RESOURCE MOBILISATION IN THE PRIVATE CORPORATE SECTOR

I. OBJECTIVES, METHODOLOGY AND CONCEPTS

1. Objectives of the Study

The private corporate sector occupies an important position in the industrial economy of the country. While there has been some decline in its relative contribution to corporate investment and income generation over the years due to the phenomenal growth of the public sector, yet the contribution remains substantial. Precise estimates of the magnitude of investment in the private corporate sector are not available, but the Reserve Bank of India has presented estimates on the basis of identifiable sources of funds flowing into the sector through financial intermediaries and from internal sources. Such data show that total investible resources mobilised by the private non-financial corporate sector was Rs. 1,770 crore in 1975-76 and Rs. 1,777 crore in 1977-78. Investment in gross fixed assets and inventories during the same years amounted to Rs. 1,732 crore and Rs. 1,522 crore and these formed 98 per cent and 86 per cent, respectively, of gross capital formation in the private corporate sector in the two years (Table I.1).

If the industrial sector has to grow in the country, the need for the mobilisation of adequate resources by the corporate sector, which plays the leading role in industry, becomes crucial. In this connection, one would like to know what have been the trends in resource mobilisation[1] in the private corporate sector, how fast it has grown in relation to the needs for investment to create new

[1]By resource mobilisation in the country, we mean the total investment funds that have been mobilised. For the corporate sector, the term as used in the study, refers to the gross resources mobilised from within the corporate sector as well as from external sources such as the capital market, financial institutions, other lending agencies and trade and business associates. For a more comprehensive definition see section 8.

TABLE I.1

Investment by Private Non-Financial Corporate Sector
(At current prices)

(Rs. crore)

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
1. Capital raised (including debentures)	96	89	87	149	113	116	194	101	105
Less: intra-sector flows (estimated)	19	18	17	30	23	23	39	20	21
Net capital raised	77	71	70	119	90	93	155	81	84
2. Retained profits	142	168	158	168	367	497	219	215	193
3. Tax provision	—	—	—	—	—	—	—	—	46
4. Borrowings	391	387	424	765	894	1366	744	468	524
5. Sundry creditors	—	—	—	—	—	—	—	182	184
6. Depreciation	349	380	396	494	526	592	652	677	746
7. **TOTAL (1 to 6)**	**959**	**1006**	**1048**	**1546**	**1877**	**2548**	**1770**	**1623**	**1777**
8. Gross fixed assets and inventories	934	978	1022	1522	1684	2511	1732	1205	1522

Source: Reserve Bank of India, *Reports on Currency and Finance* (annual).
—: Indicates not available.

capacity as well as for replacements, what have been the major avenues for mobilising such resources and finally what has been the performance in the past. It would also be desirable to have an idea of the pattern of utilisation of the mobilised resources in order to see to what extent long-term fixed capital formation requirements could be met and whether long-term mobilised resources have been utilised for the purpose for which they were mobilised. One more aspect which assumes importance relates to the major determinants of the resource mobilisation effort, particularly, the factors which affect the principal components of mobilised resources. Hence the need for this study.

The major objectives of the study are, accordingly, as follows:

(*i*) Tracing the trends in resource mobilisation;
(*ii*) Assessing the pattern of resource mobilisation;
(*iii*) Offering an economic interpretation of the changes in the structural pattern of the resource mobilisation effort;
(*iv*) Analysing the utilisation of mobilised resources; and
(*v*) Quantifying the effects of government policy on the volume and composition of mobilised resources.

2. Period of Study

The analysis of the trends in resources mobilisation was carried out on the basis of data for a 15-year time period, 1961-62 to 1975-76[2]. This enabled us to measure growth over a 14-year period, 1962-63 to 1975-76. The analysis was divided into sub-periods that were marked off by the noticeable variations in the economic conditions that occurred during the longer period. During the early years of the sixties, which coincided with the Third Five Year Plan, there was a fairly widespread growth of the industrial base. Many new industrial products were introduced, among these being man-made fibres, electronic equipment, basic drugs, petrochemicals, industrial machinery and newsprint. The data on industrial production showed a definite and noticeable increase; the index of industrial production (base 1960 = 100) rose from 100 in 1960 to 150.9 in 1965. This achievement during the first half of the sixties was substantially better than the achievement during the fifties when the

[2] An analysis extending upto 1979-80, using data available after the completion of this study is presented in Annexure I.

index (base 1951 = 100) increased by 51.1 per cent between 1951 and 1959 (Table I.2).

