258	80,027	77,050
Three wheelers	1,48,074	1,73,241	2,69,968	3,61,753	3,03,088	3,53,392
Two wheelers	10,04,174	11,40,058	15,31,619	19,75,111	19,56,378	20,84,000

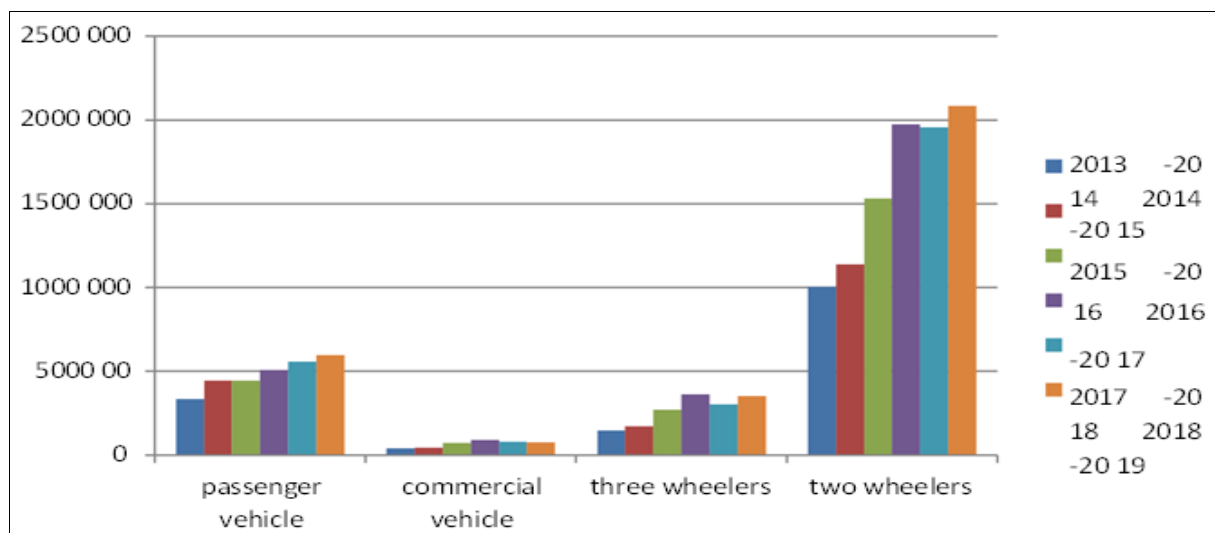


Fig 3: (Referred to table 4)

Analysis

According to the statistics, the export trend in India is increasing across all vehicle segments—passenger vehicles, three-wheelers, and two-wheelers—except for commercial vehicles, which have shown a decline.

Vehicles Currently Manufactured in India

India manufactures a wide range of vehicles. Notably, the Hyundai i10 is the bestselling and most exported car from the country. Below is a list of major manufacturers and their key models produced in India:

1. **Toyota:** Etios Liva, Etios, Corolla Altis, Innova Crysta,

- Fortuner, Camry, Yaris, Glanza
2. **Volkswagen India:** Polo, Vento, Ameo, Tiguan, Passat
3. **Nissan Motor India:** Micra, Sunny, Terrano, Kicks
4. **Renault India:** Captur, Duster, Kwid, Lodgy, Triber
5. **Škoda Auto India:** Rapid, Octavia, Superb, Kodiaq
6. **BMW India:** 1 Series, 3 Series, 3 Series GT, 5 Series, 7 Series, X1, X3, X4, X5
7. **Datsun:** Go, Go+, Redi-Go
8. **Fiat India:** Punto, Linea, Avventura, Urban Cross
9. **Ford India:** Figo, Figo Aspire, Freestyle, EcoSport, Endeavour
10. **Honda Cars India Ltd:** Jazz, Amaze, City, WR-V,

- Civic, CR-V
- 11. Hyundai Motor India:** Santro, Grand i10, Grand i10 Nios, Elite i20, Venue, Aura, Creta
- 12. Isuzu:** MU-7, V-Cross
- 13. Jaguar (subsidiary of Tata Motors):** XE, XF, XJ
- 14. Jeep:** Compass
- 15. Kia:** Carnival, Seltos

