Chapter 3
Rationale of the study

Existence of flaws in corporate laws and procedure, resulted in failure of Corporate Governance in Enron, Adelphia Communications, Tyco International, Worldcom, Quest, Global Crossing in US & recently Satyam in India. Huge rise and fall in sensex world wide, increasing interest of the general public in investing their savings in shares, mutual funds and in other stock trading and the global recession , inspired researchers to conduct study on corporate governance issue, as the public money, social and economic growth of country is directly affected by corporate world. Another reason is that the study of corporate governance involves mixed question of law and fact (i.e. management ) and as such there exist a need of filler to bridge the gap between the expectation of corporate world and the expectation of society at large. Another reason is that very few studies have been conducted in India and contribution of India in the field of corporate governance is negligible as compared to that of developed countries like US and UK or Germany. Indian corporate culture and the law varied in various ways with that of developed countries.

Another reason for taking up the study on corporate governance in automobile industry is that the automobile industry with an annual production of 23.37 million vehicles in FY 2014-15 account for 7.1 per cent of India’s gross domestic product (GDP), industry has attracted foreign direct investment (FDI) of 13.48 billion US$ during the period April 2000 to June 2015, as per the data released by Department of Industrial Policy and Promotion (DIPP). The Indian Government has aims to make automobiles manufacturing the main driver of ‘Make in India’ initiative, as it expecting that the market for passenger vehicles is going to get to tripled, to 9.4 million units, by 2026, as highlighted in the Auto Mission Plan 2016-26. Even in current scenario India is first
largest tractor manufacturing country, second largest Two Wheeler, Fifth largest Heavy truck, Sixth largest Passenger vehicle, and seventh largest commercial vehicle manufacturing country of the world. This data shows that automobile industry is one of the highest contributor in the Indian economy.

Therefore any major collapse in any company will affect the economy of the country. Therefore the researcher interest to undertake the study is to provide an insight on corporate governance practices in automobile industry, and to contribute academically towards the development and growth of automobile industry and in turn to the economy of the country.

With the above rationale, in this study the researcher has tried to explore and study the corporate governance practices in Indian automobile industry. The researcher has also developed a corporate governance measuring system for Indian automobile Industry by exploring various variables of corporate governance taking into consideration all the heterogeneity within the industry as per Indian scenario. The study also focuses on measuring impact of corporate governance variable on performance of Indian automobile companies commonly listed at BSE and NSE. In this way this study not only contributed in theory building but also help various automobile companies in the corporate world.