IMPACT: Journal of Research in Business Management (IMPACT: JRBM)
ISSN(E): Applied; ISSN(P): Applied
Vol. 1, Issue 1, Jun 2015, 29-46

A STUDY ON FOREIGN DIRECT INVESTMENT IN AUTOMOBILES IN INDIA

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ABSTRACT

The Foreign Direct Investment in Indian Automobile Industry has opened up new avenues for the development of this important sector of Indian industries. The liberalization of government policies regarding FDI in the automobile industry of India has increased the scope of this industry. The first FDI player in the Indian automobile industry was Suzuki. In 1980s this company entered into a joint venture with MarutiUdyog, a state run enterprise. The then Indian government permitted this company to enter the Indian automobile market in 1983.In 1991, the government of India liberalized its policies regarding the automobile industry of India Foreign Direct Investment in the automotive industry of India was permitted. In 1993, FDI was also allowed in the passenger car segment of Indian automobile industry. This paper analysis the progress so far made through FDI in Indian automobile industry.

KEYWORDS: Foreign Direct Investment, Automobile Industry, Automobile Production Trends, Foreign Investment

INTRODUCTION

A Foreign direct investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in another country. Foreign direct investment is distinguished from portfolio foreign investment, a passive investment in the securities of another country such as public stocks and bonds, by the element of "control".

According to the Financial Times, "Standard definitions of control use the internationally agreed 10 percent threshold of voting shares, but this is a grey area as often a smaller block of shares will give control in widely held companies. Moreover, control of technology, management, even crucial inputs can confer de facto control.

The origin of the investment does not impact the definition as an FDI, i.e., the investment may be made either "inorganically" by buying a company in the target country or "organically" by expanding operations of an existing business in that country.

An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies.

The investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture.

Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA), driven by then finance minister Manmohan Singh. As Singh subsequently became the prime minister, this has been one of his top political problems, even in the current times. India disallowed overseas corporate bodies (OCB) to invest in India. India imposes cap on equity holding by foreign investors in various sectors, current FDI in aviation and insurance sectors is limited to a maximum of 49%.Initially, the automobile industry of India was ruled by national vehicle manufacturers like Premier Automobile and Hindustan Motors. The entrance of foreign automobile companies in the market was restricted by the imposition of high import tariffs and other policies and measures. India has a manufacturing advantage in the automobile sector. Big names like Ford Motor Company, General Motors, GE Corporation, Nissan-Renault, VW Group, Honda Motors, and Toyota Motors have set up their manufacturing units in India. Today India can boast of its quality resources which are given below:

- Abundant capital goods,
- Brilliant engineering talent Low overall cost,
- Political stability ,
- Language strength of English,
- Legal and efficient accounting framework

India is looking forward to developing its auto components industry and pharmaceutical industry which is becoming an influencing factor in the Automobile market. Foreign Direct Investment has already penetrated the market. As such India is considered to be the 4th largest FDI destination in Asia. The automobiles industry is the most dynamic manufacturing sector of the country as well. Auto industry in India has grown in skills and lower prices. It can now cater to global markets with quality products. Today, the Indian automobiles manufacturing industry has 11 passenger car manufacturers, 12 commercial and utility vehicle, 10 two wheeler manufactures, 12 tractor manufactures and 3 three wheeler manufactures. The first FDI player in the Indian automobile industry was Suzuki. In 1980s this company entered into a joint venture with MarutiUdyog Limited, a state run enterprise. Then the indian government permitted this company to enter the Indian automobile market in 1983. In 1991, the government of india liberalized its policies regarding the automobile industry. FDI in automotive industry was permitted. In 1993, FDI was also allowed in the passenger car segment.FDI Inflows to Automobile Industry have been at an increasing rate as india has witnessed a major economic liberalization over the years in terms of various industries. The automobile sector in India is growing by 18 percent per year. The basic advantages provided by india in the automobile sector include, advanced technology, cost-effectiveness, and efficient manpower. Besides, india has a well-developed and competent Auto Ancillary Industry along with automobile testing and R&D centers. The automobile sector in india ranks third in manufacturing three wheelers and second in manufacturing of two wheelers.

The automobile industry is one of India's major sectors, accounting for 22% of the country's manufacturing GDP. The Indian auto industry, comprising passenger cars, two-wheelers, three-wheelers and commercial vehicles, is the seventh-largest in the world with an annual production of 17.5 million vehicles, of which 2.3 million are exported. Two-wheelers dominate the Indian market; more than 75% of the vehicles sold are two wheelers.

According to Ministry of Heavy Industry and Public Enterprises, the total turnover of the Indian automobile industry was estimated at USD 73 billion and exports were estimated to be USD 11 billion in the year 2010–11. The announced cumulative investments in this sector were USD 30 billion during this period. The main automobile hubs in India are based at Chennai, Gurgaon, Manesar, Pune, Ahmedabad, Halol, Aurangabad, Kolkata, Noida and Bangalore. Chennai is the biggest hub accounting for 60% of Indian auto exports. The auto components industry, although largely concentrated near automobile hubs, is fairly widespread in other parts of the country too.

