Introduction

The principle of joint sector (similar to joint ventures in some of the developing countries), wherein Government and private entrepreneurs join hands to establish new enterprises is indeed an old one for India. It was quite common for many of the erstwhile princely States (the State of Baroda, Travancore and Cochin and Hyderabad, to name only a few) to share risk capital in large industrial projects.[1] Apart from this, it was a widely shared view that the state in the independent India would have to play an active role in providing financial and other support to new and small entrepreneurs. Air India International provides a notable example of private sector and the state coming together to establish business enterprises. The company was established by the Tatas in 1948. The Government of India provided 49 per cent of the equity capital of the company.[2] The Government subsequently acquired an additional 2 per cent equity from Tata Sons Ltd to convert it into a government company. In spite of the government holding 51 per cent of the equity, the Air India continued to be under the management of the Tatas until it was fully taken over by the Government of India in 1953.[3]

There were twelve other undertakings in 1966-67, in which the Central Government had a substantial stake in equity capital without having direct managerial control.[4] In a few cases equity participation by foreign companies in public sector enterprises (PSEs) was also allowed. Madras Fertilizers Ltd., for example, was established as a joint enterprise in participation with Amoco Inc., USA and National Iranian Oil Co., Iran. These two foreign companies were partners in Madras Refineries Ltd., too. Cochin Refineries Ltd., was established with the participation of Phillips Petroleum Co., USA and Duncan Brothers Ltd., Lubrizol India Ltd., with the Lubrizol Corporation, USA and Triveni Structurals Ltd., with Voest Alpine, Austria. Maruti Udyog Ltd. a joint venture with Suzuki Motor Co Ltd., Japan is one of the most important cases where a foreign private corporation has been invited to join hands with the Government. A feature of all the above cases appears to be that public sector holdings are of majority nature and these are managed by Government nominated boards with representation of the foreign collaborator on the board of directors.[5]

The Industrial Policy Resolution, 1956 (IPR, 1956) envisaged that the state would help the private sector in fulfilling the role assigned to it within the framework of planning and the industrial policy in force from time to time. In doing so,

... the state will continue to foster institutions to provide financial aid to these industries and

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1. C.A. Mehta, "Development of New Industries in Baroda", Asiatic Review, 1942, p. 56. Also see : Samuel Paul, S.K. Bhattacharya and S.C. Kuchhal, "Joint Sector: Guidelines for Policy", Economic and Political Weekly, Vol. VII, No. 50, December 9, 1972, pp. 2415-2429.

2. R.M. Lala, The Creation of Wealth: A Tata Story, IBH Publishing House, Bombay, 1981, p. 61.

3. Government of Maharashtra, Planning Department, Report of the Study Group on Joint Sector Enterprises for Industrial Development, Bombay, 1961, (Chairman: R.G. Saraiya).

4. S.K. Goyal, "Joint Industrial Sector: The Purpose and Form", paper presented at the Seminar on Industry and the Fourth Plan, University of Bombay, March 29-31, 1971, p. 2.

5. In the case of Maruti Udyog Ltd., the Government allowed Suzuki to increase its share to 50 per cent.

special assistance will be given to enterprises organized on co-operative lines for industrial and agricultural purposes. In suitable cases, the State may also grant assistance to the private sector. Such assistance, especially when the amount involved is substantial, will preferably be in the form of participation in equity capital, though it may also be in part in the form of debenture capital.[6]

In September 1960, the Government of Maharashtra appointed a Consultative Committee on the Third Five Year Plan, which set up a Study Group on "Joint Sector Enterprises for Industrial Development" under the Chairmanship of Shri R.G. Saraiya. Messrs Naval H. Tata, S.M. Joshi, A.R. Bhat, R.M. Deshmukh and A.B. Bardhan were the other members.[7] The Study Group, in its report submitted in May 1961, expressed the opinion that in order to achieve maximum development of industries and spread industrialization into the interior, it was necessary to put to the best use the resources -- managerial ability available with the Government on the one hand and the private sector on the other. The concept of joint sector, the Group opined, could be used in furtherance of this objective.

The Study Group also felt that joint sector schemes would relate generally to such industries for development of which private enterprise or investment will not easily be forthcoming. The joint sector scheme was expected to attract entrepreneurs to the relatively backward areas of the state in the matter of industrial development. With regard to organisation, management and control of joint sector enterprises, the Group emphasised the need to have mutual trust in all such cases of joint investment by the state and private entrepreneurs. The Group observed:

(a) The pattern of association should be such that Government can have a substantial voice in public interests in the policy matters of the undertaking but so that, in cases where the managing partner proves to be lame duck or it is considered necessary for his specific actions or inactions to displace him, the Government can intervene and take over the management too for a limited or unlimited period and extent without recourse to the provisions of the Industries (Development and Regulation) Act, 1951.

(b) The distribution of ownership should be so worked out that there is the minimum concentration of capital in the hands of individuals or associated groups, this being, however, circumscribed in suitable cases ... and the desirability of associating available and reputed entrepreneurship within the country itself or even from abroad where foreign capital is necessary and forthcoming.[8]

Thus, the concept of joint sector as visualised by the Study Group headed by Mr. Saraiya was in the form of an industrial organisation that would promote industrial development in the State (Maharashtra in this case) in general and the backward regions of the state in particular. The State of Andhra Pradesh was one of the earliest to set up an Industrial Development Corporation (APIDC). The APIDC started providing support to private enterprises in the form of risk capital during the 'sixties. Such enterprises were referred to as joint ventures. It was indeed claimed that

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6. IPR 1956, op. cit., para-10.

7. Saraiya Committee, op. cit.,

8. Saraiya Committee, op. cit., p. 5.

Gangappa Cables Ltd., was the first joint venture in the country which the APIDC had pioneered in 1967.[9]

The development of the sector, in its present form, can, however, be related to the recommendations of the Industrial Licensing Policy Inquiry Committee (ILPIC), 1969. In any case, since the sector got direct central policy support after the ILPIC, we refer to the Committee's report at length to provide the rationale and justification proffered by the Committee while recommending the concept. Joint sector was visualised by the Committee as the next best alternative to public sector. The Committee indeed suggested an expanded role for the public sector as (i) a large proportion of the cost of new projects was being met by public financial institutions and (ii) the growth of Large Industrial Houses in the country was unduly aided by the support extended by these institutions. The Committee, therefore, recommended that:

> Where a very large proportion of the cost of a new project is going to be met by public financial institutions either directly or through their support, normally these projects should be set up in the public sector. On the one side private interests and in the case of large projects these are likely to belong to the Large Industrial Sector would thus not be permitted to build up huge industrial empires and obtain the benefits accruing from them while essentially using in large part of public funds and support for such development. On the other hand, the objection raised to permitting large projects to be developed, even though such a size might be necessary on techno-economic grounds, because of the fear that this would help build up a private industrial empire would become irrelevant. On both these grounds, therefore, it is necessary that such projects should be treated as belonging to the public sector.[10]

In cases where the public financial institutions provide assistance to private enterprises to a large extent such projects were to be treated as `joint sector' ones.

