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TRENDS IN PRIVATE CORPORATE SAVINGS

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Perhaps one of the most significant changes that has taken place in the Indian economy in recent times is the achievement of a very high rate of saving. The causes underlying this dramatic change in aggregate savings, its failure to stimulate growth and other related aspects have attracted and continue to attract much discussion.¹ However, very little attention has been given to the reasons underlying the relatively small share of private corporate savings in total domestic savings. This question assumes more significance especially in view of the fact that there has also been a steep fall in the already meagre share of the private corporate sector² in total savings during the years 1975-76 - 1978-79.

(C. Table 1)

While questions about the private corporate sector's contribution to total savings are to a certain extent determined by the role accorded to private enterprise in the economy, the private corporate sector is in fact an important instrument of planning in India, particularly for industrialisation and has been contributing nearly 50% of the net value added, profit etc in total organised manufacturing.³ The question arises therefore

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1. K.N.Raj Prospective changes, Seminar Dec: 1979; S.L.Shetty & K.A.Menon, Savings and Investment without growth, Economic and Political Weekly, 24, May 1980 and N.A.Majundar et al, The High Saving phase of the Economy 1976-79, RBI, Occasional Paper June 1980.
 2. Covers Non-governmental financial & non-financial companies and Co-operatives.
 3. India, Central Statistical Organisation (CSO), Annual Survey of Industries, Summary Results for the Factory Sector 1977-78.

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 why is it that such/important sector has been contributing so little to the savings of the economy. This paper is therefore addressed to two issues (1) why is the share of the private corporate savings in total domestic savings so low and (2) why has this share fallen in the recent past. Its scope is however limited to sorting out some issues to get a clearer picture of what is happening to the private corporate sector rather than to offer complete and clear - cut answers to the questions posed.

Table 1. Share of the Private Corporate Sector in Net Domestic savings
(in percentage)

Year	Private Corporate Sector		
	Non Govt. Corporate (Fin + Non Fin.) (2)	Co-operative Banks & Soci- eties (3)	Total Pri- vate Cor- porate (2+3)
1960-61	8.2	0.6	8.8
1961-62	10.0	0.5	10.5
1962-63	8.5	0.6	9.1
1963-64	7.5	0.7	8.2
1964-65	4.6	0.6	5.2
1965-66	3.2	0.6	3.9
1966-67	2.9	0.5	3.4
1967-68	1.7	0.7	2.4
1968-69	2.0	0.6	2.6
1969-70	2.9	0.6	3.6
1970-71	4.2	0.7	4.9
1971-72	4.9	0.7	5.6
1972-73	4.2	0.7	4.9
1973-74	5.2	0.5	5.7
1974-75	7.8	0.6	8.5
1975-76	2.7	0.6	3.2
1976-77	1.8	0.6	2.3
1977-78	2.2	0.7	2.9
1978-79	2.2	0.6	2.8

Source : Govt. of India, Central Statistical Organisation, National Accounts Statistics various issues.

Significance of the Private Corporate Sector in the Economy

In terms of net value added, the private corporate sector (non-governmental, non-financial companies) contributes but a small share to the economy (about 6 to 8%) and this share has gradually declined. In the agricultural sector also its share in the total is very small (ranging from 1 to 2%) and even this has declined. But in total manufacturing its contribution to net value added is quite high ranging from 30 to 40% and within organised manufacturing it is as high as 49 to 70%. (See Table 2)

Table 2

Share of Private Corporate Enterprise (Non-financial) in the Net value added in the Economy and in the different sectors of Agriculture & Manufacturing (%)

<u>Share of Private Corporate Enterprise in the Net Value Added</u>				
<u>Year</u>	<u>In the Economy</u>	<u>in Agriculture</u>	<u>In Manufact-uring (Orga-nised + Unor-ganised)</u>	<u>In organised Manufacturing</u>
1960-61	7.6	1.5	40.3	69.3
1961-62	7.7	1.4	40.2	69.8
1962-63	8.0	1.5	39.6	55.7
1963-64	7.7	1.2	38.3	66.1
1964-65	7.3	1.0	39.6	66.8
1965-66	7.6	1.1	40.2	66.5
1966-67	7.0	1.0	40.2	66.3
1967-68	6.2	0.8	39.0	66.7
1968-69	6.4	0.8	37.3	65.4
1969-70	6.4	0.8	37.3	60.2
1970-71	6.6	0.8	39.0	63.9
1971-72	5.8	0.8	39.9	65.0
1972-73	6.7	0.7	39.2	64.0
1973-74	5.8	0.6	37.6	60.5
1974-75	6.2	0.7	35.6	56.8
1975-76	6.5	0.8	34.0	54.7
1976-77	5.9	0.9	30.9	48.8
1977-78	5.7	1.0	30.3	48.6

Source: Estimated from the various issues of the Reserve Bank of India Bulletin and the National Accounts Statistics.

The sectoral distribution of net value added by private corporate enterprise in India given in Table 3 brings out also that nearly 75% of the net value added of all private corporate enterprise is in manufacturing and this share has been rising over time. Thus private corporate activity in India is getting more and more concentrated in manufacturing.

Table 3. Sectoral Distribution of Private Corporate Activity in terms of Net Value Added (%)

Year	Corporate Agriculture	Corporate Manufacturing	Others	Total Private Corporate Activity
1960-61	9.7	74.2	16.1	100.0
1961-62	8.7	74.9	16.4	100.0
1962-63	8.6	74.7	16.7	100.0
1963-64	7.3	75.9	16.8	100.0
1964-65	7.0	77.0	16.0	100.0
1965-66	6.6	77.1	16.3	100.0
1966-67	6.7	78.2	15.1	100.0
1967-68	6.6	77.5	15.9	100.0
1968-69	5.7	78.8	15.5	100.0
1969-70	5.6	79.9	14.5	100.0
1970-71	5.7	80	13.7	100.0
1971-72	5.3	81.5	13.2	100.0
1972-73	4.9	81.4	13.7	100.0
1973-74	4.6	81.9	13.5	100.0
1974-75	4.7	81.8	13.5	100.0
1975-76	4.9	80.8	14.3	100.0
1976-77	6.2	80.7	13.1	100.0
1977-78	7.1	80.7	12.2	100.0

Source: Estimated from the various issues of the Reserve Bank of India Bulletin.

