Journal of Advances and Scholarly Researches in Allied Education
Vol. XIV, Issue No. 1, October-2017, ISSN 2230-7540

A Study on Growth of Indian Corporate Sectors

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Abstract – The research examines the wise FDI capital inflows in India between April 2000 and June 2018 by the share of top investment countries, top development market, and RBI Regional Office. It also shows the wisdom of State/UT Wise, economic operation and approved capital spectrum, as at 30 June 2018, in Indian India, of companies that were registered and operational. Descriptive statistical methods for the analysis and visualisation of results, including percentage analysis, tables and maps, were used in this research. The analysis showed that, of the 11 89 826 operating firms, the total number of companies listed in India as of June 30 2018 was 17,79,761. It also indicates that 13 financial years demonstrate optimistic development and 5 saw negative FDI growth during the sample span of 18 financial years. It also shows that 87% of the top ten countries participated, and 13% of FDI inflows remain. Almost 66% of the top ten industries and another 34% of FDI inflows remain. The findings of this analysis indicate that 75% of RBI's top seven regions were retained and 25% of FDI inflows were left behind. This research research review ended with the 2018 survey that India is ranked 100th for business ease. 156th in industry startups, 181st in building allowances, 29th in energy registration, 154th in property registration, 29th in loans, 4th in security for minority owners, 119th in tax payment 116th in construction authorisations. 146th position in cross-border trade, 164th in contract enforcement and 103rd in Indian insolvency resolution. This study suggested that governments of India, the states and territories, the Ministry for Commerce and Trade, the Corporate Affairs, RBI, the Finance Ministry, and the DIPP not only focus on the top ten sectors and countries, they still need special incentives for the rest of the countries to attract FDI inflows from the rest of their sectors and nations.

Keywords – FDI, DIPP, Capital Formation, MCA21, East India Company

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1. INTRODUCTION

There are two major components of Indian business sector, namely government and private held enterprises. The size and capital of both the components has risen rapidly, particularly since the early 1970s. Government businesses are primarily in the essential, heavy and capital sectors, while the private sector is mainly in the consumer markets. Because of such a fundamental gap, the government sector accounts for almost two-thirds of active economic investment, but it has less than one third of its share in net added value. And the commercial sector is the other way around. The different essence of the operations carried out by both industries is also mirrored in the manufacturing activities trend of both sectors. The energy sector alone accounts for more than44% of the capital spending of central government output firms, for example, as a prerequisite to industrial growth processes, 15% of the expenditure is in stainless steel and 11.4% in chemical products, fertilizers and pharmaceuticals, with almost 8% in minerals and metals.

The core decision is to be government-owned businesses, to choose investments, locations, prices, jobs and other key policies. They should be in line with the various, and sometimes conflicting, macro and socio-economic aims. Private sector members are not pursuing various objectives; the intent of a private corporation is simple i.e. to act as an organisation — corporate means, benefit and competitive gain and not social welfare. The primary measure for a private company's success is its earnings.

International trading organisations became the oldest kinds of associations to be called "companies." The East In-Dia, chartered by Queen Elizabeth in 1600, is the oldest company. It was most famous. The Act allowed for the first time, without receiving a Royal Charter and without a special Act of the parliament, that a corporation may be formed in registry. In 1600, the East India Company was established as a joint venture with a monopoly in trade between and from the Eastern Indians. Their diplomatic accomplishments make up most of the British Empire's legacy and their economic strength is immense, significantly adding to the natural riches and putting it at the centre of much of the economic controversy of the 17th century. It seems to be an example of the vice and, for certain, the values of the colonisation, imperialism, and the influence of international capitalism, the migrations, multiculturalism, transnational History. Modern international company, joint-stock and regarded as a global company.

1.1 Company Act 2013

A Committee was set up in charge to advise the Government on the proposed amendments of the Companies Act 1956 on 2 December 2004 under the chairmanship of Dr. J J Irani, Director Tata Sons. On the basis of J. J. Irani committee bill, dations, a vital assessment came into being in the year 2008 and the Businesses Act 2013 took the form of due consideration. Lok Sabha & Rajya Sabha approved the same bill on 18 December 2013 on 8 August 2013. The law then received predominant consent and was a newsletter.

