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OPTIONS FOR THE FIFTH SECTOR

A Discussion of
the Workers' Sector Proposal

by

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n May 19, 1976, the Finance Minister, while replying to the debate on he Additional Emoluments (Compulsory Deposit) Amendment Bill, announced in the Lok Sabha a proposal to create a "Fifth Sector" by investing the funds accumulated under the Compulsory Deposit Scheme (CDS).[1] The funds were collected under the provisions of The Compulsory Deposit Scheme (Income-Tax Payers) Act, 1974 and the Additional Emoluments (Compulsory Deposit) Act, 1974. The money was collected by requiring income tax payers having incomes in excess of Rs.15,000 per annum to deposit a certain percentage in the form of compulsory deposit. The compulsory deposit funds also encompass a part of the additional DA increases granted to all office and industrial workers. The above Acts were a part of the anti-inflationary package developed by the Government in 1974. The deposits made under the Compulsory Deposit Scheme (Income-Tax Payers) Act, carry interest equal to the bank deposit rate (presently 10%) and are repayable in five equal instalments commencing from 1st April, 1977. The deposits under the Additional Emoluments (Compulsory Deposit) Act carry an interest of 2½% above the bank deposit rate (presently 12½%). Repayments of these deposits were to start from 6th July, 1976. The Finance Minister proposed that the impounded DA under the Additional Emoluments (Compulsory Deposit) Act amounting to Rs.1,000 crores should be invested. No such proposal has been reported in respect of the funds collected under the Compulsory Deposit Scheme (Income-Tax Payers) Act.

It was stated that the refunding of the impounded DA might result in the money being frittered away in consumption expenditure. It was also felt that an inflationary situation might result from injection of such a substantial amount (viz., Rs.200 crores corresponding to the first instalment to be refunded) in the consumption stream in a short period of time. By investing the fund in the proposed "Fifth Sector", the Government hopes to create a genuine "Workers' Sector" in line with its objectives of greater worker participation. The Finance Minister has stated that the compulsory deposits of workers could be invested in public and private undertakings yielding a good rate of profit.*

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*On June 27, 1976, it was announced that the first instalment of impounded DA amounting to Rs.200 crores will be refuned. However, no announcement has been made regarding the remaining funds. The outcome of the deliberations of the task force appointed to study the Fifth Sector proposal have not yet been publicised. It is interesting to note that appeals have been made to the workers to invest at least one-fourth of the amount to be returned (see Economic Times, July 5, 1976, p.6). It is perhaps reasonable to infer that the Government feels a need for a closer study of the Fifth Sector proposal and, pending the outcome of such study, the first instalment has been refunded according to the provisions of the CDS Act.

In this article we would like to examine the arguments for and against such a sector. We would like to assess the roles of the four existing sectors, viz. public, private, joint and cooperative, and try to examine the areas of economic activity not adequately served by the existing sectors. Later in this article we would look at the possible shapes which the proposed Fifth Sector could take under the assumption that the deposits made under the CDS have to be channelised into investment rather than refunded. Not only the broad objectives of the proposed Fifth Sector will be critically examined, but also alternatives regarding the financial, organisational and decision making structure for such a sector would be explored.

Use of Compulsory Deposit Funds

The government is already examining the tentative plans of investing the compulsory deposit funds. A high level committee has been entrusted with the task of working out the details of the Fifth Sector proposal. The Committee in turn has appointed a task force to draw up specific schemes to invest the Rs.1,000 crores.

In some Trade Union circles, it has been argued that the funds collected under the CDS should be returned to the depositors as "solemnly promised" in the provisions of the Additional Emoluments (Compulsory Deposit) Act. This argument is based on the fact that the concept of Dearness Allowance is to neutralise the increases in the cost of living. By foregoing a part of the DA in the form of compulsory deposits, the workers would have been forced to reduce their level of consumption or would have resorted to debt and disinvestment.[2] Refunding of the deposits would compensate for such hardships.

From the viewpoint of the industry, it can be argued that refunding of CDS funds could rejuvenate the stagnant demand for many manufactured consumer goods. Rather than create inflationary pressures, these funds could help to revive those consumer goods industries which claim to be in the grip of a recession.

