ORGANISED SECTOR: DIRECTIONS OF CHANGE

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Over the past four decades the organised sector of the Indian economy has witnessed a phenomenal growth. This is reflected in the number and size of the paid-up capital of the entities registered under the *Companies Act, 1956* (Table - 1). From a gross PUC of nearly eleven hundred crores in 1956-57 it had risen to more than 40,000 crores of rupees by 1986-87. The number of registered companies also witnessed a manifold increase and was nearly 1,40,000.

Table 1

Growth of the Indian Corporate Sector (1956-57 to 1986-87)

(PUC in Rs. Crores)

	Government Cos.		Non-Govt. Cos		Total		Share of Govt.
Year	No.	PUC	No.	PUC	No.	PUC	Cos. in PUC
1956-57	74	73	29283	1005	29357	1078	6.77
1960-61	142	547	26007	1271	26149	1818	30.09
1965-66	214	1248	26796	1878	27010	3126	39.92
1970-71	314	2064	30098	2439	30412	4503	45.84
1975-76	651	6122	42755	3497	43406	9620	63.64
1980-81	851	11443	61863	5914	62714	17357	65.93
1985-86	1202	27087	121139	8596	122341	35683	75.91
1986-87	1053	31124	137133	9383	138186	40507	76.84

Source: Based on GOI, Ministry of Industry, Dept. of Company Affairs, Thirty First Annual Report on the Working & Administration of the Companies Act, 1956: Year Ended March 31, 1987.

The size and fast growth of the corporate sector, however, do not reveal the major qualitative changes experienced by the sector. The first development lies in the emergence of the public sector as an important component of the corporate sector. In terms of paid-up capital it accounts for more than 75 per cent. The public enterprises (PEs) are few in number but have among them very large corporations. Also, the PEs are generally in a monopoly position. If one includes statutory corporations with PEs registered under the *Companies Act, 1956* one can assert without fear of contradiction that public sector in India has already achieved the "commanding heights". The state-owned and controlled enterprises have monopoly in energy, aviation, copper, lead, communications, insurance and an overwhelmingly large share in banking steel, fertilisers and a number of other areas.

Having reached the position of "commanding heights", it is but natural to ask: For whose interest are the "heights" being operated? Is it the long-term development interests, those who are below the so-called poverty line, the state, or the private corporate sector?

Should public sector follow the maxim of "profit maximisation" as is supposed to be true of the private corporations? These questions are as relevant today as they were a couple of decades back.

The private corporate sector has also grown at a reasonably high rate. Within the private sector, however, one observes a few interesting developments *One*, the sector has witnessed emergence of a large many big corporations. The number of companies with annual turn-over of Rs. 100.00 crores was only three in 1969-70 but by 1986-87 the number is estimated to be more than one hundred. This could not but result in growth of concentration within the private sector. It is not appropriate to treat each company as a separate entity. For understanding the phenomenon in growing concentration one must have a look at the growth pattern of the India's Large Industrial Houses. Table-2 shows the assets (at book value) of the Top Ten Industrial Houses. The gross assets of the Ten rose from nearly Rs. 2,000 crores in 1972 to Rs. 17,455 by 1986--more than eight-fold increase in about 13 years.

Table 2

Growth of Assets of Top Ten Monopoly Houses

(Assets in Rs. Crores)

House	1972	1980	1986	Share in Increase (%) 1972-1980 excl. Reliance	1980-1986 excl. Reliance	1980-1986 incl. Reliance
1. Birla	589.42	1431.99	4606.57	27.68	30.76	26.07
2. Tata	641.93	1538.97	4348.94	29.47	27.23	23.08
3. Reliance		166.33	2021.53			15.24
4. J.K. Singhania	121.45	412.72	1229.94	9.57	7.92	6.71
5. Thapar	136.16	348.06	1145.83	6.96	7.73	6.55
6. Mafatlal	183.74	427.54	980.95	8.01	5.36	4.55
7. Modi	58.05	198.82	860.18	4.63	6.41	5.43
8. Larsen & Toubro	79.03	216.03	830.56	4.50	5.95	5.05
9. ACC	134.36	274.51	760.08	4.60	4.70	3.99
10. Bangur	125.26	264.33	670.53	4.57	3.94	3.34
Total (1-10)	2069.40	5279.30	17455.11			
Total (Excl. Reliance)	2069.40	5112.97	15433.58	100.00	100.00	

Source: Based on replies to Parliament Questions.