According to the Department of Industrial Policy and Promotion (DIPP), the auto sector accounts for 4% of total foreign direct investment (FDI) inflow into India. As per the DIPP's FDI figures for May 2012, FDI inflow into the auto sector for the period April 2011 to March 2012 totaled USD 923 million; cumulative FDI into the sector for the period April 2000 to May 2012 stood at USD 6,853 million. The DIPP is part of the Government of India's Ministry of Commerce and Industry; it is responsible for formulating and implementing the country's FDI policy.

Automobile Industry Sector comprises Passenger cars, auto ancillaries etc. FDI inflows in the automobile Industry sector, during Jan 2000 to Dec. 2008 is US$ 3.2 bn which is 4.09% of the total inflows received through FIPB/SIA route, acquisition of existing shares and RBI' automatic route. The trends in automobile sector show that there is a continuous increase of investment in this sector after 2005 onwards (Chart- 3.20). Major investment came from Japan (27.59%), Italy (14.66%), USA (13.88%) followed by Mauritius(7.77%) and Netherlands (6.91%). in India Mumbai, New Delhi and Ahmedabad received major chunks of investment i.e. 36.98%, 26.63% and 9.47%). The total numbers of approvals for automobile industry have been of the order of 1611 with an equity participation of US$ 6.1 bn, which is 7.01% of the total investment. Automobile industry sector ranks 5th in the list of sectors in terms of cumulative FDI approved from August 1991 to Dec 2008. Out of 1611 numbers of foreign collaborations approved 734 are technical and 877 are financial in nature.

OBJECTIVES OF THE STUDY

- To study the FDI inflow in automobile sector in India from 2005-2011.
- To forecast the trends of inflow of FDI in automobile sector till 2018 in India.

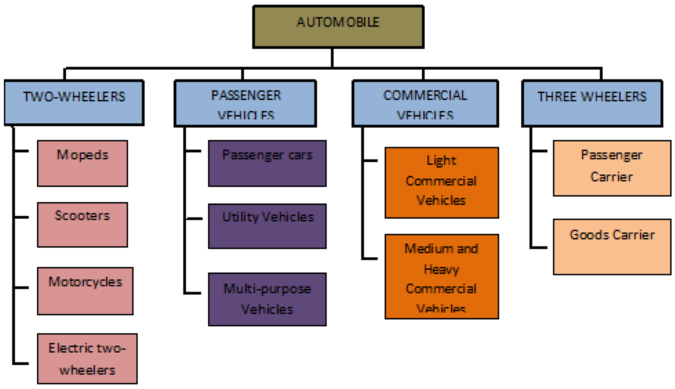


Figure 1: The Automobiles Market is Split in to Four Segment

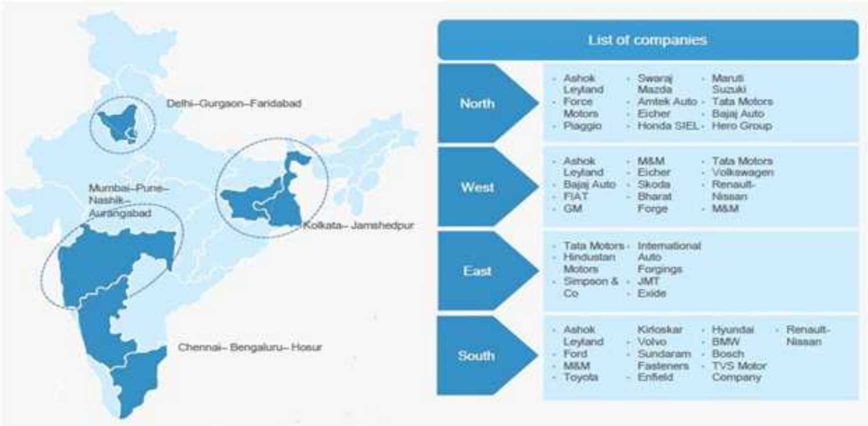
Developed economies consider FDI as an engine of market access in developing and less developed countries vis-à-vis for their own technological progress and in maintaining their own economic growth and development. Developing nations looks at FDI as a source of filling the savings, foreign exchange reserves, revenue, trade deficit, management and technological gaps. FDI is considered as an instrument of international economic integration as it brings a package of assets including capital, technology, managerial skills and capacity and access to foreign markets. The impact of FDI depends on the country's domestic policy and foreign policy. As a result FDI has a wide range of impact on the country's economic policy. In order to study the impact of foreign direct investment on economic growth, two models were framed and fitted. The foreign direct investment model shows the factors influencing the foreign direct investment in India. The economic growth model depicts the contribution of foreign direct investment to economic growth.