- 16. MG (Morris Garages):** Hector, ZS EV
- 17. Land Rover (subsidiary of Tata Motors):** Discovery Sport, Range Rover Evoque
- 18. Mercedes-Benz India:** A-Class, C-Class, E-Class, GLA-Class, GLC-Class, GLE-Class, S-Class
- 19. Mitsubishi (in collaboration with Hindustan Motors):** Outlander

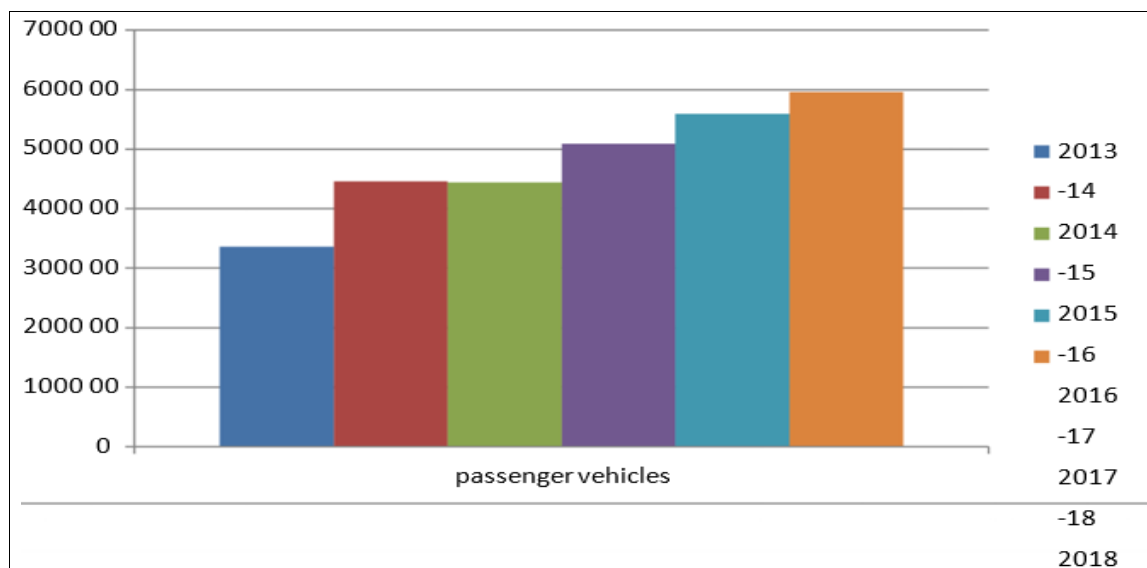


Fig 4: (Referred to table 5)

Analysis

The export of passenger vehicles is increasing each year due to rising population, improved living standards, and changing lifestyles.

Foreign Automotive Companies in India (Passenger

Vehicles)

Several foreign companies manufacture and market passenger vehicles in India, including: Hyundai, Renault, Nissan, Datsun, Mitsubishi, Ford, Fiat, Honda, Toyota, Volkswagen, Škoda, Audi, Jaguar, Land Rover, Mercedes-Benz, BMW, and MINI.

