CHAPTER - I

INTRODUCTION
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1.1 INTRODUCTION

1.2. GROWTH OF PRIVATE SECTOR IN THE INDIAN ECONOMY

1.3. OBJECTIVE OF THE STUDY

1.4. SOURCES OF DATA

1.5. TOOLS OF ANALYSIS AND METHODOLOGY

1.6. PLAN OF THE STUDY

NOTES AND REFERENCES

APPENDIX FOR CHAPTER - I
1.1 INTRODUCTION

The pattern of industrial development in the developed and developing countries during the Post Second World War period unmistakably reveals that faster rates of growth in Gross National Product were strongly associated with an accelerated pace of industrial growth[1]. Industrialisation has provided the central and dynamic force in achieving product specialisation and division of labour across a wide range of diversified manufacturing industrial activities. It necessitated the application of new technologies to cope up with the diversified industrial structure. On the whole the programme of industrialisation was aimed at achieving self-sufficient and self-reliant development in the manufacturing activities in the developing nations.

The positive contribution of industrialisation in bringing about transformation of the agrarian economy to confer better levels of resource utilisation, efficient input-output relationship in the hard core of the production process, achieving higher levels of income generation and distribution, and improved share of trade in the world commodity market have all been well established in most empirical studies[2]. In the advanced countries industrial maturity has been the hallmark that has ensured spectacular economic progress and higher material standards of living of the people. Accordingly growth of diversified manufacturing industrial activity was assigned a central role in order to exploit the natural resources, build human capital base and promote scientific and technological innovations on massive scales in the developing nations of the world.

Industrialisation process also called for higher rates of growth in the net capital formation in the developing economies in order to build productive capacities in the form of real physical capital assets. The importance of developing infrastructural facilities to achieve voluminous growth of industrial base covering a wide rage of capital, basic and intermediate sectors was recognised to be a sine qua non to realise better scale economies and higher factor productivity levels in the industrial manufactures. The mobilisation of savings and channelisation of it in productive investments i.e. capital assets, in this process becomes a vital pre-requisite for not only accelerating the growth rate of economic development but also sustaining the tempo of growth. An increase in the rate of capital formation has been recognised as a precondition for generating higher productive surplus in the different sectors of the national economy.
1.2 GROWTH OF PRIVATE SECTOR IN THE INDIAN NATIONAL ECONOMY

The private sector in India refers to the individual or corporate enterprises controlled and managed, either of domestic or of foreign origin engaged in any field of productive activity. At the beginning of the 18th and 19th centuries under the colonial system, the private sector in India was largely guided by the motive of profit maximisation. The dawn of joint stock form of enterprises gave a fillip for the expansion, consolidation and establishment of new enterprises in many manufacturing activities. During the inter-war period the governments in the world came in a big way to establish strategic public sector industries under its control and management. After the independence, India too realised the need to develop the industrial base of her economy and vested the responsibility of establishing Heavy, Basic and Infrastructural industries with the public sector enterprises and left the Intermediate, Light Engineering and Consumer goods manufacturing to the private sector. The private sector popularly came to be described as the private corporate sector in the Indian context.

The growth of Indian corporate sector, thus from its embryonic days was dependent upon the joint stock form of industrial organisation. It provided the ideal link between people who had surplus liquidity and men who had ideas, vision and enterprising talents to mobilise the household savings and establish productive industrial ventures. During the pre-independence days the British Government enacted several Laws and Regulations for the orderly growth of the Indian Corporate Sector. Since then, the growth of joint stock companies has been an impressive feature both in terms of the number of enterprises, the volume of capital invested and output produced in different industrial ventures across different sectors. Even though, since 1951, the public sector enterprises assumed a leading role due to the advent of planning as an economic instrument in promoting industrial growth in India, the private sector continued its dominant position by accounting for nearly 80 per cent of the Gross Domestic Product and providing for about 90 per cent of the total employment generated in the system[3].