The automotives industry is concentrated with leaders in each segment commanding a share of over 40 per cent

	Market leader		Others					
Passenger vehicles	Maruti Suzuki	45%	Hyundai	20%	Tata Motors	10%	GM	4%
MCVs & HCVs	Tata Motors	63%	Ashok Leyland	23%	Eicher	7%		
LCVs	Tata Motors	59%	Mahindra	30%	Force	4%	Piaggio	4%
Three wheelers	Piaggio	41%	Bajaj	40%	Mahindra	10%		
Motorcycles	Hero	59%	Bajaj	24%	TVS	7%	Honda	6%
Scooters	Honda	51%	TVS	21%	Hero	14%	Suzuki	10%

Source: SIAM, Aranca Research

Figure 2: Presence of a Clear Leader in Each Market Segment

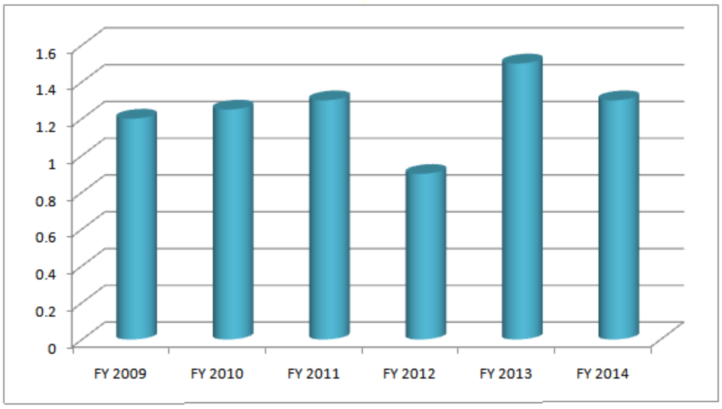


Source: ACMA, Aranca Research

Figure 3: Emergence of Large Automobiles Clusters in the Country

Source: Aranca Research

Figure 4: Key Automobiles Manufacturing Plants Across India



Source: Department of Industrial Policy & Promotion (India)

Figure 5: FDI Trends over the Past Few Years (USD Billion)

STONG FDI INFLOWS IN AUTOMOBILES SECTOR

Policy and Schemes

The Indian government encourages foreign investment in the automobile sector and allows 100% FDI under the automatic route. It is a fully delicensed industry and free imports of automotive components are allowed. Moreover, the government has not laid down any minimum investment criteria for the automobile industry.

Besides offering a liberal FDI regime, the government has made successive policy changes that allow for stronger growth in the automotive sector. Major among these are:

- **Automotive Mission Plan:** Prepared by the Ministry of Heavy Industries and Public Enterprises, the Automotive Mission Plan aims to accelerate and sustain growth in the sector over the period 2006 to 2016. Under the plan, it is aimed to make India a global automotive hub, with special emphasis on the export of small cars, MUVs, two- and three-wheelers and Auto components. The plan also aims to double the contribution of the automotive sector to the country's GDP by taking its turnover to USD 145 billion and providing additional employment to 25 million people by 2016.
- **National Automotive Testing and R&D Infrastructure Project:** This is a USD 388.5 million initiative of the Government of India and various state governments; it is aimed at creating a state-of-art and dedicated testing, validation and R&D infrastructure across the country.Apart from the policies introduced by the government for the auto industry, another positive step taken by the Government of India has been the tax relief provided in the 2012 budget. According to the new tax laws, excise duty on specified parts of hybrid vehicles has been reduced to 6% from 10%. Excise duty on lithium ion battery packs for supply to electric vehicle or hybrid vehicle manufacturers has also been reduced to 6% from 10%. Besides, the full exemption from basic customs duty and special countervailing duty (CVD) with concessional excise duty or CVD of 6% on some parts of hybrid vehicles is being extended to specified additional items and lithium ion batteries imported to make battery packs for electric or hybrid vehicles. Therefore, the reduction in excise duty on specific parts supplied to manufacturers of electrical and hybrid vehicles will promote the growth of environment-friendly cars.

Auto Policy (2002)

The most important being the announcement of the 'Auto Policy' of 2002, which aims to establish a globally competitive automotive industry in India and double its contribution to the economy by 2010. The policy seeks to set out the direction of growth for the sector and promote R&D therein so as to ensure continuous technology upgradation as well as building up of better designing capacities. It emphasizes on low emission fuel auto technologies and availability of appropriate auto fuels in order to take auto manufacturing to a self-sustaining level. Broadly, the objectives of the auto policy are to:-

- Exalt the sector as a lever of industrial growth and employment and to achieve a high degree of value addition in the country
- Emerge as a global source for auto components
- Establish an international hub for manufacturing small, affordable passenger cars and a key center for

manufacturing tractors and two-wheelers in the world

- Ensure a balanced transition to open trade at a minimal risk to the Indian economy and local industry
- Conduce incessant modernization of the industry and facilitate indigenous design, research and development
- Steer India's software industry into automotive technology
- Assist development of vehicles propelled by alternate energy sources
- Development of domestic safety and environmental standards at par with international standards

Table 1

Sub Sectors of FDI equity inflows in Automobile Industries (January 2000 to December 2010)			
Sub Sectors	Amount of FDI Inflows		Percentage with total FDI Inflows
	Rupees in Crores	US $ in millions	
Heavy Vehicles	6830.35	1479.2	1.16
Passenger Vehicles	13516.25	3008.04	2.37
Auto ancillaries/Parts	2857.06	635.44	0.5
Others (Transport)	2768.93	617.47	0.49
Total of above	**25972.59**	**5740.15**	**4.52**
Source-Directorate of Ecomomics & Statistice			