To sum up; private corporate enterprise in India is mostly in manufacturing and within manufacturing its contribution to net value added is significant. But its significance in manufacturing is declining, its share in net value added in total manufacturing declining from 40.3% in 1960-61 to 30.3% in 1977-78 and in organised manufacturing from 69.9% in 1960-61 to 48.6% in 1977-78.

The decline of the private corporate sector's share in manufacturing could be due to (1) other sectors in manufacturing growing faster than the private corporate sector (2) or due to declining trends within the private corporate sector or (3) a combination of both. An examination of the above factors may perhaps indicate why the private corporate sector's share in total savings has declined. Therefore we examine each of these factors in succession.

Private Corporate Manufacturing Sector in Relation to other sectors

Since 75% of corporate activity is in manufacturing and we are concerned primarily with the performance of the private corporate manufacturing sector we narrow down the definition of the private corporate sector to cover only the private corporate manufacturing sector (ie. non-governmental, non-financial manufacturing companies). We compare the trends of the private corporate manufacturing sector so defined to those of the other sectors within organised manufacturing. Two types of analysis are done here (1) organised manufacturing sector is divided into Public sector and Private sector and their respective trends are compared. (2) Private sector is further categorised as Private Corporate and Unincorporated (or non-corporate) enterprises which includes partnerships, proprietorships and co-operation. Their trends in relation to organised manufacturing and to private enterprise are observed.

It is the relative shares of each of these sectors in the factor incomes of the organised manufacturing sector that is analysed. However, data on value added, compensation to employees etc according to the classification of enterprises we have adopted is not directly available. We have estimated the relevant magnitudes from different sources of which the C.S.O's National income estimates are the most important. The details of how the figures have been worked out and the source of data used are given in the appendix.

An examination of the trends in the shares in net value added, compensation to employees etc of the private and public sector within organised manufacturing clearly shows that the public sector enterprises have expanded while private enterprise is declining. (See Table 4)

Private sector itself comprises of two sectors viz. corporate and non-corporate. The trends in their respective shares in the various indices are examined. Of the two sectors within private enterprise, the private corporate sector is the major contributor to organised manufacturing activity. However, over the period 1960-61 and 1977-78; it is interesting to note that the contribution of the corporate sector (measured in terms of its share in net value added, compensation to employees etc) has been on the decline as can be readily seen from Table 5. The most striking feature is that while operating surplus, and profits and dividends have also declined (56 to 32% and 54 to 19% respectively) their contributions are relatively smaller than that of compensation to employees and value added.

Table 4. SHARE OF THE PUBLIC & PRIVATE SECTOR IN THE DIFFERENT INDICES OF REGISTERED MANUFACTURING (%)

Year	Net Value Added		Compensation to Employees		Operating Surplus		Profits & Dividends	
	Public	Private	Public	Private	Public	Private	Public	Private
1960-61	7	93	8	92	6	94	4	97
1961-62	8	92	9	90	7	93	4	96
1962-63	9	91	11	89	9	91	5	95
1963-64	11	89	11	88	11	89	7	93
1964-65	12	88	13	87	12	88	6	94
1965-66	13	87	13	87	13	87	6	93
1966-67	13	87	13	87	12	88	5	95
1967-68	13	86	14	86	15	85	6	95
1968-69	16	84	15	86	18	82	7	93
1969-70	16	84	17	83	15	85	7	92
1970-71	17	83	18	83	18	82	10	91
1971-72	17	82	17	82	18	81	11	89
1972-73	19	81	19	80	19	81	11	89
1973-74	20	80	22	78	16	83	11	91
1974-75	23	77	27	74	18	82	13	87
1975-76	24	76	25	75	23	77	21	79
1976-77	26	75	24	76	26	74	24	77
1977-78	25	75	24	76	27	74	23	77

Estimated from the various issues of National Accounts Statistics (India, Central Statistical Organisation)

On the other hand we find just the opposite trends in the case of non-corporate enterprises. Their share in the total for all indices is increasing. Secondly, their contribution to the total in terms of surplus and profits and dividends is very high relative to their contribution in terms of value added, and compensation to employees & has increased very fast and is even higher than the share of the private corporate sector after 1974-75 (See Table 5)

Table 5. SHARE OF THE PRIVATE SECTOR IN THE DIFFERENT INDICES
OF REGISTERING MANUFACTURING (%)

Year	Net Value Added		Compensation to employees		Operating Surplus		Profits & Dividends	
	Corpo- rate	Non Cor- porate	Corpo- rate	Non Cor- porate	Corpo- rate	Non Cor- porate	Corpo- rate	Non Cor- porate
1960-61	70	23	82	10	56	38	54	43
1961-62	70	22	82	8	55	38	53	43
1962-63	69	22	77	12	57	34	55	40
1963-64	66	23	75	13	55	34	52	41
1964-65	67	21	76	12	55	34	51	43
1965-66	66	21	75	12	54	33	50	43
1966-67	66	21	73	14	56	32	51	44
1967-68	67	19	73	13	55	30	47	48
1968-69	65	19	73	13	52	30	44	49
1969-70	60	24	70	13	46	39	39	53
1970-71	64	19	70	13	54	28	51	40
1971-72	65	17	69	13	57	24	52	37
1972-73	64	17	70	10	53	28	47	42
1973-74	60	20	67	11	49	34	47	44
1974-75	57	20	67	7	44	38	39	48
1975-76	55	21	66	9	37	40	26	53
1976-77	49	26	63	12	31	43	18	59
1977-78	48	27	59	17	32	42	19	58

Source: Estimated from the various issues of National Accounts Statistics and the Reserve Bank of India. Bulletins.