The above arguments could form the basis of a case for the refund of CDS deposits rather than their investment in a new sector.[3] Since the deposits are a part of the accrued income of the workers, the preferences of the contributors regarding refund or investment should be ascertained. However, the preferences of the workers would depend a great deal on the objectives and organisation of the proposed Fifth Sector. In the following paragraphs, options for the concept of the proposed sector are set forth and evaluated.

Role of the Existing Sectors

On the presumption that the CDS funds have to be invested in the proposed Fifth Sector, it is worthwhile to examine the roles which the existing sectors of the economy play and the significant gaps in economic activity where fresh industrial investment could be channelised. The roles of various sectors emanate from the government's industrial policy as enunciated in the Industries (Development and Regulation) Act of 1951, the Industrial Policy Resolution of 1956 and a policy statement of the Ministry of Industrial Development issued in February, 1973. The Industrial Policy Resolution emphasises that the industrial policy must be governed by the Directive Principles of the Constitution and the acceptance by Parliament of the socialistic pattern of society. The resolution also underlines the need for prevention of private monopolies and the concentration of economic power and the role of cottage/small scale industries for the development of national economy.

Under the present industrial policy, all industries of basic and strategic importance, and public utility services, have to be in the public sector. The public sector plays a major role in industries such as Iron and Steel, Heavy Machinery, Petroleum, Power, etc. and a significant role in industries such as Fertilisers, Heavy Chemicals, Non-ferrous metals, Machine Tools, etc. In the light industrial and consumer goods sphere, public sector presently plays a negligible role.[4]

The private sector of the economy encompasses the small-scale sector, medium entrepreneurs and large industrial houses, both Indian and foreign. About 180 items have been reserved for manufacture by small-scale units. These items consist primarily of the products of light engineering and light chemical industry. The items open to the large industrial houses for fresh investment are those in the "core" sector. These include items such as ferro alloys, turbines, electrical furnaces, tractors, man-made fibres, cement, etc. Foreign concerns are also eligible to participate in the same manner as large industrial houses, subject to certain equity restrictions.

The joint sector is based on the concept of private parties and public institutions sharing the equity and management of enterprises.[5] One of the basic objectives of starting this sector was to reduce the concentration of economic power. There is no area of economic activity particularly reserved or suggested for this sector. The joint sector enterprises are mainly in the light industries such as batteries, dye stuffs, television, light chemicals, electronics, etc.

The cooperative sector has been primarily involved in the supply of agricultural inputs and credit. Its role in manufacturing has been minimal, with the exception of sugar and milk products.

The above mentioned policy guidelines have emerged in their comprehensive form only in the 1970s. These policies relate to the fresh industrial investment. However, the role currently being played by the various sectors does not fully reflect the current policy since it is a result of the historical evolution of the Indian industrial structure. Figure 1 depicts our assessment of the role being played by the various sectors in different spheres of economic activity.[6] The figure shows that the consumer products industry is dominated by foreign companies and large Indian houses. In consumer goods, the small-scale sector has been confined to a few products and to regional markets.

As per Government's policy, "cooperatives and small and medium entrepreneurs will be encouraged to participate in the production of mass consumption goods, with the public sector also taking an increasing role"[7]. Concrete proposals to implement these policies are yet to emerge. The multinationals continue to play a major role in the consumer goods field, except in some traditional sectors such as textiles. Fresh investment and expansion of production in this sector has been very slow. The companies have usually offered the explanation that many of the consumer goods industries suffer from very low rates of profitability. While the investment and the production levels of the consumer goods industries have remained stagnant, it is not as if big markets for mass consumption items have already been exhausted. In fact, it has been often pointed out that the nature of the consumer goods produced has remained elitist in nature.

The Consumer Goods Industry

Table-1 drawn from the Economic Survey of 1975-76 shows that the per capita availability of most essential consumer items has increased very slowly, if at all. Also, the production of consumer products of common use like soaps, tooth pastes, hair oils, etc. have shown little growth. Figure-2 depicts the percentage growth of some consumer products in urban India. It is quite clear from this figure that while premium brands catering to elite market segments have witnessed a growth in their production, the availability of popular varieties of consumer goods meant for workers have reduced. On the other hand, the prices of these consumer products have sharply increased. According to ORG figures cited by Subroto Sen Gupta, the increase of consumer product prices in 1974 over 1971 ranged from 5% for packaged tea to 20% for talcum powders, 24% for beverages, 28% for toothpastes, 37% for washing powders, 38% for baby food, 43% for popular toilet soaps, 60% for hair oils and 67% for shampoos.[8] The above data indicate that the existing manufacturers of consumer products are willing to follow a pattern of production and pricing which would maximise profits even at the expense of reducing the flow of mass consumption goods. Presenting this data to the Advertising Club of Calcutta in the course of the Sirkar Memorial Lecture for 1975, Subroto Sen Gupta, an advertising executive and marketing scholar observed:

