

THE RELATIVE SIZE AND DISTRIBUTION OF THE SHAREHOLDINGS OF THE LIFE INSURANCE CORPORATION OF INDIA 1957-63¹

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The state-owned Life Insurance Corporation of India (LIC)² is known to be the largest shareholder in many companies in the private sector of Indian industry. A great deal of curiosity has been shown about the relative size of its shareholdings, particularly equity holdings. Only some very fragmentary information is, however, available about their relative size and no information whatsoever is available about their distribution among companies of different size and category.³ This paper attempts to fill these gaps in the available data. The results will be found to be of wide interest from the viewpoints of corporate control, corporate finance and the institutional development of the share market in India.

I. *The Scope and Method of Enquiry*

This study is based on an analysis of the LIC's shareholdings in the companies listed on the Bombay Stock Exchange. The Bombay Stock Exchange alone accounts for over a half of the total value of all the listed shares in India⁴ and forms the hub of stock market activity in this country.⁵

It must be emphasized here that although the Bombay Stock Exchange represents a very important segment of the listed companies

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² The LIC was established on 1st September, 1956 as a statutory corporation following the nationalization of the life insurance business earlier in the year. It represents a fusion of 245 independent insurance organizations. (See LIC, *First Report*.)

³ For an earlier attempt by the author, see "An Enquiry into Ownership-pattern of Industrial Shares in India," *The Indian Economic Review*, Vol. IV (August, 1959), pp. 151-68.

⁴ According to data assembled by the Bombay Stock Exchange for February 1961, the Bombay Stock Exchange accounted for 52 per cent of the paid-up share capital of all quoted companies in India. In terms of the number of companies, however, the Calcutta Stock Exchange occupies the first position. See Bombay Stock Exchange, *Sketch of the Stock Market in India* (mimeographed; Bombay, 1961), Table 6.56, p. 109.

⁵ It may be observed here that the LIC does not normally invest in unlisted shares.