> We do not propose to go into details about what proportion of project cost being met from the State sector should be treated as the cut-off point for including a project in the public sector. It may be that for some time to come Government might decide to permit projects with significant proportions of public financial assistance to remain in the private sector. In that case, however, we would like to emphasize that they should be clearly treated as belonging to the `joint sector' and not to the private sector. The `joint sector' would, in our view, include units in which both public and private investment has taken place and where the State takes an active part in direction and control.[11]

The Committee suggested conversion of loans extended by the public financial institutions into equity so that the State can claim its share in the success of the venture in the form of profits and capital appreciation since in any case, a large proportion of the cost of the new projects was financed by the public financial institutions directly or indirectly. According to the Committee:

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9. Ram K. Vepa, Joint Ventures: A New Technique for Industrial Growth, Manohar Publications, New Delhi, 1980, p. 63.

10. ILPIC, op. cit., p. 186

11. Ibid., p. 186.

> When public sector financial assistance on any significant scale is provided for the private sector, not only should an appropriate share in the benefits accruing from the project after it is completed be available to the State, but project should also necessarily be treated as belonging to 'joint sector' with proper representation for the state in its management.[12]

The Committee, thus, favoured conversion of loans given by the financial institutions to large private sector projects into equity so as to convert them into joint sector enterprises in a gradual manner.[13]

The joint sector form was expected to ensure that the management of industry is conducted in the public interest and not merely for private profit.

> This (joint sector) would ensure that the management of industry is conducted according to the overall policies laid down by Government, and that public interest and not merely private profit would guide the operations of large industrial undertakings in the private sector.[14]

The Committee also saw a way of curbing the concentration of economic power with the help of this approach. In their view, joint sector, as formulated along the lines suggested, would be "an important instrument for the attainment of this objective and it is likely to be more effective than licensing".[15]

The ILPIC's recommendations covered many other aspects of industrial policy. Following these recommendations, the Government issued a policy statement in February 1970. It was

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12. Ibid., p. 186.

13. It would be relevant to refer to the later day observations of H.K. Paranjape, a member of the ILPIC. In his note to the Committee to Examine Principles of a Possible Shift from Physical to Financial Controls, he stated:

    > As regards the recommendations of the Dutt Committee about the convertibility clause in loan agreements, the Government accepted the suggestion and the financial institutions began to introduce the convertibility clause when they granted loans. There was however no clear understanding developed in Government about the 'Joint Sector' as the Dutt Committee had envisaged it. The Dutt Committee had even hinted at retrospective use of the convertibility clause by a legal provision to that effect so as to convert large private sector concerns into Joint Sector concerns where this was thought necessary. Not only was this not done, but the conversion option was also many times not used by the institutions.

    Government of India, Ministry of Finance, Dept. of Economic Affairs, Background Papers of the Committee to Examine Principles of a Possible Shift from Physical to Financial Controls, 1985, (Chairman: M. Narasimham), p. 88. ILPIC is often referred to as Dutt Committee after the Committee's Chairman Subimal Dutt.

14. ibid., pp. 186-187.

15. ILPIC, op. cit., p. 187.
    H.K. Paranjape later explained that:

    > ... this approach (joint sector as suggested by the ILPIC) would remove the difficulty felt about the further growth of the large industrial concerns, many of them belonging to the Larger Industrial Houses, because such concerns would no longer remain under the control of particular families or small groups of individuals but would increasingly come under the management of professional boards on which financial institutions would be effectively represented.

    Background Papers to the Narasimham Committee Report, op. cit., p. 87.

announced that the "joint sector" concept, as suggested in the ILPIC Report, was "accepted in principle".[16] It was also stated that this concept would be applied in "appropriate cases" of major projects taken up by the private enterprise groups in the core and heavy investment sectors.[17]

The reactions to the joint sector policy were of varied nature. In particular, the larger segment of the Indian industry became quite apprehensive of this move. They feared that joint sector could amount to "back door nationalisation".[18] The Associated Chambers of Commerce & Industry of India (ASSOCHAM) and Federation of Indian Chambers of Commerce and Industry (FICCI) and other business associations expressed their concern over the acceptance of ILPIC's recommendations.[19] The views of the private industry on the concept of joint sector as enunciated by the ILPIC seem to have been reflected in the Memorandum submitted by Mr. J.R.D. Tata to the Government of India on May 17, 1972 as how best the industrial growth could be stepped up within the frame work of the Government's socio-economic policies and programmes and with special reference to the concept of joint sector.[20] The main recommendations of the Tata Memorandum were:

(a) The concept of a joint sector between Government and private enterprise is one which we believe to have valuable potentialities and which, in fact, Tatas themselves pioneered twenty five years ago with the creation, jointly with the Government of India, of Air-India International. It should not be treated, however, as a universal solution to the problem of accelerating industrial growth for while it may be appropriate and effective in some instances, it may be the very opposite, self-defeating in others.

(b) In each case the objectives and advantages sought to be achieved by a joint sector solution should be clearly established and the decision always result-oriented. Whatever form the joint sector enterprise may take, and Government's share in its capital, the day-to-day management should normally remain with the private sector partner and should be kept free from the red tape and time-consuming procedures prevalent in Government departments and public sector enterprises.

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16. Government of India, Ministry of Industrial Development, Internal Trade and Company Affairs, "New Industrial Licensing Policy", Press Note dated February 18, 1970. (Reproduced in G.D. Sharma, New Industrial Licensing Policy of Government of India, Chapter V, Press & Publications Agency, 1973,p.35).

17. The 'core' sector list announced by the Government contained a number of industries which were common to Schedule-A of the IPR 1956. These, however, continued to be reserved for the public sector. Heavy investment sector was explained to be consisting of projects where the investment was Rs. 5.00 crores or above. Undertakings belonging to Large Industrial Houses (LIHs) as defined by the ILPIC were expected to participate in and contribute to the establishment of industries in the core and heavy investment sectors, leaving the remaining to other classes of entrepreneurs. The middle sector was the one involving investments ranging from Rs. 1.00 crore to Rs. 5.00 crores.

