

The Indian corporate sector has two main components, namely, the government owned and privately owned companies. The size of both the companies, in terms of both numbers and capital, has grown fast particularly since beginning of the 'seventies'.¹ For instance, the number of both private limited and public limited private sector companies was 42,614 in 1975-76 and in 1989-90 it stood at 1,97,393. The total paid-up capital in this period increased from Rs.3,319 crores to Rs.14,738 crores.² This increase was due to expansion, diversification and modernisation in the private corporate sector. This understandably places greater demand for funds to meet the bulk of financing requirements of the companies.

The size of internally generated funds proved inadequate to finance substantial expansion and increase in the value of assets in a period of rising prices. However, for industrial growth, external finance is also needed and the volume of finance needed tends to increase along with industrial progress. That is why the companies rely more and more on borrowings from banks and financial institutions for their financing requirements. The commercial banks have traditionally been a major source of finance. With reordering of priorities in recent years an increasingly large proportion of resources of commercial banks are channelled to other uses such as meeting increased reserve requirements and credit to priority sectors.³ Still, larger funds from banks have continued to flow to corporate sector to meet fully the growing credit needs of industry. Institutional finance is now making a significant contribution to the development of the corporate sector. Apart from these resources, the companies have realised that the capital market is also a rich source of raising corporate finance. Simultaneously with the application of the Tandon Committee⁴ and Chore Committee⁵ norms to private corporate entities, efforts are made to encourage particularly medium and large industrial units to raise part of their resources through financial markets. Various non-banking instruments like convertible and non-convertible debentures and company deposits have been developed as part of a deliberate policy.

In this backdrop, it is necessary to study the trends in corporate finance, to

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2. H.S. Sahi, "Growth of corporate sector in India", Company News and Notes, Vol. XXVII, No. 12, June 1991, pp. 1-8.
3. D.C. Rao, "The structure of Corporate Finance and Some Related Policy Issues", RBI Occasional Papers, Vol. 1, No. 2, December 1980, p. 121.
4. Report of the study group to frame guidelines for follow-up of bank credit, Chairman, P.L. Tandon, Reserve Bank of India, Bombay, 1975.
5. Report of working group to review the system of cash credit, Chairman, K.B. Chore, Reserve Bank of India, Bombay, 1979.

understand the extent of which other sources of finance replaced banks. The objective of the present study is to analyse pattern of financing of the corporate sector, particularly by observing the trends in total borrowings. The main purpose is to identify and bring out the important structural variations among different categories of companies under study.

Data, Classification and Methodology

The study consists of three parts. The first part deals with the aggregate picture is based on the periodic surveys on company finances published in the Reserve Bank of India bulletins. We have taken the large public limited companies, private limited companies, medium and large public limited companies and foreign controlled rupee companies to bring out the overall trends in the Indian private corporate sector. The period covered varied for different categories of companies depending upon the data availability for different companies. While the period covered varied from category to category, the initial year was taken uniformly as 1975-76. The second part of the study attempts to analyse individual company level data in order to enlarge the scope of the analysis which was not possible with the aggregate data. For this purpose, we identified 365 public limited companies in the private sector each having a paid-up capital of Rs.1 crore and above. These companies were classified on the basis of ownership characteristics and profitability. From the aggregate studies we observed that foreign controlled rupee companies follow somewhat different financing practices. To examine this aspect more closely, we identified each of these companies according to the level of foreign equity and their status with regard to the Foreign Exchange Regulation Act, 1973. Companies belonging to large industrial houses are expected to attract public funds better through the stock market, compared to the small and medium entrepreneurs. The large houses might also prefer such funds over the institutional financing, in view of their known opposition to convertibility clause. The companies under study are therefore classified into those under the control of Top 20 industrial houses⁶(covered under MRTP Act). The classification was based on the pattern of share holding and the nature of management control.⁷ Lastly, the third part contains general conclusions of the study. Before giving an analytical account of large public limited companies we made an attempt to present the pattern of borrowings of different categories of companies as reflected in RBI studies.

PART I Trends in Borrowings of the Corporate Sector

^{6.} The Top 20 houses covered under the MRTP Act at the end of 1984 were: 1.Birla; 2.Tata; 3.J.K.Singhania; 4.Mafatlal; 5.Thapar; 6.Reliance; 7.Modi; 8.ACC; 9.Bangur; 10.Larsen and Toubro; 11.Sharabhai; 12.Bajaj; 13.ICI; 14.Mahindra; 15.Shri Ram; 16.Walchand; 17.Kirloskar; 18.ITC; 19.TVS Iyyengar; and 20.Hindustan lever.

^{7.} For this, we have mainly followed the official classifications. The studies conducted at the institute and information available with the Corporate Information System have also been taken note of.

From Table-1 shows some operative features of the companies in terms of ratios. It is noticed that total borrowings constituted about one-fourth of total liabilities in foreign controlled rupee companies and in the rest of the three categories (large public, medium and large public and private companies), these were over one-third of the total liabilities. When compared with other categories, medium and large public companies over time depended more on borrowings. In their borrowings constituted 35.00 per cent of total liabilities in 1975-76 and 40.29 per cent in 1987-88. Foreign controlled rupee companies depended significantly less on borrowings, which constituted 25.52 per cent in 1975-76 and 28.34 per cent in 1987-88. Share of borrowings thus increased faster in public companies than in foreign controlled rupee companies and private companies.

Table - 1
Borrowings as Percentage of Total Liabilities

Year	Large Public Ltd. Cos.	Private Ltd. Cos.	Medium & Large Public Ltd. Cos.	Foreign Controlled Rupee Cos.
1975-76	34.36	37.42	35.00	25.52
1976-77	34.70	36.57	35.37	24.76
1977-78	34.49	35.04	35.35	23.17
1978-79	33.80	36.29	34.87	22.88
1979-80	33.63	35.42	34.77	23.43
1980-81	33.82	35.12	34.77	25.78
1981-82	34.95	32.55	36.71	NA
1982-83	37.14	36.69	37.91	27.70
1983-84	38.01	37.15	39.42	27.28
1984-85	37.62	36.67	38.91	27.89
1985-86	37.92	36.70	38.03	26.94
1986-87	37.61	37.20	39.39	28.34
1987-88	38.47	38.00	40.29	NA

If we take into consideration the fact that large and medium public limited companies comprise of some foreign controlled rupee companies it can safely be assumed that the dependence of Indian constituents of the former category depended much more on external borrowings than our figures reflect. It was also observed that all the ratios declined during the 'seventies and increased in the 'eighties. All the same, the share of borrowings in total liabilities registered a rise in all the categories during the period of our study. The trends in within borrowings in different categories of the companies can be seen in the following lines.

A. Large Public Limited Companies

Total borrowings of large public limited companies have multiplied by more than five times from Rs.2,881 crores to Rs.15,754 crores, during the period of our study (Table-2 and 2A). Among all sources of borrowings, banks contributed the lion's share. But the share has declined from one-half to one-third i.e. from 49.89 per cent to 33.63 per cent. The significant decline in the share of bank borrowings is shared mainly by Indian financial institutions⁸ whose share in total liabilities increased sharply from 2.61 per cent to 26.11 per cent. The proportion of "other borrowings"⁹ also increased from 30.10 per cent to 36.32 per cent.

B. Private Limited Companies

When compared with large public limited companies, these companies were less dependent on borrowings. Their borrowings multiplied only by three times during the period i.e. from Rs.397 crores to Rs.1,373 crores (Table-3 and 3A). Of the total borrowings, banks were the largest credit source, contributing nearly two-thirds of the total. The pattern of borrowings remained comparatively stable over the study period. While bank credit fell from 64.43 per cent to 60.81 per cent, the contribution of Indian financial institutions increased from 1.97 per cent to 11.83 per cent. Both banks and financial institutions together contributed nearly three-fourths of the total borrowings towards the end of the period. The share of other borrowings increased from 23.50 per cent to 26.38 per cent.

C. Medium and Large Public Limited Companies

These companies depended more on borrowings than the above said large public and private limited companies. The borrowings of these companies increased six times from Rs.3,945 crores in 1975-76 to Rs.24,210 crores in 1987-

^{8.} IDBI, IFCI, ICICI, LIC, UTI, SFCs, SIDCs etc.,

^{9.} Here, "other borrowings" constitutes mainly debentures, public deposits and other debt.

Table - 2
Trends in Borrowings of Large Public Limited Companies

(Rs. Crores)

Year	Banks	Indian inst.	Foreign inst.	Government	Others	Total Borrowings
	1	2	3	4	5	6
1975-76	1437.37	340.59	111.11	124.77	867.39	2881.22
1976-77	1555.12	388.45	93.35	162.41	914.13	3113.46
1977-78	1634.91	433.55	75.87	216.91	991.59	3352.82
1978-79	1830.66	492.68	53.81	239.47	1001.45	3618.06
1979-80	2044.94	622.91	48.36	263.18	1143.36	4122.74
1980-81	2201.78	977.16	60.70	307.69	1470.77	5018.10
1981-82	2579.32	1389.42	99.13	328.57	1868.50	6264.94
1982-83	3083.11	1858.89	132.49	336.45	2762.59	8173.53
1983-84	3470.94	2102.14	159.46	340.98	3345.03	9418.55
1984-85	3850.38	2304.48	201.70	276.30	4156.03	10788.89
1985-86	4631.08	2933.63	203.36	239.73	5476.25	13484.04
1986-87	4828.10	3579.30	219.10	305.00	5037.50	13968.90
1987-88	5298.50	4113.90	276.30	343.90	5722.10	15754.60

Source: RBI, Reserve Bank of India Bulletins, Various issues, Bombay.