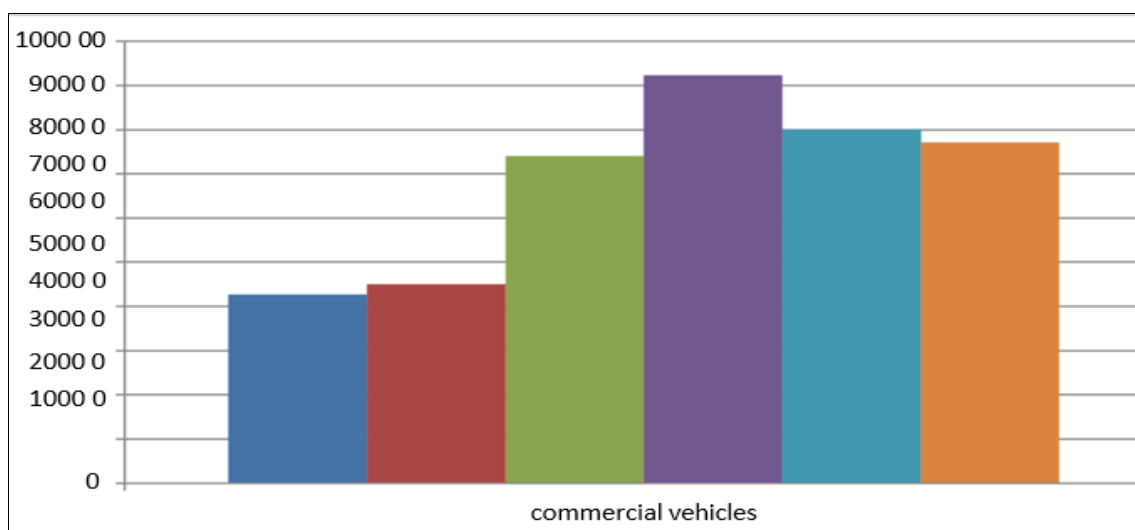


Fig 5: (Referred to Table 4)

Analysis

The above chart shows that exports of commercial vehicles are fluctuating, likely due to economic trends and market instability.

Commercial Vehicle Manufacturers in India (Indian Brands)

1. AMW
2. Eicher Motors

3. Force Motors
4. Hindustan Motors
5. Mahindra & Mahindra
6. Premier
7. Tata Motors
8. Hero MotoCorp
9. Bajaj Auto
10. TVS Motor Company

The total number of commercial vehicles manufactured in India is 411,060.

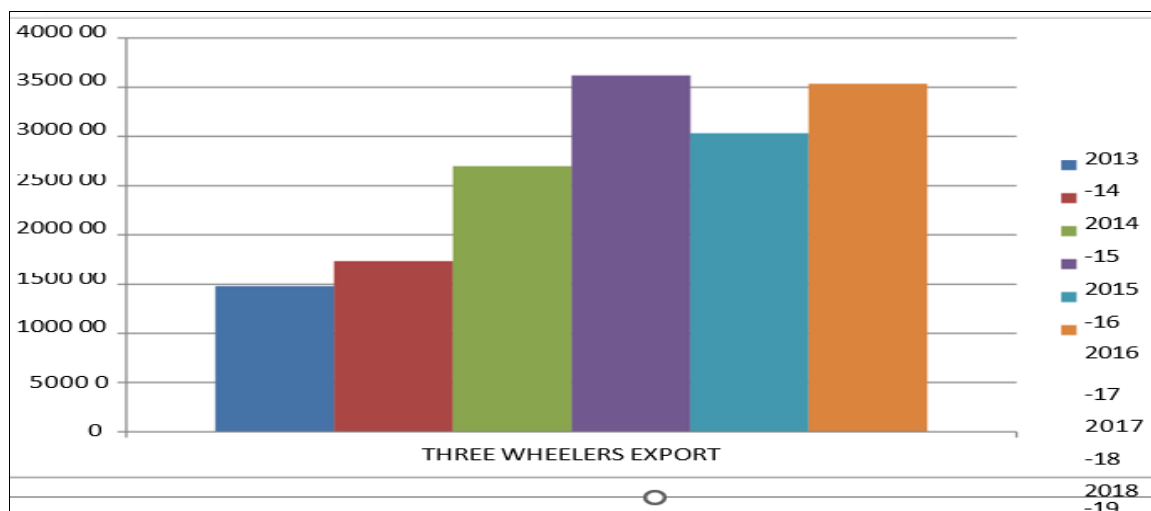


Fig 6

Analysis

Economic trends have a significant impact on the exports of three-wheelers. Their demand is higher in Asian countries

compared to Western countries, due to affordability and suitability for local transportation needs.

