



The Impact of Globalisation on Indian Market with Special Reference to Two Wheeler Industry – an Overview

KEYWORDS

Globalization, concept of Indian market, types and importance of Indian market, Impact and gains of globalization

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ABSTRACT *In this study the concept of globalization and its impact on Indian market is a primary study under the topic chosen by the researcher. The main aim is to understand the concept of Indian market, Types of Indian and consumer market in a broad manner, Importance of Indian market, Positive impact of globalization, Negative impact of globalization, The gains from globalization etc., in the respect of two wheeler industry.*

INTRODUCTION OF THE STUDY:

With the announcement of Auto policy 2002 the automobile industry has got further boost to become vivacious and globally competitive. The measures like low entry barriers, investment incentives by the government has made Two-wheeler industry more competitive at international front.

REVIEW OF LITERATURE:

Ahmed (2012) in his study found that with its strong forward and backward linkage the automobile industry has strong and positive multiplier effect in propelling the progress of Indian economy.

Mahipat Ranawat (2009) has found that govt. policy has positive influence on the development of India's automobile industry making it self-reliant, and more dynamic.

OBJECTIVES AND METHODOLOGY OF THE STUDY:

In this background an attempt has been made in the present study to investigate the Impact of globalization on Indian market with special reference to two wheeler market industry and to analyze the gains from globalization in this industry. The present study is mainly descriptive in nature based on secondary sources such as reports, books, journals, articles and access through websites etc.,

STRUCTURE OF TWO-WHEELER INDUSTRY:

The Two-wheeler automobile industry is typically considered to be the forefront of globalization. No doubt, the automobile industry is technically advanced, but the increasing integration of low income countries into the global division of labour has put competitive pressure on traditional automobile producing countries. The multinational companies are investing in low income countries, resulting increase in Foreign Direct Investment which further leading to emergence of new automobile producers and exporters in different parts of the world including India. The sector is not only progressing in terms of production, sales etc. but also adopting the moderate work system and human resource polices like (a) Personal focused comprising job satisfaction, health system and social support, a market is described as a platform where buyers and sellers are allowed to trade, exchange goods, services, and information. These involvements of the goods and the parties to trade simplify the demand and supply concepts and are thus the fundamentals of an economy.

Some India markets are really very competitive - with a large number of players (vendors) selling the same kind of products or services. On the other hand, few of the markets have very low or no competition at all (with a single player in the market). It depends on the number of buyers and sellers in the market that how much will be the price of the good or service that is sold in the market. This deter-

mines the law of demand and supply in the market.

TYPES ON INDIAN MARKET:

Free Markets - Usually free markets are operational under the 'laissez-faire' conditions - where there is no government intervention. A free market may get distorted if there exists a monopolistic situation (seller controlling major portion of the supply) or a monopolistic situation (a buyer having power on majority of the demand). In case of these distortions, the government or business bodies make an entry to ensure that the free markets operate smoothly.

Currency Markets - Currency markets are among the largest traded markets in the globe, on a continual basis. Money flows are continuous around the globe - governments, banks, investors and consumers - all of them are involved in buying and selling currency round the clock. That is the velocity of money is huge with so many constantly changing hands.

Stock Markets - Stock markets seem to be the backbone of any economy - and of late they have become the most complex structure allowing investors the scope of buying and selling shares in multitude companies. Majority of the Indian stock markets are operating on an electronic network, with a physical location being maintained for buyers separately. This is the place where the parties involved can interact with each other directly.

TYPES OF INDIAN CONSUMER MARKET:

Previously, India Markets originated from the center of villages and towns, where there was a sale or barter of farm produce, clothing and tools and various other products. Later on these street markets went on to become consumer-oriented markets like the specialist markets, shopping centers, supermarkets.

1. **Commodity Markets** - In India, with high oil and food prices, the commodity markets have again gathered all the attention. The prices of the essential commodities steer the economy to a desired level. Commodity markets deal in energy (oil, gas, coal, and biodiesel), soft commodities and grains (wheat, oat, corn, rice, soya beans, coffee, cocoa, sugar, cotton, frozen orange juice, etc), meat, and financial commodities like bonds.
2. **Capital Goods & Industrial Markets** - India capital goods market help businesses to buy durable goods that can be used in industrial and manufacturing methods. There are usually wholesale trades that take place with bulk goods being transacted at very cheap prices.

