

## **Impact of Market Structure and Performance on Research and Development in Indian Automobile Industry**

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*Automobile industry is one of the leading industries in India which contributes roughly five per cent of India's GDP. It is growing at a tremendous pace with increasing demand from within the country as well as outside. Due to liberalization, some multinationals have come to capture the Indian market and as a result of this, technological development takes place through research and development. The objectives of the paper are to examine whether the Indian industry is competitive or not and to examine the impact of industrial performance and market structure on research and development. This paper also shows the Schumpeterian inverted U relationship between research and development intensity, and market concentration research and development are affected not only by the last year's profitability but also by market structure. It is based on company level panel data of 19 years from 1990 to 2008 collected from secondary sources.*

### **Introduction**

Automobile industry is one of the fastest growing industries in the world. Its dynamic growth phases are explained by the nature of competition, product life cycle and consumer demand. Today, the global automobile industry is concerned with consumer demand for styling, safety and comfort; and with labour relations and manufacturing efficiency. Its annual turnover is around US\$ 5.09 trillion, which is equivalent to the sixth largest economy in the world (Organisation Internationale des Constructeurs d'Automobiles 2006). The global motor vehicle industry (four-wheelers) contributes five per cent directly to the total manufacturing employment, 12.9 per cent to the total manufacturing production value and 8.3 per cent to the total industrial investment.

Like the global automobile industry, the Indian automobile industry is one of the leading industries of the country. It is the key driver of industrial growth and employment which will further gain in importance in the coming years. It is growing at a tremendous pace with increasing demand from within the country as well as outside. It provides direct employment to about five lakh persons and

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