Table 2

Automobiles Production Trends (In numbers)							
Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Passenger Vehicles	1209876	1309300	1545223	1777583	1838593	2357411	2987296
Commercial Vehicles	353703	391083	519982	549	416870	567556	752735
Three Wheelers	374455	434423	556126	500660	497020	619194	799533
Two Wheelers	6529826	7608697	846666	8026681	8419792	10512903	13376451
Total	8467853	9743503	11087997	10853930	11172275	14057064	17916015
Source-SIAM Industry Statistics							

Table 3

Share of Top five countries FDI inflows for automobiles industries From January 2000 to December 2010)				
Ranks	Country	Amount of FDI Inflows		Percentage of FDI Inflows
		Rs. In Cr.	US $ In million	in Automobiles Industries
1	Japan	6238.92	1359.69	23.69
2	U.S.A	3842.17	838.7	14.61
3	Netherlands	3236.15	722.25	12.58
4	Italy	2715.71	634.04	11.65
5	Mauritius	2231.16	495.32	8.63
Total of above		18264.11	4050	71.16
Source-Directorate of Economics and Statistics				

Table 4

Foreign Investment Inflows (RS. In Crores)			
Years	**Direct Investment**	**Portfolio Investment**	**Total**
2005-06	39674	55307	94981
2006-07	103367	31713	135080
2007-08	138276	109741	248017
2008-09	161481	-63618	97863
2009-10	188815	161880	350695
2010-11	135120	157355	292475
Source -Directorate of Economics & Statistics			

LETRATURE REVIEW

Rajesh andDileep (2013), according to the authors, the Foreign Direct Investment in Indian Automobile Industry has opened up new doors for the development of this important sector of Indian industries. The liberalization of government policies regarding FDI in the automobile industry of India has increased the scope of this industry. The first FDI player in the Indian automobile industry was Suzuki. In 1980s this company entered into a joint venture with MarutiUdyog, a state run enterprise. The Indian government then permitted this company to enter the Indian automobile market in 1983.In 1991, the government of India liberalized its policies regarding this industry and thus FDI in the automotive industry was permitted. In 1993, FDI was also allowed in the passenger car segment of Indian automobile industry. This paper analysis the progress so far made through FDI in Indian automobile industry.

Rajalakshmi and Ramachandran (2011) deeply discussed thatFDI Inflows to Automobile Industry have been at an increasing rate, as India has faced a major economic liberalization over the years in terms of various industries. The automobile sector in India is growing by 18 percent per year. The basic advantages provided by India in the automobile sector include, advanced technology, cost-effectiveness, and efficient manpower. Besides, India has a well-developed and competent Auto Ancillary Industry along with automobile testing and R&D centres. The automobile sector in India ranks third in manufacturing three wheelers and second in manufacturing of two wheelers. The major investing countries are Mauritius (mainly routed from developed countries), USA, Japan, UK, Germany, the Netherlands and South Korea. 24. India needs to worry on the foreign direct investment (FDI) front. According to the statistics released by India's Ministry of Commerce and Industry, the country has received only $18.35 billion in FDI in the first 11 months (April-February) of the financial year 2010-2011, compared to $63 billion that came in the 11 months of the previous financial year. Indian Automotive sector is aiming much higher and has all the scopes to come up with flying colours. Various automobile companies are replacing foreign multinational companies in terms of consumer satisfaction. Since 2002, automotive sector has much to deliver in the years to come. Direct Investment Inflows in India-Opportunities and Benefits. Important Aspects of FDI in Automobile Industry, Recent FDI Trends in India. The major foreign players, who have a significant role in the development of Indian automobile industry, were discussed and the passenger car segment growth, Production, sales and Investment were analyzed.Here the researcher using three statistical tools for analyzing the study.

Nivedita and, Mary binu T.D., Rani Jayalekshmi (2013), in this study author said Foreign Direct Investment, or FDI, is a type of investment that involves the flow of foreign funds into an enterprise that operates in a different country of origin from the investor. Foreign Direct

Investment assures a true success for the home country. FDI is an important factor in the globalization process as it increases the interaction between countries and Industries. Automobile Industry in India has a very old history and is an industry that is growing very

Fast and it is righty called as the ‘Sunrise sector’ of Indian economy. The cumulative FDI in the automobile industry from April 2000 to January 2012 is US $243,055 million. The automobile industry in India is growing by 18 percent per year and is expected to provide employment for 35 million people by 2022. In this paper, we study the impact of inward FDI in the automobile industry. In this paper, we try to understand the FDI inflow in the Indian automobile sector and the various segments of the automobile sector and the trend of FDI inflow in the Indian automobile sector. We try to analyze the challenges and the opportunities for FDI inflow in the Indian automobile sector.

Velury Vijay Bhasker and Y.V.S. SubrahmanyaSarma (2013) conducted a study on ‘Foreign Direct Investment (FDI) in Automobile Industry (to complement) along with purchasing power capacity and auto-finance facility has been the important factors for its steady growth in India - Production and Sales with a variety viewing all the segments and export earnings.