18. S.K. Goyal, "Joint Industrial Sector", op. cit., pp. 1-2.

19. See for instance, The Associated Chambers of Commerce & Industry of India, Fifty-Fourth Annual Report, 1973. p. 8.

20. J.R.D. Tata, Suggestions for Accelerating Industrial Growth, a Memorandum submitted to the Government of India on May 17, 1972, Tata Press Ltd, Bombay, October 1972.

(c) Except in the case of large projects requiring the injection of very substantial funds by the Central Government, preference should normally be given to joint enterprises between the private sector and State Government, a process which in fact has already been started in various parts of the country, rather than with the Central Government because of the former's direct concern with many aspects of a project such as supply of power, employment of labour and development of their backward areas. Where Government, whether Central or State, have to make the bulk of the investment, they should be the majority partners in the share capital, but wherever possible, Government's share including that of their financial institutions should normally not exceed 51%, the balance of their investment being in the form of long-terms loans.

(d) A recommended allocation of ownership would be 26% to the Government partner 25% to the private sector partner, and the balance to the public through the Stock Exchange.

(e) Government should consider the possibility of turning some well run enterprises today wholly in the public sector into joint sector companies, with majority of Government ownership and control, by releasing a minority shareholding to the investing public with a view to diverting funds so released to other priority projects.

Thus in the scheme of things proposed by Mr. Tata, the joint sector was to play only a promotional role in contrast to the objectives and the philosophy of the ILPIC's recommendations. It can also be said that the scheme as proposed by him with respect to public sector companies could be termed "backdoor privatisation". As we shall see later, the Tata Memorandum was given considerable importance by the Government while operationalising the joint sector policy.

It appears that private industry started visualising the joint sector as a means of closer liaison between the private sector management and the public financial institutions. In this context, it is interesting to note that the then President of FICCI in the Annual Session held in March 1972 described the `Joint Sector' idea as "a welcome innovation in the context of the need for economic growth and the social and political environment prevailing in the country". Thus joint sector concept which was still far from being clearly defined in the official policies appears to have lost much of its fearfulness for the Indian business community.

2 Operationalisation of the Concept

The SIDCs which have been set up mainly with the object of promoting establishment of industries in their respective states, do not always have adequate financial resources to enable them to implement industrial licences obtained by them. The question of associating private entrepreneurs with state for implementing industrial licences thus assumes significance. Keeping in view that the association of private capital would not result in undesirable socio-economic structure in the economy, the Government of India issued a circular to the SIDCs regarding implementation of industrial licences granted to them, in association with private entrepreneurs.[21] It was stipulated

21. Government of India, Ministry of Industrial Development and Internal Trade and Company Affairs,

that the state corporations might invite Government and quasi-Government financial institutions like UTI and LIC to buy shares in the industrial ventures undertaken by them and if the shares held by the state Governments and the financial institutions together amount to more than 50 per cent, the rest of the shares can be offered to private parties. In case, however, UTI and LIC were not interested in taking up shares in the ventures which SIDCs might propose to finance, there would be no objection to the SIDCs being permitted to associate private capital. Even in such cases, SIDCs were expected to hold not less than 26 per cent of the equity capital.

In 1971, the Central Government further clarified its stand on SIDCs' joining hands with the private capital in implementing the industrial licences granted to them.

> In order to ensure the regulation of industries in the public interest and the need for establishment of industries in public sector or under public control, it was considered that no other industrial entrepreneurial or business group should be given equity shareholding beyond 25 per cent in undertakings where SIDCs are given letters of intent and have an equity investment of 26 per cent. It was also decided that in case of large industrial houses or companies having majority foreign shareholding, even an investment upto 25 per cent should be permitted only with the prior approval of the Government of India.[22]

One possible rationale for the sharing of equity between the public and private promoters on the one hand and the general public on the other in the ratio of 26:25:49 respectively, is that the combined share of the two promoters would give them a majority of 51 per cent so that together they can have an effective control over the company. Moreover, under the Companies Act, 1956, for passing a special resolution in the Annual General Meeting (AGM) of shareholders one needs a minimum of 75 per cent of the votes polled in case of a poll.[23] Since the public sector promoter would have 26 per cent no such resolution can be passed without its support even if the entire body of shareholders attend the AGM and participate in the voting.

The Government of India after having reviewed the policies relating to industrial development in the light of the experience of the implementation of the licensing system further clarified its stand on the concept of 'Joint Sector' in February 1973. It was explained that:

> Government's policy regarding the joint sector is derived from the Industrial Policy Resolution 1956 and the objective of reducing the concentration of economic power. In appropriate cases, the Central and State Governments have taken equity participation either

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Dept. of Industrial Development, Circular No 10 (12) LIC Pol./69 dated March, 10, 1969.

22. Government of India, Ministry of Industrial Development and Internal Trade, Dept. of Industrial Development, Circular No. 10(12)/LP/69 dated February 8, 1971.

23. A special resolution would be required to be passed in a number of cases (Section 189 of the Companies Act, 1956). Some of the important ones are: to alter the provisions of the memorandum; to commence any new line of business; to alter or to add articles; to request the Government to investigate the affairs of the company; to appoint sole selling or purchasing agent in case of companies having paid-up capital of rupees fifty lakhs or more; to make loans or provide guarantees to other companies under the same management; and in matters relating to winding up. The section 189 also specifies that in case of a special resolution, the votes cast for the resolution must not be less than three times the votes cast against the resolution, those remaining neutral not being counted either way. See: A. Ramaiya, op. cit., pp. 563, 567-568.

> directly or through their corporations with private parties .... This type of Joint Sector units is a device which may be resorted to in specific cases having regard to the production targets of the Plan. Each proposal for establishing a Joint Sector unit of this nature will have to be judged and decided on its merits in the light of Government's social and economic objectives. The Joint Sector will also be a promotional instrument, as for instance, in cases where State Governments go into partnership with new and medium entrepreneurs in order to guide them in developing a priority industry. Government specifically wish to clarify that the joint sector will not be permitted to be used for the entry of larger houses, dominant undertakings and foreign companies in industries in which they are otherwise precluded on their own.[24]

The Government was expected to ensure an effective role for itself in order to guide the policies, management and operations of different kinds of joint sector enterprises.[25]

To operationalise this policy decision, the Government issued guidelines on February 8, 1973. The main instructions issued were as follows:

1. The State Industrial Development Corporations (SIDCs) shall hold a minimum of 26 per cent in the equity capital of the companies promoted by them;
2. No private partner holds equity capital more than the SIDCs except with the prior approval of the Central Government; and
3. No Large Industrial House (LIH) or foreign majority company can have any holding at all in the projects promoted by SIDCs except with the prior permission of the Central Government.[26]

This was concurred by the IDBI and in all joint sector projects government or its nominees were to hold more than 25 per cent in the equity capital.

