

Pattern of Corporate Ownership in India - Effects of Liberalization

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INTRODUCTION

Though liberalization is a process, we need a cut-off date to make a comparative study. From that stand point; we have crossed over more than a decade from the liberalization policy of July 24, 1991 in our country. The wind of this policy has touched almost every corner of our society, every aspect of our economy. Here, in this article, we have tried to take a taste of those changes that the liberalization policy has thrown on us particularly in the pattern of corporate ownership in our country. A modest attempt has been made to study different aspects of the changes in the pattern of corporate ownership in our country. Areas of the study include distribution of shareholding population in different cities in our country, their density and ranking, occupation-wise shareholding, corporate ownership pattern - the pre-liberalization era and the post-liberalization era.

The study has been divided in two sections. **Section-I** covers the picture of the pre-liberalized era while **Section-II** covers the picture of the post-liberalized era.

DATA SOURCE

Data for the article have been collected from different issues of Company News & Notes; Annual Reports on the Working and Administration of the Companies Act, 1956, and their internet versions, Department of Company Affairs, Govt. of India; Reserve Bank of India (RBI) Bulletins and their internet versions, RBI's Annual Reports, and RBI's Report on Currency and Finance (different issues); Research Publications of ISID--internet versions; Official Directory of Bombay Stock Exchange (BSE); Annual Reports of the Securities and Exchange Board of India (SEBI); Reports of the Centre for Monitoring Indian Economy (CMIE)--internet versions; The Economic Times, Kolkata; The Statesman, Kolkata.

SECTION-I

Pattern of Corporate Ownership and Distribution of Shareholding Population in India ----- Pre-liberalization Era (1981 - 1992)

The post-independent era in India witnessed a tremendous growth of the corporate sector. It also marked a simultaneous and proportionate growth of the capital market. This growth of the capital market has been facilitated by various policy measures adopted by the government for widening and strengthening it to accelerate the pace of industrialization. At the macro level, the policy of the government is aimed at developing the capital market through appropriate legislative and institutional reforms, while, at the micro level, **Banks and Financial institutions** came forward to mobilize the shy investible surplus. The two-pronged drive has been successful in achieving the development of the capital market from the viewpoint of the volume of operation only. But, the equity cult is still to come to the full bloom in the sense that the **Household Sector**, which accounts for the largest amount of surplus income, invests only about 5 % of its financial savings in the securities of companies and keeps the remaining portion in the form of deposit with institutional agencies (Maiti, 1993). Moreover, investor participation is around 20 million in our country and it forms only about 2.5 % of the total population of the country (Lal, 1990). Thus, a large population with investible surplus remains completely outside the capital market. Besides, the fact that the shareholding population that is highly concentrated in a few metropolises also inhibits the growth of the capital market. The table below once again proves Mumbai's supremacy here in case of shareholdings and concentration of shareholdings in just 5 cities, accounting for over 50% of total shareholdings in our country.

From the table, it is clear that Mumbai has maintained its supremacy in terms of shareholdings in the country. In 1983, it alone accounted for more than one third of the total shareholdings of the country. Though Mumbai has maintained its dominance in 1992 too, its share has sharply declined to the extent of 8.3% over a period of about 9 years, resulting in about 1% decline per annum. It is not good news for Mumbai, but this deconcentration is obviously a healthy sign for the rest of the country. It helps to widen and strengthen the base of capital market in the country. Again, in 1983, only 5 cities accounted for about two-thirds of the total shareholdings of the country. In 1992, though it declined,

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still it accounted for 55%. But one interesting feature revealed by Table-1 is the shareholding in each of these cities is declining except one, i.e., **Ahmedabad**, which accounts for a marginal increase of 0.2%. On the contrary,

Table-1: Percentage of Five Major Cities of the Total Shareholdings in India

| City | 1983 (%) | 1992 (%) | Increase/Decrease |
|------------------|----------|----------|-------------------|
| Mumbai | 35.3 | 27.0 | (-) 8.3 |
| Kolkata | 10.0 | 8.6 | (-) 1.4 |
| Delhi | 9.5 | 8.3 | (-) 1.2 |
| Ahmedabad | 7.4 | 7.6 | (+) 0.2 |
| Madras (Chennai) | 3.9 | 3.5 | (-) 0.4 |
| Total | 66.1 | 55.0 | (-) 11.1 |
| Rest of India | 21.4 | 32.5 | (+) 11.1 |

Notes: i) (+) denotes increase and (-) denotes decrease ii) Increase/Decrease relates to 1983

Source: BSE (1995), the Stock Exchange Official Directory, BSE, 1st May, p. 61

rest of India, which shared just 21.4% in 1983, has increased its tally to 32.5% in 1992, thus marking an increase of 11.1%. This deconcentration is desirable, overdue and is healthy sign for Indian capital market and the economy too. Let us have a close look at the table below to have an idea about the shareholding individuals and their density in top ten cities in our country.

