

TRENDS IN CORPORATE FINANCING IN INDIA

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1. The growth of joint stock companies in India has been phenomenal, particularly in the 'sixties and 'seventies. Side by side the marked growth of companies in the public sector, the number of companies in the private sector has also gone up from 26 thousand in 1964-65 to over 41 thousand by March 1975. The State Governments have taken various measures to promote industrialization in developing areas by providing incentives, attractive infrastructure facilities and by granting concessions. Consequently a number of new companies came to be established as private or public limited companies to take advantage of Government's policies. It was also during the period that 14 major Banks were nationalized, Reserve Bank adopted policies for concessional credit to smaller units, preferential treatment to units in the priority sector and the financial institutions framed policies for concessional finance. Efforts were similarly made during this period to broadbase the bank credit and steps were taken to grant increased finance to units in backward areas and also on concessional terms. Against this background, it is worthwhile to examine the position in respect of credit and finance available, the totality of company finances with particular reference to bank credit in the non-Government, non-financial company sector and the trends if any, in the sources of funds in this sector.

2. Reserve Bank of India has been publishing for over a decade studies on Private and Public Limited Company finances. Based on size of paid-up capital, these are classified into large, medium and small companies. After publishing such studies regularly in the RBI Bulletin in 'sixties, a compilation was brought out covering the period 1960-61 to 1970-71. (This volume was published in April 1975).¹ In different groups viz., Large and Medium (Public), Large and Medium (Private), Small (Public) and Small (Private), company data have been presented. In respect of Large and Medium Public Limited Companies, data are presented for 31 industries and six major groups (such as agriculture and allied, mining and quarrying, processing, etc.); as regards large and medium private companies, only major industry groupwise data are given (industrywise data were not felt worthy of publication, as the number of companies covered in diffe-

¹ "Financial Statistics of Joint Stock Companies in India, 1960-61 to 1970-71." *Reserve Bank of India, 1975*, (pp. 42 + 497).