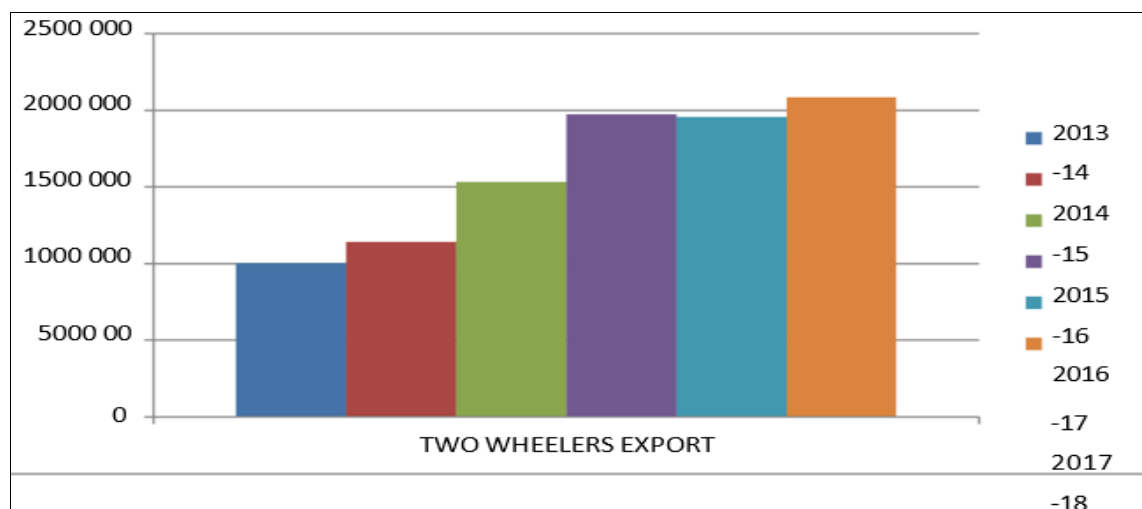


Fig 7: (Referred to table 4)

Analysis

The export trend for two-wheelers from India is steadily increasing each year and is expected to continue rising in the future. However, demand in Latin America is declining due to inflation and currency devaluation, which is negatively affecting the export of Indian two-wheelers to that region.

Two-Wheeler Exporters from India

1. Bajaj Auto - Exported 13,44,800 units
2. TVS Motor Company - Exported 4,52,203 units
3. HMSI (Honda Motorcycle & Scooter India) - Exported 2,61,997 units
4. Hero MotoCorp - Exported 1,85,885 units
5. Yamaha Motor India - Exported 1,71,416 units

Table 5: Two-Wheeler Manufacturers in India

Rank	Companies
1	Bajaj Auto.
2	TVS Motor Co.
3	HMSI
4	Hero Motor Corp
5	Yamaha Motor India
6	Suzuki Motor Cycle
7	Mahindra two-wheeler
8	Royal Enfield
9	Piaggio

Table 6: Top 10 Export Destination

Rank	Country	Value (US\$)	Share
1	United States	1.2 billion	8.4%
2	Mexico	\$1 billion	6.9%
3	South Africa	\$888.8 million	6.1%
4	United Kingdom	\$637.4 million	4.4%
5	Sri Lanka	\$596.9 million	4.1%
6	Bangladesh	\$592.1 million	4.1%
7	Turkey	\$580.4 million	4%
8	Nigeria	\$546.8 million	3.8%
9	United Arab Emirates	\$433.6 million	3%
10	Columbia	\$ 428.9 million	3%

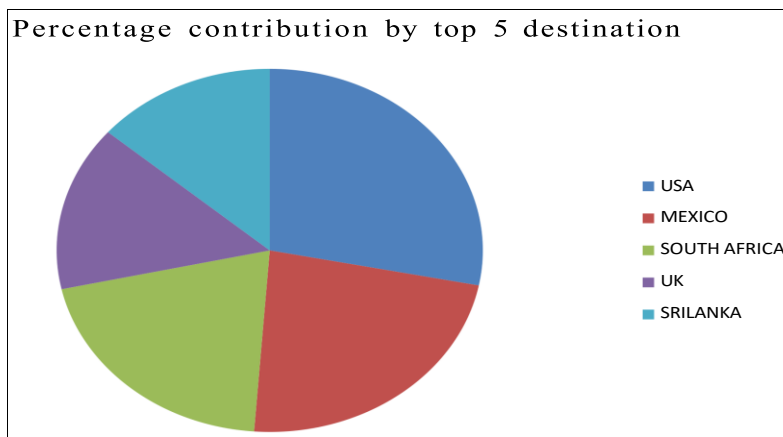


Fig 8: Two-Wheeler Export Trends

Analysis

India exports the highest number of two-wheelers to North

America, followed by South Africa and Asian countries.