Table-2: Estimated Number of Shareholding Individuals in Top 10 Cities in India and Their Ranking according to Shareholders' Density

| City | No. of Shareholding Individuals and their Density | | | | Rank | |
|------------------|---|--|---------------|--|------|------|
| | 1981 | | 1991 | | 1981 | 1991 |
| | No. (lakhs) | Density (as % to its total population) | No. (lakhs) | Density (as % to its total population) | | |
| Mumbai | 10.6 | 12.90 | 34.15 | 27.2 | 1 | 2 |
| Vadodara | 0.76 | 10.90 | 3.02 | 27.1 | 2 | 3 |
| Ahmedabad | 2.23 | 8.60 | 9.52 | 28.8 | 3 | 1 |
| Delhi | 2.85 | 5.00 | 10.37 | 12.3 | 4 | 4 |
| Surat | 0.42 | 4.70 | 1.41 | 9.4 | 5 | 8 |
| Pune | 0.75 | 4.40 | 2.92 | 11.7 | 6 | 5 |
| Jaipur | 0.33 | 3.30 | 1.62 | 10.7 | 7 | 6 |
| Kolkata | 3.01 | 3.27 | 10.73 | 9.8 | 8 | 7 |
| Madras (Chennai) | 1.17 | 2.70 | 4.33 | 8.0 | 9 | 9 |
| Bangalore | 0.73 | 2.50 | 3.06 | 7.5 | 10 | 10 |

Source: BSE (1995), the Stock Exchange Official Directory, BSE, 1st May, p. 62

Table-2 above has revealed three important features regarding shareholding individuals and their density and ranking in top 10 cities in the country between 1981 and 1991. First, there has been sharp increase in shareholding individuals in every city in 1991 compared to 1981 and here also **Mumbai** leads the team by recording an increase of 23.55 lakhs individuals much above the increase in number in any other city. But, behind the curtain, a fact remains undisclosed. Though **Mumbai** recorded an increase in number, which is the highest in the tally, but lowest in terms of percentage. It accounted for 222.2% increase, lowest in the tally compared to 1981. Whereas, in terms of percentage increase tally, **Jaipur** occupied first position by recording 390.9% increase followed by **Ahmedabad** and **Bangalore**, all marking increase above 300%.

On the shareholders' density front, all the 10 cities registered an increase in 1991 compared to 1981, but in ranking, the commercial capital of the country lost its No. 1 rank of 1981 to **Ahmedabad** in 1991. **Ahmedabad** improved its position from No.3 in 1981 to No.1 in 1991, accounting for density of 28.8. The most startling feature disclosed by the table is that a less known city, i.e., Vadodara ranked No.2 and No.3 in 1981 and in 1991 respectively, accounting for shareholders' density of 27.1. Another important feature is that **Surat**, a renowned industrial city, has lost its No.5 rank in 1981 to **Pune** and ranked No.8 in 1991. Barring three cities - **Mumbai**, **Vadodara** and **Ahmedabad**, the shareholders' density in other cities is not at all encouraging. About 90% of the population in these cities has remained out of corporate activities. The capital market in India has failed to utilize their savings and to attract them to corporate activities. This proves inefficiency and immaturity of the Indian capital market. Equity cult in India is yet to reach the common people of our country; widening the base of ownership that is far away to achieve.

PATTERN OF OWNERSHIP OF SHARES

We have actually failed to achieve the objective of broad-based ownership. The hard reality is that, over the years, the share of Individuals in the ownership of both small and large companies is on the decline. Rather, other components in ownership, which stand in the way of broad basing of ownership, are consolidating their positions.

Our contention will be justified by the following tables covering the period from 1965 to 1989.