Table - 2A
Percentage Share in Total Borrowings

Year	Banks	Indian inst.	Foreign inst.	Government	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	49.89	11.82	3.86	4.33	30.10
1976-77	49.95	12.48	3.00	5.22	29.36
1977-78	48.76	12.93	2.26	6.47	29.57
1978-79	50.60	13.62	1.49	6.62	27.68
1979-80	49.60	15.11	1.17	6.38	27.73
1980-81	43.88	19.47	1.21	6.13	29.31
1981-82	41.17	22.18	1.58	5.24	29.82
1982-83	37.72	22.74	1.62	4.12	33.80
1983-84	36.85	22.32	1.69	3.62	35.52
1984-85	35.69	21.36	1.87	2.56	38.52
1985-86	34.34	21.76	1.51	1.78	40.61
1986-87	34.56	25.62	1.57	2.18	36.06
1987-88	33.63	26.11	1.75	2.18	36.32

Table - 3
Trends in Borrowings of Private Limited Companies

(Rs. Crores)

Year	Banks	Indian inst.	Foreign inst.	Government	Others	Total Borrowings
	1	2	3	4	5	6
1975-76	255.88	7.84	12.24	6.57	114.41	397.14
1976-77	277.29	8.96	13.59	4.37	119.42	424.13
1977-78	283.60	9.92	16.94	12.26	131.08	454.28
1978-79	335.54	10.76	22.24	20.84	137.04	526.68
1979-80	381.70	12.59	25.10	15.29	146.92	581.72
1980-81	412.71	11.24	27.75	14.71	175.74	642.22
1981-82	403.08	38.93	0.00	2.84	171.25	616.10
1981-83	451.04	68.54	0.00	3.67	200.83	724.07
1983-84	505.11	84.90	0.00	4.89	219.08	813.97
1984-85	568.97	91.23	0.00	6.22	239.03	905.46
1985-86	665.20	117.37	0.00	8.55	280.48	1071.60
1986-87	753.00	142.22	0.00	10.68	312.44	1218.35
1987-88	835.38	162.49	0.00	13.91	362.44	1373.73

Source: As in Table-2.

Table - 3A
Percentage Share in Total Borrowings

Year	Banks	Indian inst.	Foreign inst.	Government	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	64.43	1.97	3.08	1.65	28.81
1976-77	65.38	2.11	3.20	1.03	28.16
1977-78	62.43	2.18	3.73	2.70	28.85
1978-79	63.71	2.04	4.22	3.96	26.02
1979-80	65.62	2.16	4.31	2.63	25.26
1980-81	64.26	1.75	4.32	2.29	27.36
1981-82	65.42	6.32	0.00	0.46	27.80
1981-83	62.29	9.47	0.00	0.51	27.74
1983-84	62.06	10.43	0.00	0.60	26.91
1984-85	62.84	10.08	0.00	0.69	26.40
1985-86	62.08	10.95	0.00	0.80	26.17
1986-87	61.80	11.67	0.00	0.88	25.64
1987-88	60.81	11.83	0.00	1.01	26.38

88(Table-4 and 4A). Of the total borrowings, the share of banks declined significantly from 54.04 per cent to 36.28 per cent. Though it declined, banks continued to be the most important source during the whole period. Credit from Indian financial institutions increased markedly from 3.46 per cent to 24.47 per cent and it also observed that this share has declined slightly in the 'seventies and increased tremendously in the 'eighties. The share of other borrowings also recorded an increase from 27.86 per cent to 35.51 per cent.

D. Foreign Controlled Rupee Companies

Borrowings of these companies also increased. When compared with the other categories, the dependency of foreign controlled rupee companies on borrowings was less than the public limited companies and more than the private limited companies and the borrowings amounted Rs.704 crores in 1975-76 and Rs.2,987 crores in 1987-88(Table-5 and 5A). Thus the increase was only four times during the period. The proportion of commercial bank credit in total borrowings declined from 53.84 per cent to 40.06 per cent. Though it has declined, bank borrowings continued to be the most important source in total borrowings. It was also observed that the share showed a similar tendency compared to Medium and Large Public Limited companies, an increasing trend in the 'seventies and declining trend in the 'eighties.

Over a period of time, companies tended to depend increasingly on external sources. Within borrowings, contribution of banks declined relatively because of high interest rates maintained by banks and the restrictions imposed by RBI on banks lending to the larger companies. As a consequence, there was an increasing trend in the credit contribution of Indian financial institutions and others.

Public companies could be said to have relatively better access to the public for attracting deposits because of their large size of operations and image, and could possibly attract deposits with greater security. Because of major banks' policies of favourable treatment to small companies and restrictive policies of RBI on banks' lendings to larger companies, presumably public companies increasingly resorted to 'other' borrowings and private companies reduced their reliance on such borrowings, depending therefore, heavily on bank borrowings as seen from the share of banks in their total borrowings at 60.81 per cent as against 33.63 per cent for large public companies in 1987-88.

Table - 4
Trends in Borrowings of Medium and Large Public Limited Companies

(Rs. Crores)

Year	Banks	Indian inst.	Foreign inst.	Government	Others	Total Borrowings
	1	2	3	4	5	6
1975-76	2131.80	467.35	115.35	131.48	1099.06	3945.04
1976-77	2303.87	521.21	97.38	169.36	1155.82	4247.64
1977-78	2481.57	578.41	79.97	224.96	1245.98	4610.90
1978-79	2744.61	656.85	56.73	251.85	1267.05	4977.10
1979-80	3069.57	829.39	51.08	282.37	1437.47	5669.86
1980-81	3270.18	1153.09	62.83	313.06	1796.07	6595.23
1981-82	4033.04	1968.02	100.87	348.01	2425.61	8876.15
1982-83	4451.24	2401.35	146.91	394.30	3371.97	10765.76
1983-84	5392.09	3315.10	160.25	471.81	4288.43	13627.67
1984-85	6038.01	3806.95	224.10	408.67	5239.06	15716.79
1985-86	7035.19	4281.24	207.39	516.78	6487.22	18527.82
1986-87	8090.51	4999.00	238.14	564.07	7710.38	21602.09
1987-88	8784.10	5923.80	275.90	630.00	8596.30	24210.10

Source: As in Table-2.

Table - 4A
Percentage Share in Total Borrowings

Year	Banks	Indian inst.	Foreign inst.	Government	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	54.04	11.85	2.92	3.33	27.86
1976-77	54.24	12.27	2.29	3.99	27.21
1977-78	53.82	12.54	1.73	4.88	27.02
1978-79	55.14	13.19	1.14	5.06	25.46
1979-80	54.14	14.63	0.90	4.98	25.35
1980-81	49.58	17.48	0.95	4.75	27.23
1981-82	45.44	22.17	1.14	3.92	27.33
1982-83	41.35	22.31	1.36	3.66	31.32
1983-84	39.57	24.33	1.18	3.46	31.47
1984-85	38.42	24.22	1.43	2.60	33.33
1985-86	37.97	23.11	1.12	2.79	35.01
1986-87	37.45	23.14	1.10	2.61	35.69
1987-88	36.28	24.47	1.14	2.60	35.51

Table - 5

Trends in Borrowings of Foreign Controlled Rupee Companies

(Rs. Crores)

Year	Banks	Indian inst.	Foreign inst.	Government	Others	Total Borrowings
	1	2	3	4	5	6
1975-76	379.36	52.76	52.84	10.62	209.04	704.63
1976-77	396.75	63.53	40.72	19.26	220.88	741.14
1977-78	418.35	69.54	27.05	24.74	222.47	762.14
1978-79	462.45	79.45	15.14	29.69	233.22	819.96
1979-80	542.54	100.45	10.29	36.00	270.28	959.56
1980-81	630.07	153.45	6.52	33.94	407.30	1231.28
1981-82	NA	NA	NA	NA	NA	NA
1982-83	552.25	181.93	4.55	2.93	493.66	1235.32
1983-84	538.03	199.34	2.03	3.69	566.56	1309.65
1984-85	913.48	369.54	19.81	44.48	918.98	2266.29
1985-86	1052.55	437.92	0.00	48.42	1042.33	2581.22
1986-87	1196.77	524.87	0.00	56.16	1209.40	2987.20

Source: As in Table-2.

Table - 5A

Percentage Share in Total Borrowings

Year	Banks	Indian inst.	Foreign inst.	Government	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	53.84	7.49	7.50	1.51	29.67
1976-77	53.53	8.57	5.49	2.60	29.80
1977-78	54.89	9.12	3.55	3.25	29.19
1978-79	56.40	9.69	1.85	3.62	28.44
1979-80	56.54	10.47	1.07	3.75	28.17
1980-81	51.17	12.46	0.53	2.76	33.08
1981-82	NA	NA	NA	NA	NA
1982-83	44.71	14.73	0.37	0.24	39.96
1983-84	41.08	15.22	0.16	0.28	43.26
1984-85	40.31	16.31	0.87	1.96	40.55
1985-86	40.78	16.97	0.00	1.88	40.38
1986-87	40.06	17.57	0.00	1.88	40.49

PART II Corporate Borrowings: 365 Selected Large Public Limited Companies

An idea of the importance of different sources of financing of 365 large non-government non-financial public limited companies (each with a paid-up capital of Rs.1 crore and above) is presented in this study. As the large companies account for a substantial share in the private corporate business sector, the performance of the companies could be regarded as broadly reflecting the performance of the larger sector. The data are presented for thirteen years from 1975-76 to 1987-88 to study the pattern of liabilities and to facilitate a comparative study of relevant financial ratios during the period.