Naibsingh (2015) In his paperforeign direct investment is very essential for the industrial development of the any nation. India is a developing country. FDI can help us to avail the benefit of latest technical know-how, foreign entrepreneurship, skilled workforce, experience. Automobile sector of India is progressing day by day at a fast pace. On an average, this industry manufactures 17.5 million vehicles every year. This sector is assisting the industrial development of the country appreciably by producing all types of vehicles like two wheelers and other including passenger cars and heavy duty vehicles. In 2014, total inflow of foreign direct investment in this industry figures to around 1.3 US$ billions. Karl Pearson’s Coefficient of Correlation depicts that the relation of the consecutive year’s inflows of foreign capital in the country directly and the way is not relative. The present inflow of the foreign direct investment is much less than it should be. Government should take more measures to promote FDI in theautomobile industry.

Pankaj Gupta, Rajdeep Gupta, PulkitMaheshwari (2015) in his studythe automotive industry is at the priority of India’s manufacturingeconomy. India is positioned to become one of the world’smost attractive automotive markets for both manufacturersand consumers. These results benefit the society’s economicgrowth, increased jobs, and stability for families employed by theautomotive industry. All in all, India is set to become one of the huge automobile industries in times to come.

DR. Tinsy Rose Tom and Kavith Anil (2015)according to the authorsthe growth of automobile industry is crucial and important for the economic development of the country. Indian Automobile Industry is one of the fastest growing industries in the world. The Indian automobile sector is one of its most remarkably excellent industries. The industry accounts for 22 percent of the country's manufacturing gross domestic product (GDP). It comprises passenger cars, two-wheelers, three-wheelers and commercial vehicles and is currently the

Seventh-largest in the world with an average annual production of 17.5 million vehicles, of which 2.3 million are exported. The Indian auto market has the potential to dominate the global auto industry, provided dynamic environment is created for potential innovators to come up with new projects. The next few years are projected to show solid but careful growth due to improved affordability, rising incomes anduntapped markets. All these open up an opportunity for automobile manufactures in India. In addition, with the government's backing and a special focus on exports of small cars, multi-utility vehicles (MUVs), two and three-wheelers and auto components, the automotive sector's contribution to the GDP is expected to double, reaching turnover of US$ 145 billion in 2016, according to the Automotive Mission Plan (AMP) 2006-2016.

Ponnuswamy(2012) in his articlein order to further accelerate and sustain advancements in the auto sector, thedepartment has undertaken several policy measures and incentives. The most important is the announcement of the 'Auto Policy' of 2002, which aims to establish a globallycompetitive automotive industry in India and double its contribution to the economy by 2010. The policy is set out the direction of growth for the sector and promotes R&D

Therein so as to ensure continuous technology up gradation as well as building up ofGood designing capacities. It emphasizes on low emission fuel auto technologies and theavailability of appropriate auto fuels in order to take auto manufacturing to a selfsustaininglevel.Besides, the announcement of 'Automotive Mission Plan' for the period of 2006-2016 is a major step taken to make India a global automotive hub. The Mission Plan aimsto make India the destination of choice in the world for design andmanufacture of automobiles and auto components, with output reaching a level of US$145 billion (accounting for more than 10% of the GDP) and providing additionalemployment to 25 million people by 2016.The Mission seeks to oversee the developmentof the automotive industry, that is, the present state of the sector, its broad role in thegrowth of national economy, its links with other key factors of the economy as well as its future growth possibilities. This is involved in improving the automobiles in the Indiandomestic market, providing world class facilities of automotive testing and certifications well as ensuring a healthy competition among the manufacturers at a common level.

Shinde and Dubey(2011) in their articlethe industry has seen a growth during the last decade. A market trend is growingat a faster rate. According to CAGR (Cumilatiive annual growth rate) the market will further grow in years to come. The opening of the Indian automobile market for foreign companies the competition is expected to increase further. The opportunities can be grabbed through the diversification of export basket in untouched foreign destinations. Thus strict quality standards, services and use of latest technology can provide a competitive edge across the globe.

Gopalakrishnan(2014) in there paper The percentage change in production is showing a fluctuating trendthroughout the years but, the production is showing an increasing trend. Similarly the sale of vehicles is also showing an upward trend. This study has shown that

Indian automobile industry has been able to achieve high scores on various components and this has a positive impact. Automobiles led to strong demand due to signs of revival in the economy and increasing trend in hiring especially Organizations decisions will describe how the companies are placed within the industry and how they track new opportunities and innovations; ups and downs in growing markets, universal economic trends, and varying customer demand will compel companies to react in an unusual way.

Shastry. L and Pradhan(2013)in their articleIndia is expected to become the third largest automobile market in the world. In a developing nation and agro based economy like India, this is a great indicator of economic development.

The rapid improvement in infrastructure, huge domestic market, increasing purchasing power, established financial market and stable corporate governance framework have made the country a favorable destination for investment by global majors in the auto industry. Access to latest and most efficient technology and techniques will bring competitive advantage to the Indian players. The role of Industry will primarily be in designing and manufacturing products of world-class quality establishing cost

Competitiveness and improving productivity in labor and in capital. With a combined effort of manufacturers and Governmental policies, the Indian Automotive industry will emerge as the destination of choice in the world for design and manufacturing of automobiles Narayanan and Vashisht(2008) according to the author, India is a net exporter43 of automobiles and auto-components, the value of net exports in 2005-06 being Rs. 7,206 crore and Rs. 2,021 crore respectively incurrent prices. This shows that the automobile sector in India has become competitive. To increase its competitiveness further, tariff protection for automobiles should be brought down to the level necessary for each component. This will also reduce the attractiveness of home market in comparison with international market and therefore may further encourage vehicles exports, which are the high value-added category.