IMPORTANCE OF INDIAN MARKET:

Markets in India after the liberalization era have been leveraged to the extent that they are well protected by legal

procedures and boasts of efficient administrators. The government has always been proactive in its strategies to make the future of India market lucrative and attractive. India market has witnessed outstanding growth over past few years. The liberal and transparent financial policies have steered the economy towards free flow of foreign institutional investment and that is why India Market has achieved a sound place in the international arena.

The two-wheeler market in India is the biggest contributor to the automobile industry with a size of Rs.100, 000 million. The two-wheeler market in India comprises of 3 types of vehicles, namely motorcycles, scooters, and mopeds.

Foreign collaborations have been playing a major role in the growth of the Indian two-wheeler market, and most of them are Japanese firms. The modern two-wheeler firms in India have been manufacturing new categories of two wheelers such as Step Thrus and Scooterettes. These have been produced by combining two or more two-wheeler segments. Foreign firms have already taken initiatives to own their two-wheeler subsidiaries in India.

Among the 3 segments of the Indian two wheeler market, major growth trends have been seen in the motorcycle segment over the last four to five years. One good reason for such increase in demand for motorcycles is due to its resistance and balance even on bad road conditions. Most of the rural areas in India do not have decent roads and hence the need for good, shock-resistant, and steady two-wheelers such as motorcycles had been felt.

Some of the major players in the Indian motorcycles market are Hero Honda now as Hero moto corp ,CBZ, Bajaj Pulsar, TVS and Apache. Other brands include Splendor, Passion, Fiero, Victor, Star City, Boxer, CD Dawn, Karizma, Caliber, etc. Having classified the motorcycle brands into economy, executive, and premium segments, Bajaj stands as the leader in the economy segment, Hero Honda leads in the executive segment, and there is a competition in the premium segment between Hero Honda and Bajaj.

Joint venture operation chart:

Operating in India Year 2000	Year 2011	Remarks
Bajaj Auto →	Bajaj Auto →	Bajaj Auto exited the scooters segment in 2010
Hero Honda →	Hero Honda →	Hero Honda entered the domestic scooters segment in 2006; ended its JV with Honda in 2010
TVS - Suzuki →	TVS Motor →	TVS and Suzuki parted ways in 2001; both have a presence in the domestic 2W industry now as separate companies
Royal Enfield →	Royal Enfield →	Remains a niche player manufacturing cruiser bikes
Escorts Yamaha →	India Yamaha Motor →	Partnership between Escorts and Yamaha ended in 2001 with the latter buying out the former's entire stake in the erstwhile JV
LML →	LML →	LML was referred to the BIFR in 2006 and is still under its purview; the company currently produces scooters although volumes remain small

→	Honda Motorcycles & Scooters →	Honda, through its wholly-owned subsidiary in India, entered the scooters segment in 2001 and the motorcycles segment in 2004
→	Suzuki Motorcycle →	After having exited the Indian market in 2001 on cessation of the JV with TVS, Suzuki entered the domestic motorcycles segment in 2006 and the scooters segment in 2007
Kinetic Motor →	Mahindra Two Wheelers →	Mahindra entered the domestic 2W market in 2009 after buying out the assets of Kinetic Motor (80% stake)
Kinetic Engineering →		
Majestic Auto →		These three companies stop production in India due to loss
Maharashtra Scooters →		
Harley Davidson, Hyosung, Ducati →		- Foreign brands find marketing in india

Source:ICRA

The below chart showing New launch plans in indian market: Two wheeler industry

Bajaj Auto:

New model launch plans of 2W OEMs	Next generation Discover and Pulsar range	H2, 2011-12
Boxer →	July 2011	
KTM Duke 125 cc/ 200cc →	H2, 2011-12	
TVS motor company: →	Two new 2W	2011-12
Honda Motorcycles & Scooters :	Mass market 100cc bike	2012-13
CBR 250R →	Q1, 2011-12	
Suzuki corporation: →	New Scooter, Two new motorcycles	December 2011
Yamaha motors: →	Scooter	H2, 2011-12

Source: media release Focusing rural markets:

Hero Honda: Hero Honda has been adding 500-600 customer touch points every year and has doubled the count from 2,000 in March 2006 to 4,200 (includes around 800 dealers) in March 2010. To strengthen its presence in the rural markets, HHML had launched a dedicated rural vertical in 2007-08, which took several new marketing initiatives including launch of a national-level programme to direct sales efforts in territories with a population of 5,000 and above.