The Pattern of Borrowings of Companies Under Study

Table-6 and 6A shows the pattern of liabilities of 365 large public limited companies. Total liabilities of those companies have multiplied by more than five times from Rs.6,336 crores in 1975-76 to Rs.33,023 crores in 1987-88. Of the total liabilities, the share of reserves increased from 20.87 per cent to 26.60 per cent. The share of paid-up capital declined to half from 17.70 per cent to 8.29 per cent. Due to this significant decline, the share of net worth also decreased from 38.57 per cent to 34.89 per cent. Share of provisions declined from 7.20 per cent to 2.57 per cent. At the same time, the share of borrowings increased from 31.52 per cent to 37.61 per cent and the share of trade dues and other current liabilities plus miscellaneous non-current liabilities increased from 22.71 per cent to 24.93 per cent.

Among all components of total liabilities, the trends in borrowings are shown in Table-7 and 7A. The total borrowings of all companies increased markedly to Rs.12,419 crores in 1987-88 from Rs.1,997 crores in 1975-76. Of the total borrowings, those from banks had the largest share. But the share declined from about half to one-third i.e. from 52.67 per cent to 31.85 per cent. This decline was itself by increasing contribution of financial institutions and others. Share of Indian institutional agencies¹⁰ doubled during the period from 10.80 per cent to 21.07 per cent while the share of borrowings from 'others' increased from 30.35 per cent to 44.78 per cent. If we look into the 'other borrowings' separately, we can observe an increasing trend in both debentures and public deposits. By the end of the study period, only debentures reached to one-fourth share of the total borrowings. Borrowings from statutory financial institutions,¹¹ foreign institutional agencies¹² and government and semi-government bodies were almost insignificant. These percentage shares also can be seen from Graph 1.

Table - 6

^{10.} IDBI, ICICI, SIDCs, LIC, UTI etc.,

^{11.} IFCs, SFCs etc.,

^{12.} IBRD, IDA, IFC etc.,

Composition of Liabilities of 365 Large Public Limited Companies

Year	Paid-up Capital	Reserves	Networth	Borrowings	Trade Dues + current & Non-current Liabilities	Provisions	Total Liabilities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1975-76	1121.49	1322.19	2443.68	1997.09	1437.82	456.34	6336.22
1976-77	1222.97	1415.49	2638.46	2161.57	1578.73	442.99	6822.89
1977-78	1311.48	1558.28	2869.76	2270.12	1756.10	445.61	7342.69
1978-79	1396.01	1759.81	3155.83	2454.27	2048.95	470.99	8130.16
1979-80	1475.36	2037.27	3512.63	2938.57	2525.59	547.24	9525.68
1980-81	1572.53	2360.51	3933.04	3453.66	3126.69	602.34	11119.33
1981-82	1678.70	2850.62	4529.32	4561.75	4051.73	647.13	13798.11
1982-83	1786.68	3426.35	5213.03	5591.97	4875.85	712.40	16401.83
1983-84	1974.05	4112.26	6086.31	6665.08	5286.71	747.52	18794.12
1984-85	2060.46	5321.44	7381.91	7761.73	5849.22	834.68	21840.72
1985-86	2170.00	7226.77	9396.77	9383.82	6805.49	885.39	26484.97
1986-87	2335.94	7701.80	10037.74	11153.36	8107.21	821.90	30133.39
1987-88	2737.90	8784.42	11522.32	12419.73	8220.48	847.69	33023.33

Source: ISID, Company Data Base, New Delhi.

Table - 6A

Percentage Share in Total Liabilities

Year	Paid-up Capital	Reserves	Networth	Borrowings	Trade Dues + current & Non-current Liabilities	Provisions
	(1/7)	(2/7)	(3/7)	(4/7)	(5/7)	(6/7)
1975-76	17.70	20.87	38.57	31.52	22.71	7.20
1976-77	17.92	20.75	38.67	31.68	23.16	6.49
1977-78	17.86	21.22	39.08	30.92	23.93	6.07
1978-79	17.17	21.65	38.82	30.19	25.20	5.79
1979-80	15.49	21.39	36.88	30.85	26.53	5.74
1980-81	14.14	21.23	35.37	31.06	28.15	5.42
1981-82	12.17	20.66	32.83	33.06	29.42	4.69
1982-83	10.89	20.89	31.78	34.09	29.78	4.34
1983-84	10.50	21.88	32.38	35.46	28.17	3.98
1984-85	9.43	24.36	33.80	35.54	26.84	3.82
1985-86	8.19	27.29	35.48	35.43	25.75	3.34
1986-87	7.75	25.56	33.31	37.01	26.95	2.73
1987-88	8.29	26.60	34.89	37.61	24.93	2.57

Table - 7

Composition of Borrowings of 365 Large Public Limited Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total Borrowings
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	1051.93	7.08	64.77	215.71	51.56	130.50	245.36	230.18	1997.09
1976-77	1141.91	7.07	64.77	243.75	41.64	124.36	293.37	244.71	2161.57
1977-78	1160.28	8.41	64.40	272.54	31.57	124.88	349.02	259.02	2270.11
1978-79	1274.06	10.36	65.25	322.83	26.21	126.24	399.66	229.66	2454.27
1979-80	1512.80	20.18	73.19	431.60	23.36	159.54	461.62	256.27	2938.57
1980-81	1576.05	27.28	80.48	606.89	22.48	184.42	639.32	317.72	3453.66
1981-82	1973.77	37.02	81.88	894.39	32.75	306.63	807.14	428.16	4561.75
1982-83	2158.32	45.54	88.55	1118.83	45.18	599.05	1002.26	534.25	5591.97
1983-84	2491.93	30.72	107.37	1325.00	49.97	898.55	1153.92	607.62	6665.08
1984-85	2834.16	47.67	105.57	1392.16	73.29	1391.53	1269.25	648.11	7761.73
1985-86	3262.73	62.46	107.68	1660.87	71.37	2042.61	1421.28	760.28	9383.82
1986-87	3747.34	67.67	138.06	2160.59	60.01	2706.68	1558.53	714.47	11153.36
1987-88	3955.62	71.81	185.90	2617.16	27.31	3143.75	1619.57	798.61	12419.73

Source: As in table 6.

Table - 7A

Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	52.67	0.35	3.24	10.80	2.58	6.53	12.29	11.53
1976-77	52.83	0.33	3.00	11.28	1.93	5.75	13.57	11.32
1977-78	51.11	0.37	2.84	12.01	1.39	5.50	15.37	11.41
1978-79	51.91	0.42	2.66	13.15	1.07	5.14	16.28	9.36
1979-80	51.48	0.69	2.49	14.69	0.79	5.43	15.71	8.72
1980-81	45.63	0.79	2.33	17.57	0.65	5.31	18.41	9.15
1981-82	43.27	0.81	1.79	19.61	0.72	6.72	17.69	9.39
1982-83	38.60	0.81	1.58	20.01	0.81	10.71	17.92	9.55
1983-84	37.39	0.46	1.61	19.88	0.75	13.48	17.31	9.12
1984-85	36.51	0.61	1.36	17.94	0.94	17.93	16.35	8.35
1985-86	34.77	0.67	1.15	17.70	0.76	21.73	15.12	8.09
1986-87	33.60	0.61	1.24	19.37	0.54	24.27	13.97	6.41
1987-88	31.85	0.58	1.50	21.07	0.22	25.31	13.04	6.43

From the point of view of the borrowing company, debentures are a very attractive means of raising long-term finance. Compared with other borrowings debentures are the cheapest source of funds. That is possibly the reason why the total debentures of all the companies increased manifold from Rs.148 crores to Rs.3,480 crores during the period (Table-8 and 8A). By their increasing importance the share of debentures in total borrowings also increased from 7.46 per cent to 28.02 per cent. Of the total debentures, those from institutional agencies declined from 11.96 per cent to 8.81 per cent. The share from 'others' registered 87.60 per cent in 1975-76 and 90.32 per cent in 1987-88.

Table-9 shows the movements in privately placed debentures¹³. Over the period of study, these debentures increased significantly from Rs.18 crores in 1975-76 to Rs.336 crores in 1987-88. But their share in total debentures fell from 12.40 per cent to 9.67 per cent. It has also been observed that this share increasing trend during the 'seventies and a declining trend during the 'eighties.

In the following, we present the results of the study for different categories of companies: loss making(66) and profit making companies(299); foreign subsidiaries(36); Ex-FERA and FERA companies(112); top 20 industrial houses; and Birla & Tata companies.

A. Loss Making Companies(66)¹⁴

Total borrowings of these 66 companies have multiplied by more than five times from Rs.358 crores in 1975-76 to Rs.1,966 crores in 1987-88 (Table-10 and 10A). Banks were the major source of funding accounting for about half of total borrowings. Over the period of time, banks' contribution declined from 56.55 per cent to 44.11 per cent. As a result, the companies resorted to depend on other sources for financing. The Indian financial institutions increased their credit contribution to these companies from 11.65 per cent to 26.44 per cent. It can also be seen from the table that the share of debentures doubled and the share of deposits declined to half, during the period.

Due to their increasing importance, the debentures of loss making companies have multiplied by more than ten times from Rs.31 crores to Rs.334 crores, during the period (Table-11 and 11A). Their share in total borrowings also increased sharply from 8.72 per cent to 17.01 per cent. It can also be seen that this share too declined during the 'seventies and increased in the 'eighties. Of the total debentures, the share of institutional agencies and banks fell significantly from 17.45 per cent and 8.09 per cent to 8.62 per cent and zero per cent, respectively, during the period.

¹³. Privately placed debentures from banks, government and semi-government bodies, statutory financial institutions, and institutional agencies.

¹⁴. Operating profits of the latest year are taken as the criteria for classifying a company as profit making or non-profit making.