In 1966, there was some setback in industrial operations caused particularly by the cut in plan expenditure during the non-plan years. The index of industrial production was 152.4 in 1966 (an increase of only one per cent over 1965 as compared to a minimum annual increase of 7.1 per cent during the first half of the sixties) and the index fell to 151.4 in 1967. The recessionary conditions which started from the structural fabrication industry soon spread to other engineering industries and then to chemicals and consumer goods industries. However, by the time other industries were affected by the recessionary forces, some of the industries affected earlier showed signs of recovery. The recovery even upto 1975-76 was, however, not enough to enable the industrial sector to attain an annual growth rate in their production of a level attained during the first half of the sixties. But definitely the low levels of 1966 and 1967 had been improved upon.

In the light of the changes in the economic conditions described above, we first divided the study period into three sub-periods: pre-recession period of good economic growth (1961-62 to 1964-65), the period of recession (1965-66 to 1968-69), and the post-recession period (1969-70 to 1975-76). The post-recession period was further divided into two sub-periods as inflationary pressures became quite noticeable particularly after the oil price hike in 1973. The four sub-periods then are as follows:

(*i*)	Pre-recession period	1961-62 to 1964-65
(*ii*)	Recession period	1965-66 to 1968-69
(*iii*)	Post-recession period (a)	1969-70 to 1971-72
(*iv*)	Post-recession period (b)	1972-73 to 1975-76

It may be mentioned here that the data on industrial production are in terms of the calendar year, but financial data that we used in our analysis are not in terms of the calendar year. Hence, the recovery in physical terms would be reflected in financial data only with a lag and a strict coincidence in the two sets of data cannot be expected.

TABLE I.2

Output of Manufacturing Sector (1951-52 to 1975-76)

	Index of industrial production		Income originating in registered manufacturing sector (1970-71 prices)	
	Index	Per cent change over the previous year	Income[1] (Rs. crore)	Per cent change over the previous year
	(Base 1951=100)			
1951	100.0	—[3]	—	—
1952	103.6	3.6	—	—
1953	105.6	1.9	—	—
1954	112.9	6.9	—	—
1955	122.4	8.4	—	—
1956	132.6	8.3	—	—
1957	137.3	3.5	—	—
1958	139.7	1.7	—	—
1959	151.1	8.2	—	—
	(Base 1960=100)			
1960	100.0	—	—	—
1961	109.2	9.2	2064	—
1962	119.7	9.6	2334	13.1
1963	129.7	8.4	2548	9.2
1964	140.9	8.6	2786	9.3
1965	150.9	7.1	2875	3.2
1966	152.4	1.0	2788	7.0
1967	151.4	—0.7	2780	—0.3
1968	161.1	6.4	2920	5.0
1969	172.5	7.1	3361	15.1
1970	180.7	4.8	3484	3.7
1971	188.3[2]	4.2	3550	1.9
1972	199.1[2]	5.8	3695	4.1
1973	202.4[2]	1.6	3896	5.4
1974	206.5[2]	2.0	3924	0.7
1975	215.6[2]	4.4	3970	1.2

Sources: 1. Government of India, C.S.O. (1976, 1979). *National Accounts Statistics.*
2. Government of India, C.S.O. (1977). *Statistical Abstract.*
3. Reserve Bank of India. *Reports on Currency and Finance* (annual).

Note : [1]The figures relate to financial year; for example, 1960 refers to 1960-61.
[2]These figures have been converted to 1960 base from their original base year 1970=100.
[3]—: Not computed.

3. Sources of Data

Two sources of data have been used in this study:

(*i*) Company finance data published periodically by the Reserve Bank of India (RBI data) for samples of large and medium public limited and private limited companies in the private corporate manufacturing sector;

(*ii*) Company finance data of a sample of 99 large public limited companies in the private corporate manufacturing sector (NIPFP sample). The sample was chosen from among all the large manufacturing companies operating in the private corporate sector, on the basis of stratified random sampling, and it represented 23 per cent of the paid-up capital of all large (with paid-up share capital of Rs. 1 crore or more) manufacturing companies operating in the country. The data were specially compiled for the sample companies from the *Bombay Stock Exchange Directory*.