The SIDCs were experiencing difficulties in mobilizing resources for implementing the licences issued to them by the Central Government.[27] While it was stipulated that the SIDCs should hold a minimum of 26 per cent in the equity capital for the licences issued to them, no such condition was placed on similar licences issued to private parties. In order to enable the SIDCs to rotate the funds in the interest of further industrial development, the Government of India decided in February 1975 to permit SIDCs to disinvest their holding under the following conditions.[28]

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24. "Industrial Policy: Government Decisions", Press Note dated February 2, 1973 reproduced in Government of India, Ministry of Industry and Civil Supplies, Dept. of Industrial Development, Guidelines for Industries, Part-I, Policy and Procedures, Indian Investment Centre, November 1975, p. SII-14.

25. Ibid., para 11.

26. Government of India, Ministry of Industrial Development, Circular No. 10(12)/LIC. Policy/1969, dated February 8, 1973.

27. SIDCs can continue to invest in new ventures provided they have unlimited budget support and/or their investments generate enough resources (profits). In the absence of either of the two their ability for further investments would be limited unless they resort to disinvestments.

28. Government of India, Ministry of Industrial Development, New Delhi, Circular No. 10(12)/LIC.POL./69, dated February 15, 1975. In this context the following observations of Kuchhal

(1) Sale of such shares should be made only after the project has gone into full commercial production;

(2) Sale of such shares should, as far possible, be in favour of members of the public or other public financial institutions; and

(3) No such shares should be sold to (a) the original private sector promoter; (b) large industrial houses; or (c) foreign companies, except with the prior approval of Government of India.

The February 1975 guidelines placing restrictions on dis-investment in favour of original co-promoter acted as inhibiting factor for the private promoters as they feared that the subsequent disinvestment of shares by the SIDCs in favour of other parties may adversely affect their interest and position in the company. The Government in December 1975, further liberalised its earlier policy with regard to pattern of equity distribution between SIDCs and private promoters and guidelines for disinvestment. The shareholdings of the SIDCs were to be reduced subject to the following conditions:

(1) Where a letter of intent issued to SIDC has not been implemented and the project is yet to be established, the SIDC or any other state public sector institution may be allowed to keep its equity capital up to 10% of total equity of the company on the condition that one Director of the SIDC or state public sector institution shall be nominated on the Board of Directors of the company and that no single co-promoter will hold more than 25% of the total equity capital of the company and that no foreign company or MRTP undertaking will be associated as a co-promoter.

(2) Where the project has been established and gone into commercial production, the SIDC may disinvest its shareholding as per instructions issued on 15-2-75 and there would be no objection if the co-promoter (not being a large house or a foreign company) in such cases holding more than 25% equity by purchasing the shares sold by the SIDC.[29]

It can be seen from the foregoing discussion that even though states' participation in risk capital was being practised even earlier, it was only after the ILPIC's recommendations, the sector has got proper policy support. The ILPIC conceived the joint sector concept as the next best

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appear to be quite relevant.

The Centre's instructions to the State Governments (in respect of the 1975 guidelines for disinvestment by SIDCs) were given due to representations received from the State Governments for financial assistance on the ground that several industrial projects for which letters of intent or industrial licences have been obtained had bogged down because of resource constraint. The Planning Commission has also expressed its views against any such participation by the Central government in the State projects because of the existence of great pressure on central resources.

See: S.C. Kuchhal, The Industrial Economy of India, Chaitanya Publishing House, Allahabad, Eleventh Edition, 1975, p. 324.

29. Government of India, Ministry of Industry and Civil Supplies, (Department of Industrial Development), Circular No. 10(12)/LIC. POL/69 dated December 24, 1975.

alternative to the public sector with the main aims of conducting industry according to public interest rather than merely for private profit, to act as a check on the growing concentration of economic power and to enable the state to share in the profits and capital appreciation of private enterprises assisted by it.[30] However, instead of the Central public financial institutions, which provide bulk of long term finance to the industry, taking active part in implementation of joint sector policy, it was left to the State Industrial Development Corporations whose main role is promotion of industrialisation in their respective states. The main objective of issuing industrial licences to state level corporations was to promote industrialisation through state level public enterprises. Since such licences were either transferred to JSEs, or the public sector companies set up to implement the licences were converted into JSEs, it turned out that instead of the role of public sector increasing as envisaged by the ILPIC, it only became a transitory phase. Moreover, with the acceptance of the proposal for disinvestment by SIDCs, the way was paved for ultimate conversion of JSEs into general private sector enterprises instead of the other way round. In this process, the large private sector, reluctant in the beginning and enthusiastic collaborator later on had played a significant role.

The concept of joint sector as it evolved ultimately was far from what was visualised by the ILPIC. To an extent, it can be said that the purpose of the joint sector as it was initially practised by the states prevailed ultimately. It is not surprising, therefore, if one finds that "(T)here was, however, no clear understanding developed in the Government about the `Joint Sector' as the Dutt Committee had envisaged it" and that the "concept itself had not been properly worked out and accepted by Government".[31] It is important to underline that the term `Joint Sector' was neither defined under any statute nor did it ever have an unambiguous meaning.

An essential feature that distinguishes a JSE from other non-governmental companies in which public financial institutions own varying levels of risk capital is that the two sides i.e., public and private promoters enter into a formal promotional agreement in case of JSEs. Indeed, in either of the cases there may be representation of financial institutions on the respective company's board of directors.[32]

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30. For instance, it was observed : "(T)hese recommendations (regarding joint sector by the ILPIC), have two-fold objective, viz., to share in the benefits accruing from assisted projects, and to ensure active participation in the management". See: S.C. Kuchhal, The Industrial Economy of India, op. cit., p. 295.

31. H.K. Paranjape in Narasimham Committee Report, op. cit., p. 88.

32. International Accounting Standards recognise that the relationship between an investor and an investee may be one in which: (a) the investor controls the investee -- in which case the investee is a subsidiary of the investor and the investor is the parent of the investee; (b) the investor shares in the control of the investee -- in which case the investee is a joint venture; (c) the investor has significant influence over the investee -- in which case the investee is an associate of the investor; or (d)the investor neither controls, shares in the control of, nor has significant interest over the investee -- in which case the investee is an investment of the investor. See: David Cairns, "International Standards in Accounting for Joint Ventures", in United Nations Centre on Transnational Corporations, Accounting for East-West Joint Ventures, United Nations, New York, 1992, pp. 79-88.
Joint ventures are also defined as "... separate entities with two or more active businesses as parents". Kathryn Rudie Harrigan, Strategies for Joint Ventures, Lexington Books, D.C. Heath & Co., Lexington, 1985, p. 2.