The growth of the corporate sector in the past four and a half decades undoubtedly reveals the central position occupied by the growth of public sector enterprises. The number of Government Corporate industries (both of the Central and State Governments) increased from 74 units in 1957 to 1,122 units in 1988, accounting for a growth of more than fifteen times. On the other hand, the Non-Government Private Sector enterprises registered a growth at around 5.8 times during the same period. It increased from 29,283 units to 1,70,426 units. A similar growth is also seen in terms of the paid-up capital. While the paid-up capital of the
Government Corporate units increased from Rs. 73 crores in 1957 to Rs. 38,775 crores in 1988 measuring an increase of 531 times, that of the Private Sector Corporate units increased from Rs. 1,005 crores to Rs. 10,716 crores accounting for 10.7 times increase[4]. The public sector companies though undoubtedly have increased at phenomenal rates in terms of physical capital stock and the number of enterprises covering a wide range industrial activities, the economic performance of the private sector companies were comparatively better than what the public sector units have accomplished in India.

India’s development strategy laid greater emphasis on the accelerated pace of industrialisation with its gravity centered around Heavy, Capital and Basic Goods industry. Such a strategy also triggered corresponding expansion of the private sector industries in the field of Intermediate and Light and Heavy Engineering Goods manufacturing such as the Chemicals, Machinery, Machine Tools, Cement, Rubber Products, Printing and Publishing, Transport, Communication etc.. The area of operation of the private sector has further expanded during the 1980’s due to policy liberalisations. Out of the seventeen industries reserved for the public sector enterprises as many as nine have been thrown open to the private sector. These include such key industries like the Aircraft Manufacture, Heavy Chemicals, Machinery, Machine Tools etc.,. In addition, the effort to globalise the Indian economy during the late 80’s and early 90’s witnessed in recent years direct foreign equity participation in a number of industrial ventures, especially in the field of high-tech industrial products[5].

The private sector has to its credit better operational efficiency, reflected by a fairly reasonable and consistent return on capital, volume of sales, net assets and net worth. In terms of profitability indices viz. the gross profits as a percentage of sales, gross profit as a percentage of total net assets, and profits after tax as a percentage of networth, the private sector has recorded a range around 9.0 to 10.0 per cent return reasonably for a long period of time. Although in some industries, these ratios were somewhat less than others, they are comparatively better in individual industries like the Sugar, Cement, Chemical fertilizers, Light and heavy engineering, Textiles, Textile machinery manufactures etc.[6].

On the whole the industrial development achieved in the mining and metallurgical industries, chemical and petrochemical industries, fertilizer production, capital goods industries including sophisticated equipments for the steel mills, fertilizers plants, etc., light, medium and heavy engineering industries, power generating plants, transport equipments and the construction industry have earned India a place as one of the world’s industrially strong nation[7].
The favorable economic conditions that prevailed in the Indian economy during the planning era was greatly responsible for the emergence of the corporate sector as a major economic entity. In 1980-81, for instance there were 18,189 corporate sector enterprises functioning in the economy. The composition reveals that nearly 39.35 and 50.74 per cent being the respective shares of the public limited and private limited companies. Having 18,189 enterprises, these sectors in 1980-81 have accounted for 9.91 per cent of the total Indian corporate enterprises. By the end of 1988-89, the total number of corporate enterprises excluding the Government Departmental Enterprises have increased to 26,014. The composition revealed 28.60 per cent being the share of the public limited companies, 65.36 per cent to be the share of private limited companies and the remaining 6.04 per cent being the share of public sector corporations[8].