Both the sources of data relate exclusively to manufacturing companies and, therefore, exclude investment, services, trading, mining, banking and other non-manufacturing units in the private corporate sector; they also exclude small companies, foreign companies and government companies.

The RBI data were classified only under three sub-periods, due to the changing size of the RBI sample, each sub-period coinciding with a change in the sample size. The NIPFP data were classified under more appropriate sub-periods as the data for the whole time series were homogeneous. The NIPFP sample fully represents the major areas of industrial operations in the private corporate sector. It was scientifically selected on the basis of stratified random sampling procedure.

This study is based primarily on the study and analysis of sample data canvassed by the NIPFP (NIPFP sample data); some comparisons with the results that emanate from an analysis of the RBI sample data are, however, presented. The disaggregated results by industry groups and other groups of public limited companies is based only on the NIPFP sample data. The analysis of private limited companies is based on the RBI data. The econometric exercises in chapters V and VI are also based on the RBI data. Even though the NIPFP sample data were available for 15 years, there

was some irregular behaviour in the data in three of the individual years and if these three years were excluded, the NIPFP sample would have left only 12 observations; statistically, these were inadequate to draw any definite conclusions. On the other hand, the RBI data were available for a longer time period. We have taken the RBI data for 20 years and in only two of these years there was some irregular behaviour, leaving 18 observations for our econometric exercises.

4. NIPFP Sample

(a) *Selection of NIPFP sample*

The list of all large and medium public limited companies operating in the private corporate sector with a paid-up share capital of Rs. 50 lakh or more was obtained from the Company Law Board, Ministry of Company Affairs; there were 1138 companies in this list compiled for the year 1975-76. From this list we first eliminated companies having paid-up share capital of less than Rs. 1 crore and secondly, from the remaining companies, also the companies which were not engaged in manufacturing activities but operating in the areas of trading, services, finance, agriculture and mining.

The company population from which the sample was constituted then consisted of 431 companies with a combined paid-up share capital of Rs. 1537 crore. We intended to have a sample coverage in terms of number of companies of about one-fifth of the company population as defined above. Random numbers were generated on the basis of a five-fold classification of the population companies by industry groups and a three-fold classification by size groups, size being measured in terms of paid-up share capital. The 431 companies in the population were then distributed among the five industry groups and the three size groups and the random numbers, generated on our own, were used to select the sample companies. Subsequently, we found that in the case of some companies we could not get all the required data from the *Bombay Stock Exchange Directory*. Further, as it was necessary for the purpose of our study to have a homogeneous sample for the whole period, we also excluded companies which were not operating throughout the period 1961-62 to 1975-76; in other words, we excluded the companies which were registered after 1961-62[3]. We replaced such

[3]There were only three such companies in the sample.

companies by others having subsequent serial numbers and thus we ultimately constituted a sample of 99 companies. The NIPFP sample, so constituted, accounted for 24 per cent of the total company population (in terms of numbers) and 25.7 per cent of their total paid-up share capital in 1975-76.

The coverage of the NIPFP sample, in terms of both the size of the company population and their paid-up share capital, can be considered to be satisfactory. As the stratifiied random sampling technique was adopted for the selection of the NIPFP sample and, further, as the NIPFP sample is homogenous throughout the period of study, unlike the RBI sample, we feel that our aggregate as well as the sectoral results derived on the basis of the NIPFP sample can claim to represent more faithfully the realities of the corporate situation.

(*b*) *Sectoral Break-up*

As has been indicated in sub-section 4(a), the NIPFP sample took into consideration the distribution of companies according to five industry groups and three size groups. As such, the sample reflects adequately the pattern of resource mobilisation that can be expected for the large-scale private corporate manufacturing sector as far as these industry and size groups are concerned. The five broad industry groups were, for the purpose of analysis, further categorised into several distinct industrial groups, 14 in number. Our analysis of the behaviour of the five broad industry groups is on firm grounds as the sample was chosen so as to represent them. As pre-determined weights were not given to the 14 individual industry groups, the results of our analysis may not fully reflect the pattern of resource mobilisation in each of these 14 industry groups in the whole relevant corporate population.

