Introduction

The Indian automotive industry has flourished like never before in the recent years. This extraordinary growth that the Indian automotive industry has witnessed, is a result of a two major factors namely, the improvement in the living standards of the middle class, and an increase in their disposable incomes. Moreover, the liberalization steps, such as, relaxation of the foreign exchange and equity regulations, reduction of tariffs on imports, and refining the banking policies, initiated by the Government of India, have played an equally important role in bringing the Indian Automotive industry to great heights.

It is estimated that the sale of passenger cars have tripled compared to their sale in the last five years. Thus, the sale of cars has reached a figure of 1 million users and is expected to increase further. It’s also to be noted that the demand for luxurious models, SUVs, and mini-cars for family owners, have shot up, largely due to increase in the consumer’s buying capacity. The increased demand for Indian automobiles has resulted in a large number of multi-national auto companies, especially from Japan, U. S. A., and Europe, entering the Indian market and working in collaboration with the Indian firms. Also, the institutionalization of automobile finance has further paved the way to sustain a long-term high growth for the industry.

PEST ANALYSIS

PEST analysis is concerned with the environmental influences on a business. The acronym stands for the Political, Economic, Social and Technological issues that could affect the strategic development of a business. Identifying PEST influences is a useful way of summarizing the external environment in which a business operates. However, it must be followed up by consideration of how a business should respond to these influences.

1. Political Environment:
   - Indian Government has changed its role from controller to facilitator with prime focus on providing better infrastructure, growth oriented economic policies and right environment to attract investments. This has made giant auto manufacturers enter into India and affect the competitive environment.
   - The liberalization steps, such as, relaxation of the foreign exchange and equity regulations, reduction of tariffs on imports, and refining the banking policies, have played an equally important role in bringing the Indian Automotive industry to great heights.
   - Institutionalization of automobile finance has further paved the way to sustain a long-term high growth for the industry.

2. Economic Environment:
   - Rising GDP consecutively for the last 5 years has led to increased purchasing power and hence the automobiles.
   - Per capita Income is rising, which is affecting the segments of automobiles being ventured into.
   - There is cut Throat competition among many players in market.
   - Increasing urbanization of rural India also has given rise to increase in sales.
   - The concept of service in auto industry has changed into customer care now, thus encompassing the greater value into it.

3. Social Environment: The demand of cars has been fueled by following factors:
   - Indian families are becoming increasingly nuclear
   - Increasing Propensity to spend
   - Increasing distances between work-place and residence
• Increase in percentage of working women has increased number of earning members in a family.

4. Technology:

• Alternate Fuel: increasing use Use of CNG and LPG instead of conventional fuel has made the entry of new kinds of vehicled in the market.
• Advent of Internet: The customer can now use the Internet to place the order and expect the manufacturer to fulfill his customized demand in the minimum time.
• Electric Car: With technological advancements electrical car may emerge as a preferred option.

Conclusions

• Institutionalization of automobile finance has become important factor for sustainable growth.
• Car industry is gaining exports orientation due to foreign investment and delicensing.
• Increase in money supply would ensure a reasonable demand for cars.
• Car industry is a growth industry which is sustainable.
• The changing lifestyles indicate an increase in demand for cars in the all the segments and especially mid price segment
• The changing buying behavior shows preference for styling, comfort, fuel efficiency and conformance to environmental standards
• Technologically the industry is experiencing major changes like alternative fuels, customization etc.
• Intense competition is indicated in the coming years due to increase in market players.
• The concept of value has been widened up to include customer care.