Table 3: Pattern of Ownership of Shares (1965 and 1978)

| Category of Owners | 1965 Size of Companies | | 1978 Size of Companies | |
|------------------------|------------------------|--------------------|------------------------|---------------------|
| | Upto Rs. 25 lakhs | Over Rs.2.5 crores | Upto Rs. 25 lakhs | Over Rs. 2.5 crores |
| Individuals | 62.4% | 44.9% | 59.0% | 36.0% |
| Financial Institutions | 6.3% | 19.3% | 18.2% | 26.2% |
| Others | 31.3% | 35.8% | 22.8% | 37.8% |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Sources: R.B.I. (1978), RBI Bulletin, February, p. 143 & R.B.I. (1983), RBI Bulletin, February, p. 82

Table 4: Pattern of Ownership of Shares in Top 50 Companies and Bottom 50 Companies in 1989

| Category of Owners | Bottom 50 Companies | Top 50 Companies |
|------------------------|---------------------|------------------|
| Individuals | 41.7% | 36.4% |
| Financial Institutions | 18.0% | 25.2% |
| Resident Promoters | 24.4% | 16.6% |
| Foreign Collaborators | 15.9% | 21.8% |
| Total | 100.0 | 100.0 |

Source: The Economic Times, Kolkata, October 16, 1989, p. VI

The two tables above unmistakably prove that percentage in ownership of shares of Individuals has declined in case of both small and big companies over the period covered by the tables, only exception being top 50 companies in 1989, which maintained almost the same percentage of 1978, though they registered a decline of 8.5% compared to their shares in 1965. Hence, ownership base has not widened, at least, in percentage share of Individuals in both small and large companies in our country. Not even it was possible to maintain the percentage share of Individuals, which rather indicates and encourages concentration.

Another fact revealed by the tables above is the unquestioned loyalty of the Financial Institutions (FIs) towards the big companies throughout the entire period. The share of FIs has been steadily higher in case of big companies in all the years of 1965, 1978 and 1989. Whenever more support is needed to the small companies, FIs prefer big companies as their avenue for investment for the reasons best known to them. The recent important emerging trend in the category of owners is Foreign Collaborators who have substantially increased their stake in both small and big companies in 1989, taking advantage of relaxations in policies of 1982 and 1985. At present, it may be assumed that their positions are more consolidated following the liberalization policy of 1991. The share of Foreign Collaborators is higher in case of top companies than that of the bottom companies as disclosed by Table-4, whereas, the stake of Resident Promoters is more in case of bottom companies.

SECTION-II

PATTERN OF CORPORATE OWNERSHIP IN INDIA - POST-LIBERALIZATION ERA

The process of liberalization has made different India regulations easy through deregulation. In this chapter, an attempt is being made to present a picture of ownership pattern in deregulated India. The vast country like ours having a population of more than one billion has experienced a tremendous growth of the corporate sector as well as its investor population undoubtedly. At present, India has 23 recognized stock exchanges with over 8000 listed companies having a market capitalization of Rs. 4,53,000 crores. The investor population, which was mere 2 million in 1980-81, has increased to around 50 million accounting for 5% of the population (Swarup and Verma, 1998). Liberalization has not even succeeded in eliminating lopsidedness in secondary market activities, which are concentrated only in five major cities --- Mumbai, Kolkata, Delhi, Ahmedabad and Chennai. Even in the matter of shareholdings, concentration is noted in these 5 cities, accounting for 55% of total such shareholdings (BSE Official Directory, 1995). BSE alone accounted for 32% of the Total Market Turnover in 1998-99 (SEBI Annual Report, 1998-99). Such type of development has actually belied our expectation.

The table placed below gives us a quick idea about the corporate ownership pattern in our country.

Table-5: Share of Different Categories of Shareholders in Market Capitalization

| | Category | Market Capitalization (Rs, crores) | Share in Market Capitalization of non-govt. companies (%) |
|---|--|------------------------------------|---|
| A | Total Market Capitalization (MCAP)* | 636045 | |
| B | Of which, MCAP of 2574 companies for which shareholding data are available* | 611794 | |
| C | MCAP of 67 Public Enterprises (within B) | 171634 | |
| D | MCAP of 2507 non-govt. companies (B) - (C) | 440160 | 100 |
| | Composition of (D) | | |
| 1 | Indian and Foreign Promoters including persons acting in concert with them | 210597 | 47.85 |
| 2 | Institutional Investors | 108281 | 24.60 |
| | (a) Foreign Institutional Investors (FIIs) | 53741 | 12.21 |
| | (b) Banks and Financial Institutions | 30506 | 6.93 |
| | (c) Mutual Funds | 24033 | 5.46 |
| 3 | General Public: Indian | 79086 | 17.97 |
| 4 | Private Corporate Bodies | 17582 | 3.99 |
| 5 | Non - Resident Indians and Overseas Corporate Bodies (OCBs) controlled by them | 6997 | 1.59 |
| 6 | Others (Including GDRs) | 17617 | 4.00 |