Bajaj Auto: Bajaj Auto, which currently has around 500 dealers, has embarked on an aggressive network expansion programme whereby it plans to add 130 new dealers by November 2011. At present, Bajaj Auto's distribution network is well placed as far as the Pulsar, a premium brand with an urban focus, is concerned. This proposed network expansion programme is directed mainly towards the smaller towns and villages where its mass commuter bike Discover may see a further boost.

TVS: In 2010-11, TVS' mopeds, which as a product category have a rural and a small city focus, accounted for 39% of its total domestic 2W sales (23% in 2006-07). This represented a volume CAGR of 28% over the last three years, against 8% CAGR for its total 2W sales.

Honda Motorcycles & Scooters: Currently, the rural market accounts for around a third of Honda's domestic 2W sales. The company has recently announced its plan to introduce new products suited for the mass market and targeted at rural consumers.

Yamaha: Currently, the rural market accounts for only 15% of Yamaha's domestic 2W sales. Recently, the company has announced its plans of increasing its network strength in tier-2 and tier-3 cities and increasing the number of sub-dealers in rural areas.

Source: company media reports ICRA

TREND IN TWO WHEELER EXPORT VOLUMES FROM INDIA

Trend in 2W Export Volumes (from India) Units (Nos.)	2006-07	2007-08	2008-09	2009-10	2010-11
Bajaj Auto	298,769	482,026	633,463	726,189	972,437
TVS	103,013	137,012	193,320	165,414	229,132
Hero Honda	97,645	90,571	81,193	97,699	133,063
Honda motorcycles and scooters	24,065	35,442	53,807	79,504	104,237
Yamaha	61,395	61,352	38,537	65,123	95,529
Others	34,251	13,444	3,854	6,255	5,192
Total 2W	619,138	819,847	1,004,174	1,140,184	1,539,590

Source: SIAM

The following are the main factors that affect two-wheeler sales in India:

Increase in credit and financing for auto vehicles - Two-wheeler loans and financing has been on the rise. Increase in consumer's salary - Due to opportunities offered by multi-nationals the disposable incomes of salaried individuals have increase manifold.

Constant petrol prices - Today, the government of India has been working on reducing subsidies on kerosene and diesel which will keep petrol prices at more or less the same level.

Delay in initiation of Mass Transport System - Probably a future threat to the two-wheeler market, the implementation of the mass transport system has been delayed.

However, the two-wheeler market in India is a fast growing market due to its technological advancements in product manufacturing and emphasis on design innovation.

POSITIVE IMPACTS OF GLOBALIZATION:

Globalization is the new catchphrase in the world economy, dominating the globe since the nineties of the last century. People relied more on the market economy, had more faith in private capital and resources, international organizations started playing a vital role in the development of developing countries. The impact of globalization has been fair enough on the developing economies to a certain extent. It brought

along with it varied opportunities for the developing countries. It gave a fillip for better access to the developed markets. The technology transfer promised better productivity and thus improved standard of living.

NEGATIVE IMPACTS OF GLOBALIZATION:

Globalization has also thrown open varied challenges such as inequality across and within different nations, volatility in financial market spurt open and there were worsening in the environmental situation. Another negative aspect of globalization was that a majority of third world countries stayed away from the entire limelight. Till the nineties, the process of globalization in the Indian economy had been guarded by trade, investment and financial barriers. Due to this, the liberalization process took time to hasten up. The pace of globalization did not start that smoothly.

Economic integration by 'globalization' enabled the cross country free flow of information, ideas, technologies, goods, services, capital, finance and people. This cross border integration had different dimensions - cultural, social, political and economic. More or less the economic integration happened through four channels - Trade in goods and services, Movement of capital, Flow of finance, and Movement of people.