3 Perceptions and Expectations of Policy Analysts

Being a new organisational form which was expected to deliver the best of both sectors i.e., private and public, the joint sector generated much debate in academic circles in the initial period. The scholars had also offered guidelines for privatisation, management and ownership control of joint sector enterprises in the given socio-political context. It is interesting to note that academic discussions on the subject were more in tune with the then prevailing ideological spirit and policy expectations. The joint sector concept evidently raised much expectations for achieving growth with social justice as also attracted criticism on a number of counts. The literature on the subject can be broadly divided into two parts: one, the discussion regarding policy expectations and steps at implementation and two, empirical studies on the actual functioning of the concept and its relative merits over public and private sectors. In the following we shall deal with the first type of discussions.

S.K. Goyal, himself closely associated with the ILPIC as Honorary Economic Adviser, opined that there was nothing novel in the concept of joint sector suggested by the Committee and it was derived from the Industrial Policy Resolution of 1956.[33] He felt that most of the big private sector projects get approved with the impression that large industrial houses would find their own resources to undertake such projects and it would not place a burden on the Government. This assumption was proved to be unrealistic. He was also of the view that possession of technical know-how and experienced and talented management was not the consideration for allowing major industrial projects in the private sector. Contrary to ILPIC's recommendation, he suggested that all large size projects, say projects more than Rs. 10 crores investment, should in future be only established in the public sector. According to him the relevance of joint sector as suggested by the ILPIC had a meaningful relevance for large private sector projects where the public financial institutions had a substantial share and those public limited companies in which the institutions already have a significant share in the risk capital. Another form of joint sector suggested by him was the case where a part of the equity was held by workers of the company and the rest by the Government or public financial institutions. He opined that such a practice will help establishment of industrial cooperatives which in any case would be a real joint sector than the one proposed by ILPIC.

He suggested, in line with ILPIC's thinking, that private sector companies with substantial public sector holding should be treated as joint sector enterprises. This would help financial institutions to use their strategic position for achieving effective coordination in planning, development and regulation of joint sector enterprises. He also pointed out that while on one hand, the financial institutions expressed their inability to fund public sector projects, the institutions far exceeded the Plan targets for private sector funding.

Echoing the observations of ILPIC, Kuchhal felt that promotion of industrial enterprises under the joint sector would help in finding a right solution to the problem of growth without concentration of economic power which becomes a retarding factor whether it exists in the private

33. S.K. Goyal, "Joint Industrial Sector: The Purpose and Form", op. cit., p. 2.

sector or in the public sector. Joint sector enterprises, he felt, involved a practical implementation of the concept of mixed economy and avoid "a mixed up economy".[34] Shantaram Hegde also observed that the purpose of joint enterprise is to achieve the socio-economic goal of rapid industrial growth with social justice. He had argued that the Government should drastically change its economic thinking and industrial policy. The responsibility for fostering the evolution of the joint sector should be entrusted to a single public financial institution having an integrated and extensive network to meet the growing requirements of equity finance of joint enterprises along with the required managerial ability and technical competence to nurse and nurture the joint sector and ensure operational autonomy to the sector.[35] The extent of participation in the equity capital should be governed by the criteria of managerial competence and minimisation of concentration. It should be the endeavour of the financial institutions to encourage middle and small entrepreneurial class to participate in the joint sector projects.

Nabagopal Das, observed that an open society required an open corporate structure. The joint sector, according to him, provided this openness without taking away the advantages of private enterprise and initiative. The joint sector was expected to enable the managerial ability of the private sector to be harnessed with financial support from the public sector.[36] M.R. Meher felt that the sluggish rate of industrial growth during the 'sixties led to the creation of joint sector for promoting industrial development. There was consensus among the businessmen that the joint sector would meet with success, provided that the managements of joint ventures were given the largest possible measure of autonomy and were run without undue interference by the Government as long as they functioned satisfactorily.[37] A leading industrialist of the time, Bharat Ram, opined that the joint sector had certain merits. If the sector was to play its expected role, it would be necessary to lay down clear cut policies and guidelines regarding spheres of control by the state and private participants. Competitiveness and a responsive capital market were seen to be the major conditions for success of the joint sector.[38] R.A. Sharma observed that the twin objectives of growth and social justice may not be achieved by curbing the rate of growth of the rich, but by developing a part of this growth for public purposes. He felt that the joint sector will probably be a happy marriage of public and private sectors to have public welfare as their legitimate child. According to him for purposes of economic growth, checking concentration of economic power, curbing monopolistic tendencies and correcting regional imbalances, there was no better alternative than joint sector.[39]

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34. S.C. Kuchhal, "Joint Sector and Financial Management", The Chartered Accountant, Vol. 21, Part-2, August 1972, pp. 90-96.

35. Shantaram P. Hegde, "Approach to Joint Sector", Lok Udyog, Vol. VI, No. 6, September 1972, pp. 15-18.

36. Nabagopal Das, "The Joint Sector: The Logic of A Not-So-New Concept", Lok Udyog, Vol. VI, No 6, September 1972, pp. 11-12.

37. M.R. Meher, "Perspective for the Joint Sector", Lok Udyog, Vol. VI, No. 6, September 1972, pp. 13-14.

38. Bharat Ram, "Concept of Joint Sector", Lok Udyog, Vol. VI, No. 6, September 1972, pp. 7-9.

39. R.A. Sharma, "The Joint Sector and Some Fundamental Issues", Lok Udyog, Vol. VI, No. 6,

G.L. Mehta felt that the concept of joint sector was intended to ensure that the public and private sectors co-operate with each other to set up industries on a broad front instead of following separate paths. The initiative and flexibility of private enterprise have to be harnessed for broader social objectives involved in the public sector. He opined that while promoting social objectives, economic and business considerations should not be ignored. If carefully considered and efficiently worked out, the joint sector could provide a middle way between the attendant risks of regimentation and bureaucratization on the one hand and concentration of holding and wasteful competition of unrestricted private enterprise on the other.[40]

A.N. Oza has a strong critic of the joint sector policy as suggested by the ILPIC. He felt that the practical difficulties involved in operating joint sector enterprises through joint ownership, control and management will prove unsurmountable. The Government's policy was to encourage Large Industrial Houses to utilize their resources only for the development of core sector industries and backward regions. The large houses could fulfil this only if the Government helped them with large contributions to finance the enterprises. The poor performance of public enterprises has made the Government to acknowledge the superiority of private managements, but for this acknowledgement, the Government would probably need not have brought up the idea of joint sector. The only thing new about this concept was that it provided for contribution of public funds in the form of equity capital instead of loan so that Government can share in its profits with the private partners and by implication, "join the game of exploitation of the consumers and employees".[41] Oza thus considered joint sector was irrelevant from the point of view of public welfare and decentralisation of economic power.

