

PREFACE

The National Institute of Public Finance and Policy is an autonomous, non-profit organisation whose major functions are to carry out research, do consultancy work and undertake training in the area of public finance and policy. In addition to carrying out on its own research studies on subjects that are considered to be important from the national point of view in terms of policy formulation, the Institute also undertakes research projects on subjects of public interest, sponsored by member governments and other institutions.

The present study was sponsored by the Associated Chambers of Commerce and Industry of India (ASSOCHAM), one of the sponsors of the Institute. In April 1979, the President of Assocham, Mr. A.L. Mudaliar, proposed that the Institute undertake a fairly comprehensive study of the trends in resource mobilisation in the private corporate sector during the past 10-15 years. According to the terms of reference agreed upon between Assocham and the Institute, the study was to bring out the major trends in the volume and pattern of resource mobilisation in the private corporate sector and the problems faced by the corporate sector in this area, covering such aspects of the subject as (i) the components of resources mobilised, (ii) the sources of finance, (iii) the pattern of utilisation of resources, *i.e.*, the composition of gross capital formation by the corporate sector and (iv) the effects of governmental policies, especially fiscal and monetary policies, on the corporate sector's financing strategies and on its ability to mobilise resources. In analysing the various facets of the problem as detailed above, attention was to be paid to the differences in the composition of assets formation and in the pattern of resource mobilisation as between categories of companies classified according to size and industries. The Institute agreed also to make suggestions regarding major policy changes needed to promote healthier trends in, and a larger volume of, mobilisation of resources by the private corporate sector.

An Interim Report was submitted in November 1979, which formed the basis of discussion between the representatives of Assocham and the concerned staff of the Institute. In determining the contours and content of the study, the suggestions offered on the basis of the Interim Report have been kept in mind. The Final

Report was submitted to Assocham in April 1980 and a National Workshop to discuss the findings of the Report was organised by Assocham at Bombay on August 8, 1981, under the chairmanship of Dr. I.G. Patel, Governor, Reserve Bank of India.

The study has been conducted by a team of economists headed by V.D. Lall, who was the project leader. In this capacity, he planned and supervised the study. The other members of the project team were Srinivasa Madhur, K.K. Atri and Ranjana Ghoshal.

In addition to his over-all responsibilities as the project leader, V.D. Lall carried out the statistical and economic analysis on the pattern of resources mobilised and their use contained in Chapters II to IV. He also conducted most of the interviews with the leaders of industry and financial institutions. Srinivasa M. undertook the study of the impact of governmental policies on the resource mobilisation effort of the private corporate sector and was mainly responsible for carrying out the econometric exercises (except the computer operations) the results of which are reported in Chapters V and VI. K.K. Atri was largely responsible for the selection of the NIPFP sample and was in charge of processing the data on the computer. He prepared the programmes relating to the in-house processing of data on the Institute's computer. In addition, he undertook statistical exercises such as the deflation of current price series and carried out the econometric exercises relating to the determinants of resource mobilisation. R. Ghoshal worked on the definition of concepts in symbolic form to be reproduced in the Report and supervised the preparation of a number of tables. She also carried out part of the analysis of the trends in resource mobilisation on the basis of RBI data. The major part of her work, however, related to the Interim Report.

Chapters I to IV were drafted by V.D. Lall, Chapters V and VI by Srinivasa M and Chapter VII jointly drafted by R.J. Chelliah and V.D. Lall.

S. Gopalakrishnan and A.K. Gupta rendered research assistance throughout the duration of the project and helped the team in various ways. Vijaya Devi Kasana, Sujata Dutta and G. Narasingji also worked on the project for varying periods of time mainly in relation to data collection and tabulation and comparison of tables.

The Governing Body of the Institute does not take responsibility for any of the views expressed by the authors in the Report. The responsibility for the conclusions arrived at and the views expressed belongs to the Director and the staff of the Institute and more particularly to the authors of the Report.

March 23, 1982

R.J. CHELLIAH
Director

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In any data-based empirical research work, a number of researchers have to work together as a homogeneous team. In this regard, I was fortunate to get full cooperation from my team members; the nature of their contributions has been specified in the preface. I must specially mention the contributions of Srinivasa Madhur, K.K. Atri, S. Gopalakrishnan and A.K. Gupta. R.J. Chelliah took keen interest in the project throughout its duration. I have drawn heavily on his time and expertise. He offered various suggestions from time to time and also went through the whole draft meticulously.

A number of leading industrialists and senior officials of companies, financial institutions and the government gave us time for discussions within their tight schedule, at short notice; these discussions turned out to be very enlightening. In particular, I wish to mention the discussions I had with S. Kumarasundaram (ICI), P.K. Nanda (Metal Box), R.K. Hazari (Kamani), M.V. Arunachalam (Tube Investments), A.C. Shah (Bank of Baroda), S. Krishnamurthy (TELCO) and M.R. Mayya (Finance Ministry). A.L. Mudaliar offered useful comments on the Interim Report and M.H. Mody (Tata) on the Final Report. I.G. Patel, R.K. Hazari, P.R. Brahmananda, N.N. Pai and H.T. Parekh among others offered useful observations on the Report at a National Workshop organised by Assocham at Bombay on August 8, 1981 to discuss the findings of the study. These observations have been taken into account while revising the Report for publication.

The basic data were processed partly at the computer centre of the Indian Meteorological Department, Government of India and partly at that of the Council for Social Development. I am grateful to these two institutions for making available to us the computer time, and to K. Venkataramani, then of the Council for Social Development for writing a number of programmes.

Sushila Panjwani rendered valuable secretarial assistance throughout the duration of the project. The final typing of the report was done mainly by N. Natarajan and Satish Prabhu and partly by Suhas Kumar.

V.D. LALL
Project Leader

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