From the above discussion we may therefore conclude that the decline of the private corporate sector's share in manufacturing is due to (1) the growth of the public sector's share and (2) the increased share of the non-corporate enterprises. We can now take each of these up for more detailed analysis.

Expansion of the public sector

An examination of the increase in the public sector's share in total net value added by type of authority shows that the increase of the public sector's share has been largely in the non-departmental enterprises. (See Table 6)

Table 6. SHARE OF THE PUBLIC SECTOR IN THE DIFFERENT INDICES
OF REGISTERED MANUFACTURING (%)

Year	Net value Added		Compensation to Employees		Operating Surplus		Profits & Dividends	
	Non Dept. Manuf:	Dept. Manuf:	Non Dept. Manuf:	Dept. Manuf:	Non Dept. Manuf:	Dept. Manuf:	Non Dept. Manuf:	Dept. Manuf:
1960-61	2	5	2	6	2	4	1	3
1961-62	3	5	3	6	2	5	1	3
1962-63	4	4	5	6	4	5	2	3
1963-64	6	5	6	5	6	5	4	3
1964-65	6	6	6	7	7	5	3	3
1965-66	7	6	6	7	7	6	3	3
1966-67	7	6	7	6	7	5	2	3
1967-68	7	6	8	6	10	5	3	3
1968-69	10	6	9	6	12	6	4	3
1969-70	11	5	11	6	11	4	4	3
1970-71	12	5	12	6	13	5	7	3
1971-72	12	5	12	5	13	5	8	3
1972-73	13	6	13	6	14	5	8	3
1973-74	15	5	16	6	13	3	8	3
1974-75	18	5	21	6	15	3	12	1
1975-76	18	6	18	7	19	4	19	2
1976-77	21	5	19	5	22	4	21	3
1977-78	20	5	19	5	22	5	19	4

Source: Estimated from the various issues of National Accounts Statistics (India, C.S.O.)

An industry-wise break up of the non-departmental public manufacturing sector, or the industrial and commercial undertakings of the government shows that it is the sectors of steel and heavy engineering⁴ which have contributed to the increase in value added of the public sector. This is reflected in the share of these sectors in total value added of the public manufacturing sector. These have increased from 16% in

4. We have excluded the category 'Minerals and Metals' in our analysis since in the C.S.O classification of the public sector's value added by industry of Origin; the category of Minerals & Metals would come under the groups 'Mining and not Manufacturing.'

1972-73 to 19% in 1977-78 in the case of steel industry and from 14% in 1972-73 to 15% in 1977-78 in the case of the heavy engineering industry. (See Table 7)

Table 7. TABLE SHOWING VALUE ADDED BY ENTERPRISES^{*} PRODUCING AND SELLING GOODS IN THE PUBLIC SECTOR (INDUSTRY-WISE)
(IN PERCENTAGES)

Year/ Industry	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Steel	16.3	14.4	14.2	12.2	20.8	13.8
Minerals & Metals	9.0	11.6	18.7	22.0	5.6	4.5
Coal	-	-	-	-	17.3	15.7
Petroleum	40.3	41.0	35.5	34.0	17.5	20.9
Chemicals & Pharmaceuticals	7.7	8.0	6.4	5.3	7.0	7.7
Heavy Engin- eering	10.6	10.6	11.8	12.7	15.6	15.3
Medium & Light Engineering	7.4	6.8	6.4	6.7	8.0	9.7
Transport- ation Equip- ment	8.1	7.2	6.4	6.3	7.4	7.6
Consumer Goods	0.7	0.7	0.8	0.8	0.9	1.0
Agro-Based Industries	-	-	-	-	-	-
All Industries	100.0	100.0	100.0	100.0	100.0	100.0

Source: India. Annual Report on Working of Industrial and Commercial Undertakings of Central Govt, various issues.

* Excludes departmentally managed undertakings and purely financial and banking institutions.

Within the steel and heavy engineering sectors it needs to be pointed out that a part of the increase in the value added is the result of the taking over of units from the private sector. However, since the value added of the taken over units is not significant the increase in the value added of the steel and heavy engineering sectors must be largely attributed to the expansion of these sectors themselves. Considering however that steel and heavy engineering are more or less completely under the purview of the public sector the expansion of these sectors may be viewed more the result of a policy decision than the result of the takeover of private enterprise.⁵ This at any rate would have caused a decline in the share of private corporate sector.

Given this, the other factor leading to the decline in the share of the private corporate sector: ie. the changes taking place within the private sector assumes importance.

Role of Private Corporate Sector within Private Enterprises

To understand the changes taking place within private enterprise the relative shares of corporate and non-corporate sector in factor incomes of private enterprise need to be ^{examined} Table 8 shows that throughout the sixties there have been fluctuations in ^{the shares of the} corporate and the non-corporate sector in the various factor incomes of private enterprises. After 1971-72 how-

5. In table 7 will show that there has been some expansion in the consumer goods sector also beside steel & heavy engineering. This it is seen is mainly because of the expansion in the Mandya National Paper Mill.

ever we find that there is a clear decline in the shares of the private corporate sector and a sharp increase in those of the non-corporate sector. This is sharply evident in the case of net value added, operating surplus and profits and dividends, but less so in the case of compensation to employees where such a trend can be seen only after 1974-75.