Figure-1: Roles of Existing Sectors

	Consumer Products		Industrial Products		Organised commercial activity
	Mass consumption	Elite consumption	Light	Heavy	
Public	C			A	
Private Large Indian House	C	B	A	B	B
Private Foreign Companies	B	A	B	C	B
Small Scale	C		B		
Joint			C		
Cooperative	C				C

A : Major role; B : Significant role; C : Marginal role.

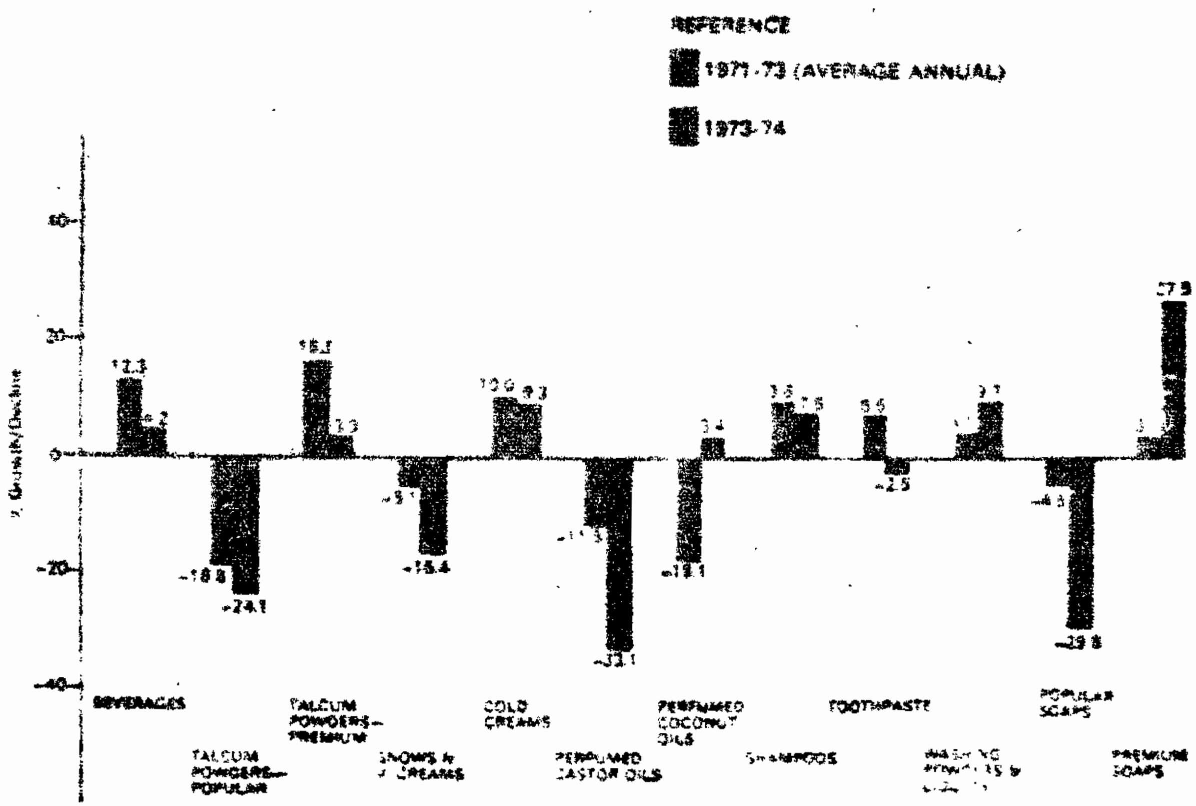
Table-1: Per Capita Availability of Certain Important Articles of Consumption

