ABSTRACT OF THE STUDY

The transport sector plays an important role in the economic growth of any nation. The rail, road, sea and air transport helps reaching passengers and products to various parts of the globe. The means of transport vary depending on the infrastructure of roads, rails, ports and airports.

While a lot can be said about the rail, sea and air transport, one would appreciate that there is much less scope for analysis due to the very nature of these means of transport. The rail and air transport is entirely dominated by Government (though a beginning is made to liberalise air transport for private sector) and the sea transport by itself is restricted to few areas only. Hence in the present study, we are concerned with the road transport only.

The automobile industry produces goods in the nature of capital investment mainly used in road transport. These are commercial vehicles, passenger cars, jeeps, motorcycles, scooters, three wheelers, mopeds and tractors used for agriculture. Once the automobile is purchased, it remains with the operators or fleet owners for a considerable long time. During its lifetime, it needs fuel, maintenance, permits etc.

During last 50 years, the Indian automobile industry has grown with a very slow rate. Government of India has given boost to this industry in various forms especially during last 20 years by liberalised policy. However the industry
faced problems of technological gaps, lack of ancillary and basic industry support, foreign exchange shortage etc. The two wheeler sector of Indian automobile industry has grown rapidly after 1975. Various firms in private and public sector started two wheeler manufacture but face tremendous problems. But this scenario is changing very fast. The automobile firms in India have made efforts to grow with available resources.

It is said that "where there is a will there is a way". This can be further extended by saying that "where there is a way, there is a vehicle". In fact, by the turn of the twentieth century, we can expect that a vehicle will be found in every nook and corner of India. The growth of Indian automobile firms with reference to production, sales, assets, net worth, returns etc. is a result of strategic choices made from time to time by individual firms. Examination of growth of large number of firms in two wheeler segment and analysing in detail the financial growth strategies of the leader firm is thought necessary to understand the strategic choices and their effects on growth.

The association of the author with an automobile firm over past 20 years in managerial capacity motivated him to study the financial strategies used by these firms during a selected period. This study reveals very interesting features. Some firms entered in the industry and immediately
closed down their operations. Some others continued with losses and later either closed down or diversified. Certain firms are producing automobiles as one of the product lines along with other engineering goods. Certain firms are engaged only in automobile production. Due to the varied nature of operations of these firms, the available financial and production data poses difficulties in exactly predicting the factors responsible for the growth or decline of the firms.

The study undertaken, in the first place, was intended to trace the evolution of automobile firms in India in the context of controlled economy in the initial period and gradual liberalisation policy thereafter. Understanding of the historical background of automobile firms in India was thought necessary in view of the various economic events affecting the growth of the firms.

The measurement of growth of a firm in comparison with others was thought necessary before going into the analysis of financial factors responsible for such growth. The firms were therefore required to be evaluated from the viewpoint of growth in terms of production, sales, assets, net worth and profitability. The available production and financial data of various automobile firms in India was proposed to be analysed using appropriate statistical and financial analytical tools to trace the growth or decline. The financial strategies chosen by the firms and the growth was intended to be co-related for drawing meaningful conclusions.
Lastly, it was intended to study a high growth firm and the financial strategies it adopted to prove the hypothesis developed at a firm level.

The research in above aspect of automobile firms intended to assess the effect of financial strategies on the growth of the firm particularly in the context of an automobile firm in India. The author is aware that there are limitations when conclusions are drawn based on the study of a single firm only. Nevertheless, it was felt that such a study would be helpful especially due to the fact that the author has chosen one of the best industries in the world manufacturing two wheelers and three wheelers in India, without any financial collaboration and which has achieved this growth on its own i.e. mainly through internal accruals and very well planned financial strategies.