Table 8. SHARE OF CORPORATE AND NON-CORPORATE SECTOR IN THE DIFFERENT INDICES OF PRIVATE MANUFACTURING ENTERPRISE (%)

Year	Net Value Added		Compensation to Employees		Operating Surplus		Profits & Dividends	
	Corpo- rate	Non-Cor- porate	Corpo- rate	Non Cor- porate	Corp- orate	Non Cor- porate	Corp- orate	Non-Cor- porate
1960-61	76	24	90	10	59	41	56	44
1961-62	76	24	91	9	59	41	55	45
1962-63	76	24	86	14	63	37	58	42
1963-64	75	25	85	15	62	38	56	44
1964-65	76	24	87	13	62	38	54	46
1965-66	76	24	96	4	62	38	54	46
1966-67	76	24	84	16	64	36	54	46
1967-68	78	22	85	15	65	35	49	51
1968-69	77	23	85	15	64	36	47	53
1969-70	72	28	84	16	54	46	42	58
1970-71	77	23	85	15	66	34	56	44
1971-72	79	21	84	16	70	30	59	41
1972-73	79	21	88	12	65	35	53	47
1973-74	75	25	86	14	59	41	52	48
1974-75	74	26	91	9	53	47	45	55
1975-76	72	28	88	12	48	52	33	67
1976-77	65	35	84	16	41	59	23	77
1977-78	6	36	78	22	44	56	25	75

Source: Estimated from the various issues of the National Accounts Statistics and the Reserve Bank of India. Bulletins.

In the case of net value added and compensation to employees the share of the private corporate sector is very high ranging from 64-76% and 78-90% respectively. But in the case of operating surplus and profits and dividends their share ranges from 44-59% & 25-56% respectively and for the years 1975 to 1978 the share of the non-corporate sector in these 2 indices is even higher than that of the private corporate sector.

Thus our data suggests that the decline of the private corporate sector's share in organised manufacturing in terms of various indices is due not only to the expansion of the public sector but also due to the relatively faster growth of non-corporate enterprises within the private sector itself particularly after 1971-72. This latter finding has certain implications. Therefore a confirmation of its validity calls for a verification of the same using other sources of data. *

The Annual Survey of Industries (ASI) published by the Central Statistical Organisation (CSO) gives data for manufacturing industries classified according to type of ownership. This data is however available only from 1973. Using it we analyse (1) the share of private corporate sector and the non-corporate sector in the various indices of registered manufacturing and (2) the share of private corporate and non-corporate enterprises (which includes proprietorships, Partnerships & Co-operatives) in the various indices of private manufacturing enterprises. ^{from} the analysis given in Table 9 it is ^{seen} that the share of the private corporate sector in the various indices of registered manufacturing shows ^a marked decline over the period while that of non-corporate enterprises shows an increase. However, the growth of the non-corporate enterprises is not brought out sharply by this table.

* It must be mentioned that if the same estimates are prepared by blowing up RBI sample data based on paid up capital coverage, our results would still hold. However it must be reiterated that we are not concerned so much with exact magnitudes or differences between estimates, which are important, but not relevant to the immediate issue at hand. We are more interested in what each of the estimates suggests about the relative trends in corporate and other forms of enterprise.

Table 9. SHARE OF NON-CORPORATE ENTERPRISES IN DIFFERENT INDICES IN REGISTERED MANUFACTURING

(In percentages)

Year	Factories	Fixed capital	Productive Capital	Employees	Emoluments	Output	Value Added	Operating Surplus
1973-74	76.6	6.2	7.7	25.0	11.1	22.5	12.1	13.3
1974-75	76.9	7.4	9.4	27.0	10.9	22.1	12.8	14.7
1975-76	77.4	9.9	10.9	28.0	11.5	21.6	12.4	13.5
1976-77	79.3	11.9	8.3	28.8	11.7	21.0	12.4	13.2
1977-78	78.7	6.6	8.2	29.6	12.0	22.0	13.1	14.2

SHARE OF PRIVATE CORPORATE ENTERPRISES IN DIFFERENT INDICES OF REGISTERED MANUFACTURING

(In percentages)

1973-74	-	28.2	34.3	48.1	57.5	56.5	61.0	65.2
1974-75	-	27.4	31.6	45.1	54.6	52.1	58.2	61.8
1975-76	-	26.8	31.5	43.5	53.6	50.5	55.9	58.7
1976-77	-	23.5	28.2	41.7	51.4	49.4	53.8	56.2
1977-78	-	22.1	27.0	40.7	36.3	49.7	54.8	58.3

Source: India C.S.O Annual Survey of Industries, Summary Results for the Factory Sector, Various Issues

An examination of what has happened during this period within private manufacturing enterprise however does clearly bring out the changes; both in the case of the private corporate sector and the non-corporate sector. See Table 10.

Table 10

SHARE OF CORPORATE & NON-CORPORATE SECTOR IN THE DIFFERENT
INDICES OF PRIVATE ENTERPRISES (IN PERCENTAGES)

Year	1973-74	1974-75	1975-76	1976-77	1977-78
<u>Employments</u>					
Private Corporate	83.8	83.4	82.9	81.4	57.1
Non-Corporate	16.2	16.6	17.1	18.6	42.9
<u>G. Output</u>					
Private Corporate	71.5	70.2	70.1	70.2	69.3
Non-Corporate	28.5	29.8	29.9	29.8	30.7
<u>Net Value Added</u>					
Private Corporate	83.4	82.0	82.2	81.2	80.7
Non-Corporate	16.6	18.0	17.8	18.8	19.3
<u>Operating Surplus</u>					
Private Corporate	82.9	80.8	81.4	81.0	80.3
Non-Corporate	17.1	19.2	28.6	19.0	19.7
<u>Fixed Capital</u>					
Private Corporate	82.1	78.7	76.4	77.3	77.1
Non-Corporate	17.9	21.3	23.6	22.7	22.9
<u>Productive Capital</u>					
Private Corporate	81.5	77.4	76.3	77.2	76.7
Non-Corporate	18.5	22.6	23.7	22.8	23.3
<u>Employees</u>					
Private Corporate	65.8	62.6	61.2	59.2	57.9
Non-Corporate	34.2	37.4	38.8	40.8	42.1

Source: Govt. of India, C.S.O. Annual Survey of Industries, Summary Results for the Factory Sector. Various issues.

