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# Impact of COVID-19 on Indian automobile industry

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#### ABSTRACT:

The outbreak of COVID-19 in India severely impacted the automobile industry. Estimates suggest that companies could experience a monthly revenue loss ranging from \$1.5 to \$2.0 billion. Even after restrictions are lifted, a continued drop in demand for passenger vehicles is expected, as consumers prioritize essential spending over discretionary purchases. The prolonged lockdown has significantly diminished consumer interest, which in turn has adversely affected the revenues of auto manufacturers.

This financial strain has limited investment in research and development, leaving many companies struggling to maintain core operations. As a result, advancements in alternative fuel technologies and mobility innovations may be delayed by two to four quarters. It is now critical for both the government and manufacturers to work together to stabilize and revive the struggling sector. Government intervention can provide much-needed support to ensure the industry remains viable. This sector plays a vital role in the economy, directly influencing the livelihoods and living standards of countless households.

### INRTODUCTION

Coronaviruses represent a broad family of viruses that can lead to illnesses ranging from mild, such as the common cold, to more severe diseases like Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). In late 2019, a new strain of coronavirus, known as COVID-19, emerged in Wuhan, China. This particular strain had not been previously identified in humans.

According to Kumar (2020), the COVID-19 pandemic originated in Wuhan and rapidly spread across the globe, resulting in a significant rise in reported cases worldwide. By May 8, 2020, India had recorded 56,342 confirmed cases. With a population exceeding 1.34 billion, India—being the world's second most populous country—faces considerable challenges in managing the transmission of such a highly infectious respiratory illness.

To control the outbreak, the Indian government enforced a nationwide lockdown lasting 55 days, starting from March 25, 2020. This measure aimed to limit the virus's spread but also had a profound impact on the national economy. Economic activities across various sectors came to a near halt as both consumers and businesses grew increasingly cautious during the crisis. (Kumar, 2020)

## METHODLOGY

This study aims to explore the impact of COVID-19 on India, with a specific focus on the economic consequences resulting from a downturn in automobile sales. A combination of qualitative and analytical research approaches has been employed to achieve this objective. The data utilized in this research has been gathered through a comprehensive review of diverse sources, including scholarly journals, working papers, articles, newspaper reports, and reputable online publications.

### **OBJECTIVE**

Avalvze the impact of the Covid-19 closure on the automobile industry as well as the consequences of the Corona virus on the Indian economy before making suggestions to strengthen the sector.

## IMPACT ON TRADE

One of the major challenges arising from the pandemic has been the reverse migration of employees. Many skilled migrant workers, who remained unemployed during the crisis, are now returning to their native places.

This shift could lead to a shortage of skilled particularly those that Exertions in commercial sectors, especially those which might be hard workintensive, which might also in flip have an effect on production. However, the effect may not be on the spot. India's global exchange is closely reliant on international locations considerably suffering from the pandemic—inclusive of america, the European Union, and China—which collectively account for about forty% of exports and around 33% of imports. Specifically, the US and China alone make contributions to about 20% of both exports and imports. Given the monetary strain in those areas and the opportunity of recessions reducing normal call for, a declining rupee might not result in a giant growth in Indian exports. Moreover, India stands to benefit less from currency depreciation as compared to many ASEAN countries, that are extra export-pushed and feature greater exposure to imports. During the pandemic wave that surged in February, government officers, regulators, and directors confronted extreme demanding situations in acting their duties. India's economic system, being surprisingly numerous and spread across a population of about 1.3 billion people—a lot of whom live in rural and remote regions—become hit difficult. Initially, there have been notable shortages in infrastructure and healthcare resources, consisting of mask, PPE kits, ventilators, and existence assist structures. To shield public fitness, the authorities carried out a national lockdown from March 25, 2020, to May thirteen, 2020, correctly halting financial pastime for greater than forty five days.

The system of reopening started out on June 1, 2020. This great shutdown considerably impacted the Indian financial system and diverse industries, pushing the u . S .'s GDP into poor growth for two consecutive quarters. Major sectors, together with the auto industry—which performs a essential role in employment and GDP contribution—had been specifically affected. The vehicle zone turned into already present process a transition due to stricter international environmental norms. Automakers were given a three-yr window (2017–2020) to shift from BS4 to BS6 emission requirements. However, many producers struggled to make this upgrade and persisted producing BS4 motors at some point of the transition.

They had deliberate to clean present BS4 inventory via discounts in early 2020. Unfortunately, the lockdown disrupted these plans totally. In April 2020, the enterprise recorded zero income, and although income resumed in May, they remained substantially decrease than the ones in May 2019. According to estimates from the Society of Indian Automobile Manufacturers (SIAM), the lockdown triggered a production loss of approximately Rs. 2,300 crore in step with day. The lockdown additionally disrupted the deliver of important auto components, lots of that are sourced from China, Germany, and america—nations deeply impacted by means of the pandemic. Despite having factor stockpiles sufficient for two to three months, the overall situation placed immense strain on the Indian automotive industry.

#### AUTOMOTIVE INDUSTRY IN INDIA

Mishra (2020) noted that the Indian economy and the automotive sector were on track for a recovery before the COVID-19 pandemic disrupted global markets. Although GDP growth was projected to exceed 5.5%, the pandemic introduced uncertainty, with expectations of a decline in growth by approximately 1% to 2%. The overall economic impact largely depends on the duration of the lockdown and the extent of the pandemic's disruption. In India, the onset of COVID-19 had an immediate and adverse effect on the automotive industry. Estimates suggested that the sector could face

monthly revenue losses ranging from \\$1.5 to \\$2.0 billion. Even after lockdown restrictions eased, consumer demand—particularly for passenger vehicles—was expected to remain subdued, as discretionary spending decreased. The cost of vehicle ownership was also projected to rise due to the implementation of BS-VI emission standards.