1.2 MCA21 E-Governance Plan

A Mission Fashion The MCA 21 project has tracked the Ministry of Corporate Affairs under the Government of India's National E-Governance Programme to address the needs of stakeholders in the 21st century. The Ministry of Company Affairs is intended for MCA21 to offer facilities to companies whenever and wherever. Piloted by the Registrar of Companies (ROC) 20 Offices (ROC) four regional directorates and MCA headquarters in Coimbatore, the scheme was implemented throughout the country on February 18, 2006. The project was concluded on September 4, 2006. The MCA 21 project is a result of MCA's efforts to simplify forms, make e-centered forms, promote online transactions, and meet stakeholders in a fast expanding and globalising economy. The objective is to align the demands of the interested parties with the achievement of the overall objectives of the Department by the implementation of worldwide best practises.

1.3 Foreign Direct investment

Economic reforms in India have been a key part of the Indian economy's performance since 1991. For the last thirty five years, foreign direct investment (FDI) has become one of the main characteristics of the world economy. Companies in all sectors are more expanding in both emerging and industrialised countries via FDI than ever. FDI is seen as one of the major economic forces by which developed countries are therefore able to achieve economic development. In terms of finance, transition of expertise, information and technologies between countries, FDI plays an important role throughout the globalisation period. The Indian Government's initiatives are intended to promote private and foreign capital spending in domestic infrastructure.

2. REVIEW OF THE LITERATURE

N. J. Saleena (2013) Concluded that after the liberalisation phase, FDI had a positive impact on service export development in the Indian economy.

Vrinda Gupta (2017) While national and subnational governments should invest in the creation of human resources, emphasis should be focused on improving conditions on the labour market, physical infrastructure and the size of economic activities.

Pradhan, J.P., V. Abraham and M.K. Sahoo (2004) The employability and wage effects of FDI were evaluated in Indian production. The results indicated that international companies in India do not negatively affect manufacturing jobs compared to their domestic partners, while paying considerably higher for their employees.

Reetu Sharma and Nikita Khurana (2013) He finds that, mainly agriculture is the basis of Indian economy. Agricultural resources thus have a major variety. International direct investment should also be welcomed in this market.

Mahanta Devajit (2012) The effect of the FDI on economic growth in India was investigated. It suggests the FDI required through job generation, the expansion of established manufacturing sectors, medical education, research, development (R&D) short-term and long-term projects etc.

Shiva S. Makki and Agapi Somwaru The FDI position and trade in developed countries' economic growth have been studied. It showed that FDI and trade help to boost economic development in developed countries.

3. RESEARCH METHODOLOGY

The research methodologies used in the current thesis include data collecting related to Indian companies, FDI and instruments used for data processing and understanding. The primary focus of the processing of results, and the secondary aspect is the analysis and evaluation of statistical methods.

Journal of Advances and Scholarly Researches in Allied Education
Vol. XIV, Issue No. 1, October-2017, ISSN 2230-7540

4. RESULTS AND DISCUSSIONS

Table - 1

Growth of the Indian Corporate Sector (1956-57 -- 1990-91)

(PUC in Rs. Crores)