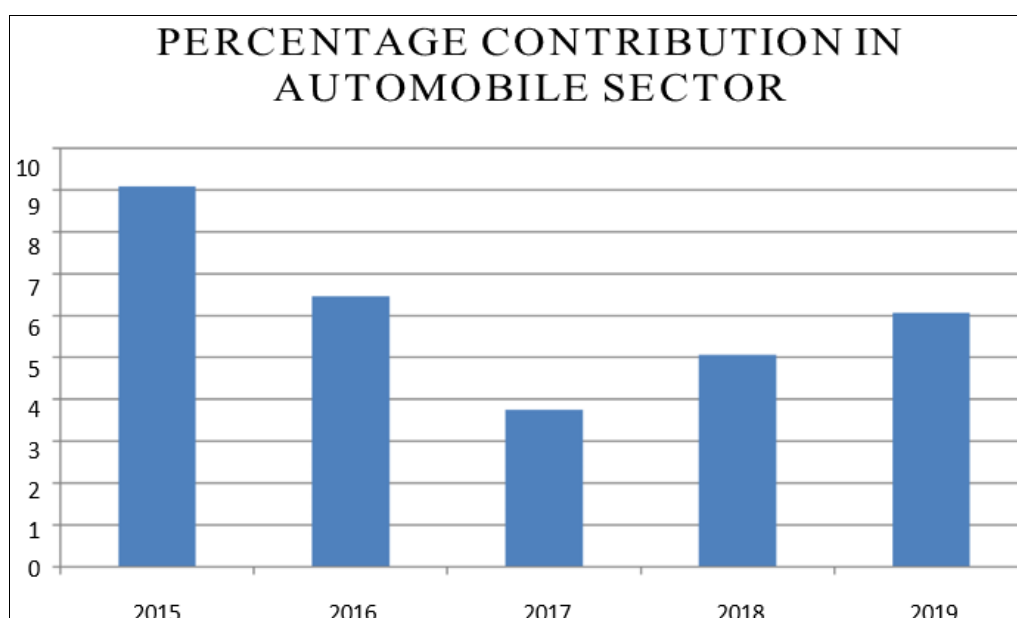


Fig 9: (Referred to Table 4)

Analysis

India's automobile sector ranked third in total FDI received, but the trend is not consistent and shows fluctuations over time.

Government Initiatives (In Brief)

- 100% FDI allowed under the automatic route in the automobile sector.
- Union Budget 2019-20: ₹1.5 lakh income tax deduction on EV loan interest.
- Goal: Make India a global manufacturing and R&D hub.
- Under NATRIP, R&D centers are being set up (cost: \$388.5 million).
- FAME Scheme: Promoting electric vehicles in 11 cities.
- Government plans incubation centers for EV start-ups.
- FAME-II (2019): Approved with a budget of ₹10,000 crore (\$1.39 billion) for FY 2020-22.

Key Findings

1. India's automobile sector is booming and attracting

increasing FDI, especially in four-wheelers.

2. The sector contributes 7.1% to India's GDP and is backed by strong government support.
3. India is the 7th largest in commercial vehicle manufacturing and is progressing rapidly.
4. Exports grew by 14.5% in 2019; two-wheelers hold 81% market share domestically.
5. Government initiatives like FAME, NEMMP, and 100% FDI under automatic route are fueling growth.
6. Maruti Suzuki leads with 53% market share in passenger cars; Toyota is a top global player.
7. Major FDI inflows go to port-connected clusters, aiding export.
8. The industry is expected to reach US\$ 282.8 billion by 2026.

Recommendations

- Focus policy on electric and hybrid vehicles.
- Develop scrappage/dumping stations for old vehicles.
- Prevent registration renewal for obsolete vehicles.
- Equip all fuel stations with EV charging infrastructure.

Conclusion

India's automobile sector is growing fast, with \$22.4 billion in FDI (2000-2019).

Exports and sales of vehicles—passenger, two-wheelers, and three-wheelers—are all increasing.

India ranks:

- 1st in tractor manufacturing,
- 2nd in buses,
- 3rd in heavy trucks.

Government policies like FAME, AMP 2026, EV infrastructure, and Motor Vehicle Amendment Act are accelerating growth.

With continued support, the sector is poised to become a major contributor to GDP.

Scope for Future Research

Future studies should target automobile clusters directly to improve data authenticity, especially in areas like Ludhiana, where primary data was limited.

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