Graph - 1

Table - 8

Composition of Debentures of 365 Large Public Limited Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	4.42	0.00	4.04	17.82	130.50	148.98	1997.09	7.46
1976-77	5.17	0.00	3.73	16.50	124.36	142.24	2161.57	6.58
1977-78	3.98	0.00	3.44	16.12	124.88	143.10	2270.12	6.30
1978-79	1.69	0.00	4.18	24.32	126.24	154.19	2454.27	6.28
1979-80	1.69	0.00	5.17	25.80	159.54	190.37	2938.57	6.48
1980-81	0.69	0.00	1.83	32.22	184.32	217.28	3453.66	6.29
1981-82	1.44	0.00	1.89	44.61	306.63	352.53	4561.75	7.73
1982-83	0.69	0.00	0.30	58.99	599.05	658.37	5591.97	11.77
1983-84	3.73	5.00	0.21	79.50	898.55	986.91	6665.08	14.81
1984-85	3.69	13.25	0.12	80.35	1391.53	1488.70	7761.73	19.18
1985-86	0.69	14.25	0.00	141.63	2037.42	2194.00	9383.82	23.38
1986-87	5.19	25.75	0.00	198.02	2706.68	2935.65	11153.36	26.32
1987-88	6.75	23.25	0.00	306.79	3143.75	3480.54	12419.73	28.02

Source: As in table 6.

Table - 8A

Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	2.97	0.00	2.71	11.96	87.60
1976-77	3.63	0.00	2.62	11.60	87.43
1977-78	2.78	0.00	2.40	11.27	87.27
1978-79	1.10	0.00	2.71	15.77	81.87
1979-80	0.89	0.00	2.72	13.55	83.81
1980-81	0.32	0.00	0.84	14.83	84.83
1981-82	0.41	0.00	0.54	12.65	86.98
1982-83	0.11	0.00	0.05	8.96	90.99
1983-84	0.38	0.51	0.02	8.06	91.05
1984-85	0.25	0.89	0.01	5.40	93.47
1985-86	0.03	0.65	0.00	6.46	92.86
1986-87	0.18	0.88	0.00	6.75	92.20
1987-88	0.19	0.67	0.00	8.81	90.32

Table 9
Trends in Privately placed Debentures of 365
Large Public Limited Companies

(Rs. Crores)			
Year	Privately placed Debentures*	Total Debentures	(%)
	(1)	(2)	(1) / (2)
1975-76	18.48	148.98	12.40
1976-77	17.88	142.24	12.57
1977-78	18.22	143.10	12.73
1978-79	27.95	154.19	18.13
1979-80	30.83	190.37	16.19
1980-81	32.97	217.28	15.17
1981-82	45.89	352.53	13.02
1982-83	59.32	658.37	9.01
1983-84	88.11	986.91	8.93
1984-85	94.88	1488.70	6.37
1985-86	154.32	2194.00	7.03
1986-87	228.73	2935.65	7.79
1987-88	336.55	3480.54	9.67

* Privately placed debentures from banks, government and semi-government bodies, statutory financial institutions and institutional agencies.

Table - 10
Composition of Borrowings of 66 Loss Making Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total Borrowings
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	202.65	2.63	8.71	41.75	4.64	27.53	32.41	38.02	358.35
1976-77	225.14	2.64	9.11	55.38	2.26	26.13	36.73	41.61	399.00
1977-78	248.86	4.36	8.45	63.82	0.72	27.79	43.38	441.36	441.36
1978-79	298.34	5.83	12.92	81.53	0.15	27.04	45.14	43.67	514.62
1979-80	325.61	15.56	18.18	107.22	0.00	33.10	55.17	39.08	593.92
1980-81	373.05	22.65	22.15	154.46	0.00	34.90	70.47	44.99	721.21
1981-82	438.58	28.53	21.99	213.89	0.00	35.28	91.25	68.01	897.53
1982-83	494.32	35.15	26.29	239.76	0.00	81.88	103.17	95.14	1075.71
1983-84	570.00	10.06	32.83	280.50	0.33	94.16	110.00	108.15	1206.02
1984-85	615.54	14.86	34.32	341.60	0.24	132.99	128.43	111.12	1379.10
1985-86	717.63	20.31	38.31	380.17	0.26	167.87	129.00	109.70	1563.55
1986-87	763.29	28.16	41.85	436.94	0.25	263.45	111.89	93.24	1739.07
1987-88	867.33	31.62	43.31	519.93	0.15	300.93	97.38	105.57	1966.23

Source: As in table 6.

Table - 10A
Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	56.55	0.73	2.43	11.65	1.30	7.68	9.04	10.61
1976-77	56.43	0.66	2.28	13.88	0.57	6.55	9.21	10.43
1977-78	56.39	0.99	1.92	14.46	0.16	6.30	9.83	9.96
1978-79	57.97	1.13	2.51	15.84	0.03	5.25	8.77	8.49
1979-80	54.82	2.62	3.06	18.05	0.00	5.57	9.29	6.58
1980-81	51.73	3.14	3.07	21.42	0.00	4.76	9.62	6.14
1981-82	48.87	3.18	2.45	23.83	0.00	3.93	10.17	7.58
1982-83	45.95	3.27	2.44	22.29	0.00	7.61	9.59	8.84
1983-84	47.26	0.83	2.72	23.26	0.03	7.81	9.12	8.97
1984-85	44.63	1.08	2.49	24.77	0.02	9.64	9.31	8.06
1985-86	45.9	1.3	2.45	24.31	0.02	10.77	8.27	7.04
1986-87	43.89	1.62	2.41	25.12	0.01	15.15	6.43	5.36
1987-88	44.11	1.61	2.20	26.44	0.01	15.30	4.95	5.37

Table - 11
Composition of Debentures of 66 Loss Making Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	2.53	0.00	0.41	5.45	27.53	31.26	358.35	8.72
1976-77	1.90	0.00	0.30	5.78	26.13	30.23	399.00	7.58
1977-78	1.27	0.00	0.19	5.59	27.79	31.86	441.36	7.22
1978-79	0.00	0.00	0.91	9.25	27.04	36.49	514.62	7.09
1979-80	0.00	0.00	0.57	8.57	33.10	41.80	593.92	7.04
1980-81	0.00	0.00	0.48	5.54	34.80	39.98	721.21	5.54
1981-82	0.25	0.00	0.39	7.97	35.28	43.15	897.53	4.81
1982-83	0.00	0.00	0.30	8.38	81.88	90.06	1075.71	8.37
1983-84	3.04	0.00	0.21	15.98	94.1	113.39	1206.02	9.406
1984-85	3.00	0.00	0.12	13.41	132.9	149.52	1379.10	10.849
1985-86	0.00	0.75	0.00	21.14	167.8	189.76	1563.55	12.147
1986-87	0.00	4.75	0.00	23.46	263.4	291.66	1739.07	16.775
1987-88	0.00	4.75	0.00	28.84	300.9	334.52	1966.23	17.013

Source: As in table 6.

Table - 11A
Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	8.09	0.00	1.31	17.45	88.07
1976-77	6.28	0.00	0.99	19.11	86.44
1977-78	3.98	0.00	0.60	17.54	87.22
1978-79	0.00	0.00	2.49	25.35	74.10
1979-80	0.00	0.00	1.37	20.51	79.19
1980-81	0.00	0.00	1.21	13.86	87.06
1981-82	0.58	0.00	0.91	18.47	81.77
1982-83	0.00	0.00	0.34	9.30	90.91
1983-84	2.68	0.00	0.19	14.09	83.04
1984-85	2.01	0.00	0.08	8.97	88.95
1985-86	0.00	0.40	0.00	11.14	88.47
1986-87	0.00	1.63	0.00	8.04	90.33
1987-88	0.00	1.42	0.00	8.62	89.96

B. Profit Making Companies(299)

Over the years, these companies also tended to depend more and more on borrowings. The borrowings of 299 companies increased markedly from Rs.1,638 crores to Rs.10,453 crores, during the period(Table-12 and 12A). Of all the lenders, banks were the most important source. But the contribution of banks declined markedly from 51.82 per cent to 29.54 per cent. The Indian institutional agencies increased their contribution from 10.62 per cent to 20.06 per cent. Other borrowings, which constitute debentures and deposits to a large extent, increased. The share of debentures increased significantly from 6.28 per cent to 27.19 per cent.

The following table (Table-13 and 13A) shows the trends in debentures of the companies. Debentures of profit making companies also increased faster than for loss making companies from Rs.117 crores to Rs.3,146 crores and their share in total borrowings increased more than four times from 7.18 per cent to 30.10 per cent. Institutional agencies had only around 10 per cent share in total debentures outstanding.

C. Foreign Subsidiary companies(36)

Total borrowings of these companies increased nearly three folds from Rs.222 crores in 1975-76 to Rs.590 crores in 1987-88(Table-14 and 14A). Of the total borrowings, the contribution of banks declined dramatically from 56.06 per cent to 32.99 per cent. As a result of this decline the relative contribution from other sources increased. The share of Indian institutional agencies increased from 4.74 per cent to 10.16 per cent. The shares of debentures and deposits increased significantly from 18.09 and 7.79 per cent to 25.93 and 24.58 per cent, respectively. Total other borrowings increased to more than one-half of total borrowings. It looks as if other borrowings replaced banks as their share increased from 34.72 per cent to 56.42 per cent.

In view of the growing popularity of debentures among the investors several foreign subsidiary companies resorted to raising capital through debentures. This is evident from the fact that funds available through debentures increased more than six folds from Rs.25 crores to 158 crores(Table-15 and 15A). It can also be seen that debentures declined in the first half and increased tremendously in the second half of the study period. The share of debentures in total borrowings also increased from 20.93 per cent to 26.83 per cent. Of the total debentures, the share of institutional agencies was 14.57 per cent in 1975-76, but this share has declined to 2.71 per cent in 1987-88.