It is evident from this data that non-corporate enterprises are growing more and more significant in terms of their share in fixed capital, value added, employment etc of the private sector. It is further seen from Table 11 that the proportion of value added accruing as non-wage income is much higher for non-corporate bodies than for the private corporate sector. This could be because compensation/employee is much lower for non-corporate enterprises than for the private corporate enterprises. The fixed capital & productive capital/employee are also much higher for the private corporate sector than for the non-corporate sector.

Table 11

COMPARISON OF DIFFERENT RATIOS OF PRIVATE
CORPORATE AND NON-CORPORATE ENTERPRISES:

Year	Operating Surplus/Value Added (%)				
	1973-74	1974-75	1975-76	1976-77	1977-78
Private Corporate	49.18	52.92	48.07	52.47	65.81
Non-Corporate	52.35	56.47	51.52	55.57	53.72
	Fixed Capital/Employee (Rs.)				
Private Corporate	10827	11985	13554	13716	14887
Non-Corporate	3446	4116	5962	4236	4500
	Productive capital/Employee (Rs)				
Private Corporate	18857	20740	23209	23672	25137
Non-Corporate	6729	8878	10439	8229	8670
	Compensation/Employee (Rs.)				
Private Corporate	5136	6104	6688	6744	5274
Non-Corporate	1828	2002	2162	2155	2351

Source: India. C.S.O. Annual Survey of Industries, Summary Results for the Factory Sector. Various issues.

Thus the analysis based on A.S.I. data also confirms the relative growth share of of the non-corporate sector as a factor accounting for the decline of the share of the private corporate sector in organised manufacturing.

However it is very unfortunate that this cannot be clearly established in the case of corporate savings which is our prime concern. The nature of the available data precludes us from estimating the respective shares of the private corporate sector and the non-corporate sector in total private sector savings. The main drawback of the data is that for purpose of savings estimates the economy is divided into three sectors viz. households, private corporate and the government sector. Household sector here includes all non-corporate enterprises like partnerships proprietorships besides individuals, Hindu undivided families etc. and it is not possible to get separate estimates of savings for each of these segments within the Household sector. The best one could do is to piece together whatever evidence is available on the growth of non-corporate enterprises and draw conclusions based on them.

More evidence on the Non-Corporate Sector

There is some; by no means however conclusive evidence on sectors which broadly correspond to the non-corporate sector, which suggest that much of the increase in savings of the household sector could have been accounted for by non-corporate bodies. For instance, tax data gives information on the income assessed to tax of non-companies. Non-companies consist of individuals; Hindu undivided families; unregistered firms and association of persons and registered firms. This shows that while the share of individuals, Hindu undivided families and unregistered firms in the income assessed to tax of all non-companies has steadily declined over the period 1960-77; that of registered firms has doubled.

That in income assessed to tax of registered firms within non-companies has grown. See Table 12.

Again data given in the Basic Statistical Returns published by the Reserve Bank of India on loans granted by commercial banks to the private sector (classified according to type of organisation) shows that the share of partnerships, proprietorships, joint families etc in the total bank credit for the private sector increased during the period 1975 to 1980.

Though the category of registered firms used in the tax data or the organisation wise classification adopted by the Reserve Bank may not be strictly comparable with our own definition of the non-corporate sector, these data do suggest that there has been an increase in activity, income etc of non-corporate enterprises which corroborates the conclusion that the non-corporate sector is growing.

Let us now examine the nature of this non-corporate growth. Data in this area is pretty hard to come by and in the absence of any direct source of information we have attempted to estimate the relevant magnitudes which while far from precise are the best available basis for assessing certain broad trends (See Appendix for the methodology used to arrive at these estimates)

Table 12

SHARE OF THE DIFFERENT COMPONENTS IN THE
INCOME ASSESSED OF ALL NON-COMPANIES (%)

Year	Individuals	Hindu Undivided families	Unregd. Firms & Association of persons	Registered Firms	Total
1960-61	75.7	8.6	3.1	12.4	100.0
1961-62	75.6	8.3	3.4	12.7	100.0
1962-63	73.8	7.6	2.8	15.8	100.0
1963-64	74.4	7.0	2.7	15.9	100.0
1964-65	74.9	6.4	3.0	15.7	100.0
1965-66	73.9	6.4	3.0	16.7	100.0
1966-67	72.2	5.6	2.9	19.2	100.0
1967-68	70.6	5.4	2.9	21.0	100.0
1968-69	70.3	5.2	2.7	21.9	100.0
1969-70	70.2	5.2	2.5	22.1	100.0
1970-71	-	-	-	-	-
1971-72	71.3	4.6	1.6	21.9	100.0
1972-73	70.3	3.7	1.8	24.2	100.0
1973-74	-	-	-	-	-
1974-75	-	-	-	-	-
1975-76	65.4	4.0	1.7	28.9	100.0
1976-77	65.7	3.7	1.5	25.5	100.0

Source: All India Income Tax Statistics (Various issues)

What we have attempted here is an analysis of the trends in the respective contributions of manufacturing and non-manufacturing non-corporate enterprises in net value added, compensation to employees etc of all non-corporate enterprises. Data shows that in the sixties the bulk of the net value added, compensation to employees etc of non-corporate enterprises originated in the non-manufacturing activities.