Year	Govt. Companies (Public & Private limited)		Non-Govt. Companies Public Limited		Non-Govt. Companies Private Limited		All Companies	
	No.	PUC	No.	PUC	No.	PUC	No.	PUC
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1956-57	74	73	8771	696	20512	309	29357	1078
1957-58	91	257	8255	756	19934	294	28280	1307
1958-59	104	429	7608	782	19691	305	27403	1516
1959-60	125	477	7151	814	19621	327	26897	1618
1960-61	142	547	6663	915	19344	356	26149	1819
1961-62	154	630	6399	1093	18422	296	24975	2019
1962-63	160	786	6404	1171	19058	300	25622	2257
1963-64	176	961	6474	1281	19282	361	25932	2603
1964-65	183	1115	6492	1329	19909	336	26584	2780
1965-66	214	1248	6410	1346	20386	355	27010	2949
1966-67	232	1392	6309	1402	20706	361	27247	3155
1967-68	241	1559	6497	1684	20606	430	27344	3674
1968-69	259	1715	6454	1712	21260	433	27973	3860
1969-70	282	1791	6436	1741	22242	447	28960	3979
1970-71	314	2064	6443	1775	23655	462	30412	4301
1971-72	352	2369	6703	2036	25212	536	32267	4941
1972-73	390	2998	6819	2176	27147	575	34356	5749
1973-74	450	4645	7071	2323	29964	663	37485	7631
1974-75	573	4966	7275	2484	32736	750	40584	8200
1975-76	651	6122	7593	2675	35162	822	43406	9619
1976-77	701	7175	7794	2808	37371	897	45866	10880
1977-78	745	8528	8028	3113	39521	957	48294	12598
1978-79	782	8315	8309	3240	42427	1020	51518	12575
1979-80	825	10070	8864	3445	46804	1091	56493	14606
1980-81	851	11443	9388	3550	52475	1152	62714	16145
1981-82	894	13309	10169	3716	61339	1245	72402	18270
1982-83	943	16535	11371	3839	70589	1347	82903	21721
1983-84	973	19511	12523	3996	80768	1455	94264	24962
1984-85	980	22447	14149	4260	92240	1578	107369	28285
1985-86	1020	27088	19837	7139	103522	2368	124379	36595
1986-87	1053	32873	21442	8435	118175	2660	140670	43968
1987-88	1104	37169	22507	9966	134713	2989	158324	50124
1988-89	1134	42572	23749	11773	155445	3358	180328	57704
1989-90	1160	47451	25217	13573	175751	3620	202128	64643
1990-91**	1167	49424	26813	14569	196472	4117	224452	68111

Source: (i) Ministry of Industrial Development & Company Affairs, (Dept. of Company Affairs), Annual Report, 1986-87. (ii) Ministry of Law Justice & Company Affairs,Directory of Joint Stock Companies in India: 1980, Vol.1.

Note: Private and Public Limited companies are grouped together in case of Government Companies.

Temporary units. There is an operating split, i.e. 'private' and 'public restricted.' 4 Private corporations are mostly tiny and tightly owned; restricted companies are big and widespread. Although public limited corporations account only for 12% of the total number of companies, they accounted for more than three-fourths of the private sector's total paid-up capital (PUC).

Table - 2

Distribution of Public Limited Companies in the Private Corporate Sector As on 31-3-1980

(PUC in Rs. crores)

PUC Range	No.	PUC	Percentage No.	Percentage PUC
(1)	(2)	(3)	(4)	(5)
Less than 5 lakhs	4078	55.0	49.58	2.00
5 - 10 lakhs	979	74.3	11.90	2.70
10 - 25 lakhs	1332	211.9	16.19	7.70
25 - 50 lakhs	724	255.9	8.80	9.30
50 - 100 lakhs	566	349.4	6.88	12.70
1 Cr. & above	546	1805.0	6.64	65.60
Total	**8225**	**2751.5**	**100.00**	**100.00**

Source: Based on Shadi Lall, "The Corporate Sector in India: As on 31-3-1980", Company News & Notes, July 1981.

Note: Information on the private sector's overall status is usually subject to significant shifts. As seen in Table 1 the difference between the overall number of firms and their PUC is attributable to the later-year updates.

The share and trend of development of the interconnected businesses as a collective must be seen in private sector concentration. The 'business house' idea is all too well established to require more development. 7 As per official sources, Tables 4 and 4(a) display the rise of the top 20 corporate houses in 1972-84. The total assets of the 20 In between 1972 and 1984, 'Company Houses' have exploded. They increased from less than 3,000 crores in 1972 to more than 15,000 crores in 1984. A similar image arises if the turnover is used as the basis to illustrate shifts in the Indian private enterprise industry business concentration.