Table - 12
Composition of Borrowings of 299 Profit Making Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total Borrowings
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	849.27	4.45	56.06	173.96	46.91	102.97	212.95	192.16	1638.74
1976-77	916.77	4.43	55.66	188.37	39.38	98.24	256.64	203.09	1762.58
1977-78	911.41	4.04	55.95	208.73	30.85	97.10	305.64	215.04	1828.75
1978-79	975.72	4.53	52.33	241.30	26.06	99.20	354.52	185.99	1939.66
1979-80	1187.20	4.62	55.01	324.38	23.36	126.44	406.46	217.18	2344.65
1980-81	1203.00	4.63	58.33	452.43	22.48	149.51	568.85	272.74	2732.46
1981-82	1535.19	8.49	59.89	680.50	32.75	271.35	715.89	360.15	3664.22
1982-83	1663.99	10.40	62.26	879.06	45.18	517.17	899.09	439.11	4516.26
1983-84	1921.93	20.66	74.55	1044.49	49.64	804.39	1043.92	499.48	5459.06
1984-85	2218.62	32.81	71.24	1050.56	73.05	1258.54	1140.82	536.99	6382.63
1985-86	2545.10	42.16	69.37	1280.70	71.10	1874.74	1292.28	650.58	7820.26
1986-87	2984.05	39.52	96.21	1723.65	59.76	2443.23	1446.64	621.24	9414.29
1987-88	3088.30	40.19	142.59	2097.23	27.16	2842.82	1522.20	693.02	10453.50

Source: As in table 6.

Table - 12A
Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	51.82	0.27	3.42	10.62	2.86	6.28	12.99	11.73
1976-77	52.01	0.25	3.16	10.69	2.23	5.57	14.56	11.52
1977-78	49.84	0.22	3.06	11.41	1.69	5.31	16.71	11.76
1978-79	50.30	0.23	2.70	12.44	1.34	5.11	18.28	9.59
1979-80	50.63	0.20	2.35	13.83	1.00	5.39	17.34	9.26
1980-81	44.03	0.17	2.13	16.56	0.82	5.45	20.75	9.95
1981-82	41.90	0.23	1.63	18.57	0.89	7.41	19.54	9.83
1982-83	36.84	0.23	1.38	19.46	1.00	11.45	19.91	9.72
1983-84	35.21	0.38	1.37	19.13	0.91	14.73	19.12	9.15
1984-85	34.76	0.51	1.12	16.46	1.14	19.72	17.87	8.41
1985-86	32.54	0.54	0.89	16.38	0.91	23.91	16.48	8.30
1986-87	31.70	0.42	1.02	18.31	0.63	25.95	15.37	6.60
1987-88	29.54	0.38	1.36	20.06	0.26	27.19	14.56	6.63

Table - 13
Composition of Debentures of 299 Profit Making Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	1.89	0.00	3.63	12.37	102.97	117.72	1638.74	7.18
1976-77	3.27	0.00	3.43	10.73	98.24	112.01	1762.58	6.36
1977-78	2.71	0.00	3.25	10.53	97.10	111.25	1828.75	6.08
1978-79	1.69	0.00	3.27	15.07	99.20	117.70	1939.66	6.07
1979-80	1.69	0.00	4.60	17.22	126.44	148.57	2344.65	6.34
1980-81	0.69	0.00	1.35	26.69	149.51	177.31	2732.46	6.49
1981-82	1.19	0.00	1.50	36.64	271.35	309.38	3664.22	8.44
1982-83	0.69	0.00	0.00	50.61	517.17	568.31	4516.26	12.58
1983-84	0.69	5.00	0.00	63.52	804.39	873.52	5459.06	16.00
1984-85	0.69	13.25	0.00	66.95	1258.54	1339.18	6382.63	20.98
1985-86	0.69	13.50	0.00	120.49	1869.55	2004.24	7820.26	25.63
1986-87	5.19	21.00	0.00	174.57	2443.23	2643.99	9414.29	28.08
1987-88	6.75	18.50	0.00	277.94	2842.82	3146.01	10453.50	30.10

Source: As in table 6.

Table - 13A
Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	1.61	0.00	3.09	10.50	87.47
1976-77	2.92	0.00	3.06	9.58	87.70
1977-78	2.44	0.00	2.92	9.47	87.28
1978-79	1.44	0.00	2.78	12.80	84.28
1979-80	1.14	0.00	3.09	11.59	85.11
1980-81	0.39	0.00	0.76	15.05	84.33
1981-82	0.39	0.00	0.48	11.84	87.71
1982-83	0.12	0.00	0.00	8.91	91.00
1983-84	0.08	0.57	0.00	7.27	92.09
1984-85	0.05	0.99	0.00	5.00	93.98
1985-86	0.03	0.67	0.00	6.01	93.28
1986-87	0.20	0.79	0.00	6.60	92.41
1987-88	0.21	0.59	0.00	8.83	90.36

Table - 14
Composition of Borrowings of 36 Foreign Subsidiaries

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total Borrowings
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	68.73	0.00	0.00	5.81	5.50	22.18	9.55	10.83	122.59
1976-77	71.34	0.00	0.00	6.60	3.82	21.22	12.19	8.34	123.51
1977-78	77.82	0.00	0.00	8.35	2.37	20.92	11.50	7.77	128.72
1978-79	80.02	0.00	0.44	13.46	1.46	20.48	10.57	6.70	133.13
1979-80	115.96	0.00	0.54	29.23	0.83	21.13	13.77	7.95	189.41
1980-81	122.96	0.00	0.47	36.03	0.36	18.78	55.69	28.11	262.39
1981-82	135.37	0.00	0.39	48.37	0.02	28.74	76.22	54.46	343.56
1982-83	175.28	1.00	0.39	62.04	3.89	36.40	89.24	53.65	421.91
1983-84	150.47	1.00	1.27	70.70	0.00	47.94	107.47	42.67	421.52
1984-85	138.31	1.08	1.55	63.89	0.00	81.35	116.91	32.97	436.07
1985-86	167.74	1.11	1.46	57.28	0.00	95.12	112.32	39.32	474.34
1986-87	180.09	1.17	1.50	69.09	0.00	126.20	110.25	30.70	518.99
1987-88	194.74	1.17	1.36	59.98	0.00	153.09	145.09	34.89	590.32

Source: As in table 6.

Table - 14A
Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	56.06	0.00	0.00	4.74	4.49	18.09	7.79	8.83
1976-77	57.76	0.00	0.00	5.34	3.10	17.18	9.87	6.75
1977-78	60.45	0.00	0.00	6.49	1.84	16.25	8.93	6.04
1978-79	60.11	0.00	0.33	10.11	1.10	15.38	7.94	5.03
1979-80	61.22	0.00	0.29	15.43	0.44	11.16	7.27	4.20
1980-81	46.86	0.00	0.18	13.73	0.14	7.16	21.22	10.71
1981-82	39.40	0.00	0.11	14.08	0.00	8.37	22.18	15.85
1982-83	41.55	0.24	0.09	14.70	0.92	8.63	21.15	12.72
1983-84	35.70	0.24	0.30	16.77	0.00	11.37	25.50	10.12
1984-85	31.72	0.25	0.36	14.65	0.00	18.66	26.81	7.56
1985-86	35.36	0.23	0.31	12.07	0.00	20.05	23.68	8.29
1986-87	34.70	0.22	0.29	13.31	0.00	24.32	21.24	5.92
1987-88	32.99	0.20	0.23	10.16	0.00	25.93	24.58	5.91

Table - 15
Composition of Debentures of 36 Foreign Subsidiaries

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	0.00	0.00	0.00	3.74	22.18	25.66	122.60	20.93
1976-77	0.00	0.00	0.00	3.03	21.22	24.04	123.51	19.47
1977-78	0.00	0.00	0.00	2.06	20.92	22.85	128.72	17.75
1978-79	0.00	0.00	0.00	1.26	20.48	21.67	133.13	16.28
1979-80	0.00	0.00	0.00	1.42	21.13	22.55	189.41	11.91
1980-81	0.00	0.00	0.00	0.99	18.78	19.78	262.39	7.54
1981-82	0.00	0.00	0.00	0.55	28.74	29.29	343.57	8.52
1982-83	0.00	0.00	0.00	0.44	36.40	36.84	421.91	8.73
1983-84	0.00	1.00	0.00	3.81	47.94	52.75	421.52	12.51
1984-85	0.00	1.00	0.00	2.30	81.35	84.41	436.07	19.36
1985-86	0.00	1.00	0.00	2.55	95.12	98.67	474.34	20.80
1986-87	0.00	1.00	0.00	2.40	126.20	129.60	519.00	24.97
1987-88	0.00	1.00	0.00	4.30	153.09	158.39	590.32	26.83

Source: As in table 6.