* MCAP was available for 2055 companies; retrieved from <http://www.capitalmarket.com>

Source: Chalapati Rao, K.S., op. cit., pp. 8, 9; retrieved from <http://www.isidev.nic.in>

Apart from 67 Public Enterprises, the above table discloses ownership pattern of mainly non-govt. companies for which data are available. From the above table it is clear that almost 50% of the market capitalization has been shared by **Indian and Foreign Promoters** including persons in concert with them. **Is it a sign of disguised economic colonialism?** Next place has been occupied by **Institutional Investors** among whom **FIIs** share maximum percentage followed by **Banks & Financial Institutions** and **Mutual Funds**. **Indian General Public** represents only 17.97% of total market capitalization. On the whole, it can be commented that liberalization has failed to deconcentrate the corporate ownership and the percentage of Indian General Public Holdings could not even reach the expected level. Moreover, Promoters' Holdings can still remain hidden in the form of Other Corporate Bodies, Individual Shareholders and NRI/OCBs. These would ultimately increase holding percentage of the Promoters further. More vivid picture regarding Promoters' Holdings can be had from the table below.

Table-6: Distribution of Companies according to Promoters' Shareholdings

| Promoters' Shareholdings (%) | All Companies | | Companies having Rs. 50 crores or more of MCAP | |
|------------------------------|------------------|------------|--|------------|
| | No. of Companies | % to Total | No. of Companies | % to Total |
| 1 | 2 | 3 | 4 | 5 |
| Less than 10 | 86 | 3.43 | 13 | 2.76 |
| 10 - 25 | 197 | 7.86 | 24 | 5.10 |
| 25 - 40 | 539 | 21.50 | 94 | 19.96 |
| 40 and up to 50 | 439 | 17.51 | 65 | 13.80 |
| More than 50 and Upto 74 | 952 | 37.97 | 202 | 42.89 |
| More than 74 | 294 | 11.73 | 73 | 15.50 |
| Total | 2507 | 100.00 | 471 | 100.00 |

Source: Chalapati Rao, K.S., op.cit, p. 9. Data relate to December 2001 and March 2002; retrieved from <http://www.isidev.nic.in>

The above table makes it clear that almost in 50% of the companies, **Promoters' Holdings** are more than 50%, i.e., from 50 to 74%. In more than 67% of the companies, these holdings are more than 40%, i.e., from 40 to 74%. Again, in more than 85% of the companies, such holdings were more than 25%, i.e., 25 to 74%. This table has exposed the extent of concentration of corporate ownership in our country. Important information revealed by the table is that in about 43% of the companies having Rs. 50 crores or more of MCAP, **Promoters' Holdings** are more than 50%, i.e., from 50 to 74%. The incidence of majority **Promoter stake** is more prevalent in case of large companies, because these large companies are generally matured companies having **financial soundness** and **high dividend pay out ratio**. They enjoy all sorts of advantages of being big in the matters of market capitalization, facing competition, getting bank loans and so on. Actually, **Promoters** are helping to develop monopoly so that they can reap the benefits of these big corporations. At the same time, due to high **Promoters' stake**, less number of shares of these companies is traded. In this process, market price of these shares maintain a high level due to short supply. **Thus, depriving the common people to trade in these scrips.** On the other hand, small companies, which badly need more financial

support from the **Promoters** due to the fact of being small, are also being deprived of **promoter patronage**. Thus, making it difficult for them to face the competition and make their projects viable. Equity shares are treated as long-term and risk capital. They are also base capital of the companies without which no company can be promoted. From the viewpoint of investors, they have to ponder over a lot regarding investment in equities because investment in equities means not only too much risk, but also a long-time wait to have the expected return, if at all possible. But, hard reality is that corporate growth of a country depends largely on such risk and long-term investment of capital. An analysis of the following table makes us knowledgeable about some of the hitherto unknown facts.