(See Table 13)

Table 13

SHARE OF MANUFACTURING AND NON MANUFACTURING NON CORPORATE
ENTERPRISES IN THE VARIOUS INDICES OF ALL NON
CORPORATE ENTERPRISES (IN PERCENTAGES)

Year	Net value added		Compensation to employees		Operating Surplus		Profits & Dividends	
	Manu- cturing	Non Manuf- acturing	Manufa- cturing	Non Manu- facturing	Manuf- acturing	Non Manu- facturing	Manu- fact- uring	Non Manu- fact- uring
1960-61	27	73	15	85	37	63	39	61
1965-66	24	76	18	82	29	71	32	68
1970-71	27	73	21	79	35	65	41	59
1971-72	24	76	21	79	28	73	34	66
1972-73	23	77	15	85	34	66	44	56
1973-74	31	69	21	79	41	60	46	54
1974-75	37	63	16	84	54	46	59	41
1975-76	37	63	21	79	51	49	50	50
1976-77	40	60	23	77	54	46	58	42
1977-78	40	60	31	69	50	50	50	50

Source: Estimated from the various issues of the National Accounts Statistics and the Reserve Bank of India Bulletin.

But from 1973 onwards there seems to be a shift taking place in the pattern of their activity. There has been an increase in the contribution of the manufacturing enterprises to total non-corporate sector's value added, compensation to employees etc. That is within the non-corporate sector it is the manufacturing enterprises which have been growing.

Thus since we cannot estimate the respective share of the private corporate and the non-corporate sector in the savings of the private sector and since available evidence tends to strongly indicate increased activity and income in the non-corporate sector, one could perhaps postulate the following. Since in terms of net value added, compensation to employees etc private corporate sector's share in organised manufacturing has declined because of the increase in the non-corporate sector's share, it is possible that the behaviour of private corporate sector's share in total domestic savings could also be explained in terms of the growth of savings of the non-corporate sector. However since we cannot establish this point clearly we examine the trends within the private corporate sector to see if it offers any explanations for the observed behaviour of the private corporate sector, particularly the trends in its savings share.

Trends in the Private Corporate Manufacturing Sector

In this section we examine whether the trends within the private corporate sector also warrant its declining share in the various indices in the economy. The trends in the factor incomes of the private corporate manufacturing sector are compared with those of the organised manufacturing sector. This is carried out by computing the index numbers of net value added, compensation to employees etc of both the sectors separately for the period 1960-78. However, these did not clearly show the relative movement of the index numbers in the two sectors. To find this out, the ratio of the index of the private corporate sector to that of the organised sector was worked out to get the trends in the relative indices. These show the movement of the

Private corporate sector relative to the organised sector. The trends here clearly bring out that the net value added and the other indices in the private corporate manufacturing sector have grown more slowly than in the organised manufacturing sector (See Table 14)

Table 14: TRENDS IN THE INDICES OF THE PRIVATE CORPORATE MANUFACTURING SECTOR RELATIVE TO THAT OF THE ORGANISED MANUFACTURING SECTOR

Year	Net Value Added	Compensation to Employees	Operating Surplus
1960-61	100.0	100.0	100.0
1961-62	99.9	100.7	99.5
1962-63	98.2	94.8	103.2
1963-64	94.7	92.3	98.7
1964-65	95.6	92.8	92.8
1965-66	95.2	91.7	98.3
1966-67	94.9	89.6	100.5
1967-68	95.5	89.7	99.0
1968-69	93.7	88.8	94.8
1969-70	86.2	85.9	82.9
1970-71	91.5	85.4	97.9
1971-72	93.0	84.9	103.2
1972-73	91.6	86.1	95.5
1973-74	86.6	82.4	89.2
1974-75	81.3	81.5	79.1
1975-76	78.3	80.3	67.3
1976-77	69.9	77.1	55.1
1977-78	69.4	72.6	58.2

Source: Estimated from various issues of the National Accounts Statistics and the Reserve Bank of India Bulletin.

That is the growth of the various indices of the private corporate sector have not been able to keep pace with that of the organised sector. If one were to compute the annual growth rates of these indicators for the

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private corporate sector they may probably show a declining trend. In the case of operating surplus the decline in the relative index has been much steeper than in the case of value added etc. This implies that the operating surplus in the private corporate sector has grown much more slowly than the value added or compensation to employees of the private corporate sector in relation to that of the organised sector. It is also interesting to note that between 1960 and 1970 the relative indices show some fluctuations (generally decline) but the real sharp decline occurs only after 1971-72. What emerges from the above analysis is that (1) the private corporate manufacturing sector has grown more slowly than the registered manufacturing sector (2) this decline in growth has been sharp after 1971-72 and especially marked in the case of operating surplus.

Since the growth of the surplus in the private corporate sector has been slow, let us see how the proportion of non-wage income/total income of this sector compares with that of the organised manufacturing sector. Again as seen from table 15 this ratio is lower for the private corporate manufacturing sector as compared to the organised sector as well as the other sectors within the organised sector. Further it is seen that while this ratio is generally declining for all sectors, the decline in the private corporate sector has been very sharp during 1975-76 to 1977-78 taking the ratio to unprecedented low levels.

Table 15

PROPORTION OF NON WAGE INCOME/VALUE ADDED OF
THE DIFFERENT SECTORS (%)

Non Wage Income/Value Added of					
Year	Organised Manufactur- ing sector	Public Manu- facturing sector	Private Cor- porate Manu- facturing sector	Non Corp- orate sector	Organised sector excluding private corporate sector
1960-61	45.4	37.8	36.0	76.8	66.9
1961-62	46.0	39.2	36.3	79.6	68.5
1962-63	43.7	40.8	36.3	67.9	59.5
1963-64	44.7	44.3	37.0	68.0	60.0
1964-65	42.9	40.5	35.2	69.4	58.6
1965-66	41.2	40.7	33.7	65.8	56.1
1966-67	40.0	38.8	33.6	61.0	52.5
1967-68	36.0	38.0	29.6	57.2	48.8
1968-69	35.7	40.2	28.6	56.2	49.0
1969-70	41.1	39.6	31.3	67.1	55.9
1970-71	38.1	37.7	32.3	53.3	48.3
1971-72	36.4	38.0	32.0	51.1	44.5
1972-73	36.5	36.0	30.2	61.7	47.8
1973-74	38.4	32.0	31.4	66.0	49.1
1974-75	43.1	33.7	33.2	81.0	56.0
1975-76	38.6	36.2	26.3	73.2	53.4
1976-77	43.6	44.9	27.2	73.1	59.2
1977-78	40.1	42.8	26.7	61.8	52.8

Source: Estimated from the various issues of the National Accounts Statistics and the Reserve Bank of India Bulletin.