DATA BASE AND RESEARCH METHEDOLOGYS

In pursuance of the above mentioned objective the following methodology was adopted. The present research work is based on secondary data.

- **Tools for Data Collection:** The secondary data was collected from government authenticated websites like DIPC.RBI etc.
- **Tools for Data Analysis:** The above data was analyzed using trend analysis.

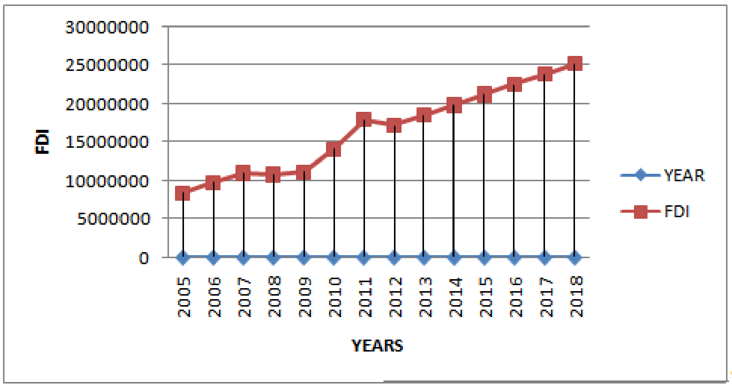
Trend Analysis is the practice of collecting information and attempting to spot a pattern, or trend, in the information. In some fields of study, the term "trend analysis" has more formally defined meaning.

RESULTS

Table 5: Total Vehicles Automobile FDI Trend (in Numbers)

Year	FDI	% Change
2005	8467853	
2006	9743503	15.1
2007	11087997	13.8
2008	10853930	-2.1
2009	11172275	2.9
2010	14057064	25.8
2011	17916035	27.5
2012	17193515	-4.0
2013	18516941	7.7
2014	19840368	7.1
2015	21163795	6.7
2016	22487221	6.3
2017	23810648	5.9

2018	25134075	5.6



Graph 1: Shows Trend of FDI of Total Vehicles

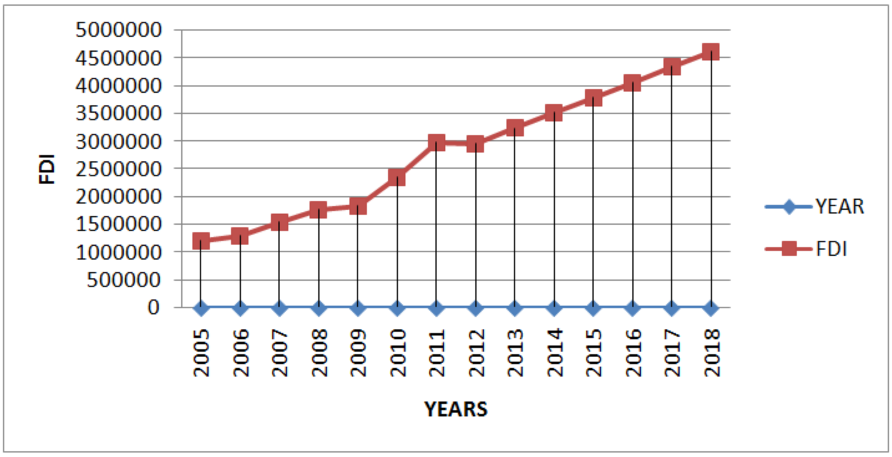
From the above graphs it can be observed that FDI inflow over the years in various automobile sector like passenger vehicles, commercial vehicles and two and three wheeler has shown a very unsteady and fluctuating trend in various sectors of the Indian economy but showed an incremental growth during 2010-11.the introduction of tailor made finance scheme, easy repayment scheme has also helped the growth of the automobile sectors. FDI inflow in India is found to be highly correlated with the economic factors taken in to consideration and it is in India's interest to continue to boost foreign investment by liberalizing rules on equity caps, investment reviews and other provisionsthat have impeded India's ability to attract even more foreign investment over the recent years. India also has become one of the fastest growing economies, and many U.S. companies view India as a potentially lucrative market. It is expected that the automotive industry will play an important role in helping the economy to continue this growth. Not only are domestic sales expected to grow dramatically, but India will play a significant role in the global automotive market and hence India has become an attractive destination for Foreign Direct Investment. India's economy has experienced a continued high level of growth in recent years. Some predictions are that India's rapidly expanding economy will soon be the world's second largest.

The developed countries like USA, UK, Germany,etc. Are investing heavily in our automobile sector.The Indian government encouraging foreign Investment and allowed 100% FDI under the automatic route that was an important reason for growth in automobile sector. The world's top manufacturers, General Motors, Ford, Toyota, Honda, and others, have a significant share of already established manufacturing bases. These manufacturers hope to not only capture an emerging market, but also to use these bases as export hubs to serve the region and the global market. According to statistics from the Government of India, FDI in the transportation sector, the fourth largest sector in India.