The size-wise analysis for the NIPFP sample, for the three size groups, was based on the following definition of size in terms of paid-up share capital and total assets:

	In terms of	
	Share capital	*Total assets*
(*i*) Small companies	Less than Rs. 5 crore	Less than Rs. 15 crore

(*ii*)	Medium companies	Rs. 5 crore to less than Rs. 10 crore	Rs. 15 crore to less than Rs. 30 crore
(*iii*)	Large companies	Rs. 10 crore and above	Rs. 30 crore and above

The classification into 'small', 'medium', and 'large' companies, as defined above, is with reference to only the NIPFP sample of 99 companies. If we take the corporate population as a whole, none of the NIPFP sample companies could be termed small; in fact, they could be more appropriately termed medium and large companies. However, for facilitating our analysis of groups of companies within the NIPFP sample, the three-fold classification by size as defined above was adopted.

It may be pointed out that only the results that emerge from the size-wise analysis based on paid-up share capital can be construed to be representative of the situation in the large scale corporate sector (as the size groups were given appropriate weights in the sample selection); the results of the analysis based on the total assets as the measure of size cannot be so construed.

Even though at the stage of selecting the NIPFP sample, weights were given only to industry and size groups in the relevant corporate population, we classified the NIPFP sample companies also on the basis of some other criteria in order to assess the variations in the pattern of resource mobilisation by different groups of companies classified on the basis of such criteria. We classified companies on the basis of the year of their incorporation as a public limited corporate entity, according to their location (*i.e.*, the location of their registered office) and according to the level of corporate efficiency as measured by the compound growth rate of their gross fixed assets and their effective tax liability.

The age-wise analysis was made under the following four age groups:

(*i*) Very old companies: incorporated before and upto 1935;
(*ii*) Old companies: incorporated between 1936 and 1950;
(*iii*) Recent companies: incorporated between 1951 and 1955; and
(*iv*) New companies: incorporated between 1956 and 1961.

It may be pointed out that the age-wise classification into 'very-

old', 'old', 'recent' and 'new' was only introduced to facilitate the analysis of the differential behaviour of companies within the sample. As none of the sample companies were incorporated after 1961, and, therefore, all of them were in existence for 15 years or more, none of them could strictly be considered to be new.

The location-wise analysis, based on the location of the registered office of the company (irrespective of the location of the factory/factories) was made under the following three groups:

(*i*) Major industrial centres such as Bombay, Ahmedabad, Calcutta, Kanpur, Madras and New Delhi;
(*ii*) Locations adjacent to the major industrial centres such as Lucknow, Pune and Faridabad;
(*iii*) Other locations.

The efficiency-wise analysis was made under the following three groups in terms of the compound growth rate of gross fixed assets and the effective corporate tax liability;

(*i*) Companies with low average rates: less than 7.5 per cent for growth of gross fixed assets (compound rate) and less than 30 per cent for effective tax liability;[4]
(*ii*) Companies with average rates: between 7.5 per cent and 12.5 per cent for growth in gross fixed assets and between 30 per cent and 39 per cent for effective tax liability;
(*iii*) Companies with above average rates: above 12.5 per cent for growth in gross fixed assets and above 39 per cent for effective tax liability.

(*c*) *Sample Distribution*

The NIPFP sample of 99 companies had a total paid-up share capital of Rs. 395 crore in 1975-76. The distribution of the sample companies and their paid-up share capital into disaggregated groups is presented in Table I.3.

5. Aspects of Analysis

The analysis of trends in resource mobilisation and its changing composition over time was first made at the macro level. The

[4]Effective tax rate was measured in terms of tax provision as per cent of profits before tax.

TABLE I.3

Distribution of NIPFP Sample (1975-76)