The appropriation of the surplus in the private corporate sector shows that the proportion going as interest payments has risen from 18% in 1960-61 to 68% in 1977-78 the sharp increases occurring between 1975-76 and 1977-78. See Table 16. This means that either there is an increasing dependence of this sector on borrowed capital relative to that of own capital or that the cost of

capital for this sector is rising. The proportion of surplus going as tax has also increased from 36% in 1960-61 to 51% to 1977-78. This proportion as in the case of interest has been very high during 1975-78.

Table 16

Appropriation of the Surplus in the Private Corporate Manufacturing sector

Proportion of the operating surplus appropriated as*		
(in percentages)		
Year	Interest	Tax
1960-61	17.8	36.1
1961-62	18.6	40.3
1962-63	19.3	49.4
1963-64	20.7	48.7
1964-65	24.0	45.2
1965-66	29.1	46.1
1966-67	34.5	42.3
1967-68	45.4	41.4
1968-69	46.3	40.8
1969-70	40.6	57.8
1970-71	40.1	39.1
1971-72	43.7	40.6
1972-73	44.7	42.8
1973-74	39.1	45.5
1974-75	39.3	45.5
1975-76	63.2	55.3
1976-77	66.2	54.0
1977-78	68.1	51.4

Source: Estimated from the various issues of the Reserve Bank of India Bulletin.

In sum, one feels that the low proportion of non wage income to total income; the rising interest and tax payments all taken together

* The appropriation of the surplus into tax, profit, interest etc as taken from the RBI does not sometimes tally with our estimates of operating surplus because of certain conceptual differences between our estimates of the surplus and that of the RBI.

would leave very little surplus to be retained by the private corporate sector. Added to this the slow growth of this sector relative to that of organised manufacturing would have resulted in maintaining the share of private corporate savings in total savings at a low level. Further, the accentuation of the above features in 75-78 would have caused even this low share of private corporate savings in total savings to decline.

Some Broad Conclusions:

The general decline of the share of the private corporate sector in the various indices of organised manufacturing seems to have been brought about by rise in the share of the public sector and more importantly that of the non-corporate enterprises. Though this is possible in the matter of savings as well, it has not been possible to establish it. However, one finds that even within the private corporate sector there were several factors operating which could have contributed to maintaining the savings share of this sector in the economy low. The more important of these factors are (1) the low proportion of non-wage income/total income in the private corporate sector (2) the rising interest and tax payment and (3) the failure of this sector in general keep to pace with that of the organised sector. The accentuation of these features during the period 1975-78 seems to have further depressed the already low share of the private corporate sector in total savings.

APPENDIX 1

A note on the methodology and data used in the paper

Sources of data used in this paper are mainly the various issues of the National Accounts Statistics and the Annual Survey of Industries (Factory Sector) published by the Central Statistical Organisation, the Financial Statistics of Joint Stock Companies published by the Reserve Bank of India and the All India Income Tax Statistics published by the Directorate of Inspection (Research, Statistics & Publication).

While most of the tables used in the paper are self-explanatory, the main tables making estimates for the non-corporate or unincorporated sector need some explanation. We have prepared estimates for the non-corporate sector both manufacturing, non-manufacturing and all non-corporate enterprises. For the preparation of these tables we have used both National Accounts Statistics data as well as the Reserve Bank data. The latter source has been used for preparing estimates for the private corporate sector. The estimates for the non-corporate sector are obtained as a residue by deducting from the estimates for the total organised sector, the estimates for the public sector and the private corporate sector. How the estimates of each of these sectors, viz., organised, public and private sector is prepared, their coverage etc. is detailed below.

Organised Sector: For preparing estimates for all non-corporate enterprises we have restricted the definition of organised sector to include only the organised non-financial sector. Data for this sector is obtained by deducting data relating to the financial sector from total organised sector; financial sector being defined to include Banking and Insurance. But data for the organised part of the financial sector alone is not

available and the data on the financial sector which has been used includes both the organised and unorganised financial sector. Our estimates for the various sectors are prepared with reference to factor income data i.e., the main indices we have used in our paper are net value added, compensation to employees, operating surplus, interest, rent and profits and dividends. Net value added minus compensation to employees = operating surplus. Operating Surplus = Interest + Rent + Profits and Dividends. The detailed definitions and components of each of these sectors are taken to be the same as those outlined in the National Accounts Statistics, Sources & Methods, April 1980. To recount Organised Non-Financial Sector = Organised Sector minus Financial Sector. Financial Sector = Banking and Insurance.

Public Sector

Public Sector in our paper refers to the non-financial public sector. Non-Financial Public Sector = Public Administration & Defence + Non-financial Public Enterprises.

Non-Financial Public Enterprises = Total Public Enterprises Minus non-departmental financial enterprises.

The data for each of those sectors is directly available from the National Accounts Statistics.

Private Non-Financial Sector

Total organised Non-financial minus public administration and Defence and non-financial public enterprises = Private Non-financial Sector. From the estimates of the Private Non-financial Sector, one can arrive at estimates for the Non-financial unincorporated enterprises within the organised sector. One may call these, non-corporate enterprises which include partnerships, proprietorships and ^{co-operation} / That is Private Non-financial

minus Private Corporate (Non-Financial) = Non-Corporate.

