



Dec 11, 2018

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India and Cars – Visions of the Future for America?

India is the world's fastest growing major economy, with 600 million people under 25 years old – a recipe, you would think, for enormous growth in auto sales. And yes, auto sales are projected to grow in 2019, albeit at the slowest rate in years (only about 2% YOY). The major reason? Technological change. Why is this, and does it offer ideas for the American future?

Driving in Mumbai and other tier-one Indian cities can be a thrill. Cars, tuk-tuks, motorcycles, bicycles and pedestrians mingle within inches of one another in a human flow that seems more like swimming in an ocean than using a highway with marked lanes. Congestion, parking, traffic in big cities, however, combine to make travel more headache than recreation. Mid-sized or luxury vehicles are on the decline – too big to maneuver – and, meanwhile, with incomes in tier-3 and -4 cities and rural areas rising, the automobile has come to be viewed as an affordable transportation essential. The result in India has been a marked increase in small car and sub-car 4-wheel vehicles, in stark contrast with trends in the U.S. market. Hyundai launched its mini-compact Santro, and Maruti will offer its Wagon R as an entry-level car, while Bajaj Auto promotes its Qute, a quadricycle (not a car), and Mahindra & Mahindra and Paiggio explore options in this affordable, entry-level segment.

Aside from the India-specific factors that make this market distinctive from the U.S., there is an underlying trend driven by technology that offers predictions for the American scene. One impetus has been the growing number of urban residents who now question whether they need a vehicle at all. Uber and its Indian competitors Ola and Zoomcar have helped usher in the age of shared mobility, which has made owning a second car seem like a historic relic, and first cars are now typically reserved for recreational travel rather than for one's daily transportation needs. Why saddle oneself with an expensive capital purchase if it's cheaper and more convenient to have a driver and vehicle on

command?

The December 9–15 edition of India's *Economic Times* sums it up this way: "Everything is up for a rethink. The century-old technology of the internal combustion engine is facing an existential crisis. ... Shared mobility is putting a question mark on car ownership. ... In 2020, India will leapfrog from Euro IV to Euro VI emission norms, creating enormous financial, technological and logistical nightmares."

The technological revolution of app-driven vehicle hires has spawned new financing models. For instance, Zoomcar has ZAP Subscribe, where one can pay a monthly subscription in flexible monthly segments without add-on or purchase costs, and Revv has a similar offer, funded by Indian and Korean car makers. Ola, Uber's chief competitor in the "app a ride" segment, is preferred by most Indians as having more customer-friendly identification and tracking.

Despite the vast differences between the orderly, lane-respecting world of U.S. travel and the frenetic traffic jumble of India's large cities, India's move to shared mobility in the form of small, affordably priced vehicles offers some predictive value for America. Technology is disrupting the age of individual ownership and of vehicle leasing. In the future, watch for the growing prominence of American models like Zoomcar and Revv as well as the continued expansion of app-ordered means for getting a ride in American cities.

For questions and assistance regarding this topic, please feel free to contact [Joe Dehner](#), [Sunrita Sen](#) or any attorney on our [Technology Team](#), [Auto Team](#) or [India Desk](#).

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