ADVANTAGES OF GLOBALIZATION:

The gains from globalization can be cited in the context of economic globalization: Trade in Goods and Services - From the theoretical aspect, international trade ensures allocating different resources and that has to be consistent. This specialization in the processes leads to better productivity. We all know from the economic perspective that restrictive trade barriers in emerging economies only impede growth. Movement of Capital - The production base of a developing economy gets enhanced due to capital flows across countries. It was very much true in the 19th and 20th centuries. The mobility of capital only enabled savings for the entire globe and exhibited high investment potential. A country's economic growth doesn't, however, get barred by domestic savings. Foreign capital inflow does play an important role in the development of an economy. To be specific, capital flows either can take the form of foreign direct investment or portfolio investment. Developing countries would definitely prefer foreign direct investment because portfolio investment doesn't have a direct impact on the productive capacity expansion. Financial Flows - The capital market development is one of the major features of the process of globalization. We all know that the growth in capital and mobility of the foreign exchange markets enabled better transfer of resources cross borders and by large the global foreign exchange markets improved. It is mandatory to go in for the expansion of foreign exchange markets and thus facilitate international transfer of capital. The major example of such international transfer of funds led to the financial crisis - which has by now become a worrying phenomenon.

Rural share in stock of consumer demands

DEMAND	In (1000)'s	1995-96 in percentage	In (1000)'s	2001-02 in Percentage	In (1000)'s	2009-10 in percentage
Scooters	368	33.1	355	39.4	311	39.9
Motorcycles	359	47.3	1036	39.8	4045	48.3
mopeds	286	52.7	235	58.2	141	57.7
Car/jeeps	6	2.1	63	8.0	376	10.9
Automotives	1016	37.9	1689	36.0	4873	37.9

Source: The great Indian market NCEAR

India is on every major global automobile player's roadmap, and it isn't hard to see why: India is the 2nd largest two-wheeler market in the world

(Source: Society of Indian Automobile Manufacturers (SIAM))

Two-wheelers Purchase Trend Growing working population Increased access to credit and lower interest loans Increased consumer embrace of financial products Upward migration of household income levels Fast paced urbanization to rise from 28% to 40% by 2020 Middle class expanding by 30 - 40 million every year

AUTOMOBILE INDUSTRY IN INDIA:

The automobile industry in developing countries is experiencing a rapid transformation. The automobile industry in India happens to be the ninth largest in the world. Following Japan, South Korea and Thailand, in 2009, India emerged as the fourth largest exporter of automobiles. Several Indian automobile manufacturers have spread their operations globally as well; asking for more investments in the Indian automobile sector by the MNCs.

Segmentation of market share of automobile industry in India

Passenger Vehicle: 15.96%

Commercial Vehicle: 3.95%

Three wheelers: 3.60%

Two wheelers: 76.49%

Source: ISSN : 2249-5762 (Online) | ISSN : 2249-5770 (Print) IJRMET Vo I. 2, Issue 2, May - oct 2012 pg no :16 Impact of Financial Globalisation on Automobile Industry: An Indian Perspective Amarjit Singh, & Dr. Vinod Gupta CMJ University, Shillong, Meghalaya, India

Report in Hindu Newspaper as on Mar 12-2013 Tuesday Pg.no:13:

Honda eyes leadership slot in two-wheeler segment market in india as news of staff reporter Japanese car maker Honda, on Monday, said it was hopeful of becoming the leader in the

two-wheeler segment by 2015-16, if the industry remained as the current size, today, the two wheeler market is almost 1.4 crore(units) in india. "There is not much growth.... If it remains at the same level then we may become number one in 2015-16" Honda motor co operating officer Shinji Aoyama told to the reporters. The company had earlier aimed at toppling current market leader Hero motor corp by 2020. Honda motor cycle and scooter india (HMSI) the indian two wheeler arm of india presently occupy the second position in terms of sales in the country followed by bajaj auto.Honda is working on ramping up its production capacity in india, and aims to up the capacity to 4 million units by march 2014. Asked about erstwhile partner Hero Group, Mr.Aoyama said "HMSI is gaining market share while Hero is losing its share"

On competition from Indian companies "If you see numbers Hero is number one. But I think Bajaj is very strong and very good at creating alliances he added,

Finally he concludes the pricing of the cb trigger is yet to be announced HMSI-expects to sell about 1 lakh units of the bike in2013-14.

CONCLUSION:

Two-wheeler Automobile industry is contributing significantly and playing an important role in the economic development of India. The sector has shown a tremendous growth after liberalization. The globalization process has affected the sector in all the areas of manufacturing, sales, personnel research and development and financing. Globalization has helped to improve the financial position of the automobile sector in India. The Two-wheeler industry has a tremendous scope for growth in new entrants models. In order to meet the challenges posed by globalization the Indian automobile manufacturers need to ensure the technological advancement, appropriate marketing strategies and adequate customer care feedback system in their organizations to compete with foreign brands.

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