Table - 3

Growth in Assets of the Top Twenty Houses (1972 - 1984)

(Rs. Crores)

House	Assets 1972	Assets 1980	Assets 1984	Share in Increase (%) 1972-80	Share in Increase (%) 1980-84
(1)	(2)	(3)	(4)	(5)	(6)
Birla	589.42	1431.99	3359.04	18.48	23.32
Tata	641.93	1538.97	3120.13	19.67	19.13
J K Singhania	121.45	412.72	858.37	6.39	5.39
Mafatlal	183.74	427.54	786.60	5.35	4.35
Thapar	136.16	348.06	699.35	4.65	4.25
Reliance	*	166.33	672.96	3.65	6.13
Modi	58.05	198.82	610.30	3.09	4.98
A C C	134.36	274.51	554.16	3.07	3.38
Bangur	125.26	264.33	508.84	3.05	2.96
Larsen & Toubro	79.03	216.03	480.79	3.00	3.20
Sarabhai	84.44	317.94	462.88	5.12	1.75
Bajaj	63.32	179.26	425.97	2.54	2.99
I C I	135.21	343.01	425.52	4.56	1.00
Mahindra	58.49	186.03	408.17	2.80	2.69
Shriram	120.77	241.00	406.69	2.64	2.01
Walchand	99.47	150.36	405.31	1.12	3.08
Kirloskar	86.46	220.37	397.81	2.94	2.15
I T C	74.65	156.29	393.15	1.79	2.87
T V S Iyyengar	50.97	188.64	387.25	3.02	2.40
Hindustan Lever	77.87	219.30	381.81	3.10	1.97
Total	2921.05	7481.50	15744.80	100.00	100.00

Source: Based on replies to questions in Parliament.

Note: The asset figures refer to only those companies which are registered under the MRTP Act, 1969.

* This House emerged after 1972.

The concentration patterns can be divided into 1972/80, 1980/1984 and 1984/1990 in 3 sections to determine the concentration trends.

You'd see that: In the successive era, the pace of investment development in the Top 20 Corporate Houses was greater than in the last period;

Table - 4

Growth in Assets of the Top Twenty Houses (1984-1990)

(Rs. Crores)

House	Assets		Share in Increase
	1990	1984	1984-90
(1)	(2)	(3)	(4)
Tata	8530.93	3120.13	20.20
Birla	8473.35	3359.04	19.09
Reliance	3600.27	672.96	10.93
Thapar	2177.15	699.35	5.52
J.K. Singhania	2139.00	858.37	4.78
Larsen & Toubro	1681.52	480.79	4.48
Modi	1399.37	610.30	2.95
Bajaj	1391.06	425.97	3.60
Mafatlal	1343.35	786.60	2.08
SPIC	1273.35	272.00	3.74
Hindustan Lever	1209.46	381.81	3.09
United Breweries	1189.24	262.00	3.46
T.V.S. Iyenger	1177.10	387.25	2.95
I.T.C.	965.13	393.15	2.14
Shri Ram	933.93	406.70	1.97
A.C.C.	902.72	654.16	0.93
Oswal Agro	870.34	*	3.25
Mahindra & Mahindra	773.55	161.00	1.36
Essar	756.49		2.22
Kirloskar	735.51	397.81	1.26
Total	**41522.82**	**14737.562**	**100.00**

Source: Same as for Table 4.
*: This is a new House.

The two Highest Houses, one set and the other set, have retained their lead over three cycles. The Birla and the Tata houses seem to have grown as if they were a race of neck-to-neck (See Graph-B). While the relatively small houses are showing similar trends in the percentage growth of assets, the top two houses have the share of the lion and claimed almost 40% of the aggregate increase of the top 20 assets in 1972-74 and 1984-90.

Table- 5

Total Number of Registered Companies as On 30th June 2018 in India

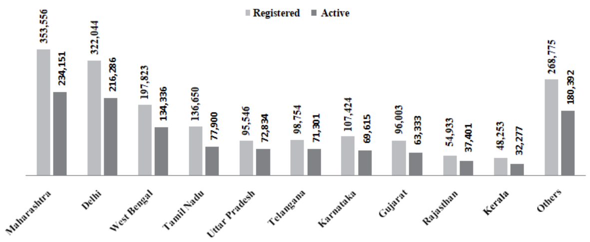
1	Companies Registered as on 30th June 2018	17,79,761
2	Number of Closed Companies	5,43,467
i	No. of Companies Liquidated/Dissolved	10,532
ii	No. of Companies Defunct/ Struck-off (Section 248 of CA, 2013)	4,97,742
iii	No. of Companies Amalgamated/merged	21,367
iv	No. of Companies Converted to LLP	9,032
v	No. of Companies Converted to LLP and dissolved	4,794
3	Number of Companies lying dormant u/s 455 of Companies Act, 2013	1,390
4	Number of Companies under Liquidation	6,117
5	Number of Companies which are under the process of Section 248 of the Companies Act, 2013	38,858
6	Number of Companies lying AIPG (Active in Progress)	103
Number of Active companies		11,89,826
Of which		
Companies Limited by Shares	11,81,877	
Companies Limited by Guarantees	7,518	
Unlimited Companies	431	

Source: MCA, MIB, June 2018.