Two, within the Top Ten private family based business Houses, the two (the Birlas and the Tatas) account for half of the new assets acquired by the Ten (Figure A). The Reliance case is wholly exceptional and its expansion is meteoric. The emergence of Reliance needs a separate treatment. An interesting element in the relative growth rates of the Large Houses also lies in the fact that the Tatas and Birlas appear to have followed a neck-to-neck race in expansion. If Tata's lead in one year, the Birlas overtake them soon; the race is on! (Figure B). The same phenomenon is presented by the J.K., Thapar and Mafatlal Houses. If the Big compete they would have what they aim at; the rest of the competitors get in proportion to their own individual and relative strength.

Three, if one takes the largest private sector companies of India, one finds that an overwhelming part of the assets is held by such private companies in which the majority or the largest block of shareholding was with the public sector. If one were to take note of the inter-corporate investments ownership of most of the big business houses would be clearly seen to be that of public sector and not, repeat not, that of those families who control and manage the private corporate empires. For instance, the combined share of public financial institutions and of the state and central governments was 42.25 per cent in TISCO and 44.84 per cent in TELCO, the largest companies in the private sector in terms of net sales in 1986-87. While the share of Tata Sons in TISCO was placed at less than 2.5 per cent, TISCO was the major private sector shareholder in TELCO. In short, a large part of big business assets is public - when classified as per ownership of risk capital. The truth of this reality would come up in the public glare if the public sector financial institutions were directed to act as if they were private investors. Let them not promote others at their own cost; those corporations should protect their interests with "business shrewdness". The growth and stability of the Indian private monopoly capital, as represented by Large Houses, is financed, promoted and protected by the public sector financial institutions. If it were not to be so, the extent of project funding for large house enterprises by public institutions would not be 80-90 per cent.

Four, unlike the general agreement in policy making circles during the 'fifties the national private monopoly capital is no more expected to be confined to the "core sector" industries. Increasingly, the corporations are shedding their "mono-industry" characteristics. Tatas are no more the steel people as indeed Mafatlals are not in textiles alone, ITC in Tobacco, Delhi Cloth Mills in Textiles, Birlas and Goenkas in Jute. The character of the individual enterprises is becoming more of "business" or one may call it mercantilist rather than their strength lying in any one industry. Private corporations are, therefore, in "business"; and it does not appear a good proposition to remain industry or location specific.

Figure A

Sharing Pattern of New Assets (1980-1986)

Figure B

Growth of Top 5 Monopoly Houses (1972 to 1987)

Five, Indian corporate sector is opening up to international technology and capital. This process has reached a new phase with the early 'eighties. While the number of technical and financial collaborations do not reveal the magnitude of the "foreign" element in the Indian industrial sector, the numbers do reveal the magnitude of the "foreign" element in the Indian industrial sector, the numbers do reveal the basic trends. (See Table-3 & Figure-C).

Table 3

Growing Importance of Financial Collaborations in Indian Industry

(No. of Collaborations)

Year	Approved Collaborations Total	Financial	Share of Financial Collaborations in Total (%)
1977	267	27	10.11
1978	307	44	14.33
1979	267	32	11.99
1980	526	65	12.36
1981	389	56	14.40
1982	588	113	19.22
1983	673	129	19.17
1984	740	148	20.00
1985	1041	256	24.59
1986	958	242	25.26
1987	853	241	28.25
1988	856	276	32.24

Source: Based on Monthly Newsletter of the India Investment Centre and GOI, Ministry of Science & Technology, Foreign Collaborations - 1985 (A Compilation: National Register of Foreign Collaborations).