In regard to the composition of net fixed capital employed by the Indian corporate sector, during 1980-81, of the total value of Rs.20,534.23 crores, the public limited companies have accounted for a lion's share of Rs.11,882.81 crores or nearly 57.87 per cent. It was followed by the public sector corporations with Rs.7,238.52 crores accounting for a share 35.25 per cent. The private limited companies, despite being numerically large, accounted of a share 6.88 per cent with Rs.1,412.90 crores of investment in net fixed capital. In 1988-89, the total corporate sector's fixed capital invested was around 68,729.49 crores. Of this with a fixed capital amounting to Rs.36,384.97 crores the public limited companies have held a share of 52.94 per cent. The public sector corporations with Rs.23,004.26 crores accounted for 33.47 per cent of the total corporate sector's fixed capital. The share of private limited companies with Rs.9,340.26 crores have accounted for 13.59 per cent[9].

The dominant position of the public limited companies as the leading form of corporate sector enterprise during the course of India's efforts to industrialise has undoubtedly became the back bone of the economy during the planning era. Though, by the number of industrial enterprises its position is not strong, in terms of other economic variables like the fixed capital stock, value added etc. the public limited companies have come to play a pivotal role in the Indian industrial economy. The present research work recognising these basic realities makes an attempt to study the salient economic characteristics of the growth of public limited corporate sector industries in India.

The research is directed to address the following significant questions. What characterises the time pattern of growth of the real fixed capital assets across the select 24 medium and large
corporate sector industrial product categories?. What economic factors explain the growth of real fixed capital assets in the Indian corporate sector industries?. What economic implications characterise the compositional differences observed in the inventory investments of the 24 corporate industrial categories in India during 1969-70 to 1988-89?. What economic factors are responsible in determining the growth of inventory investments in the corporate sector?. Are there structural variations across the 24 industry categories in regard to costs of production?. What are the salient empirical characteristics that are consistent with the neo-classical theory of cost functions?. What empirical properties can be inferred from the corporate sector liquidity structure?. How far the neo-classical theoretical foundations will be useful in predicting the corporate demand for liquidity in the Indian context?. What economic implications can be drawn from the time pattern of behaviour of corporate profitability?. How the income generated are shared by the factors in the Indian corporate sector and trace their economic implications, and examine the factors determining the profitability of the corporate sector in India.

The questions raised above are exhaustive and covers all most all the critical economic aspects governing the growth of medium and large corporate public sector industrial enterprises in India. Thus, the scope is comprehensive. Though, the chapters are designed to study each issues separately, in the last chapter viz. the Summary and Conclusions, an attempt is made to integrate them logically so that a wholistic picture of the study comprehensively highlights the findings of the research investigation.

To enhance the analytical strength, the public limited corporate industrial categories are classified adopting the RBI's Use Based Industrial Classification viz., the industries engaged in the manufacture of Basic, Capital, Intermediate, Plantation, Consumer Goods and Service Sector industrial categories. In all 24 industry categories are identified for the purpose of this research work. It covers the time period from 1969-70 to 1988-89.

1.3. OBJECTIVES OF THE STUDY

In the light of the forgoing discussions, following specific objectives of the study are formulated for empirically examining the economic characteristics of the Medium and Large Public Limited Indian Corporate Sector industries covering the time period from 1969-70 to 1988-89.

1. To estimate the real capital stock employing Perpetual Inventory Method (PIM) and examine the factors determining the investments on physical capital assets in the Medium and Large Public limited companies during the period 1969-70 to 1988-89.
2. To study the Corporate inventory structure and analyse the factors determining the various forms of corporate inventory during 1969-70 to 1988-89.

3. To study the composition of the costs of production, and determine the nature and behavioural characteristics of the cost functions from the neo-classical theoretical framework for the time series data, 1969-70 to 1988-89.

4. To analyse the composition of corporate liquidity and fit econometric models to study the determinants of corporate demand for cash balances for the various industry categories belonging to the Medium and Large Public Limited Companies during 1969-70 to 1988-89.

5. To analyse the trends in Corporate profitability, the determinants of profitability and the nature and characteristics of the disposition of the income generated among the labour, capital owners and the Government in the Medium and Large Public Limited Corporate Sector industries of India during 1969-70 to 1988-89.