The overview image of corporations as of 30 June 2018 is shown in Table 1. He was 17,79,761. The company closed 5,43,467 of them. Dormant status under the Companies Act of 2013 has been granted to 1,390 companies; the liquidation of 6,117; the slack-out of 38,858 enterprises has been in progress. 103 businesses were re-activated after they were initially cancelled. As at 30 June 2018, 11.89.826 operating enterprises existed taking the latter into consideration. Of the 543,467 closed undertakings, 10,532 were liquidated/dissolved; 497,742 were deemed dead (and thus dismissed by notification u/s 248). The company amalgamated with 21,367 other firms, converting 9,032 to the LLB and converting to LLP and dissolving 4,794 enterprises. 11,89,828 of the 11,81,877 operating corporations were securities restricted, 7,518 limited and 431 unrestricted. 71,506 were private corporations, 11,10,371 were public, including 18,153 individual entities from the companies restricted by shareholdings. Seventy 213 is classified among the public limited corporations.

Chart - 1

Top Ten States/UTs wise Total Number of Registered and Active companies in India as on 30.06.2018



Sectors-wise Active Companies as on 30.06.2018

MAJOR FINDINGS OF THE STUDY

The major findings of the study as follows:

- Total number of registered firms indicates 17,79,761 companies. Of these 11,89,826 businesses operating in India on 30 June 2018.
- State/UT licensed and successful companies show that Maharashtra has the highest number (20%), following Delhi (18%) and West Bengal (11 percent).
- In the services market, the highest participating company is private (65%), public (54%) and total (65%), led by the private (30%), public (37%) and general industries (31 percent). Private (3%), public (4%), and total (3%) agriculture and allied practises and private, public (4%) and public (3%) activities and total (4%) activities (2 percent).
- In the industry field, the highest amount of companies with approved business (for Rs. Crore) is private (48%), public (57%) and overall (54%), led by private (49%) and public (39%) and combined (42%), private (2%) and public (3%), private (3%) and private (1%) sectors and agriculture (1%), (1 percent).
- It indicates a limit of 1 lakh (34.65%) in total of the operating undertakings of authorised money, then more than 1 lakh (16.67%) and over 5 lakh (10 lakh), (5 lakh) (15.73 percent).

- Thirteen fiscal years report optimistic growth in FDI equity inflows relative to previous years in inflows remaining in the fifth financial year suggest a negative increase in FDI equity inflows in India during the study period out of 18 financial years.
- The report also states that 87% of the share of the top ten FDI equity inflowing countries led to a total of 13% of FDI equity inflows to India.
- The FDI's overall 10 top sectors drew close to 66% of equity inflows and 34% of all FDI equity inflows to India is from other sectors.
- 75% of Mumbai, New Delhi, Bangalore, Chennai, Ahmadabad, Hyderabad and Kolkata RBI regional offices attracted 25% of FDI inflows and 25% of other regional offices attracted.

5. CONCLUSION

The research finally showed that the states, RBI and DIPP could not only concentrate on the top ten sectors of the FDI influxes, but also the FDI inflows required to draw FDI inflows from the other sectors. It is also suggested that not only can governments and different FDI promotional organisations focus on the top ten FDI flows but also various particular incentives to the other counties by implementing different economic reforms, such as interest-loan subsidies, removal of restrictions, tax holidays, exemptions from taxation, labour legislation changes and infrastructure facilitation. In future FDI inflows into India, it would produce a high level of return. Direct and indirect economic growth would both be beneficial. This research study concluded that, as new market prospects arise and new technical boundaries scale up in current and future, the development of Indian corporate sectors would lead to the establishment of a variety of new enterprises. Many companies in India and the US/TU from different industries are drawing potential FDI inflows. Obviously, Indian businesses and FDI inflows will greatly add to Indian economic growth.

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