Table 6: Passenger Vehicles Automobile FDI Trend (in Numbers)

Year	FDI	% Change
2005	1209876	
2006	1309300	8.2
2007	1545223	18.0
2008	1777583	15.0
2009	1838593	3.4
2010	2357411	28.2

2011	2987296	26.7
2012	2963876	-0.8
2013	3239657	9.3
Table 6: Contd.,		
2014	3515437	8.5
2015	3791218	7.8
2016	4066998	7.3
2017	4342778	6.8
2018	4618559	6.4



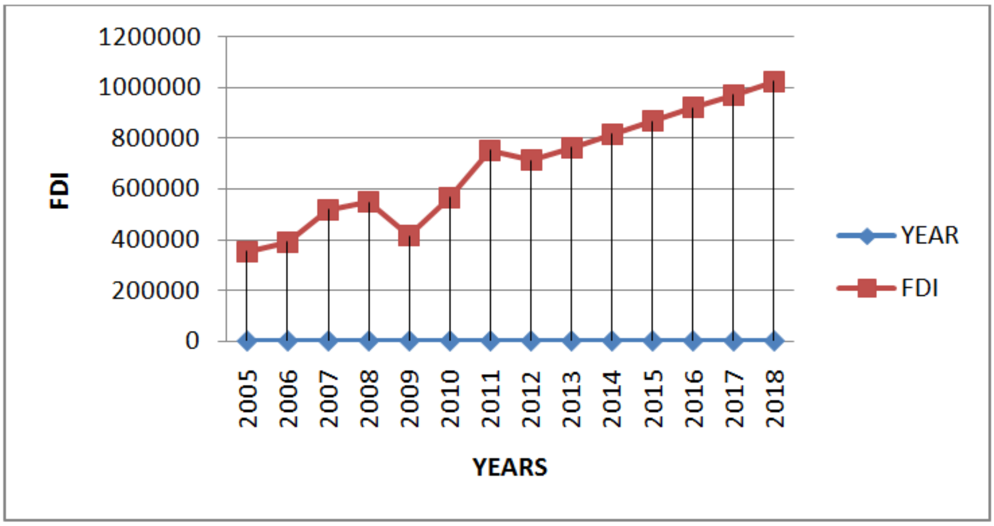
Graph 2: Shows Trend of FDI of Passenger Vehicles

As it is clearly shown in graph that the growth of FDI in passenger vehicles showing better results and year 2011 showing good increment with 29,87,296 FDI. The decline in FDI during 2009 was mainly attributed to subdued cross border merger and acquisition (M&A) activities and weaker return prospects for foreign affiliates, which adversely impacted equity investments as well as reinvested earnings. The developed countries like USA, UK, Germany, etc. are investing heavily in our automobile sector. The Indian government encouraging foreign Investment and allowed 100% FDI under the automatic route that was an important reason for growth in automobile sector.

Table 7: Commercial Vehicles Automobile FDI Trend (in Numbers)

Year	FDI	% Change
2005	353703	
2006	391083	10.6
2007	519982	33.0
2008	549006	5.6
2009	416870	-24.1
2010	567556	36.1
2011	752735	32.6
2012	713981	-5.1
2013	765657	7.2
2014	817333	6.7
2015	869009	6.3

2016	920685	5.9
2017	972361	5.6
2018	1024037	5.3

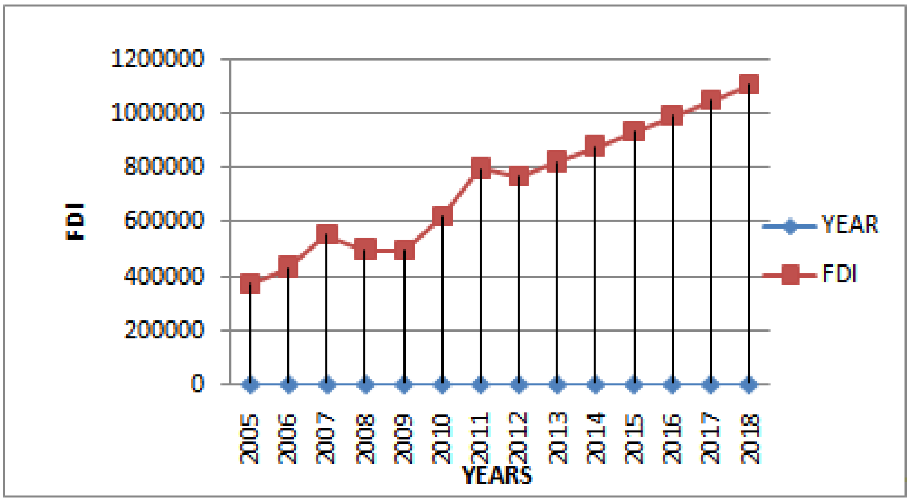


Graph 3: Shows Trend of FDI of Commercial Vehicles

From the above we observed that the sector shows good growth but a decrement in 2009 and shows better improvement in 2010-11 with 7,52,735 FDI. During the recent global crisis, when there was a significant deceleration in global FDI flows during 2009-10. The advantages are provided by government of India to automobile sector advanced technology, cost-effectiveness, and efficient manpower. The Indian government encourages foreign investment in theautomobile sector and allows 100%FDI under the automatic route that was an important reason of growth in automobile sector.