1.4. SOURCES OF DATA
The study is based primarily upon the RBI’s Financial Statistics pertaining to the Non-Financial, Non-Government Medium and Large Public Limited Companies of the Indian private sector for the period 1969-70 to 1988-89. Data on other supportive and complementary informations like Whole Sale Price Indices, Indices of Industrial Production etc. were collected from the various Monthly Bulletins and the Reports on Currency and Finance published the RBI, the National Accounts Statistics, Statistical Abstracts published by the Central Statistical Organisation (C.S.O.), Economic Survey brought out by the Government of India and Call Money Rate from the Yearbook of International Financial Statistics published by the IMF.

1.5. TOOLS OF ANALYSIS AND METHODOLOGY
Mathematical and Statistical tools like Simple Ratios, Percentages, Compound Growth Rates, Mean, Standard Deviation and Coefficient of Variation are appropriately used for the purpose of analysing the data and examine the various objectives and the underlying theoretical hypotheses of the study.

Simple and Multiple Regression Models, based on the principle of Ordinary Least Squares (OLS), in both linear, non-linear and log-liner forms are employed towards estimating the
coefficients of the various econometric models used in the study. Also for the purpose of understanding the statistical significance of the estimated regression coefficients, relevant test statistics like 't', 'F' and 'D.W' are computed. Computer has been extensively used for the purpose of data entry, verification, validation, generating analytical tables and for fitting the regression models employed in the study.

The study is an applied empirical investigation of the various neo-classical, modern, behavioural and managerial theories of the firm in order to ascertain the behavioural and economic characteristics of the Medium and Large Public Limited Corporate Sector industries in India. Econometric models after suitably adjusting the variables against price fluctuations to the base 1970-71 were arrived at and are used in the study so as to examine the objectives formulated in the present research work.

1.6. PLAN OF THE STUDY

The thesis is organised and presented in seven chapters. The First Chapter introduces the scope and need for the study by providing a discussion on the origin and growth of the private sector industrial enterprises. Focus has been provided how industrialisation in India from its embryonic days has been actively brought about by this sector. Besides stating the objectives of the study, this chapter narrates the sources of data, tools of analysis, methodology employed and the plan of the study. (Reviews of relevant theories and empirical studies are discussed separately in each chapter).

Second chapter deals with the growth pattern of the real capital assets arrived at by using the standard Perpetual Inventory Method (PIM). This chapter also provides an analytical discussion of the factors determining the corporate investments on fixed capital assets by fitting appropriate econometric models based on the neo-classical theories of investment growth for the time series data of the medium and large public limited corporate sector industries.

Chapter Three presents an analysis of the structural composition of inventory, and the composition of inventory to working capital. The empirical estimates of the neo-classical inventory models fit to examine the factors determining the inventory investments are also provided with an analytical discussion in this chapter.

Chapter Four introduces the significance of cost-output relationship and discusses the trends in the composition of the costs of production. Empirical cost function models fit to
understand the behavioural characteristics of the cost curves and their economic implications for the time period 1969-70 to 1988-89 are also presented in this chapter.

Chapter Five after presenting an account of the theories on demand for money proceeds to provide a brief review of studies on both at aggregate and corporate level demand for money. It contains a discussion on the behavioural characteristics of corporate liquidity structure and empirical estimates of the factors determining corporate demand for money (Cash and Bank Balances).

Chapter Six provides a discussion on the theories of profit and income distribution and select reviews of studies in this area. Estimated trends in corporate profitability and income flows to the factors are analysed in the subsequent section. The chapter also contains an analysis of the results obtained from the fit corporate profitability models for the time series data of the Indian Medium and Large Public Limited Corporate sector industrial categories enterprises.

Chapter Seven presents a summary, major findings and the conclusions emerging from the present study.
NOTES AND REFERENCES


