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**Title:** ECONOMIC IMPACT OF GROWTH OF AUTOMOBILE SECTOR: A COMPARATIVE ANALYSIS OF INDIA AND CHINA (2001 to 2012)

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## **ABSTRACT**

The automobile industry is considered to be among of the most technologically advanced industries in the World. This industry is very significant because the basic automobile industry support many businesses both downstream and upstream. This industry has divers effect on the economic development and growth of the economy. Contribution made by automobile industry is significant in nation building because it helps in generating revenue for government, creating economic and infrastructural development, human development and fostering R&D and innovation.

In its early stages of development, the World automobile industry is dominated by few multinational companies. From 1990's onwards, the process of globalization started to influence the automobile industry of developing countries. The Indian economy was liberalised in 1991 which reduced the intervention of central government and promotion of deregulation started in the automobile sector. This industry currently contributes 7% in India's GDP, 4% of exports, around 4% of FDI inflows and employs around 17 million people (directly and indirectly). On the other hand, in 1978, economic reforms were introduced in China. Positive results started coming out of this policy and within the short span of time almost all provinces had auto factories. Annual vehicle output has increased from 2 million vehicles (1990) to 19 million vehicles (2012). The auto industry in China achieved more rapid growth in comparison to India. Today, it is the largest automobile producer in the World.

The Chinese government role is important in the growth of China's automotive sector. Many supportive policies of Chinese government try to establish a self reliant automobile industry in the country. The Indian government has taken steps for the development of automobile industry like Auto Policy in 2002, focus on Ease of Doing Business, Make in India programme, introduction of GST, AMP 2016-26, etc.

The growth of automobile industry is not fully realised because of the factors such as infrastructure, technology, purchasing power, environment or emission problem, etc. Infrastructure is serious bottleneck in the development of automobile industry of India more than China, but in terms of technology Indian is in a better situation. Both the countries are far behind in comparison to developed economics in R&D and require huge investment.

Globalization and liberalisation impacted the automobile industry of India and China huge growth has been observed during the time period from 2001-12. As per OICA data, China has become the no.1 in the World automobile production in just a decade from 2001-12. China's administrative policies have played a vital role in the growth of the China's automobile sector. The Government of India has also devised various policies for the development of automobile sector in the entire country. The growth of automobile sector in India and China has positively impacted employment, GDP, production, sales and exports in both the economies. Foreign Direct Investment (FDI) role is prominent the transformation of automobile sector in both India and China. The present study has revealed that there is positive correlation between FDI and production of the automobile. There are sharp regional imbalances of urbanisation in India and China. Acceleration in the process of urbanisation in the rural areas of the two countries can lead to the increase in motorisation of these economically backward regions of the two countries.

Despite challenges, the long-term outlook for the automobile sector remains positive with this sector being one of the sectors leading the economic development and growth of India and China.

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