Table-7: Pattern of Ownership of Equity Shares by Investor Category as on 31st March 1995
(Percentage)

| Investor Category | Equity shares | |
|--------------------------------------|---------------|-------|
| | N | A |
| Banks | 2.0 | 2.0 |
| Financial Institutions/ Corporations | 23.6 | 23.7 |
| Joint Stock Non-Financial Companies | 17.2 | 18.2 |
| Government | 2.6 | 2.6 |
| Non-residents: | 11.8 | 11.8 |
| a) Individuals | 2.6 | 2.6 |
| b) Foreign Institutional Investors | 9.2 | 9.3 |
| Households | 37.9 | 37.2 |
| Others | 4.7 | 4.5 |
| Total | 100.0 | 100.0 |

Source: R.B.I. (1998), RBI Bulletin, February, p.102; Notes: Summation of column N will be 99.8 not 100.0, whereas Non-residents' sub-total will not tally with 11.8. This discrepancy remains due to verbatim representation of the original table where such error existed

N-- Number of shares; A-- Amount of paid up capital

As per the above table, percentage of largest equity holdings has gone to the **Households** followed by **Financial Institutions/Corporations** both in terms of number and amount. **Joint Stock Non-financial Companies** occupied the next place by holding 17.2% and 18.2% respectively in terms of number and amount. **Non-residents, both Individuals and FIIs**, made their presence felt by holding 11.8% both in terms of number and amount. **Government's** and **Bank's** equity holdings were meager and negligible. For obvious reason, Government is busy with public sector, hence the scant regard for the private corporate sector, particularly after liberalization. **Banks**, on the other hand, had been very conservative in equity investment. Though, they have the largest investible surplus resources after Households, they have always played a shy role in corporate investment (RBI Bulletin, February 1998). Admitting their major role in providing **working capital** to corporates, author is constrained to say that mere 2% investment in equities by **Banks** cannot justify their investment policy for years with vast public deposits.

Let us have a close look at the following table to have some interesting information hitherto unknown. The following table depicts a detailed picture of percentages of equity investment made by different categories of investors in different industries. As usual the **Households**, as the highest sharer of investment, has contributed a major share in all the industries covered by the study. Among them the most choiced industry is **Agriculture & Allied Activities** followed by **Construction, Processing and Manufacturing industries**, and **Hotels, Restaurants and Eating Houses**. The Households is actually providing basic finance to all the industries, thus, playing an important role in setting up the foundation of corporate growth of our country. To garner more resources from this category of small investors what is needed is to establish **trustworthiness and transparency** in the functioning of the management of the corporate and pay a fair return on their hard earned money. On the other hand, **Financial Institutions/Corporations**, another major investor after the **Households**, are very much selective in investment. Their most choiced industries are **Trading, and Processing and Manufacturing industries**. What was expected of this category of investor is totally missing and frustrating. Their investment should have concentrated in basic and key industries for balanced development of the country. Like ordinary investor, their investment decision should not have been guided by risk-return factor only. In this respect, their role is not encouraging. **Joint Stock Non-financial Companies**, another important category of investors, has played an equitable role in its investment. Its share of investment is more or less equally distributed among basic and non-basic industries. Albeit, its most preferred area is **Trading**, it has not neglected industries like **Agriculture & Allied Activities and Mining & Quarrying**. On the whole, its role is satisfactory and heartening. Another important point is that **Non-residents**, though a small investor category, has more or less equally shared its investment with all the industries without being partial to any particular industry.

Table-8: Industry-wise Ownership Pattern of Ordinary Shares by Category of Investors