A few other opinions were also expressed at the initial stages of introduction of the concept. For instance, it was said that the joint sector concept was twisted out of shape to make it into an instrument for the benefit of private sector.[42] Mohit Sen remarked that it was nothing but a clear indication of Indian monopoly capital's attempt to complete takeover and subordinate the Indian state to itself. What the 'Grand alliance' could not accomplish through the ballot, the monopolists wished to achieve through this economic scheme. The joint sector idea of Tata-Subramaniam was identified by him as a vital link in the whole chain.[43]

Strongly arguing in favour of joint sector, Samuel Paul, et. al.[44] attempted to explore the rationale and scope of joint sector, to indicate possible guidelines for the organisation, management

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September 1972, pp. 19-22.

40. G.L. Mehta, "Some Issues in Joint Sector Development", Lok Udyog, Vol. VI, No. 6, September 1972, pp. 5-6, 27.

41. A.N. Oza," Dissecting the Joint Sector", Economic and Political Weekly, Vol. VII, No. 44, October 28, 1972, p. 2178-2180.

42. ibid., p. 2179.

43. Mohit Sen, "Mixed Economy and Joint Sector", Mainstream, Vol. 11, No. 14, December 2, 1972, pp.19-20.

44. Samuel Paul, et. al., op. cit., pp. 2415-2429.

and control of JSEs and to spell out the nature of public - private collaboration for making the joint sector experiment successful. They opined that joint sector deserved to be encouraged because of the significant role it can play in the social control of private industry, promotion of industrial growth, mobilisation of resources and broad-basing of entrepreneurship. It was further suggested that joint sector should not be restricted to the core sector or oligopolistic industries and may be permitted in all industries except industries reserved for state sector and small scale sector.

The joint sector policy adopted in the aftermath of Congress split has to be viewed from the curbing of growing concentration of economic power and encouraging new entrepreneurs by breaking the historically built up conglomerates of industrial empires controlled by the large industrial families. H.K. Paranjape saw an answer to this dilemma in the conversion of existing large companies, in which financial institutions hold substantial equity capital, as suggested by the ILPIC, into joint sector companies.[45] Paranjape, himself a member of the Dutt Committee, felt that the question of large industrial houses can be solved by means of a surgical operation under which the largest companies under these houses are taken out of their control and brought under the joint sector[46]. According to him the economic power of these houses can be significantly reduced if top companies are taken away from their control, their equity structure changed and historically developed but now dys-functional inter-connections between them and other group companies severed. Such a structural change can help to reduce concentration of economic power and therefore, give the way for achieving equality of wealth and income. He further added that there should not be any inhibition regarding growth of large units in the joint sector. The economies of scale and the need to promote competitive environment will have to be the guiding principles for deciding the size of the units.

Mathew and Amarchand felt that the concept of joint sector implies a sector covering companies in which both Government and private sector ownership will be present but the justification for its treatment as a separate sector lies in the fact that apart from joint ownership there will be a considerable joint control too. The control from the side of the Government will be exercised through directors nominated by the Government agencies. It is through these 'Nominee Directors' that the Government participation will prove to be effective and fruitful.[47]

After Samuel Paul and Paranjape, Aurobindo Ghose commented extensively on the sector.[48] Ghose examined the meaning and evolution of the joint sector concept and its relation to the nature of capitalist crisis. He further dealt with how this sector was designed to meet the problems of development of Indian monopoly capital. The main observations of his study were :

45. H.K. Paranjape, "Industrial Policy: Is a Revision Necessary?", Mainstream, vol. 12, No. 9, October 27, 1973, pp. 6-8.

46. H.K. Paranjape, "The Joint Sector", Economic and Political Weekly, Vol. VIII, No. 15, November 10, 1973, pp. 2017-2022.

47. M.O. Mathew and D. Amarchand, "Nominee Directors on the Boards of Joint Sector Companies", Lok Udyog, Vol. VII, NO. 12, March 1974, pp. 29-31.

48. Aurobindo Ghose, "Joint Sector and Control of Indian Monopoly", Economic and Political Weekly, Vol. IX, No. 23, June 8, 1974, pp. 906-916.

First, increasing indivisibility of investment increases monopolies' needs for institutional finance. In the joint sector there is joint promotion by the Government and private promoter. It thus halves the private promoters' investment in new projects. With a given amount of investible surplus in the joint sector it becomes possible for a large industrial house to double the number of projects;

Secondly, joint promotion by the Government and the use of its good office, helps in expediting the project in different ways and reducing the bureaucratic element in the investment lag. Thus, the monopolist's own capacity to adjust and reverse his investment decision is correspondingly increased;

Thirdly, in relation to foreign monopoly capital, the joint sector's bargaining power is enhanced;

Fourthly, the joint sector is a means to expand the areas and spheres of operations of Indian monopoly capital relative to the public sector without a corresponding reduction in the volume of public investment. It would make entry of Indian monopoly into such industries possible through greater financial assistance and other means of promotion without modification of the IPR 1956; and

Finally, joint sector would become an alternative to the nationalisation of monopoly houses. Such nationalisation of monopoly houses is both institutionally necessary and technically possible. But the propagation of the joint sector as an envisaged instrument of control of monopoly would lessen the force of the nationalisation argument.

Thus, Ghose found the joint sector to be an ingenious instrument of protection and promotion of Indian monopoly capital in its crisis phase. In his critique of Ghose's thesis, Paranjape noted that Ghose placed enormous emphasis on Parliamentary accountability and public audit aspects of public sector. According to him, among the major factors that made a mockery of the public sector in India were the wrong type of public accountability, audit system and bureaucratic dominance which make professional managements of these enterprises difficult to function. He, however, agreed with Ghose that the term joint sector was misused and a number of units were being set-up by State Governments which fit in more with the ideas put forward by J.R.D. Tata and FICCI and that such projects were likely to be an aid to the growth of monopolies instead of joint sector turning out to be an instrument of curbing private concentration of economic power.[49]

L.C. Gupta[50] too examined the joint sector as a possible measure of reform directed towards solving the problems of concentration of economic power and accountability in the private corporate sector. His study attempted to cover the ownership, control and top-management pattern of the private corporate sector as also the socio-political problems resulting from the concentration of economic power. The main findings of the study were as follows:

(1) From 1956 onwards, the ownership of the private corporate sector was

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49. H.K. Paranjape, "Joint Sector and Control of Indian Monopoly: A Comment", Economic and Political Weekly, Vol. IX, No. 38, 1974, pp. 1629-1632.