Table - 15A
Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	0.00	0.00	0.00	14.57	86.44
1976-77	0.00	0.00	0.00	12.59	88.27
1977-78	0.00	0.00	0.00	9.00	91.57
1978-79	0.00	0.00	0.00	5.83	94.49
1979-80	0.00	0.00	0.00	6.30	93.70
1980-81	0.00	0.00	0.00	5.02	94.98
1981-82	0.00	0.00	0.00	1.88	98.12
1982-83	0.00	0.00	0.00	1.19	98.81
1983-84	0.00	1.90	0.00	7.22	90.89
1984-85	0.00	1.18	0.00	2.73	96.37
1985-86	0.00	1.01	0.00	2.58	96.41
1986-87	0.00	0.77	0.00	1.85	97.38
1987-88	0.00	0.63	0.00	2.71	96.65

D. Ex-FERA and FERA Companies(112)

As in the case of foreign subsidiaries, total borrowings of these 112 companies have multiplied by more than five times from Rs.405 crores to Rs.2,084 crores(Table-16 and 16A). Among all sources, banks alone contributed about 60 per cent of credit to these foreign companies. But the share of banks came down to one-third(35 per cent), during the period. The contribution of Indian institutional agencies increased from 4.14 per cent to 16.25 per cent. Borrowings from other sources reached nearly to half from one-third of total borrowings. The shares of debentures and deposits increased significantly from 9.19 and 8.43 per cent to 19.26 and 20.74 per cent, respectively.

These Ex-FERA and FERA companies also resorted to raising their capital through debentures(Table-17 and 17A). Debentures increased markedly to Rs.478 crores from Rs.41 crores and continued to maintain their increasing importance accounting for 22.98 per cent of the outstanding borrowings in 1987-88 compared to 10.23 per cent in 1975-76.

Unlike in the case of foreign subsidiaries, the share of institutional agencies increased from 10.81 per cent to 13.72 per cent.

E. Top 20 Industrial Houses(131)

When compared with foreign subsidiaries and Ex-FERA and FERA companies, the companies of twenty large industrial houses were more dependent on borrowings. Because the borrowings have multiplied by more than seven times from Rs.1,027 crores to Rs.7,285 crores(Table-18 and 18A). Among all sources, banks were the largest credit source, during the period. In relation to total borrowings, however, bank credit fell from 51.47 per cent to 28.82 per cent. The relative importance of Indian institutional agencies doubled from 10.71 per cent in 1975-76 to 20.79 per cent in 1987-88. Borrowings from others increased from one-third to one-half of the total borrowings. The share of debentures increased significantly from 8.20 per cent to 29.96 per cent. Deposits increased during the 'seventies and declined, during the 'eighties.

Due to their increasing importance debentures increased tremendously from Rs.91 crores in 1975-76 to Rs.2,362 crores in 1987-88(Table-19 and 19A). The share of debentures in total borrowings also increased substantially from 8.95 per cent to 32.43 per cent. Of the total debentures, institutional agencies contributed to only 11.82 per cent in 1975-76. As in the case of foreign subsidiaries the share of institutional agencies declined during the period.

Table - 16
Composition of Borrowings of 112 Ex-FERA & FERA Companies

(Rs. Crores)

Year	Banks Borrowings	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	245.27	0.01	0.59	16.78	9.36	37.29	34.20	62.27	405.78
1976-77	266.97	0.03	1.49	25.19	6.44	36.29	42.38	64.91	443.71
1977-78	279.81	0.03	2.48	30.42	4.04	37.91	46.55	60.07	461.30
1978-79	278.99	0.20	3.97	39.59	2.54	36.54	56.04	54.48	472.35
1979-80	342.06	0.18	4.53	62.97	1.17	37.02	62.60	61.87	572.40
1980-81	363.86	0.02	4.13	92.57	0.36	35.14	131.86	78.07	706.59
1981-82	416.92	0.02	4.58	123.16	0.02	53.64	181.83	115.86	896.03
1982-83	468.93	1.02	5.78	145.79	3.89	90.91	238.04	131.48	1085.85
1983-84	480.58	2.03	10.70	178.19	0.00	132.04	272.51	137.67	1213.71
1984-85	518.40	1.61	9.30	181.34	0.00	224.37	297.83	131.01	1363.86
1985-86	583.05	1.63	10.46	221.26	0.00	280.03	332.93	148.23	1576.52
1986-87	696.71	7.75	13.65	290.51	0.00	361.35	350.00	129.60	1849.56
1987-88	729.53	5.50	12.74	338.64	0.00	401.51	432.33	164.24	2084.49

Source: As in table 6.

Table - 16A
Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	60.45	0.00	0.15	4.14	2.31	9.19	8.43	15.35
1976-77	60.17	0.01	0.34	5.68	1.45	8.18	9.55	14.63
1977-78	60.66	0.01	0.54	6.59	0.88	8.22	10.09	13.02
1978-79	59.06	0.04	0.84	8.38	0.54	7.74	11.86	11.53
1979-80	59.76	0.03	0.79	11.00	0.20	6.47	10.94	10.81
1980-81	51.49	0.00	0.58	13.10	0.05	4.98	18.70	11.07
1981-82	46.53	0.00	0.51	13.75	0.00	5.99	20.29	12.93
1982-83	43.19	0.09	0.53	13.43	0.36	8.37	21.92	12.11
1983-84	39.60	0.17	0.88	14.68	0.00	10.88	22.45	11.34
1984-85	38.01	0.12	0.68	13.30	0.00	16.45	21.84	9.61
1985-86	36.98	0.10	0.66	14.03	0.00	17.75	21.10	9.39
1986-87	37.67	0.42	0.74	15.71	0.00	19.54	18.92	7.01
1987-88	35.00	0.26	0.61	16.25	0.00	19.26	20.74	7.88

Table - 17

Composition of Debentures of 112 Ex-FERA & FERA Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	0.00	0.00	0.00	4.49	37.29	41.51	405.78	10.23
1976-77	0.00	0.00	0.00	3.78	36.29	39.86	443.71	8.98
1977-78	0.69	0.00	0.00	2.81	37.91	41.28	461.30	8.95
1978-79	0.69	0.00	0.83	6.74	36.54	44.73	472.35	9.47
1979-80	0.69	0.00	0.57	8.26	37.02	46.55	572.40	8.13
1980-81	0.69	0.00	0.48	12.66	35.14	48.96	706.59	6.93
1981-82	0.69	0.00	0.39	15.19	53.64	69.91	896.03	7.80
1982-83	0.69	0.00	0.30	15.27	90.91	107.18	1085.85	9.87
1983-84	0.69	1.00	0.21	25.91	132.04	159.86	1213.71	13.17
1984-85	0.69	1.25	0.12	22.00	224.37	248.19	1363.86	18.20
1985-86	0.69	1.50	0.00	34.00	280.03	316.23	1576.51	20.06
1986-87	5.19	7.50	0.00	48.54	361.35	422.58	1849.56	22.85
1987-88	6.75	5.00	0.00	65.71	401.51	478.96	2084.49	22.98

Source: As in table 6.

Table - 17A

Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	0.00	0.00	0.00	10.81	89.82
1976-77	0.00	0.00	0.00	9.47	91.04
1977-78	1.68	0.00	0.00	6.80	91.84
1978-79	1.55	0.00	1.86	15.07	81.67
1979-80	1.49	0.00	1.23	17.74	79.54
1980-81	1.42	0.00	0.99	25.86	71.77
1981-82	0.99	0.00	0.56	21.72	76.72
1982-83	0.65	0.00	0.28	14.25	84.82
1983-84	0.43	0.63	0.13	16.21	82.60
1984-85	0.28	0.50	0.05	8.86	90.40
1985-86	0.22	0.47	0.00	10.75	88.55
1986-87	1.23	1.77	0.00	11.49	85.51
1987-88	1.41	1.04	0.00	13.72	83.83

Table - 18
Sources of borrowings of 131 Companies of Top 20 Industrial Houses

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total Borrowings
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	529.10	3.40	17.16	110.09	33.68	84.31	116.92	133.28	1027.93
1976-77	578.58	3.06	17.16	127.60	29.06	79.00	139.39	149.66	1123.50
1977-78	566.63	2.75	17.23	139.61	20.56	80.73	186.73	152.05	1166.29
1978-79	572.56	2.49	17.28	148.74	18.02	84.65	222.75	138.28	1204.78
1979-80	734.61	2.47	18.51	202.36	16.87	100.40	257.06	148.62	1480.89
1980-81	748.02	2.51	24.39	293.16	17.47	122.66	344.10	189.80	1741.40
1981-82	1026.59	5.68	26.50	481.47	28.68	206.60	445.87	247.20	2468.59
1982-83	1100.21	5.98	30.65	645.56	41.87	395.15	570.09	308.51	3098.02
1983-84	1219.34	10.40	39.66	750.18	45.40	650.79	638.59	342.51	3696.87
1984-85	1424.36	13.16	40.59	789.63	69.46	1025.61	724.64	387.19	4474.64
1985-86	1767.41	21.74	41.50	950.73	68.26	1512.93	856.46	418.85	5638.08
1986-87	2018.78	20.67	39.87	1213.74	57.09	1886.82	924.23	407.09	6568.30
1987-88	2099.67	24.29	56.25	1514.55	11.91	2182.89	957.65	438.32	7285.54

Source: As in table 6.

