

## **Some Dimensions of the Demand for Two-Wheelers in India**

With growing economy the incomes of the rural and urban Indians have been rising steadily. This has led to sustained rise in demand for two – wheelers in India. With rapidly expanding market the local and multinational two-wheeler manufacturers have set up huge production capacities to cater to the market requirements. The Indian two-wheeler market has broadly been categorized into market for the Mopeds, Scooters and Bikes. Two – wheelers have become a fixture of the Indian way of life, and it seems Indians are always interested in the attributes and prices of new two - wheelers. Studies of their demand for two-wheelers have produced some interesting results. First, there is a marked difference between demand for Mopeds, Scooters and Bikes. Second, within Bike there are various segments such as 100cc, 125cc and above 350cc where nature of demand varies greatly. Third, during the current financial year 2018-19, if the Indian economy grows about 7 % then demand for two – wheelers is expected to rise by around 15%.

The market demand for two- wheelers has been estimated in a number of studies. Most of these studies suggest that the price elasticity of aggregate demand for two-wheelers is around -1.1 to about -1.4 but the price elasticity for specific model is in the range of -4 to -4.8. As per a study, the own price elasticity for a Hero Honda Splendor is observed to be -4.5 and that for Bajaj CT100 is -4.1. The study estimated a cross elasticity of +8.5 for Bajaj Discover 125cc with respect to the price of Honda Shine 125cc. As per the study own price elasticity is observed to be in the range of -4.5 to -3.9 for 100cc bikes, - 3.3 to -3.1 for 125cc bikes and - 2.5 to -2.1 for above 350cc bikes.

### ***Questions:***

1. “There is a marked difference between aggregate demand for two – wheeler and demand for a given model of bike with respect to price”. Elaborate the statement in light of the case.
2. Calculate the Income elasticity of two – wheeler in India for the current financial year. On the basis of the income elasticity, comment on what type of good two wheeler is.
3. Comment upon the nature of relationship between Bajaj Discover 125cc and Honda shine 125cc on the basis of the information given in the case. What managerial decisions can be taken on the basis of the information provided?

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