Year	Vanaspati (Kgs)	Cotton cloth (Metres)	Manmade fibre fabrics (Metres)	Tea (Grams)	Coffee (Grams)
1955-56	0.7	14.4	NA	257	67
1960-61	0.8	13.8	1.2	287	80
1961-62	0.7	14.8	1.2	309	57
1962-63	0.8	14.4	1.2	294	72
1963-64	0.8	14.7	1.2	298	76
1964-65	0.8	15.2	1.6	309	78
1965-66	0.8	14.7	1.7	337	70
1966-67	0.7	14.0	1.7	365	85
1967-68	0.8	13.6	1.7	351	53
1968-69	0.9	14.4	1.9	353	75
1969-70	0.9	13.6	1.8	377	59
1970-71	1.0	13.6	1.7	387	113
1971-72	1.1	12.4	1.7	392	45
1972-73	1.0	13.2	1.6	404	69
1973-74	0.8	12.0	1.5	421	64
1974-75 (Provisional)	0.6	12.9	1.4	435	63

Source: Economic Survey, 1975-76, p.71.

FIGURE-2

% Growth/Decline of some Consumer Products—Urban India only.



Source: Subroto Sen Gupta, "The Elite Barrier to Consumer Goods Marketing", Sirkar Memorial Lecture, Advertising Club, Calcutta, 1975.

> "These facts suggest that the corporate consumer goods sector in India is still (with rare exceptions) a highly restricted kind of activity which has not yet acquired a broad social purpose in terms of providing consumer satisfactions to the many. However, we seem to have done fairly well on the whole and even last year many consumer goods companies have improved their profit ratios! If these elitist strategies of product concept and product pricing has served us well in the past, is there any real need to be concerned today?"

Sen Gupta went on to suggest that in the future "this traditional psychology of low-volume, high-margin marketing will not serve the consumer goods corporate sector."[9] However, the fact remains that the consumer goods industry is oriented to an upper crust, elitist urban market in the hands of the private sector. The state and cooperative sectors, unfortunately, have not been able to make a dent in the production of mass consumption goods. The small scale sector with its limited resources of finance and market power cannot compete effectively against powerful, monopolistic, multinational companies in India. From the above analysis, it is clear that the manufacture of low-cost, functional, mass consumption, essential products has been neglected in India. <u>This offers a natural and logical constituency for the proposed Fifth Sector.</u> Apart from being a neglected area of investment, the products of such industries are of vital interest to the working class. The fact that the CDS funds are composed of unaccrued DA further strengthens the argument that the monies should be invested in expanding the availability of, and reducing the price of, essential consumer goods. Similar analysis would suggest that the manufacture of essential drugs, functional varieties of textiles, and low-cost housing materials provide suitable avenues of investment for the CDS funds. In the case of drugs, for example, fresh investment to the tune of Rs.250 crores is envisaged during the Fifth Plan in which the public sector will participate only to the extent of Rs.70 crores.[10] A substantial portion of the remaining outlay can be taken up by the proposed Fifth Sector for the production of essential, low-cost, quality drugs.

Motives for Investment in the Fifth Sector

The accumulated CDS funds can be invested to achieve different types of economic and social ends. It can be argued that these funds constitute the legitimate savings of the workers and should be available to them for special one-time expenditures in the same way as deposits in the banks, provident funds, LIC premiums, etc. The <u>savings motive</u> would indeed be a powerful one for the wage and salaried workers because it is often difficult for such workers to meet contingencies requiring large one-time expenditure. The CDS funds could also be invested with the objective of creating the maximum possible capital gains for the investors. It should be recalled here that the Finance Minister has suggested investing these funds in highly profitable industries. If the intention is to use the workers' savings for the purchase of equity shares in the existing enterprises, it would be difficult for the scheme to make much progress. It is because of the fact that the role of equity in corporate finance has been steadily shrinking over the years and good growth shares are scarce. For example, a recent analysis indicated that the market value of issues floated during last six years had fallen 6% below the par value.[11] It would be pertinent to recall that the Unit Trust of India considered it necessary to suspend its Capital Units Scheme after collecting a little over Rs.7 crores. The UTI has been unable to invest even this amount over the last half-year. This is an indicatin of acute shortage of shares which could qualify for investment under the Capital Units Scheme which seeks to double the investment in 5 years besides offering a modest annual dividend.[12] Moreover, if the highly profitable shares of the existing enterprises have to be bought, their market prices would certainly be much more than the par value, and therefore, the yield on the capital invested would not be higher than the interest of 12½% which the CDS funds carry anyway. The possibilities of shares of public sector enterprises yielding a return higher than 12½% would also be extremely limited. Investment of CDS funds in shares would also expose the savings of workers to capital market risks. Therefore, this capital appreciation motive of investing the funds in the shares of companies is unlikely to be very appealing to the workers because of the risks involved, the long run pay-off prospects, and the scarcity of high-yield shares which could absorb such large amounts of CDS funds. Even if it is assumed that the entire amount of CDS funds could be ploughed into foreign companies required to dilute their equities (as suggested by the Finance Minister), to yield a high rate of return, the workers will not stand to gain on the balance. While earning reasonable dividends as investors, as consumers they will continue to pay high prices for products manufactured by these companies.[13]