Table - 18A
Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	51.47	0.33	1.67	10.71	3.28	8.20	11.37	12.97
1976-77	51.50	0.27	1.53	11.36	2.59	7.03	12.41	13.32
1977-78	48.58	0.24	1.48	11.97	1.76	6.92	16.01	13.04
1978-79	47.52	0.21	1.43	12.35	1.50	7.03	18.49	11.48
1979-80	49.61	0.17	1.25	13.66	1.14	6.78	17.36	10.04
1980-81	42.96	0.14	1.40	16.83	1.00	6.98	19.59	10.81
1981-82	41.59	0.23	1.07	19.50	1.16	8.37	18.06	10.01
1982-83	35.51	0.19	0.99	20.84	1.35	12.75	18.40	9.96
1983-84	32.98	0.28	1.07	20.29	1.23	17.60	17.27	9.26
1984-85	31.83	0.29	0.91	17.65	1.55	22.92	16.19	8.65
1985-86	31.35	0.39	0.74	16.86	1.21	26.80	15.17	7.42
1986-87	30.74	0.31	0.61	18.48	0.87	28.73	14.07	6.20
1987-88	28.82	0.33	0.77	20.79	0.16	29.96	13.14	6.02

Table - 19

Composition of Debentures of 131 Companies of Top 20 Industrial Houses

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	3.53	0.00	0.00	10.87	84.31	91.96	1027.93	8.95
1976-77	2.90	0.00	0.00	9.92	79.00	86.65	1123.50	7.71
1977-78	2.27	0.00	0.00	9.82	80.73	88.64	1166.29	7.60
1978-79	1.00	0.00	0.83	18.09	84.65	102.79	1204.78	8.53
1979-80	1.00	0.00	1.77	17.16	100.40	118.88	1480.89	8.03
1980-81	0.00	0.00	1.83	13.72	122.61	137.31	1741.40	7.88
1981-82	0.00	0.00	1.89	26.42	206.60	234.42	2468.59	9.50
1982-83	0.00	0.00	0.30	37.33	395.15	432.28	3098.02	13.95
1983-84	3.04	1.00	0.21	41.29	650.79	696.33	3696.87	18.84
1984-85	3.00	1.25	0.12	46.11	1025.61	1076.09	4474.64	24.05
1985-86	0.00	1.50	0.00	75.55	1512.93	1589.98	5638.08	28.20
1986-87	0.00	9.00	0.00	83.48	1886.82	1979.30	6568.30	30.13
1987-88	0.00	9.00	0.00	170.50	2182.89	2362.38	7285.54	32.43

Source: As in table 6.

Table - 19A

Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	3.84	0.00	0.00	11.82	91.68
1976-77	3.34	0.00	0.00	11.44	91.17
1977-78	2.56	0.00	0.00	11.08	91.07
1978-79	0.97	0.00	0.81	17.59	82.35
1979-80	0.84	0.00	1.49	14.43	84.46
1980-81	0.00	0.00	1.33	9.99	89.30
1981-82	0.00	0.00	0.81	11.27	88.13
1982-83	0.00	0.00	0.07	8.64	91.41
1983-84	0.44	0.14	0.03	5.93	93.46
1984-85	0.28	0.12	0.01	4.29	95.31
1985-86	0.00	0.09	0.00	4.75	95.15
1986-87	0.00	0.45	0.00	4.22	95.33
1987-88	0.00	0.38	0.00	7.22	92.40

F. Birla and Tata Companies(23)

Like the companies of top 20 industrial houses these companies also depended increasingly on external sources. The borrowings of these companies have multiplied by six times from Rs.273 crores to Rs.1,628 crores, during the period(Table-20 and 20A). Among all sources, banks' contribution was the largest(49.07 per cent) in total borrowings in 1975-76. However, their proportion came down to just 18.38 per cent by the end of the year 1987-88. The share of Indian institutional agencies increased i.e. from 11.71 per cent to 23.95 per cent. Borrowings from others increased substantially. The share of debentures increased significantly from 14.25 per cent to more than one-third of the total borrowings(35.12 per cent). Unlike in other categories, the share of public deposits declined.

Birla and Tata companies also increased their debentures from Rs.40.69 crores to Rs.581.92 crores(Table-21 and 21A). Though recording a small decline during the 'seventies their share in total borrowings increased markedly from 14.89 per cent to 35.73 per cent. Of the total debentures, the share of institutional agencies was 6.67 per cent in 1975-76 and only 1.69 per cent in 1987-88.

Relative Dependence on Different Sources : A Category-wise Analysis

In the following we attempt to bring out the relative position of companies with respect to their dependence on different sources of financing. It can be observed from Table-22 that borrowings constituted about one-third of total liabilities of all categories of companies. When compared with profit making companies, loss making companies depended more on borrowings. Share of borrowings was 47.45 per cent in 1987-88. The corresponding figure for profit making companies was 36.20 per cent. Borrowings constituted one-third of total liabilities in the case of top 20 industrial houses. This was also true for Birla and Tata companies. It is noteworthy that this ratio was around one-fourth in the case of Ex-FERA and FERA companies and one-fifth in the case of foreign subsidiaries. Thus foreign controlled companies exhibited a distinct behaviour compared to Indian large industrial houses. One can, therefore, conclude that the top 20 industrial houses depended more and more on borrowings in comparison to foreign subsidiaries and Ex-FERA and FERA companies. However, all the categories had a common experience: the share of borrowings in total liabilities registered a fall during the 'seventies and a rise, during the 'eighties.

Borrowings from banks show a different pattern as can be seen from the following table(Table-23). Loss making companies continued to depend more on bank borrowings than profit making companies. The ratio was highest in the case of Ex-FERA and FERA companies and lowest in the case of Birla and Tata companies. Surprisingly, companies belonging to top 20 industrial houses were less dependent on bank borrowings than the rest of the categories.

Table - 20
Composition of borrowings of 23 Birla and Tata Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings			Total Borrowings
						Deben- tures	Deposits	Others	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	134.06	0.64	3.52	31.99	0.00	38.94	45.81	18.25	273.22
1976-77	160.93	0.57	4.29	43.60	0.00	38.39	48.98	27.64	324.39
1977-78	137.61	0.50	4.18	48.08	0.00	39.79	65.92	32.03	328.10
1978-79	128.15	0.44	4.07	42.97	0.00	42.02	74.65	27.56	319.86
1979-80	205.44	0.38	4.14	54.25	0.00	43.67	80.21	32.29	420.38
1980-81	149.81	0.36	6.03	72.09	0.00	49.54	106.67	27.12	411.63
1981-82	239.71	0.32	8.29	158.98	11.12	81.90	122.40	43.20	665.93
1982-83	199.00	0.30	8.33	232.78	19.60	127.66	153.70	65.48	806.84
1983-84	176.64	0.22	12.92	255.58	24.63	231.66	170.74	63.14	935.54
1984-85	246.85	0.19	14.23	203.50	25.32	312.20	179.16	124.94	110.64
1985-86	415.80	0.15	12.96	205.90	26.73	372.95	220.31	132.09	138.72
1986-87	424.83	0.11	12.44	304.19	25.78	522.94	234.75	111.80	163.68
1987-88	299.40	0.08	11.76	390.06	11.76	572.11	230.49	113.16	162.88

Source: As in table 6.

Table - 20A
Percentage Share in Total Borrowings

Year	Banks	Govt.	SFCs	Indian inst.	Foreign inst.	Other Borrowings		
						Deben- tures	Deposits	Others
	(1/9)	(2/9)	(3/9)	(4/9)	(5/9)	(6/9)	(7/9)	(8/9)
1975-76	49.07	0.23	1.29	11.71	0.00	14.25	16.77	6.68
1976-77	49.61	0.18	1.32	13.44	0.00	11.83	15.10	8.52
1977-78	41.94	0.15	1.27	14.65	0.00	12.13	20.09	9.76
1978-79	40.06	0.14	1.27	13.43	0.00	13.14	23.34	8.62
1979-80	48.87	0.09	0.98	12.91	0.00	10.39	19.08	7.68
1980-81	36.39	0.09	1.47	17.51	0.00	12.04	25.91	6.59
1981-82	36.00	0.05	1.24	23.87	1.67	12.30	18.38	6.49
1982-83	24.66	0.04	1.03	28.85	2.43	15.82	19.05	8.12
1983-84	18.88	0.02	1.38	27.32	2.63	24.76	18.25	6.75
1984-85	22.31	0.02	1.29	18.39	2.29	28.22	16.19	11.29
1985-86	29.97	0.01	0.93	14.84	1.93	26.87	15.87	9.52
1986-87	25.95	0.01	0.76	18.58	1.57	31.95	14.34	6.83
1987-88	18.38	0.00	0.72	23.95	0.72	35.12	14.15	6.95

Table - 21

Composition of Debentures of 23 Birla and Tata Companies

(Rs. Crores)

Year	Banks	Govt.	SFCs	Indian inst.	Others	Total Debentures	Total Borrowings	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(6/7)
1975-76	0.00	0.00	0.00	2.71	38.94	40.69	273.22	14.89
1976-77	0.00	0.00	0.00	1.96	38.39	40.14	324.39	12.37
1977-78	0.00	0.00	0.00	1.88	39.79	41.54	328.10	12.66
1978-79	0.00	0.00	0.00	6.22	42.02	48.18	319.86	15.06
1979-80	0.00	0.00	0.00	6.72	43.67	50.39	420.38	11.99
1980-81	0.00	0.00	0.00	6.29	49.54	55.84	411.63	13.56
1981-82	0.00	0.00	0.00	10.71	81.90	92.61	665.93	13.91
1982-83	0.00	0.00	0.00	10.28	127.66	137.94	806.84	17.10
1983-84	0.04	0.00	0.00	8.72	231.66	240.42	935.54	25.70
1984-85	0.00	0.00	0.00	8.33	312.20	320.53	1106.39	28.97
1985-86	0.00	0.00	0.00	12.50	372.95	385.45	1387.18	27.79
1986-87	0.00	0.00	0.00	11.39	522.94	534.33	1636.85	32.64
1987-88	0.00	0.00	0.00	9.81	572.11	581.92	1628.82	35.73

Source: As in table 6.