50. L.C. Gupta, Corporate Management and Accountability - Towards a Joint Sector, Macmillan, Delhi, 1974.

progressively slipping into the hands of public financial institutions. By the beginning of the 1970s, the corporate ownership had already become 'Joint' to a substantial extent.

(2) A more satisfactory approach to the problem of economic power was not by restricting the size of projects where the economies of scale were available but by devising a built-in mechanism of checks and balances through a reorganisation of the top management structures so that executive power is combined with effective executive accountability.

(3) Regarding the joint sector versus public sector, the argument in favour of substituting the joint sector form of enterprises in place of public sector lies in efficiency. The existence of private investors and institutional bodies as partners in the equity of joint sector enterprises is expected to provide built-in pressure for achieving profitability.

(4) Finally, the evolution of the joint sector form of enterprises may well prove to be a decisive influence on India's future economic organisation. If this experiment succeeds, it may be used as a major reform in the system of control and management, not only for big private sector firms but also for public sector enterprises.

According to him, joint sector was "undoubtedly an idea with revolutionary potential".[51]

Sandesara[52] identified four possible types of joint sector enterprises on the basis of dominant position held by the public and private sectors in ownership and management. He said that it was naive to believe that the interest of private sector and the state need not be antagonistic, but the mutual trust between them was the essence of the joint sector. The appeal of first category of joint sector to state arises because of its majority in ownership as well as in management. Besides it must also benefit from the participation of the private management. The second type of joint sector may also appeal more to the state even though the private sector has majority equity, the state has majority representation on the board. The third type of joint sector envisages majority equity held by the state but minority representation on the board. The fourth type is where the private sector has the major share in equity as also majority representation in the board which according to him was the only feasible type of joint sector. Regarding the involvement of Large Industrial Houses and foreign controlled companies in joint sector, he remarked that it goes against the very objective of preventing concentration of economic power in private hands as such joint ventures tend to "strengthen the hold of the private sector on the resources of even the state".[53]

Sandesara observed that the joint sector as suggested by the Dutt Committee, businessmen and other academicians would not materialise due to the possibility that sharing of management by

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51. ibid., p. 122.

52. J.C Sandesara, "Joint-Sector: Alternatives and Implications", in R.C. Dutt and Raj K. Nigam (eds.), Towards Commanding Heights, Standing Conference of Public Enterprises (SCOPE), New Delhi, 1975, pp. 386-401.

53. Ibid., p. 390.

the state in joint sector companies may not yield favourable results in terms of efficiency. If the private management cannot be as efficient in the joint sector as in the private sector for structural reasons as well as for the fear that the joint sector was a transitory sector designed to be replaced sooner or later by the public sector, the joint sector loses its principal rationale. Thus the joint sector was at best a halfway house and cannot be a good alternative to public sector or private sector.

4 Objectives of the Joint Sector

The broad objectives of the joint sector as reflected in various policy documents, research studies and comments of policy analysts can be described as follows:

(i) Acceleration of Industrialisation and Balanced Regional Development

Acceleration of industrial growth and balanced regional development appear to be an important objective of the joint sector from the point of state-level promotional agencies.[54] Many of the states possess rich natural resources but the risk capital is not easily forthcoming to commercially exploit these resources. The states were, therefore, expected to play an active role in attracting investment to these areas. The joining of SIDCs and private sector could accelerate industrial growth in their respective states as it enables pooling of resources for setting up of large projects. In the joint sector, due to the active role assigned to the state, the state could direct the JSEs to locate the units in industrially backward areas which would help in achieving balanced regional development.

(ii) Resource Mobilization

Public participation in industrial ventures could be either through their direct participation in equity capital at the time of public issue or indirectly through banks, insurance companies and mutual funds. However, when the capital market is not well developed, mobilising finance from the public by new and small entrepreneurs would be comparatively a difficult task.

Participation of governmental agencies to the extent of 26 per cent or more in the risk capital of JSEs would help build confidence and thus enable the private promoters to mobilise resources from general public and other sources. Promotion of joint sector projects in association with local entrepreneurs is also likely to encourage local people, businessmen and agriculturists to employ their savings in industrial ventures.

(iii) Broadbasing of Entrepreneurship

Broadbasing of entrepreneurs to help technocrats, local business people and agriculturalists to participate in joint ventures is another objective which seems to have guided joint sector policy. Given the limitation of their experience, organisational abilities and financial resources, new entrepreneurs tend to confine their manufacturing activities closer to their place of settlement. Therefore, encouragement to new and first generation entrepreneurs and technocrats is likely to help not only in mobilizing local resources but also work towards balanced regional development. Such entrepreneurs may eventually emerge as significant local industrialists. Preference for such

54. Samuel Paul, et. al., op. cit., pp. 2419-2424.

entrepreneurs would indirectly mean lesser involvement of Large Industrial Houses and an indirect way of keeping a check on the concentration of economic power.

(iv) Social Control over Industry

State participation in the ownership and management of enterprises jointly with private entrepreneurs gives the state an effective instrument of controlling monopolies, concentration of economic power and business mal-practices. The concept of joint sector as recommended by the ILPIC was based on the experience that in projects promoted by large industrial houses majority of funds are provided by public institutions. This approach was expected to make the private sector socially responsive and be an effective check on concentration of economic power and the ill-effects associated with it. It is important to note that ILPIC's recommendations implied conversion of even the existing large private sector companies having substantial shareholding/long term finance of public sector financial institutions, into joint sector ones through the mechanism of conversion of loans into equity.[55]

It can be seen from the above that these objectives of joint sector reflect both the promotional and regulatory roles of the state in industrial development. Of the four objectives described above, it can be said that the interests of both the state and private sector coincide in the first three cases and indeed, the private sector itself welcomed the idea of joint sector after initially expressing its apprehension. The objective of social control over industry, checking the concentration of economic power in the hands of large industrial houses by converting major companies of the houses into JSEs would, however, be not to the liking of the private industry. The private sector's apprehension of `back door nationalisation' should be seen in this light. It is also relevant to mention in this context that Section 27 of the MRTP Act, 1969 provided for breaking up large private sector companies in order to effectively deal with concentration of economic power.