Table 8: Three Wheelers Vehicles Automobile FDI Trend (in Numbers)

Year	FDI	% Change
2005	374455	
2006	434423	16.0
2007	556126	28.0
2008	500660	-10.0
2009	497020	-0.7
2010	619194	24.6
2011	799533	29.1
2012	766726	-4.1
2013	823357	7.4
2014	879988	6.9
2015	936619	6.4
2016	993250	6.0
2017	1049881	5.7
2018	1106512	5.4

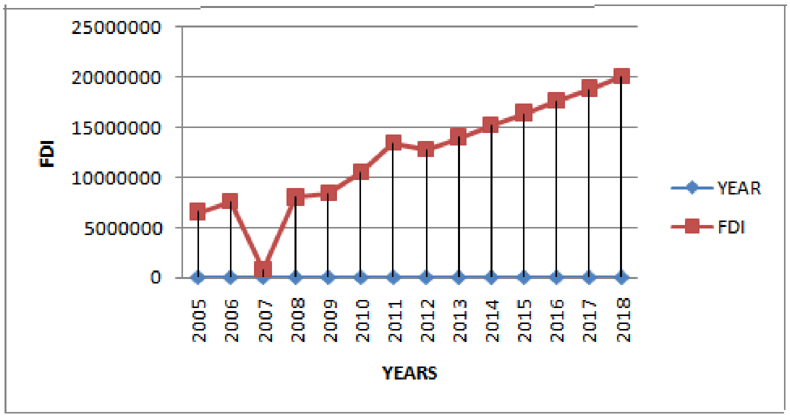


Graph 4: Shows Trend of FDI of Three Vehicles

As it can be observed from above graph that the FDI in this sector is 5, 56, 126 in 2007 and in 2009 the figures down to 4,97,020, and after this we see the rapid growth in this sector in 2010-2011. The decline in FDI during 2009 was mainly attributed to subdued cross border merger and acquisition (M&A) activities and weaker return prospects for foreign affiliates, which adversely impacted equity investments as well as reinvested earnings. The advantages are provided by government of India to automobile sector advanced technology, cost-effectiveness, and efficient manpower. The growth in this sector will further increase according to statistics.

Table 9: Two Wheelers Vehicles Automobile FDI Trend (In Numbers)

Year	Fdi	% Change
2005	6529826	
2006	7608697	16.5
2007	846666	-88.9
2008	8026681	848.0
2009	8419792	4.9
2010	10512903	24.9
2011	13376451	27.2
2012	12748918	-4.7
2013	13960397	9.5
2014	15171876	8.7
2015	16383356	8.0
2016	17594835	7.4
2017	18806314	6.9
2018	20017793	6.4



Graph 5: Shows Trend of FDI of Two Vehicles

As it is clearly shown in the graph that the FDI increase in two wheeler sector in 2006 and a high downfall in 2007 because of the changes in the government policies of FDI and in 2008-2011 FDI increase continuesly.India's economy has experienced a continued high level of growth in recent years.Not only are domestic sales expected to grow dramatically, but India will play a significant role in the global automotive market and hence India has become an attractive destination for Foreign Direct Investment.India also has become one of the fastest growing economies, and many U.S. companies view India as a potentially lucrative market.

CONCLUSIONS

The automobile industry is one of India's major sectors, accounting for 22% of the country's manufacturing GDP. The Indian auto industry, comprising passenger cars, two-wheelers, three wheelers and commercial vehicles, is the seventh-largest in the world with an annual production of 17.5 million vehicles, of which 2.3 million are exported. Two-wheelers dominate the Indian market; more than 75% of the vehicles sold are two wheelers. Foreign Direct Investment in Indian Automobile Industry has opened up new vistas for the development of this important sector of Indian industries. The liberalization of government policies regarding FDI in the automobile industry of India has increased the scope of this industry. The basic advantages provided by India in the automobile sector include, advanced technology, cost-effectiveness, and efficient manpower. The automobile sector in India is growing by 18percent per year. This study is based on secondary data. The main source of data are various Economic Surveys of India.

According, observation of above trends the total growth in production sector is in year 20010-11 the growth of 27% . In the production of passenger vehicles the growth of 26% is

Recorded in year 2010-11. In commercial vehicles there was a downfall in year 2009 and after this the boom growth of 36% recorded in 2010-11. This study is based on secondary data. The main source of data are various Economic Surveys of India.

The automobile industry manufactures 17.5 million vehicles every year on average basis. As a result FDI has a wide range of impact on the country's economic policy. In India, FDI is considered as a developmental tool, which can help in achieving self-reliance in various sectors of the economy. With the announcement of Industrial Policy in 1991, huge incentives and concessions were granted for the flow of foreign capital to India. India is a growing country which has large space for consumer as well as capital goods. As FDI will always provide long term benefits, the public should hold their patience to encash them, and utilise it for their profit.

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