Table - 21A

Percentage Share in Total Debentures

Year	Banks	Govt.	SFCs	Indian inst.	Others
	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)
1975-76	0.00	0.00	0.00	6.67	95.70
1976-77	0.00	0.00	0.00	4.87	95.64
1977-78	0.00	0.00	0.00	4.53	95.79
1978-79	0.00	0.00	0.00	12.92	87.22
1979-80	0.00	0.00	0.00	13.34	86.66
1980-81	0.00	0.00	0.00	11.27	88.73
1981-82	0.00	0.00	0.00	11.57	88.43
1982-83	0.00	0.00	0.00	7.45	92.55
1983-84	0.02	0.00	0.00	3.63	96.36
1984-85	0.00	0.00	0.00	2.60	97.40
1985-86	0.00	0.00	0.00	3.24	96.76
1986-87	0.00	0.00	0.00	2.13	97.87
1987-88	0.00	0.00	0.00	1.69	98.31

Table - 22

Total Borrowings as Percentage of Total Liabilities

Year	All Cos. (365)	Loss Making Cos. (66)	Profit Making Cos. (299)	Foreign Subsidiaries (36)	Ex-FERA & FERA Cos. (112)	Top 20 Indl. houses (131)	Birla & Tata Cos. (23)
1975-76	31.52	34.81	30.88	18.52	23.97	34.48	33.74
1976-77	31.68	35.69	30.90	17.31	24.12	31.82	35.09
1977-78	30.92	35.93	29.91	16.49	23.32	30.57	33.54
1978-79	30.19	38.00	28.63	15.61	22.02	28.54	29.74
1979-80	30.85	37.82	29.47	18.33	22.61	29.86	32.81
1980-81	31.06	39.49	29.40	21.26	23.90	29.67	27.94
1981-82	33.06	40.04	31.71	23.04	24.88	32.81	34.89
1982-83	34.09	41.94	32.64	24.90	25.92	33.75	37.80
1983-84	35.46	43.06	34.13	23.80	25.84	34.85	39.95
1984-85	35.54	41.19	34.52	22.26	26.04	35.69	39.49
1985-86	35.43	41.27	34.46	21.63	26.20	36.27	40.38
1986-87	37.01	44.59	35.89	21.56	28.11	36.92	42.27
1987-88	37.61	47.45	36.20	21.69	28.58	37.81	38.12

Table - 23

Bank Borrowings as Percentage of Total Borrowings

Year	All Cos. (365)	Loss Making Cos. (66)	Profit Making Cos. (299)	Foreign Subsidiaries (36)	Ex-FERA & FERA Cos. (112)	Top 20 Indl. houses (131)	Birla & Tata Cos. (23)
1975-76	52.67	56.55	51.82	56.06	60.45	51.47	49.07
1976-77	52.83	56.44	52.01	57.76	60.17	51.50	49.61
1977-78	51.11	56.39	49.84	60.45	66.66	48.58	41.94
1978-79	51.11	57.97	50.30	60.11	59.06	47.52	41.94
1979-80	51.48	54.82	50.63	61.22	59.77	49.61	48.87
1980-81	45.63	51.73	44.03	46.86	51.49	42.96	36.39
1981-82	43.27	48.87	41.90	39.40	46.53	41.59	36.00
1982-83	38.60	45.95	36.84	41.55	43.19	35.51	24.66
1983-84	37.39	47.26	35.21	35.70	39.60	32.98	18.88
1984-85	36.51	44.63	34.76	31.72	38.01	31.83	22.31
1985-86	34.77	45.50	31.54	35.36	36.98	31.35	29.97
1986-87	33.60	43.98	31.70	34.70	37.67	30.74	25.95
1987-88	31.85	44.11	29.54	32.99	35.00	28.82	18.38

Share of borrowings from Indian institutional agencies as percentage of total borrowings increased in all categories of companies (Table-24). Loss making companies depended relatively more on institutional agencies compared to profit making ones. The share of institutional agencies in total borrowings was the highest for Tata and Birla companies compared to all other categories of companies. On the other extreme were the foreign subsidiaries.

In all companies, debentures recorded an increasing share by accounting for 28.02 per cent of the outstanding borrowings in 1987-88 compared to 7.46 per cent in 1975-76 (Table-25). Though the degree of increase varied, the same increasing trend could be noticed in all categories of companies. When compared with profit making companies, the increase was only half for loss making companies. Whether we look at Tata and Birla companies separately as a part of the top 20 houses, debentures acquired considerable importance in their case. Interestingly enough share of debentures picked up since the beginning of the 'eighties after experiencing a decline towards the end of 'seventies.

PART III : Conclusions of the Study

The study of corporate borrowings spanning a considerably long period of 13 years brings out some interesting features. Within the limitations of the coverage and data availability, some comments and observations in this note bare repetition as they have relevance for the banking policies.

1. Over the years, the companies depended more and more on borrowings.
2. A significant finding of the study is that the ratio of bank borrowings to total borrowings fell significantly. It is possible that because of increasing lending rates charged by banks and reduced availability of credit, companies placed more reliance on Indian institutional agencies and other sources; more significantly the capital market.
3. Besides the borrowings from banks and financial institutions, the large private sector companies obtaining funds from 'others' (mainly unsecured loans and deposits borrowed from shareholders or public). It is because of the restrictions imposed by the Reserve Bank of India on the bank credit to larger companies and for bigger credits, authorization from RBI has been made necessary. As a result, the companies took advantage of these permissible limits and tapped public deposits to the maximum extent possible.

Table - 24

Borrowings from Indian Institutional Agencies as Percentage of Total Borrowings

Year	All Cos. (365)	Loss Making Cos. (66)	Profit Making Cos. (299)	Foreign Subsidiaries (36)	Ex-FERA & FERA Cos. (112)	Top 20 Indl. houses (131)	Birla & Tata Cos. (23)
1975-76	10.80	11.35	10.62	4.74	4.14	10.71	11.71
1976-77	11.28	13.88	10.69	5.34	5.68	11.36	13.44
1977-78	12.01	14.46	44.41	6.49	6.49	11.97	14.65
1978-79	13.15	15.84	12.44	10.11	8.38	12.35	13.43
1979-80	14.69	18.05	13.83	15.43	11.00	13.66	12.91
1980-81	17.57	21.42	16.56	13.73	13.10	16.83	17.51
1981-82	19.61	23.83	18.57	14.08	13.75	19.50	23.87
1982-83	20.01	22.29	19.46	14.70	13.43	20.84	28.85
1983-84	19.88	23.26	19.13	16.77	14.68	20.29	27.32
1984-85	17.94	24.77	16.46	14.65	13.30	17.65	18.39
1985-86	17.70	24.31	16.38	12.07	14.03	16.86	14.84
1986-87	19.37	25.12	18.31	13.31	15.71	18.48	18.58
1987-88	24.07	26.44	20.06	10.16	16.25	20.79	23.95

Table - 25

Debentures as Percentage of Total Borrowings

Year	All Cos. (365)	Loss Making Cos. (66)	Profit Making Cos. (299)	Foreign Subsidiaries (36)	Ex-FERA & FERA Cos. (112)	Top 20 Indl. houses (131)	Birla & Tata Cos. (23)
1975-76	7.46	8.72	7.18	20.93	10.23	8.95	14.89
1976-77	6.58	7.58	6.36	16.47	8.98	7.71	12.37
1977-78	6.30	7.22	6.08	17.75	8.95	7.60	12.66
1978-79	6.28	7.09	6.07	16.28	9.45	8.53	15.06
1979-80	6.48	7.04	6.34	11.91	8.13	8.03	11.99
1980-81	6.29	5.54	6.49	7.54	6.93	7.88	13.56
1981-82	7.73	4.81	8.44	8.52	7.80	9.50	13.91
1982-83	11.77	8.37	12.58	8.73	9.87	13.95	17.10
1983-84	14.81	9.40	16.00	12.51	13.17	18.84	25.70
1984-85	19.18	10.84	20.98	19.36	18.20	24.05	28.97
1985-86	23.38	12.14	25.63	20.80	20.06	28.20	27.79
1986-87	26.32	16.77	28.08	24.97	22.85	30.13	32.64
1987-88	28.02	17.01	30.10	26.83	22.98	32.43	35.73

4. In view of the growing popularity of debentures among the investors all companies resorted to raising capital through debentures. This is evident from the fact that the share of debentures in total borrowings increased four fold in all companies, during the period.

From the point of view of the borrowing company, debentures are an attractive means of raising long-term finance. Compared with other borrowings debentures are the cheapest source of funds. That is why debentures are likely to remain as an important source of finance and we can expect this trend to continue in future.

5. Debentures from institutional agencies as percentage of total debentures has an increasing trend during the 'seventies and declining trend during the 'eighties. It is possibly because of the increasing trend of default by the companies in payment of interest principle to the debenture holders on the due date, during the eighties. In this regard the government has to take legal action to protect the interest of debenture-holders.

As observed earlier, the large corporate sector has increasingly been depending for its financing needs on the capital market, mainly in the way of debentures. Various policy measures initiated in the 'eighties have contributed to the growing importance of debentures as a source of mobilising capital. In October 1980, the debt-equity ratio norms for issuing debentures were relaxed from 1:1 to 2:1. In April 1982, NRIs were allowed to invest in debentures subject to certain conditions. In 1984, the purpose for which debentures could be issued was widened. Earlier, a borrower could issue debentures only to meet long-term working capital needs. The revised list covered the financing of new projects, modernisation, merger and amalgamation of companies, restructuring of capital requirements. With the repeal of the provisions relating to mergers, amalgamations and takeovers by the MRTP companies in the 1991 industrial policy, convertible debentures are likely to become an even more crucial instruments for such purposes.

6. The garnering of funds from the market by companies through public deposits has been increasing in tempo and volume in recent years. The mobilisation of deposits from the public as a source of finance for companies has been popular in the wake of the credit discipline since 1973 and the dividend distribution curbs introduced by the government in 1974. In the last decade the concept of public deposits has come to be respectably recognised in the modern financial management as an effective and potential source of corporate finance.

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