

## Growth Opportunities for Indian SMEs in Auto Component Industry

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**Abstract:** This article explores the opportunities for Indian SMEs in the Auto Components industry. The automobile industry is one of the most key drivers of economic growth of India and one with high participation in global value chains. Indian Automobile industry is undergoing massive transformation into sustainable growth with profitability. The Small & Medium Enterprises (SME) sector is anticipated to play a noteworthy role in the emergence of the Indian economy. The growth of this segment is very critical to meet the national urgent of financial inclusion and generation of significant levels of employment across urban and rural areas across the country.

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### Indian Automobile Industry

The automotive sector is one of the core industries of the Indian economy, whose prospect is reflective of the economic resilience of the country. Continuous economic liberalization over the years by the government of India has resulted in making India as one of the prime business destination for many global automotive players. The automotive sector in India is rising at around 18 % per cent per annum. The Indian automobile industry is contributing 7.1% to GDP and expected to increase by 12% by 2026<sup>1</sup>. The industry growth drivers continue to intact and the sector is likely to see an improved growing trend in demand in the upcoming years as the economic environment improves and investments are getting increases. The Government's 'Make in India' scheme has played an vital role in uplifting the country's position and it has improved on nine out of ten factors for ease of doing business in the last five years. Today, India is becoming low-cost manufacturing and favorable destination as

global manufacturing hub. India ranked 30<sup>th</sup> place on Global Manufacturing index<sup>2</sup> based on manufacturing capabilities of countries. Further India's automotive industry (including component manufacturing) is anticipated to reach US\$51 to 282.8 billion by 2026. India is also a major auto exporter and has strong export growth prospects for the near future.

### **Review of Literature**

**Bala Subrahmanya (2004)** emphasised the impact of globalization and domestic restructuring on small scale industries sector. The study declared that small industry had affected in terms of growth of units, employment, output and exports. The Researcher denoted that the policy changes had also open new opportunities and markets for the small-scale industries sector. He recommended that the focus should be turned to technology development and strengthening of financial infrastructure to make Indian small industry globally competitive and contribute to national income and employment.

**Mathew, M.C. (2004)** affirmed that the country requires a strong small and medium enterprises policy, which was directly associated to its international commitments. The study proposed that at the strategy level mechanism by which the demography of small and medium enterprises segments itself becomes a matter of public security.

**Venkatesh and Muthiah (2012)** identified that the role of small & medium enterprises (SMEs) in the industrial sector is growing swiftly and they have become a thrust area for future growth. They declared that nurturing SME sector is indispensable for the economic well-being of the nation, also highlighted performance, growth & problems of SMEs.

### **Automotive Component Industry**

Indian auto component industry has seen growth with the new MNCs from Japan, Korea, US and Europe. Today, India is promising as one of the key auto components manufacturing hub in Asia and is likely to play a vital role in the global automotive supply chain. This industry is also projected to drive the growth of the engineering industries in view of its strong linkages with many other segments of the engineering sector like raw materials, capital goods, and intermediate products etc. The potential of this sector has been adequately highlighted in the Automotive Mission Plan drawn up by the Ministry of Heavy Industries & Public Enterprises.

Today, the auto-component industry has emerged as a highly competitive segment of the manufacturing sector. Indian auto component industry is wide (over 400 firms in the organized sector producing practically all parts and more than 10,000 firms in small unorganized sector, in tierized format) and has been one of the fastest growing segments of auto industry. India has also emerged as an outsourcing hub for auto parts for multinational companies such as Hyundai, GM, Ford, Daimler, Fiat, Volkswagon and Toyota.

### **Opportunities for SMEs in Auto Sector**

Auto sector is one of the fastest growing sectors for the past two decades in India. MSMEs also play a important role in the manufacturing sector and the export performance of India. Given the importance of the SME sector, it is critical to make sure that SMEs in India stay competitive both nationally and globally. One of the primary determinants of SMEs' competitiveness is innovation. Government policies are guiding almost the every aspect of innovation including access to finance, technology, market knowledge, R&D and educational institutions.

The Ministry of MSME is implementing Micro Small Enterprises- Cluster Development (MSE-CD) plot under which limit building, innovation, and showcasing backing are given to the Auto Clusters in physical nearness areas and assure their status. Under the Cluster Development activities of the Ministry of MSME, Govt. of India, effort is being made that the auto clusters businesses, which are found physically in 10 distinct states, will be additionally streamlined and supported into assuming their cluster adequate.

### **Automotive Mission Plan 2016**

The Government of India's Automotive Mission Plan 2016 (AMP 2016) that intend to make India a global automotive hub. The Government has sketched the said ten-year Automotive Mission Plan to maintain the high growth rate of automotive industry and to uphold the attractiveness of Indian market and further strengthen the competitiveness of Indian companies. The mission helps the all the stakeholders with action plan to meet the future challenges coming in the way of growth of industry. Automotive Mission Plan will provide

level playing field to all the players in the sector and predictable future growth direction which enable manufactures in making more informed decision.

### **Conclusion**

The automobile industry is backing by different factors such as skilled labour at low cost, robust R&D centres, and low-cost steel production. The industries also endow with great opportunities for investment and direct and indirect employment to skilled and unskilled labour. Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026.

Investment in advanced technology, R& D, higher usage of digital and technology enabled platform, technology transfer, more investment in human resources, better access to finance, reduced infrastructural gaps, flexible business regulations can help in improving the competitiveness of the SMEs.

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