

THE A.M.A. REVIEW

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St. Aloysius College (Autonomous) Jabalpur

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2019: It will be remembered as Indian economy's downturn

From the Editor's Desk



Simmer Sahani
BBA III Year

INDIAN AUTO'S WORST – EVER DOWNTURN

On July 5, an announcement from Maruti Suzuki sent shockwaves across India's capital market. The company, now majority-owned by Japan's Suzuki Motor Corporation, reported a fall in May amid the ongoing slump, probably the worst in India's Automobile history in recent times. The sales of some of the firm's best-selling models like, Vitara Brezza, S-cross and Ertiga recorded a drop of more than a quarter in the month compared to the same period a ago.

On the whole, it registered a fall of 23% in just a single month, data from the company showed. Maruti is India's largest car maker and has dominated it ever since it entered the market in the early 80s. Today, one in every two cars sold in India is manufactured by Maruti Suzuki, which currently has a market share of 53% as of July 2019. It is obvious tumbling sales at Maruti is a signal that all is not well at the \$97bn Indian Automotive industry, and is a warning sign, as the sector contributes 7.1% to the nation's GDP and directly or indirectly employs close to two crore people, which is about 1% of the entire manufacturing workforce and the second largest after the telecom sector as per statistics from the National Skill Development Sector, which expects the sector directly or indirectly employ 1.5 crore people by 2022-

though it will depend on how quickly the fortunes of the industry is turned for better.

Meanwhile competitor Mahindra & Mahindra, till recently India's top SUV maker, too opted for plant shutdown between May and June. Rising inventories amid declining demand is taking toll on the job market. The Japanese auto giant Nissan during the fiscal year asked 1710 employees to quit, it is looking to reduce to global headcount to 12,500 employees by 2022.

A mint study showed that the combined sales of top five automakers comprising Maruti Suzuki, Hyundai, M&M, Toyota, and Honda cars which altogether make up about 85% of India's passenger vehicle market fell nearly 31%. This would put further pressure on dealership across the country as inventories vault to more than 50% of normal levels. Worse, they need to pay GST on even the unsold vehicles.

According to a report in ET, high cost of doing the business along with rising inventory has pushed hundreds of dealership out of the business. While demand had begun to drop, manufacturers failed to take corrective measures. But inventory pile-up is just one among a long list of issues, which if not addressed quickly can pose to serious threat.

"There is no money in the market. (Sales are) almost 40 % down in retail. We used to sell 350 vehicles but we have sold less than 250 vehicles in December," Mint quoted an East Indian-based dealer of Mahindra & Mahindra LTD.

Meanwhile auto dealers across the country are now penning hopes on the upcoming festival season after lackluster sales last festive season. Some however believed in taking a more pragmatic route, as encapsulated by the proverb 'A bird in hand is worth two in bush,' that is get rid of old stocks and recoup your losses. The best measure to survive is to clear the stock without focusing on margins and liquidate. This well summarizes the current mood in the mototown, or at least how the dealership feels at the moment.

OVERLOOKED: THE STREET VENDOR

The informal sector which is pretty much governs our lives and share a major part of the economy i.e. close to 40% of India's GDP is governed by the unorganized or informal sector of the country. The rate of employment by this sector of the economy is scaled maximum (which is approximately 65%). The investment in the small business is very less and rate of return in investment is very high.

Street vendors also contribute to the success of the products which are owned by the commercial enterprise of the country. As these vendors break a lot of barriers and create direct channels to sell the products and hence, become a major part in the demand and supply of the product.

The decision making skill in the street vendors is very high and the rate of taking decisions are also fast, whereas it seems a very complex process in the organized sector as it requires many level of the organization to be a part in the decision making process. And by the time when it comes down for implementation of decision in organized sector the opportunity is gone.

The allocation of money in the informal sector is superior because the amount of profit kept by these vendors is very low and the rest is distributed according to the chain of people attached to it. Emergence of new product, the supply, demand and sales happen in the informal sectors without any planning and research. In these sectors there are no barriers regarding age and gender. An unorganized sector is a platform for any kind of gender, aged people and handicapped people also.

Informal sectors are more flexible in changing their businesses. The informal sector change their business, target market, strategies more than 5-6 times in a year [small vendors during different festivals]. On the other hand it takes 7-9 years for the large and established organization to change their business. Some street vendors shift their business in a single day as in their might be trading with some product in the morning and change their product in the evening. In such a short period of time the unorganized sector i.e. the street vendors change their marketing strategies, their target market, pricing policy within a single day which is impossible in the organized sector.

Customer understanding is very high in street vendors as they have very less time to convince the customer to buy

their product because there are thousands of other competitors ready with the same product in the market. So the competition level is very high.

Street vendors are an important part of the economy as they offer a wide range of goods and services and play a major role in the economy of the country.

**By- Dhiran Singh,
BBA II year.**

IS INDIA HEADED FOR IT'S THIRD RECESSION IN A DECADE??

Much of the debate in recent months has been focused on the sharp loss of economic momentum in India. The big question is whether the ongoing slowdown is structural or cyclical.

Rathin Roy of the National Institute of Public Finance and Policy argues that India is currently facing a structural demand problem, which further complicates policy choices.

India has had three such growth recessions in the past 10 years. The first episode was in the immediate aftermath of the financial crisis that originated in the US. Economic growth fell sequentially in the three quarters from June 2008, or the second quarter of fiscal year 2009. The downturn was sharp, but short.

The second episode was after the effects of the 2009 stimulus wore off. Economic growth peaked in the three months ended March 2011, but slowed for five consecutive quarters after that. The policy paralysis during the last years of the Manmohan Singh government also pinched.

India is now in the third growth recession since 2008. Economic growth has already slowed sequentially for four consecutive quarters. It is very likely that economic growth in the quarter ended 30 June will be slower than in the quarter ended 31 March, at least going by the latest high frequency data

It is risky at this juncture to bet merely on a natural recovery. Even so, using monetary policy is the best option right now.

Finally, one brutal fact: if the Indian economy continues to lose momentum over the next two quarters, then the country will be in its longest growth recession in a decade.

**By- Vidushi Sahu
BBA I year 'B'**

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ECONOMY

You know what economy is?
 When the price falls,
 Our wages becomes small.
 Here agreements are made,
 Where the supply and demand is paid.



You know what economy is?
 We kept burning fossil fuels,

And allowed these global warming fumes,
 there is no economy,
 Poor countries get dirty,
 And decisions get cloudy.
 Middle class people can't afford to live,
 And where only rich can afford imported food to eat
 You know what economy is?
 The difference between money and wealth.
 The difference between generating income and

growth.

The difference between what is learnt and what is implemented.

Just for the growth of our motherland,
 And most importantly, we work for change within the society.

**By-Bhakti Jain
 BBA I year 'B'**

•Upcoming Events of the Department of Management

- Guest Lecture on GST by Mr. Nikhil Nainani, CA on 19th Sept, 2019
- Industrial visit to Pune & Mumbai
- Visit to Old age home near Medical College
- Visit to Nirmala Ashram
- Student Exchange programme to Assumption University Bangkok in January

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1. AMA Fest 2018
2. Rebate 2018
3. Prize Distribution 2018
4. AMA Fest 2018 Participation

5. Quiz 2019
6. Quiz 2019
7. G.D. 2019
8. Guest Lecture