It has also been suggested that the CDS funds could be invested in the enterprises where the workers are employed, to create a stake for workers in the profits of the enterprises. It is claimed that participation in investment will lead to workers' participation in management. It is further argued that an equity stake would provide a stimulus for improving the labour productivity and industrial relations.[14] We would like to examine these arguments given for the participation motive. Firstly, out of approximately 196 lakh workers employed in the organised sector, only 68 lakhs are employed in the private sector. Thus, for the majority of the workers and employees in the organised sector (who are employed by the state and its enterprises), the argument of participation through equity ownership is not applicable. It is highly debatable that even in the private sector, a limited equity stake which the funds would create is likely to make any difference in workers' participation in management. It could be argued that if the presence of directors representing financial institutions, which have a fairly high percentage of equity in a number of units, has not made any perceptible difference, how could a limited percentage of equity held by the workers have any impact on the decision making style of private sector managements. Therefore, it seems that the noble intention behind this participation motive may not be realised.

Another guiding principle of investment of CDS funds could be the ploughing of such funds in industries which yield low-cost consumer goods and thereby reduce the cost of living. The workers do have a strong interest in the availability of low priced consumer goods which could better their standard of living. In fact, this consumption motive is probably the closest to the original purpose of the additional Dearness Allowance. Since the addition to DA were granted to compensate for increased cost of living, it will be proper to invest the CDS funds, generated out of withholding part of the DA increases, in such industries which help reduce the cost of living on a permanent basis.

It has been mentioned earlier that the production of manufactured consumer goods today is primarily meant for an upper crust, elitist market. Furthermore, this production has remained concentrated in the hands of a few multinationals which have been able to maintain high levels of profitability without significantly expanding the markets.[15] It has also been pointed out that the prices of consumer goods have increased substantially in last few years. The investment of CDS funds in new mass consumption goods industries would make it possible to alter the pattern of production of consumer goods from an elitist orientation to a mass orientation. Such a pattern of production would be to the long-term interest of the workers since it would increase the availability and reduce the prices of essential consumer goods.

The above analysis leads us to the conclusion that the impounded Dearness Allowance of wage earners should be invested so as to increase the flow of wage goods. From our earlier analysis of the roles of various sectors in the different spheres of economic activity, it was concluded that considerable possibilities for fresh investment exist in industries producing mass consumer goods, essential drugs and housing materials. Thus, the requirements of a balanced industrial structure as well as the investment preferences of the workers converge to define an unambiguous role for the proposed Fifth Sector in the economy.

In the following paragraphs, we discuss the financial and organisational structure, and decision making process corresponding to the role identified above for the proposed Fifth Sector.

Objectives for the Fifth Sector

In sum, the primary objective for the proposed Fifth Sector should be to increase the flow of functionally designed, low-priced, mass consumption products. This objective should be tempered with the aim of safeguarding the compulsorily created savings which should be available to the depositors under exceptional contingencies. These objectives cannot be achieved without the bedrock principle of participation by the depositors in the decision making processes of the proposed Fifth Sector. The funds should be held under the co-operative concept rather than the shareholding concept. This would ensure that the preferences of the workers are continuously and accurately conveyed to the enterprises in the proposed Fifth Sector. The realisation of the objectives of truly democratic participation would require some clear and unorthodox thinking on the part of the policymakers. Possible organisational arrangements which could facilitate and reinforce participative processes are discussed later.

