INTRODUCTION

Large corporations and corporate groups come into being for a variety of motives, most obvious of them is the lowering of costs through internal and external economies. These merits of large scale production are attributed to profit which, as an index of business efficiency, has a positive correlation with the size of companies. The fact that these advantages of large scale operations are expected to greatly outweigh the disadvantages in certain fields is evidenced by the rates at which corporate units and groups have increased in size and capacity during the last two decades in India.

The growth pattern of big companies has been examined in this thesis for more than one reason. In the first instance, big corporations have developed to the point where the effect of their policies upon the economic and social organism is too obvious to be ignored. The large corporation is not a vastly enlarged small corporate enterprise. It is qualitatively different. It has become a unique institution.

The big companies further command attention because their development is progressive, as their features more
marked and as new areas come one by one under their sway. Economic power, in terms of control over physical assets, is apparently responding to a centripetal force, tending more and more concentrate in the hands of a few corporate managements. At the same time, beneficial ownership is now widely diffused.

This, however, does not mean that expansion in size of business will work against accepted social and economic policies. The economies of scale can be harnessed in larger public interest provided the business is made cognizant of the social interest. As one of the prime forces in the economy, large companies are expected to work in the larger interests of the society.

To what extent big companies can be made cognizant to their social responsibilities will depend upon the pattern of growth. Expansion generally has taken three forms in India: (i) growth by internal savings (evolutionary growth); (ii) growth by means of the issue of securities; and (iii) growth through combinations. Each of these three types of growth have separate economic and social ramifications.

Thus, the main purpose of this enquiry is to examine the growth pattern through each of these methods and also to measure the extent to which growth pattern of big companies is cognizant of their larger social as well as economic order. In this connection, the following observations
regarding growth pattern are noteworthy:

(a) On the basis of gross assets, the big companies appear to have been growing between two and three times as fast as all other companies. The conclusion is supported by the figure of corporate income, sales, fixed assets and capital formation.

(b) Since an increased proportion of industrial wealth presumably continues to come under corporate control, the proportion of individual wealth controlled by the large corporations has been increasing at a rate even faster than the proportion of corporate wealth controlled by them.

(c) Since estimates of national wealth are extremely approximate, it is not possible to determine the growth in the proportion of national wealth controlled by large corporations, but there can be little question that the proportion has been increasing at a rapid rate.

(d) The trend of the recent past indicates, however, that the big companies, already of tremendous importance today, will become increasingly important in the future.

These observations are confirmed when growth pattern is measured by each of the three methods described above.

Besides the factual study, the enquiry also suggests a pattern of growth of big companies to suit the national economic requirements. For this purpose, some degree of social control to regulate growth is essential. But the
rigidity of public control devices should not kill the initiative and drive so essential for development. In this context, it is concluded that the harmony between business activities and national policies should provide the big companies with—

1. an optimum amount of business opportunities;
2. optimum acceptance of business products and procedures; and
3. optimum rewards according to prevailing public policy.

It is also recommended that, if in these manners the responsibility of the corporation towards the social economy is recognised, the precise character of the 'ownership' and 'control' and not the natural growth of companies to their optimum size should be a cause of public concern.

Guidelines to fashion future pattern of growth of big companies in public interest have also been suggested. These include reforms and changes in the Monopolies and Restrictive Trade Practices Act 1969, Companies Act, 1956, Industrial Licensing Policy, more effective machinery for the prevention of inter-locking of funds, balanced boards, labour participation in management, constitution of consumers and shareholders associations and conversion of loans from State Financial Institutions to companies into equity, more and more participation of the Central and State Governments in
the formation of joint-sector and holding company for certain spheres of the economy, and selective nationalisation.

**SCOPE OF THE ENQUIRY**

The enquiry deals with the pattern of growth of big companies by each of the three methods described above. It measures growth by applying recognised yard-sticks such as income, sales, assets and rates of capital formation, etc. It also examines both, its conditions and trends, for an understanding of the structure upon which will rest the economic development of the country. The efficiency and growth prospects of big companies have been examined in the light of economic and social advancement of India. The factual analysis will also tend to confirm that relationship between size and rate of profit is not merely accidental, sporadic or temporary, but the result of well defined economic laws. Further, it is essence of statistical reasoning and sound theoretical analysis that any relationship discovered or established between two variables subject to the conditions of big companies can be made in line with the accepted socio-economic policies. For this purpose, the study also determines the future directions and dimensions of growth.

**RESEARCH METHODOLOGY**

The economic and social viability of big companies have been discussed in their theoretical justification and
practical applicability. Throughout the study, an attempt has been made to arrive at conclusions with the help of economic reasoning, experience derived from industry both at home and abroad and the lessons of economic history.

The statistical study is based upon the Reserve Bank of India researches on finances of joint stock companies in India (medium and large size; exclusive studies on small companies and large size companies) and studies of giants by Economic Times. The size-wise classifications of the companies in all these studies are made on the basis of paid-up capital.

For purpose of close scrutiny, the period generally kept in view is the last decade though it has not been strictly followed in every instance. A longer period has, therefore, been taken into consideration in certain cases to study the trends in the wider perspective.

**PLAN AND LAYOUT OF THE WORK**

The study is divided into seven chapters: Chapter I "Growth and Significance of Corporate Sector in India" describes the environment under which big companies have grown in India. It shows that companies have grown in size with a view to take advantage of modern large-scale production and also to maximise their earnings. This is also confirmed by the study in Chapter II on the Economics of Corporate Growth. It is observed that variations in the
rates of profit are closely associated with the variations in size. Large corporations are relatively more profitable than small companies. Besides pecuniary considerations, promoters have expanded the size of the business with a view to attain some prestige and power.

Similarly, the growth behaviour of big companies in Chapter-III shows that big companies have maintained relatively a better rate of growth. The study in this chapter is divided into two parts. Section I deals with macro study of the growth of big companies in the context of national economic development. Section-II is a micro study which gives the growth behaviour of some big industrial houses.

The pattern of growth of big companies has been examined in three chapters. Chapter IV analyses the growth through internal sources; Chapter V describes growth pattern as it has emerged through external sources and Chapter VI gives growth pattern through combinations. All the three methods of growth confirm that despite unfavourable political climate, big companies have maintained a steady rate of growth. If in recent years the growth rate is slackened, it is on account of recession in all sectors of the economy. The study concludes that growth of big companies is essential to attain the important economic and social objectives laid down in the Five Year Plan, yet the growth has to be
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regulated in public interest. The extent of concentration arising on account of growth of big companies and the guidelines to control the future pattern of growth of big companies have been suggested in Chapter-VII on: Pattern of Growth of Big Companies and Concentration of Economic Power.