| Industry | Category of Investors | | | | | | | | | | | | | |
|---|---|------|-------|-----|---|------|------------|------|---------------|------|------------|------|-------|------|
| | Financial Institutions/ Corporations | | Banks | | Joint Stock Non- Financial Companies | | Government | | Non-residents | | Households | | Other | |
| | n | a | n | a | n | a | n | a | n | a | n | a | n | a |
| Agriculture & Allied Activities | 4.5 | 3.4 | 0.0 | 0.0 | 41.1 | 31.1 | 0.0 | 0.0 | 16.5 | 12.6 | 37.9 | 52.4 | 0.1 | 0.6 |
| Mining & Quarrying | 9.5 | 6.6 | 0.6 | 0.4 | 7.9 | 39.6 | 0.0 | 0.0 | 2.4 | 1.6 | 43.0 | 28.3 | 36.7 | 23.6 |
| Processing & Manufacturing | | | | | | | | | | | | | | |
| i) Foodstuffs, Textiles, Tobacco, Leather, etc. | 22.4 | 24.6 | 0.6 | 0.8 | 17.5 | 18.5 | 3.2 | 2.9 | 13.1 | 11.9 | 42.6 | 40.6 | 0.6 | 0.5 |
| ii) Metals, Chemicals, etc. | 22.9 | 22.9 | 2.5 | 2.5 | 16.1 | 16.2 | 1.5 | 1.5 | 12.9 | 13.4 | 39.7 | 39.3 | 4.3 | 4.2 |
| iii) Cement, Rubber, etc. | 26.4 | 26.6 | 0.2 | 0.3 | 23.9 | 25.7 | 11.6 | 10.8 | 7.1 | 6.6 | 25.5 | 25.3 | 5.3 | 4.8 |
| Other Industries | 31.1 | 29.9 | 1.4 | 1.3 | 22.6 | 24.4 | 3.0 | 2.8 | 5.9 | 5.6 | 26.8 | 27.3 | 9.2 | 8.7 |
| i) Construction | 2.9 | 2.9 | 8.4 | 8.4 | 34.6 | 34.6 | 0.0 | 0.0 | 1.2 | 1.2 | 45.2 | 45.2 | 7.6 | 7.6 |
| ii) Trading | 41.8 | 35.0 | 0.0 | 0.0 | 48.9 | 55.8 | 0.0 | 0.0 | 0.0 | 0.1 | 9.3 | 9.0 | 0.0 | 0.0 |
| iii) Hotels, Restaurants & Eating Houses | 14.2 | 13.1 | 0.1 | 0.1 | 27.9 | 31.9 | 0.2 | 0.2 | 16.2 | 14.9 | 41.4 | 39.8 | 0.0 | 0.0 |
| iv) Miscellaneous | 42.9 | 41.9 | 0.3 | 0.3 | 13.7 | 13.7 | 5.3 | 5.0 | 4.0 | 3.8 | 19.3 | 21.4 | 14.5 | 13.8 |

Source: R.B.I. (1998), RBI Bulletin, February, p.105; Notes: n-number of shares; a-paid up value amount

While the above table draws an industry-wise ownership picture of different category of investors, the following table allows us an opportunity to compare the ownership pattern of ordinary share capital over the years.

Table-9: Pattern of Ownership of Ordinary Share Capital (1978 to 1995) (Percentage)

| Category of Investors | December 1978 | June 1982 | March 1995 |
|---------------------------------------|---------------|-----------|------------|
| Banks | 3.6 | 2.2 | 2.0 |
| Other Financial Institutions | 22.1 | 25.1 | 23.7 |
| a) IDBI | 1.1 | 2.8 | 3.8 |
| b) ICICI | 0.5 | 1.4 | 0.9 |
| c) IFCI | 0.5 | 1.4 | 0.7 |
| d) UTI | 4.8 | 4.6 | 6.3 |
| e) Insurance Companies | 13.2 | 12.3 | 4.6 |
| f) Mutual Funds (excluding UTI) | - | - | 2.0 |
| g) State Level Financial Institutions | 1.4 | 2.2 | 1.9 |
| h) Other Institutions | 0.6 | 0.4 | 3.5 |
| Joint Stock Non-Financial Companies | 33.8 | 30.9 | 18.2 |
| Government and Semi-Government Bodies | 1.5 | 1.0 | 2.6 |
| Households | 38.8 | 37.5 | 37.2 |
| Non-residents | - | 1.6 | 11.8 |
| Others | 0.2 | 1.7 | 4.5 |

Source: R.B.I. (1998), RBI Bulletin, February, p.110

The above table makes a comparison of change in the ownership pattern of ordinary share capital in different years -- 1978, 1982 and 1995. **Banks'** contribution during the period in question has declined steadily. Though they were never a major contributor, nevertheless their declining role does not add anything towards the prospects of corporate growth in our country. **Other Financial Institutions**, one of the major investors, could not maintain its rise in share of investment. Though it has marginally increased its share in both the years 1982 and 1995 compared to the year 1978, the share of 1995 has declined compared to 1982. Of them, substantial decrease took place in case of Insurance Companies, while marginal increase took place in case of IDBI. It is worth noting that **Joint Stock Non-financial Companies**, who were the second highest investor after Households in 1978 and 1982, have shied away considerably from investment in this sector in 1995. It is not a healthy sign for corporate environment; particularly after liberalization, this substantial decline may dampen the spirit of corporate growth of the country. Again, a hair thin decline in the **Households'** investment in 1995, which though remained more or less static for years, cannot boost the dream of our corporate India in the liberalized era. It is an overall gloomy picture for corporate sector investment during these years of liberalization, the only exception being the investment made by the Non-residents during this period. It is the only ray of hope that can act as a catalyst to induce other category of owners to augment their portfolio with corporate securities so that our unfulfilled desire of corporate India may be materialized someday. We place another table below to meet our curiosity to know the investor-owners by their occupation, important and interesting information about the investors.