The Financial Structure

As pointed out above, the basic character of the funds in the form of Compulsory Savings should be preserved. This would require that the certificates issued to workers in lieu of these deposits carry a standard rate of return comparable to other risk-free savings such as bank deposits and units. These certificates should be treated in a manner akin to convertible debentures having the first charge on the earnings of the proposed Fifth Sector. If the enterprises in the new sector do not have sufficient earnings in a particular year to pay the "interest" on the certificates, the "interest" payments could be deferred to a future period. Also the deposits should be refundable to the workers in case of hardships, as already provided in the Compulsory Deposit Acts. A small percentage of the fund can be set aside in the anticipation of such refunding contingencies arising from hardships due to retirement, death or disability. The investment certificates issued to the workers should be non-tradable. After a specified period of time (say 10 to 15 years), the certificate holder should have the option to withdraw the deposit, or convert it into a loan or equity in the apex corporation of the proposed Fifth Sector. Such a conversion clause would act as a strong motivator for the operating managements to manage the enterprises in the new sector effectively, so as to maintain and expand their capital base. The CDS funds could be held in a holding company called "Workers' Cooperative Production Corporation". This corporation could invest in subsidiary companies engaged in the production of various goods. The proposed corporation and its subsidiaries should be free to borrow working capital from banks. The Investment Approval Committee of such a corporation should primarily be composed of democratically elected representatives of various sections of the workers who would interpret the investing preferences of their constituencies to the corporation.

The Organisational Structure and Decision Processes

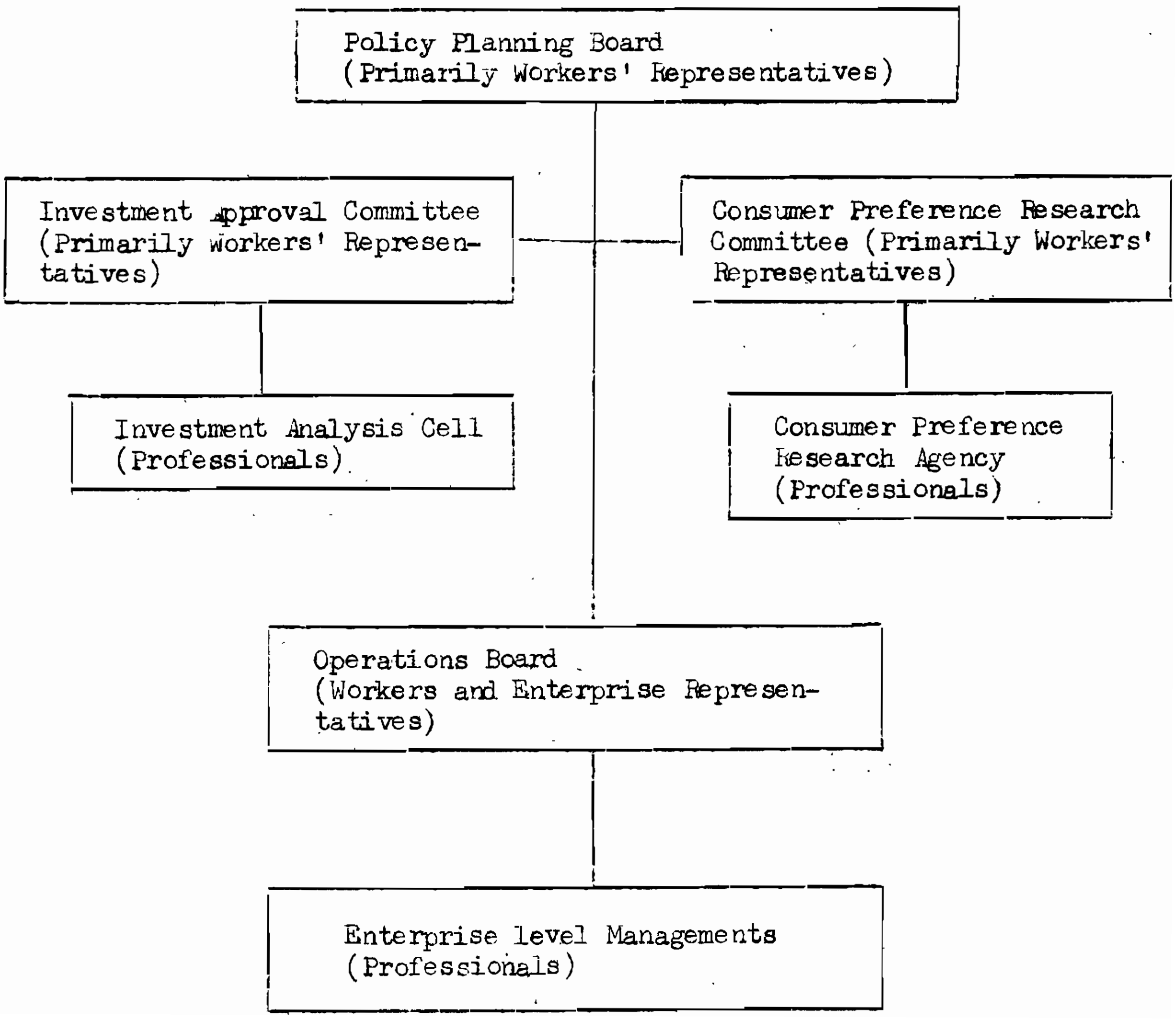
The organisation structure for the proposed sector should be guided by two major considerations. Firstly, the sector should have a democratic organisation which permits maximum and more or less direct participation to the investors. This is necessary not only to conform to the constituted objectives of worker participation for the proposed Fifth Sector, but also to distinguish this sector from the prevalent bureaucratic structures in the public and private sectors. The second major consideration in devising the organisation for the proposed Fifth Sector should be the creation of a control system, which constantly keeps the interest of workers qua consumers in the forefront. This would require a significant departure from the existing structures of investment bodies which operate with the main goal of increasing the returns and capital value of their investment portfolio. Suggestions have been made to create an Investment Corporation to manage the funds of the proposed Fifth Sector. Such an investment corporation may not be able to ensure investment in accordance with the consumption needs of the workers as discussed earlier. Therefore, the overarching Fifth Sector Corporation should be in the nature of a cooperatively constituted Worker Production Corporation rather than a Worker Investment Corporation. The very structure of the apex corporation of this sector should ensure that the consumption considerations retain a primacy in investment decisions.