	Number of companies		Paid-up share capital	
	Number	per cent	Rs. crore	per cent
I. Size-groups (by share capital)				
a. small	80	80.81	181.62	45.98
b. medium	12	12.12	85.63	21.68
c. large	7	7.07	127.76	32.34
II. Size-groups (by total assets)				
a. small	49	49.50	81.53	20.64
b. medium	28	28.28	90.04	22.79
c. large	22	22.22	223.44	56.57
III. Age groups				
a. very old	31	31.31	112.51	28.48
b. old	39	39.40	165.05	41.79
c. recent	4	4.04	15.29	3.87
d. new	25	25.25	102.16	25.86
IV. Location groups				
a. major industrial centres	23	23.23	72.09	18.25
b. around major industrial centres	68	68.69	292.06	73.94
c. far from major industrial centres	8	8.08	30.86	7.81
V. Industry groups				
a. chemicals	15	15.15	58.84	14.90
b. engineering	31	31.31	125.31	31.72
c. textiles	19	19.19	59.21	14.99
d. food products	7	7.07	14.24	3.60
e. miscellaneous	27	27.28	137.41	34.79
VI. Growth rate groups				
a. below average	21	21.21	78.85	19.96
b. average	36	36.36	110.18	27.90
c. above average	42	42.43	205.98	52.14
VII. Tax liability groups				
a. below average	45	45.46	173.53	43.93
b. average	14	14.14	85.78	21.71
c. above average	40	40.40	135.70	34.36
TOTAL	**99**	**100.00**	**395.01**	**100.00**

study of the salient structural changes in the pattern of resource mobilisation over the 14-year period was supplemented by an analysis of the trends in the sub-periods and also by year to year analysis. The main purpose was to identify and bring out the important structural variations and to attempt an economic explanation for the variations. The analysis was also supplemented by an econometric study of the year to year variation in gross mobilised resources. An analysis was then made of the pattern of use of the mobilised resources for both fixed capital formation and inventory build-up. The objectives were to assess the extent to which mobilised long-term resources could meet the requirements of fixed capital formation and to examine whether fixed capital formation had grown fast enough.

The analysis of the sources and uses of mobilised resources was made in current values and also in real terms, to arrive at the real growth in resources and in capital formation in the private corporate sector.

Certain econometric exercises were carried out to assess the extent to which, and the manner in which, selected categories of government policies could have affected the pattern of resource mobilisation. The government policies selected for the quantitative analysis were fiscal policy as reflected in the effective corporate tax rate at which the tax was paid by the private corporate sector and monetary policy as reflected by the bank rate and credit availability. The time horizon was extended to 20 years, 1956-57 to 1975-76, for the econometric exercises.

6. Sectoral Studies

The macro level analysis of the pattern of resource mobilisation was supplemented by micro level studies in respect of selected individual industries and different groups of companies, depending upon the size of operations, location, age and the level of economic efficiency, the last being taken to be reflected by the level of effective tax liability and the rate of growth of gross fixed assets. A comparative study was also made of public limited companies *vis-a-vis* private limited companies.

The purpose of such micro level studies was to examine various possible economic explanations for the observed structural changes in the pattern of resource mobilisation of the corporate sector.

7. Qualitative Assessment

In order to identify the problems encountered by the private corporate sector in raising resources for use in capital formation, and also to have an idea about the ways in which the private corporate sector felt such problems could be resolved, we discussed these issues with a number of selected leaders of industry and financial institutions. We also obtained their reactions to our major findings. These qualitative opinions were kept in perspective while framing the policy-oriented suggestions in chapter VII.

8. Definition of Concepts

Resource mobilisation in our study was defined as the sum of the net increase, between two points of time, in paid-up share capital, reserves and surplus, long-term and short-term borrowings, debentures, depreciation and net miscellaneous current and non-current liabilities. Net miscellaneous liabilities were worked out by deducting current assets (such as loans and advances, investment, cash and bank balances, other debtor balances and other assets) from miscellaneous liabilities (such as trade dues, tax provision, and other current and non-current provisions and liabilities).

The flow of funds data compiled from balance sheets, thus, formed the basis for the measurement of resource mobilisation.

Paid-up share capital, equity plus preference, is obtained partially from internal sources by capitalisation of reserves through issue of bonus shares and partially from external sources, as new issues from the capital market and the premium on new issues. We have not shown separately forfeited shares but these, according to the RBI data, were negligible at 0.06 per cent of the paid-up share capital of the RBI sample companies in 1975-76.

It may be mentioned here that bonus shares do not represent mobilisation, but rather a transfer of resources from reserves to share capital. Their issue does have, however, a significant bearing on the corporate image in the capital market.

Apart from internal resources mobilised as reflected in the bonus shares, the other internal sources are statutory reserves like the development rebate reserve, the capital reserves built out of the proceeds arising from revaluation of assets and from

capital gains on the sale of assets, and other reserves which are dependent exclusively upon the annual internal plough-back. Paid-up share capital and reserves and surpluses together represent the owned funds of the companies.