We shall next examine how the data for the private corporate sector (Non-financial) are prepared.

Private Corporate Sector (Non-Financial)

Data for this sector are largely estimated from the sample data published every year by the Reserve Bank of India on the finances of joint stock companies in India. The sources of data used are RBI's "Financial Statistics of Joint Stock Companies 1960-61-1970-71", "Financial Statistics of Joint Stock Companies 1970-71-1974-75" and some issues of the Reserve Bank of India Bulletin.

Private Corporate Sector (Non-Financial) is defined to include Medium and Large Public Limited Companies, Medium and Large Private Limited Companies, Small Public and Private Limited Companies and the Branches of Foreign Companies. Only sample data on Medium and Large Public Limited Companies is adjusted for the whole, while in the case of the other sub-sectors sample data as such is used. The reason for this is, the current method of blowing up based on paid-up capital coverage tends to over estimate the figures especially when the coverage of the sample is very low as is the case with the sub-sector like Medium and Large Private Limited Companies, Small Companies etc. In this paper we have adjusted sample data on medium and large public limited Companies by linking it to the Census frame of all Medium and Large Public Limited Companies following the method given in the paper * referred below. Since we have adjusted

* N. Shanta "Population Estimates for the Corporate Sector - An Alternative Method" Economic & Political Weekly May 1981.

sample data relating to one sub-sector alone and used sample data as such for the other sub-sectors there may be an element of underestimation in our estimates of the Private Corporate Sector, and this would overestimate the figures relating to the non-corporate sector, they being obtained by deducting private corporate estimates from the estimates for the Private Sector.

The indices for which we have made estimates are for the factor incomes. Those are not directly available from the Reserve Bank Data. What we have done is to reclassify balance sheet and profit and loss data as given in the RBI Bulletins into production accounts for each sub-sector and then calculated the relevant variables like value added, compensation to employees, operating surplus etc. Items included under various categories in our reconstruct are as follows:- Value of Production = Value of Sales + Increase or decrease in value of stock. Value of production minus Intermediate consumption = Gross Value Added. Intermediate consumption includes value of Raw Materials, Stores and Spares, power & fuel; other manufacturing expenses, Repairs to Buildings, Repairs to Machinery, Bad debts; other expenses, and other provision (other than tax provision).

Gross Value Added minus consumption of fixed capital = Net Value Added.
 Gross Value Added minus compensation to Employees minus consumption of Fixed Capital = operating surplus. Compensation to Employees includes salaries, wages & bonus; Provident Fund, Employees Welfare Exps.; Managerial Remuneration and selling Commission. Operating Surplus minus interest = Profits and Dividends. Profits and Dividends are obtained by deducting interest charges alone from operating surplus; as there is no separate data available on rent, rent being classified under other expenses it would get deducted along with intermediate costs. Another factor to be taken into account is, since we have estimated the factor

incomes from production accounts, the category of "other income" or non-operating surplus is completely excluded from our estimates.

After preparing estimates in this way for the Private Corporate non-financial sector, they are deducted from the estimates for the private non-financial sector to obtain estimates for the non-corporate sector. That is Private Non-Financial minus Private Corporate Non-Financial = Non-Corporate Enterprises. However the data on all non-corporate enterprises has been used only to a limited extent in the paper. The main data in the paper refers to the manufacturing sector.

More or less following the same sectorization as outlined above we have prepared estimates for non-corporate manufacturing enterprises. That is, Registered Manufacturing minus Public Sector Manufacturing minus Private Corporate Manufacturing = Non-Corporate Manufacturing.

Registered Manufacturing

Data for registered manufacturing (manuf: enterprises registered under the Factories Act) is directly available from the National Accounts Statistics.

Public Sector Manufacturing

Data on factor incomes for Public sector manufacturing as such (for both departmental and non-departmental) is not available. Only the Net Value Added by departmental and non-departmental enterprises in manufacturing is available. What is therefore done is to work out the proportion of each of the factor payments in value added of all departmental enterprises. The same is done in the case of non-departmental enterprises also. These proportions are then applied to the respective net value added in manufacturing by departmental and non-departmental enterprises to get the relative contribution of each factor payment

within non-departmental manufacturing and departmental manufacturing respectively. This assumption is admittedly arbitrary and needs to be modified when better information becomes available.

Private Corporate Manufacturing Sector

In the case of the Private Corporate Sector the Reserve Bank Sample data is blown up covering three major manufacturing groups. That is Processing and Manufacture relating to Foodstuffs, Textiles etc, Processing & Manufacture relating to Metals, Chemicals etc. and the Processing and Manufacture relating to industries not elsewhere classified i.e. group III, IV & V of the RBI classification. For each of these groups and for each sub-sector (like Medium and Large Public and Private etc) production accounts are prepared and the various indices estimated and then added up.

Non-Corporate Manufacturing

Estimates for the non-corporate manufacturing sector is obtained as a residual by deducting estimates for public manufacturing and private corporate manufacturing from registered manufacturing. In this case also, the procedures outlined above were used to obtain data on all non-corporate enterprises for each of the factor payments and for manufacturing non-corporate enterprises. By deducting the latter from the former, data on factor incomes for all non-corporate, non-manufacturing enterprises is obtained.

Annual Survey of Industries Data

Another source of data used is the Annual Survey of Industries (Factory Sector). It gives data by type of organisation & type of ownership. By combining these two sets of data we have worked out the relevant estimates. Data on non-corporate bodies like partnership, proprietorship etc. are directly available. Estimates for private corporate sector are

obtained by deducting estimates for the non-corporate sector from estimates for all private enterprise.

These are the sources and methods used in building our estimates. Minor details are however left out because the purpose of this appendix is merely to indicate how the crucial tables have been prepared.

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