Figure-3 shows the proposed organisational structure of the apex corporation. A Policy Planning Board, composed primarily of workers' (investors') representatives, will head the organisational structure. This board would be responsible for setting the overall policy of the proposed Fifth Sector. The Policy Planning Board would be assisted by an Investment Approval Committee and a Consumer Preference Research Committee. Both these high-level committees would also be composed primarily of workers' representatives. The Investment Approval Committee would make recommendations to the Policy Planning Board regarding the approval of new investment proposals. Its functions would be quite similar to the Investment Approval Committees of public and private sector organisations. It would be assisted by a professionally constituted Investment Analysis Cell which would offer its technical expertise in the evaluation of new investment proposals.

The Consumer Preference Research Committee would be a unique feature of the Workers' Cooperative Production Corporation. It is this feature, more than anything else, which would distinguish the decision making in the proposed Fifth Sector from that in other sectors of the economy. The functions of this Committee would be to conduct continuous research into the consumption needs and preferences of the workers whose funds are to be invested in the proposed Fifth Sector. A pro-

Figure 3

Organisation Structure for Workers' Cooperative Production Corporation



fessionally constituted Consumer Research Agency would assist this Committee in the task of assessing the consumption needs and preferences of the workers. The Consumer Preference Research Committee and its associated Research Agency would differ from the conventional Market Research Organisations in several ways. Firstly, this Committee would conduct research into the consumption needs of its "investor" constituency with the aim of developing products which meet their basic needs raise the standard of living. Secondly, the Consumer Preference Research Committee would differ from the Marketing Research Department of a private sector corporation since the latter conducts research with the sole aim of developing product offerings to maximise profit. The Consumer Preference Research Committee, on the other hand, would probe into the objective needs of workers rather than test their preferences among preconceived product offerings. Thirdly, the Consumer Preference Research Committee is distinguished by the fact that it would be located at the highest possible organisational level. This would ensure that the needs of workers qua consumers become a governing component of the goal structure which guides the production and investment decisions. This is not the case with the Marketing Research Departments of other corporate bodies.

The policies formulated by the Policy Planning Board would be conveyed to an Operations Board composed of workers' (investors') representatives as well as representatives of enterprises operating under the proposed sector. The Operations Board would be responsible for the overall operational planning, inter-enterprise coordination, and the monitoring and control of the performance of enterprises of the proposed Fifth Sector. The enterprises-level managements would report directly to this Operations Board. At the level of the individual enterprise, the organisation and management structure would be similar to any professionally managed company. Of course, in the management of these enterprises, it would be desirable to introduce participation by the employees consonant with the participative principles of the proposed Fifth Sector.