Besides the stock market, other external sources from where the corporate sector mobilises resources include institutional and non-institutional lending agencies. While long-term resources for fixed capital formation are obtained from the long-term financial institutions, the commercial banking sector, government agencies and other miscellaneous sources, short-term working capital accommodation is obtained from commercial banks, trade and business associates and miscellaneous sources. The factors which affect the volume of long-term and short-term borrowings are not necessarily identical.

We have made our estimates of the break-up of long-term and short-term borrowings for the RBI sample for the period 1970-71 to 1975-76 by applying the balance sheet (BS) derived ratio of long-term borrowings to total borrowings from 'banks' and 'others' to the data on total borrowings from these sources as available in the sources and uses of funds (SUF) statements. In the case of the earlier period 1960-61 to 1965-66, however, such comparable data were not available even in the BS statements and the ratio of long-term borrowings to total borrowings from banks and others in 1965-66 was used to split such total borrowings into long-term and short-term borrowings. Total long-term borrowings for 1960-61 to 1965-66 were then computed by aggregating the borrowings from statutory financial corporations, debentures and other mortgages and the estimated long-term borrowings from 'banks' and 'others'. For the NIPFP sample, data were available only under two broad categories: short-term and long-term loans.

Resources from net miscellaneous sources, as indicated earlier, are those mobilised from suppliers of equipment, trade associates and business partners, etc.

An important internal source of finance is the annual accretion of depreciation on corporate fixed assets. Such funds are often used for meeting working capital obligations, though they are primarily meant to finance replacement of fixed capital. These funds represent usable resources available to the corporation and should therefore be regarded as one of the constituents of resources that are mobilised by the corporate sector; to the extent these funds

are available, the dependence on external funds can be said to be reduced. For the purpose of the econometric exercises relating to the study of the effect of fiscal and monetary policies on the resource mobilisation effort, however, depreciation was excluded since it is a wholly allowable deduction under the Income-tax Act and it is not affected by tax laws relating to corporate profits tax rate and the package of fiscal reliefs.[5]

The development rebate was also a statutory obligation which was not influenced by year to year variation in fiscal and monetary policies (unless changes were incorporated which directly affected the scale of the development rebate itself). The development rebate was included among the components of mobilised resources, because, even though it was a statutory obligation, it was not binding when allocable profits were not available and if unavailed of, could be carried forward for eight years. The development rebate benefit automatically lapsed if allocable profits were not available during the eligibility period. Subsequent to the period covered in this study, the development rebate was replaced by an investment allowance.

Gross mobilised resources are utilised for financing capital formation in the form of fixed assets and inventories. As such, the concept of gross mobilised resources used in this study would be equal to gross capital formation. Symbolically, the presentation would be as follows:

$$GCF_C = GRM$$

$$GCF_C - (NW + D - M_A) = TB + M_L$$

or

$$GRM = NW + D + TB + (M_L - M_A) \qquad .. \quad 1$$

where

$$NW = PUC + RS \qquad .. \quad 1(i)$$

$$TB = LTB + Db + STB \qquad .. \quad 1(ii)$$

$$M_L = (Pr + TrCL + NCL) \text{ and} \qquad .. \quad 1(iii)$$

$$M_A = (LA + I + CB + OA) \qquad .. \quad 1(iv)$$

[5]Exclusion of depreciation from the sources side of the flow of funds is a common practice in econometric studies on the pattern of corporate finances. See, for example; Venkatachalam and Sarma (1978), King (1977) and Sastry (1966).

The symbols have the following connotation:

CB	—	cash and bank balances,
D	—	depreciation provision in the current year,
Db	—	debentures,
GCF_C	—	gross capital formation,
GRM	—	gross resources mobilised,
I	—	investment,
LA	—	loans and advances and other debtor balances,
LTB	—	total long-term debt or long-term loans and debentures,
M_A	—	gross miscellaneous assets,
M_L	—	gross miscellaneous liabilities,
$(M_L—M_A)$	—	net miscellaneous liabilities or net of miscellaneous assets,
NCL	—	miscellaneous non-current liabilities,
NW	—	net worth,
OA	—	other assets,
P_r	—	provision for taxation (net of advance income tax) plus other current and non-current provisions,
PUC	—	paid-up share capital,
RS	—	reserves and surplus comprising of development rebate reserve, capital reserve and other reserves,
STB	—	short-term borrowings,
TB	—	total borrowings, consisting of debentures and long-term and short-term loans, and
TrCL	—	trade dues and other current liabilities.