5 Types of Joint Sector Enterprises

The joint sector concept received policy support of the Central Government in the early 'seventies in a particular context. Its promotion and development was, however, left entirely to the state Governments. Since then the States directly or through their nodal or developmental agencies, such as SIDCs/SIICs/SEDCs, were given licences to set up industries in their respective states. The states have been following different industrialization strategies within the frame work of the industrial policy announced by the Central Government from time to time.[56] Joint ventures came into being in a variety of combinations depending upon the broad category of promoters and the public participation in the risk capital. The following are the different forms identified by us whereby a public sector organisation involved itself in the risk capital of an enterprise, along with

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55. ILPIC, op. cit., p. 186.

56. For a description of major state-level industrial policy elements and incentive structure see: Government of India, Planning Commission, National committee on the Development of Backward Areas, Report on General Issues Relating to Backward Areas Development, November 1981; PHD Chamber of Commerce & Industry, Industrial Incentives: An Inter-State Comparison, New Delhi, 1983 and also 1984.

others and which were officially referred to as constituents of the joint sector at one point or the other.

(1) Joint ventures between two public sector Enterprises

The Central Government or Central Public Enterprises having necessary expertise or experience in industry may sometimes join with the State Government or state level public enterprises to implement certain projects under joint venture scheme with or without public participation.[57]

(2) Ventures of public sector enterprises and/or State Governments with no identifiable private promoter but with the participation of general public

Under this category the public at large will participate in the risk capital along with the State Government or state level public enterprises. The majority equity of 51 per cent or more may be held by the State or PSEs and the balance by the general public through public issue of shares. As per the definition of the Companies Act, 1956, such companies are, however, treated as Government companies.[58] There can be other cases where the Government/Public Enterprises holds minority shares and the rest by general public with no identifiable private promoter.

(3) Joint venture between public enterprise and Co-operatives or workers of an enterprise

In this form of joint venture, a part of equity is held by a co-operative society and the rest by public sector enterprise or Government. Similarly, part of the equity might be held by workers individually or an organisation formed by them.

(4) Joint venture between public enterprises and domestic private entrepreneurs

In this category, the State Government or State Government Undertakings, who are assigned promotional and developmental role hold licences for projects to be implemented under joint venture scheme, invite prospective private promoters to participate in the project. The equity pattern of the proposed enterprise would be such that state level promotional agencies will hold minimum of 26 per cent, the private promoter 25 per cent and balance 49 per cent will be subscribed by the public at large. On the other hand, the private promoter who holds industrial license may approach the state level agencies to implement the license in the joint sector.

(5) Joint venture between public enterprises and foreign collaborators

In this case, public enterprise jointly with foreign collaborators with or without an Indian private promoter may participate in the share capital to promote an enterprise as a joint venture. PSEs who hold individual licences may also directly enter into an agreement with foreign

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57. For example, Madhya Pradesh Electricals Ltd was a joint sector company of Madhya Pradesh Audyogic Vikas Nigam Ltd, an industrial promotional organisation in Madhya Pradesh and the NGEF Ltd, a Government of Karnataka enterprise. There are some other such cases in operation with the joint ownership of the Central and State Governments.

58. Under section 617 of the Companies Act, 1956, "Government Company means any company in which not less than fifty one per cent of the paid-up capital is held by the Central Government, or by any State Government or Governments or partly by the Central Government, and partly by one or more State Governments also includes a company which is a subsidiary of Government company thus defined". See: A. Ramaiya, op. cit., p. 1443.

collaborators to participate in the joint venture.[59] Experience shows that in some state-level public enterprises have entered into such agreements. In this type of joint ventures, state holds 26 per cent, foreign collaborators 25 per cent and the balance by the general public. In case the joint sector enterprises also involve Indian promoters, the guidelines indicate that state corporations should hold a minimum of 25 per cent, Indian entrepreneur 20 per cent foreign promoter 20 per cent and the balance 35 per cent offered to the general public.

It may be noted that only category (4) and (5) involve private promoter.[60] It is also necessary to mention that many private sector companies are not treated as JSEs in spite of the fact that public financial institutions hold substantial shares in them.[61] On the other hand, companies not less than 51 per cent of whose paid-up share capital is held by the Central Government, State Governments, Government-owned corporations including public financial institutions are treated as if they were Government companies for purposes of appointing auditors.[62] The coverage of the definition of a public financial institution under the Companies Act, 1956, underwent changes as a number of institutions were de-notified. This resulted in limiting the application of this provision.[63] The main point that is sought to be made here is that a number of companies remain outside the joint sector framework in spite of public sector having more than 25 per cent holding in their risk capital.

If the recommendations of ILPIC are taken in their spirit most of such companies should have been treated as belonging to the joint sector. In practice, however, it turned out to be

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59. In some cases foreign companies were directly involved in joint ventures with the State or SIDCs. For example, Punjab Anand Lamp Industries Ltd. was promoted as a joint venture of Punjab State Industrial Development Corpn. Ltd. (PSIDC) (26 per cent) and N.V. Phillips BV, Netherlands (25 per cent), and C.L. Anand (10 per cent) and the balance by the public. Noble Explochem is a joint venture between State Industrial Corporation of Maharashtra Ltd. (SICOM) (28 per cent) and AB Bofors Sweden, Dyno Industries, Norway and Swedish Fund for Industrial Cooperation with Developing Countries together holding 23.69 per cent of the equity capital.

60. At this point it may be useful to clarify that the term joint sector needs to be distinguished from joint ventures. In the Indian policy context, joint venture means firstly an enterprise which is set up with joint participation of Indian and foreign capital. Secondly business ventures set up by the Indian firms (belonging to either public or private sectors) in other countries are referred to as Indian joint ventures abroad.

61. It is also relevant to mention that a special resolution needs to be passed for (re)appointing auditors if not less than 25 per cent of the subscribed share capital is held whether singly or in any combination by --
    (a) a public financial institution or a Government company or Central Government or any State Government, or
    (b) any financial or other institution established by any Provincial or State Act, in which a State Government holds not less than fifty-one per cent of the subscribed share capital, or
    (c) a nationalised bank or an insurance company carrying on general insurance business.

    See: Section 224A and the relevant explanation in A. Ramaiya, op. cit., p. 693.

62. Such companies are treated as 'deemed Government companies'. See: Section 619-B of the Companies Act, 1956.

63. For a discussion on deemed government companies and the manner in which institutions like Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India were de-notified by the Department of Company Affairs and its implications see: S.K. Goyal, "Public Accountability of Deemed Government Companies", in Ayub Syed (ed.), op. cit., pp. 16-23.

otherwise. Moreover, nominees of the financial institutions appear on a large number of companies either because the institutions have equity participation in those companies or the loan agreements provided for such representation on the loanee company's board.