According to Singh (2020), the automotive sector had already been facing challenges prior to the pandemic. Factors such as the introduction of the Goods and Services Tax (GST), shifts toward shared mobility, revised axle load norms, the transition from BS-IV to BS-VI emission standards, and a liquidity crunch had collectively slowed down the industry over the previous 12 to 18 months. The COVID-19 lockdown acted as a compounding factor, bringing business activity to a near standstill from March 24 onward. The prolonged absence of consumer demand during this period significantly impacted the revenues of vehicle manufacturers.

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ALL I Data	ALL INDIA VEHICLE REGISTRATION DATA FOR APRIL'21					
Category	Apr'21	Apr'19	% change w.r.t Apr'19	Mar'21	MoM %	
2W	8,65,134	13,38,278	-35.35	11,95,445	-27.63	
3W	21,636	48,722	-55.59	38,034	-43.11	
PV	2,08,883	2,36,188	-11.56	2,79,745	-25.33	
Tractor	38,285	36,984	3.52	69,082	-44.58	
CV	51,436	78,630	-34.58	67,372	-23.65	
LCV	28,511	43,881	-35.03	38,450	-25.85	
MCV	3,547	4,716	-24.79	4,663	-23.93	
HCV	16,062	27,100	-40.73	18,609	-13.69	
Others	3,316	2,933	13.06	5,650	-41.31	
Total	11,85,374	17,38,802	-31.83	16,49,678	-28.15	
Source: FA	DA Research					

#### **REVIEW OF LITERATURE**

Sengupta (2020) highlights that the COVID-19 pandemic has had a severely adverse impact on India's economy. The country was already facing economic challenges before the pandemic struck, and the situation worsened with the nationwide lockdown, the global financial downturn, and disruptions to both supply and demand chains. The extent of economic loss depends on the duration of the health crisis, the length of the lockdown, and how the situation evolves post-crisis. With the lockdown having concluded, the study reviews the pre-pandemic economic condition, assesses the projected impacts on various sectors, evaluates policy responses by the Indian government and the Reserve Bank of India, and proposes strategic recommendations for future planning.

Aruga (2020) points out that energy consumption in India saw a sharp drop following the initial lockdown implemented in March 2020. However, energy demand began to recover once restrictions were lifted. This study explores how COVID-19 influenced energy usage across different regions in India, investigating whether wealthier areas resumed normal consumption patterns more quickly. The paper also raises critical questions: How has COVID-19 impacted India's economy and its sectors? What are the implications for India-China trade relations? How effective was India's public health infrastructure in managing the crisis? It further includes economic forecasts and strategic policy suggestions to support recovery.

Belhadi (2021) explores supply chain resilience (SCRes) in manufacturing and logistics sectors under the pressures of unexpected disruptions like COVID-19. The research analyzes how the pandemic affected the auto and aviation supply chains using a combination of qualitative and quantitative methods. In the first phase, SCRes is assessed through a mixed-method approach incorporating time-to-recovery (TTR) and financial impact analysis. The second phase includes an empirical study of 145 firms to understand short-term strategies. The final phase involves interviews with supply chain leaders from the automotive and aviation industries to understand long-term responses. Findings suggest that automotive companies emphasized diversification of suppliers and adoption of Industry 4.0 technologies, while airlines focused on redefining operational roles to ensure business continuity. In both sectors, Big Data Analytics (BDA) played a crucial role in offering real-time insights to tackle challenges. Collaborative partnerships across supply chains were key to managing disruptions and promoting technological innovation.

Guru (2020) investigates the nature of relationships between buyers and suppliers in the automotive industry. The study identifies factors that influence relationship building and satisfaction between vehicle manufacturers and their component suppliers. Findings from a literature review suggest that strong, mutual relationships enhance long-term collaboration. These partnerships rely on shared operations, technological capability, and effective communication channels. Modern supply chain relationships are interdependent and strategic, rather than purely transactional or competitive. The study also identifies key research areas and implications for future exploration.

Chowdhury (2020) aims to identify the primary drivers of growth in India's automobile sector. Covering a 19-year period from 1998 to 2016, the study analyzes 12 firms using the Structure-Conduct-Performance (SCP) model. Unlike earlier studies based on time-series or cross-sectional data, this research uses panel data analysis to evaluate the influence of firm-specific factors such as age, import dependency, asset turnover, labor and capital

efficiency, and short-term policies. The results underscore how these factors, along with regulatory measures, contributed to the sector's evolution during the study period.

### DISCUSSION

The outbreak of COVID-19 in India had a mixed impact on the automotive sector. Estimates suggest that the total financial loss for the industry could range between \\$1.5 and \\$2.0 billion on a consistent basis. Even after restrictions were lifted, demand for passenger vehicles was expected to remain low due to reduced discretionary spending. Additionally, the implementation of BS-VI emission norms was projected to increase ownership costs. While the industry faced considerable setbacks, the pandemic also opened avenues for exploring alternative energy solutions. However, the full potential of adopting a circular economy approach has yet to be realized.

#### CONCULSION

Customer perception plays a crucial role in determining the success or failure of a brand. In today's fast-changing market landscape, shifts in consumer attitudes must be addressed promptly, as they significantly influence every industry. Recent reports suggest that consumers are now more focused on saving rather than spending. Furthermore, it indicates that an individual's spending habits during challenging periods like the COVID-19 pandemic are closely linked to their mindset. Therefore, reviving the affected industry and steering it back toward stability has become a shared responsibility between manufacturers and the government. While the government may not be able to fully restore the sector to its peak, it can still provide vital support to help sustain it. This industry is a livelihood source for countless families, and their quality of life is directly tied to its performance.

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