National economy is a comprehensive term which embraces every facet of human life in the modern times. Transport industry is claimed to be the backbone of national economy. Commercial vehicles play a very important role in the national economy of a country and occupy a key position not only in accelerating production but also in the field of distribution. To keep abreast of the rapid industrialisation, more and more commercial vehicles are needed, which in fact is being done. As against about 34,000 buses and 82,000 trucks plying on roads in 1950, about 1,17,000 buses and 3,68,000 trucks plied on roads in 1977.\(^1\) Since then, these figures have gone up at a much faster rate, the goods vehicles having increased to 7,15,000.\(^2\)

The commercial vehicle is a high-priced capital asset which is not within the means of a self-employed small operator and our national fleet of commercial vehicles has 90 per cent such self-employed small operators. Credit agencies are the catalysts between the producer and the small operator. Since Independence, hire-purchase companies are playing a great role in financing of commercial vehicles. It is only recently that banks started financing of commercial vehicles. The main drawbacks in the working of commercial banks include rigid and time consuming formalities, absence of machinery for assessing credit worthiness of the loanees, inadequate machi-
nery for recovery of dues resulting in heavy arrears and mounting bad debts. This in turn blocks up investible capital with the result that banks are not in a position to cope with the requirements of finance by the operators of commercial vehicles.

The manufacturer of commercial vehicles is keen to sell the vehicles as quickly as possible and thus release the capital invested by him in its production. And there is the other man equally keen to get possession of the vehicle to employ it profitably, but he has no ready money to pay the price. Here steps in the financier offering his services to pay the price of the vehicle on behalf of the prospective operator. Thus the manufacturer gets full price of the vehicle against delivery and the operator gets possession of the vehicle with the facility to pay the price in instalments spread over a conveniently long period. The financier receives the cost of finance in due course by way of hire money, which the hirer pays out of his earnings by way of fare or freight.

The importance of hire-purchase agencies has therefore increased to the greatest extent now. It must be said to the credit of these agencies that while they take upon themselves the onus of recoveries, their mode of working is simple, flexible and quick. The hire-purchase financier with his intimate contact with the truck operators, with his knowledge of the local conditions and with his system of inspection, supervision and control enjoys certain advantages which cannot be available to the impersonal services rendered by commercial banks.

The resources of a hire-purchase company, which is a non-banking finance company, are its own capital, term deposits and borrowed money from banks under cash credit against hire-purchase documents. Financial management of a hire-purchase company comprises of procurement of funds at low cost and their effective utilization in the business operations, generating income higher than the cost of procurement of funds.
and the cost of administration. These non-banking finance companies (hire-purchase companies) play a vital role in promoting transport facility, which is essential for creating an ideal infrastructure for the countrywide agricultural and industrial development.

Recently hire-purchase companies are extending their sphere of operations to leasing of commercial vehicles, which has its own attractions both for the lessor and the lessee.

The main purpose of writing this thesis is to make a detailed and critical study of hire-purchase of commercial vehicles in India and to give necessary and feasible suggestions so that hire-purchase agencies may play their due role in road transport industry and the need of purchasing commercial vehicles may be adequately met.

The layout of this research has been divided into seven chapters, which are: I. Introduction; II. Commercial Vehicles; III. Hire-purchase System; IV. Legislation; V. General Insurance; and VI. Hire-purchase System in Foreign Countries; the last chapter being VII. Conclusion and Suggestions.

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