Note: Figures for 1988 are extrapolated on the basis of the information available for the first nine months. Out of the 642 collaborations approved during Jan. - Sept. 1988, 207 involved financial participation.

A significant feature of the "opening up" is the prominence with which Indian private monopolies are joining hands with international monopoly capital, the MNCs or TNCs -- whatever one may like to label them as. The new trend in the corporate sector is to have new corporations bearing names of the MNC. The consequence: Birla - Yamaha, Tata Honeywell, Modi Olivetti, DCM Toyota, etc. (See Box for more old and new cases). It is a moot point if Pepsico would have been allowed entry had they not teemed up with the Tatas.

Figure C

Increasing Share of Financial Collaborations in Total Approvals (1977-1988)

More importantly even the existing MNCs are increasingly seeking the support of the Indian businessmen; the latest in the series being the ICL. ICL had come into an agreement with the Goenkas to run ICIM. Some others falling in this category are: Godfrey Phillips (Modis); Ceat, Bayer, Herdillia Chem (Goenkas); Chloride (Birlas); Cadbury--now Hindustan Cocoa Products--(Mallyas); APV Texmaco (Birlas); Tata MAN (Tatas); etc. Even Philips when it had to enter in a different form (Punjab Anand Lamps Inds) needed a local partner. Similarly, Glaxo -- now Glindia -- is fast expanding through the joint sector route. If taken along with the large number of joint ventures already existing (Tatas, Birlas, Mahindras, Mafatlals, Thapars have a number of them some of which are included in the Box) and the tendency of the Indian Large Houses to venture into the developing countries the distinction between Indian Big Business and the foreign monopoly capital looks to be hypothetical.

And *lastly*, the corporate sector of the Indian economy is increasingly seeking to rely on technology imports instead of evolving a plan for national R & D or indigenisation. More and more international brand names are being accepted and promoted. There are indications that the lobbying has already begun to revise patents laws.

It is time for debate on the main trends in the organised sector of India. It is equally important that the implications of these developments are worked out and well understood in the policy making circles.

National and International Capital: Joint Ventures

- Beacon **Kone**
  - Beacon **Neyrpic**
  - Beacon **Rotork Controls**
  - Beacon **Tileman**
  - Beacon **Weir**
- Essar **Brown Root** (India)
  - Essar **Forasol**
- **Fuller** KCP
  - **EIMCO** KCP
- Escorts **JCB**
- Greaves **Dronsfield**
  - Greaves **Foseco**
  - **Crompton** Greaves
  - **David Brown** Greaves
  - **Drayton** Greaves
  - Greaves **Midwest Engg**
- Hero **Honda**
- J.K. **Helene Curtis**
  - J.K. **Satoh** Agricultural
- Khatau **Junker**
- Kinetic **Honda**
- Kirloskar **Rateau**
  - Kirloskar **Cummins**
  - Kirloskar **Warner Swassey**
- Kothari **General Foods**
- L & T **Gould**
- Lohia **Starlinger**
- Mafatlal **Zinser** Engg
- Mahindra **British Telecom**
  - Mahindra **Owen**
  - Mahindra **Ugine** Steel
- Modi **Telematics**
  - Modi **Xerox**
  - Modi **Champion**
- Murugappa **Morganite** Ceramic
- Nagarjuna **Singode**
- Nava Bharat **Parker Drilling**
- Nicco **Hambro** Financial
  - **Furmanite** Nicco
  - Nicco **Helifusion**
- Shriram **Honda** Power Equip
  - SRF **Nippondenso**
- Swaraj **Mazda**
- Tata **Bradbury Wilkinson**
  - Tata **Klockner** Indl Plants
  - Tata **Korf** Engg Services
  - Tata **Timken**
  - Tata **Robins Fraser**
  - Tata **Unisys**
  - Tata **Yodogawa**
- Sundaram **Abex**
  - Sundaram **Clayton**
  - TVS **Suzuki**
  - TVS **Whirlpool**
  - **Lucas** TVS

(MNC names in bold letters)