Table-10: Classification of Individuals' holdings by their occupation as on 31st March, 1995

| Occupation | (Percentage) | | |
|--------------|--------------|------|------|
| | M | N | A |
| Service | 27.7 | 15.9 | 15.8 |
| Business | 29.6 | 38.8 | 38.9 |
| Professional | 6.4 | 4.8 | 4.8 |
| Housewife | 16.0 | 11.2 | 11.3 |
| Student | 3.6 | 3.0 | 3.0 |
| Farmer | 3.7 | 2.0 | 2.0 |
| Retired | 1.9 | 1.1 | 1.2 |
| Others | 11.1 | 23.1 | 23.1 |

Source: R.B.I. (1998), RBI Bulletin, February, p.107

M: Number of individual investors A: Amount of share

N: Number of share

The above table makes some facts bare to us. In a country like ours, where more than 52% of the population live on less than a dollar a day, more than 80 million people have no access to safe drinking water and less than 50% of the villages are denied access to electricity (**The Statesman**, Kolkata, June 19, 1999, p.12), we are eager to know the composition of Individuals who contribute a major share of investment for the corporate growth of our country. As expected, Business and Service groups have naturally occupied a major share in respect of individual investors, number of shares and amount of paid up capital. But, most startling information is that the Housewife group has come out as third contender in respect of individual investors and fourth both in terms of number of shares and paid up capital. This is encouraging information that Indian females are taking active part in moulding corporate India. Another worth-mentioning fact bared by the Table-10 is that Students, Retired persons, even Farmers came ahead with their mite contribution to take part in the corporate growth of our country. It is a matter of pride for liberalized India except the Professionals whose roles remain inexplicable. We conclude our discussion with vital information contained in the following two tables.

Table-11: Distribution of Companies according to Number of Trading Days and Extent of Shareholding by the Indian Public

| No. of Days Traded | Companies with Shareholding of General Indian Public | | | |
|--------------------|--|--------------|---------------|--------------|
| | 40% or more | | Less than 40% | |
| | No. of Cos. | Cumulative % | No. of Cos. | Cumulative % |
| Not Traded at all | 139 | 18.63 | 262 | 14.88 |
| Less than 25 days | 215 | 47.45 | 327 | 33.45 |
| 25-50 days | 54 | 54.69 | 114 | 39.92 |
| 50-100 days | 71 | 64.21 | 168 | 49.46 |
| 100-150 days | 63 | 72.65 | 160 | 58.55 |
| More than 150 days | 204 | 100.00 | 730 | 100.00 |
| All companies | 746 | | 1761 | |

Source: Chalapati Rao, K.S., op.cit., p.10; retrieved from [http:// www.isidev.nic.in](http://www.isidev.nic.in)

Note: Total number of Trading Days - 247. Data relates to December 2001 and March 2002.

In 70% of the companies, i.e., 1761 companies, the shareholding of the general public was less than 40% of the total equity shares of the respective companies. Again, in 30% of the companies, i.e., 746 companies, the shareholding of the general public was 40% and more. The above table reveals more important and interesting information about corporate ownership in our country. Almost 34% of the companies were not traded at all, though these companies have public holdings ranging from less than 40% to 40% or more. On the other hand, maximum numbers of days traded companies are about 37% of the total no. of companies. Among them, companies having less than 40% of the public holdings are large in number than the companies having more than 40% holdings. Companies traded between 25 - 150 days are not high in number. But, in all the cases, companies having less than 40% public holdings are larger in number than the companies with more than 40% public holdings. Therefore, we can comment that more companies with less than 40% public holdings enjoy more liquidity than the companies with 40% and more public holdings. One thing is clear that the shareholders, particularly belonging to that 34% companies that are not traded at all, cannot find out an opportunity to come out of the trap by offloading their securities simply because there are no takers. They lose the liquidity of their investment and money too. Of the left, companies having less than 40% participation of General Indian Public are comparatively better placed in terms of number. Their investors enjoy more liquidity, most likely because of their better performance. Their investors get better price for their investment. Another possibility may be that a sizeable section of investors of these companies make their investments for capital gain, hence, frequently traded. Companies having public participation of 40% and more are less traded because of their less acceptability to