9. Limitations of Data Used

(*a*) *RBI Data*

The composition of the RBI sample companies is not the same for the different periods; over the 15-year period that we covered, there were three different sample sizes for public limited companies, namely, 1333 companies for the period 1960-61 to 1965-66 (series I), 1501 companies for the period 1966-67 to 1969-70 (series II) and 1650 companies for the period 1970-71 to 1975-76 (series III). A growth rate analysis for the 15-year period was not possible unless the sample data were blown up; in fact, any analysis on the basis of

absolute amounts would have become inappropriate. The data were, however, useful in studying the variations in the structural composition of resource mobilisation from year to year and from period to period. The average annual growth rates for each of the periods do reflect to a considerable extent the variations in growth rates over the 15-year time horizon.

An operational problem arose in comparing the resource mobilisation data from the SUF statement with those derived from the BS data (difference between year t and year t_{-1}). The two sources did not always yield identical results. Our discussion with the Statistics Division of the Reserve Bank of India revealed that the discrepancy arose because of various adjustments made by the Reserve Bank of India for taking into account changes in the accounting years, amalgamation of companies and currency value adjustments due to devaluation and revaluation. The Reserve Bank of India does not provide data on such adjustments.

(*b*) *NIPFP Data*

The problems that arose in the handling of the RBI sample data due to variations in the accounting years, changes in currency values and amalgamation of companies hold true for the NIPFP sample. The last was not so serious as the NIPFP sample companies were the same throughout and there were no significant takeovers by these companies over the period of study.

Another limitation was that certain details about the sources of borrowings and the break-up of paid-up share capital were not available. This limitation was overcome by applying the RBI data break-up to the NIPFP sample figures so as to generate the requisite details.

As the NIPFP sample was homogeneous for the 14-year period, we were able to examine the growth rate over time in each of the major components of resource mobilisation. Such an analysis enabled us to identify the sources of fresh funds in the private corporate sector which had grown sharply and also those which had stagnated over time. We could then examine, after such an identification, the plausible explanations for the changing pattern of resource mobilisation, which would not have been possible without a homogeneous sample for the whole period.

An important difference between the RBI sample and the

NIPFP sample was that the latter had a lower proportion of companies which incurred losses in their operations than the former. This would result in some difference in the composition of the gross resources mobilised by companies in the two samples. Although the RBI sample had adequate coverage, since the NIPFP sample was homogeneous and uniform throughout the period of the study unlike the RBI sample, we have based our analysis largely on the basis of the NIPFP sample.

It may be emphasised again that the conclusions which emerge from this study relate to the large-scale manufacturing segment of the public limited companies in the private corporate sector. Small-scale units and all private limited companies were excluded; so also were non-manufacturing companies, government companies and foreign companies. (The RBI data were used for an analysis of private limited companies). The rationale for a restrictive coverage lay in the fact that the segment of the private corporate sector studied, though numerically not large, makes the major contribution to the resources mobilisation effort, as also to industrial capacity and investment in the private corporate sector.

10. Chapter Scheme

Following this introductory chapter, wherein the objectives, methodology and concepts of our study have been spelt out, we present in chapter II the macro level results based largely on the NIPFP sample data and supplemented by the analysis of the RBI sample data, wherever necessary. This is followed by an analysis at the aggregate level in chapter III on the utilisation of long-term and short-term gross mobilised resources for gross fixed assets and inventory formation; the changing pattern over time in the composition of the gross fixed assets would also be highlighted. The analysis in chapters II and III is first carried out in nominal terms and then in real terms.

In chapter IV, some disaggregated sectoral results are presented relating to industry groups, size groups, age groups, location groups, growth-rate groups and tax rate groups, primarily to bring out variations if any, in the pattern of resource mobilisation between different categories of companies.

The results of the econometric analysis of the effect of fiscal and monetary policies on the ratio of equity to debt finance and also on

the composition of owned funds are discussed in chapters V and VI. The qualitative assessment of the actual situation in the private corporate sector, as represented by the opinion of leaders of industry and financial institutions, is presented in the context of the major findings of our study in the concluding chapter VII, together with some broad policy implications of the findings.