the investors for their poor performance, thus, denying the opportunity to the investors to get better price of their investments. These scrips are less market sensitive. The table below depicts a picture of General Public holdings in different companies having different market capitalization.

Table-12: Distribution of Companies according to the Share of General Public

| General Public Shareholding (%) | No. of Companies | | MarketCapitalization (Rs. Cr.) | |
|---------------------------------|------------------|--------------------------------|--------------------------------|-------------|
| | In the Range | Out of which MCAP is available | Total | Average 4/3 |
| Less than 10 | 253 | 170 | 5646.90 | 33.22 |
| 10-25 | 745 | 642 | 50020.57 | 77.91 |
| 25-40 | 763 | 642 | 18272.79 | 28.46 |
| 40 and up to 50 | 357 | 273 | 3150.97 | 11.54 |
| More than 50 | 389 | 271 | 1994.57 | 7.36 |
| Above 40 | 746 | 544 | 5145.54 | 9.46 |
| Total | 2507 | 1998 | 79085.80 | 39.58 |

Source: Chalapati Rao, K.S., op.cit., pp.9,10.

Data relates to December, 2001 and March, 2002; retrieved from [http:// www.isidev.nic.in](http://www.isidev.nic.in).

The table reveals the fact that, with the increase in public holdings, number of companies goes on increasing except in two cases where this number has practically decreased. Public holding is more than 50% only in about 15% of the companies. It is above 40% in 30% of the companies. 25-40% holding can be seen in maximum number of companies, i.e., in more than 30% of the companies. The above table makes a point clear that public holding is high in small companies as reflected by low average, whereas, it is low in large companies represented by high average. Average capitalization of the companies was Rs.7.36 and Rs.9.46 crores respectively where public holding was as high as above 40 and 50%. On the contrary, high average capitalized companies, i.e., Rs.77.91 and Rs. 33.22 crores represent small public holding ranging 10-25% or less. Hence, it can be commented that large companies are represented by high concentration in the form of high **promoters'** stake and low public holding. On the other hand, small companies have more dispersed ownership reflected by high public holding.

CONCLUSION

The study unfolds some important and interesting information. From **Section-I**, it can be found that Indian corporate culture and corporate ownership are restricted to urban areas only, particularly in the metro cities dominated by **Mumbai**. Over the years, **Individual Holdings** have steadily declined, thus, making the way for concentration in the hands of **Promoters, FIs and Foreign Collaborators**.

Section-II indicates that, though there has been a slight increase in the percentage of investor population in the post-liberalized India, it is Mumbai, which still dominates the scene as the Business Capital of our country. On the other hand, **Promoters** have continued to increase their share in different categories of companies particularly in the big companies, thus leading to **concentration and monopoly**, which may result in exploitation of **minority holders and consumers**. Share of **Individuals** in the form of Households has further declined to make way for emerging Non-residents including **FIIs**. **FIs** have emerged as a major contributor in recent years. Among them, dominant roles are being played **UTI and Insurance Companies**. Different investors have exercised their choices in investing different industry categories. Their investment pattern here is not uniform. Sometimes, they have considered risk-return factor and they are sometimes industry selective. In investor categories, fast emerging is **Businesspersons** followed by **Service holders** who are fast losing their position. New entrants in this field are housewives, students and even farmers. It is interesting to note that less Public holding companies are traded better compared to high holding companies. Again, it can be noted that the companies, in which Public holding is high, is less in number, whereas, high Public holding means small company and low Public holding means big company. On the whole, it can be commented that liberalization is yet to de-concentrate and broad-base the corporate ownership in India.

LIMITATION OF THE STUDY

Though the study covers latest available data to present a picture of corporate ownership pattern in India in recent times, it can be honestly confessed that, in a few cases, data could not be made up-to-date because of non-availability of authentic data in the specific format from the reliable sources, particularly the RBI. However, this will not create any problem for future study on this important subject, since data in other formats are available.

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