Conclusion

The investible funds available from the impounded Dearness Allowances constitute a truly staggering amount of Rs.1,000 crores. In this paper, we have suggested that these funds should be invested with the aim of increasing the flow of low-cost, functional, mass consumption products. We have argued that the needs of the workers, who have contributed to the CDS funds, objectively favour the production of such mass consumption products. The performance of the existing sectors of the economy in the production of mass consumption goods has been far from satisfactory. The proposed Fifth Sector could play a prominent role in the production of products truly aligned to the workers' needs. We have discussed the financial and organisational structure which could enable the proposed Fifth Sector to invest its resources in mass consumption industries, and manage these resources cooperatively in accordance with the preferences of the workers qua consumers.

Notes

1. Economic Times, May 20, 1976, p.1.

2. This issue was raised by T.S. Papola when the CDS Acts were promulgated. See "Inflation - Chavan Misses the Point", Himmat, Vol.10, Aug. 2, 1974.

3. A similar situation arose in Chile in 1967 when "the government resorted to a highly controversial alternative: wage-earners, instead of receiving their full wage adjustment in cash in proportion to the rise in the cost of living, were to receive part of it in the form of bonds conferring ownership in new industries to be set up by the government. The government claimed that, faced with the alternatives of a reduction in the level of investment or a reduction in the level of taxation of the private sector, it had adopted a solution that would reduce the concentration of industrial power; the proposal could in fact be interpreted as quite radical, leading to workers' ownership of state industries. But it was strongly attacked by the left, who saw it as undermining the standards of living of the workers and felt that the bonds were likely to become worthless. The policy had to be abandoned...". See Teresa Hayter, Aid as Imperialism, Harmondsworth, Middlesex: Penguin Books Ltd., 1972, pp. 125-26.

4. In 1972, the paid-up capital of the government companies engaged in trading and consumer goods industries was Rs.75.5 crores as against the paid-up capital of Rs.2113 crores for government companies engaged in the heavy industries and utilities. See Shadi Lall, "Growth of Government Companies", Company News and Notes, Vol.11, Apr., 1973.

5. For a discussion of the concept and role of joint sector, see S.K. Bhattacharyya, S.C. Kuchhal and Samuel Paul, "Joint Sector : Guidelines for Policy", Economic and Political Weekly, Vol.7, Dec. 9, 1972.

6. Data relating to the number of companies, their paid-up capital, and distribution by industry classifications for Indian subsidiaries of foreign companies are given in Usha Dar, "Indian Subsidiaries of Foreign Companies", Company News and Notes, Vol.11, Aug., 1973. For similar data relating to government companies, see Lall, Op.cit. These data form one of the bases of Figure-1.

7. Government of India, Guidelines for Industries 1975-76, New Delhi: Department of Industrial Development, Ministry of Industry and Civil Supplies, 1975, pp.1-2.

8. Subroto Sen Gupta, "The Elite Barrier to Consumer Goods Marketing", R. K. Sirkar Memorial Lecture, Advertising Club, Calcutta, September, 1975.

9. Ibid., p. 10.

10. Figures given by Mr. P. C. Sethi, Union Minister for Chemicals and Fertilisers, while addressing the Pharmaceautical and Allied Manufacturers and Distributors Association on June 17, 1976. See Economic Times, June 18, 1976, p.6.

11. Survey conducted by Economic Times Research Bureau and reported in Economic Times, May 9, 1976, p.1. This survey also showed that the issues floated during 1973 had depreciated by about 35% in March, 1976.

12. D. P. Sharma, "Workers' Sector Will Raise Many Issues", Times of India, 'Economic Roundup', June 7, 1976.

13. It should be noted that the total paid-up capital of 217 Indian subsidiaries of foreign companies is only Rs.270 crores (see Dar, op. cit.). Only a fraction of this amount will be required to be diluted under FERA.

14. V. B. Karnik, "Workers' Share in Ownership and Management", Economic Times, June, 7, 1976.

15. The following gives an idea of the range of profitability ratios (profits/paid-up capital) for Indian subsidiaries of foreign companies (source: Dar, op. cit.).

Industry	No. of companies	No. making profit	Range of profitability ratios 1968-69	1969-70	1970-71
Processing & Mfg. (Foodstuffs, tex-time, leather, etc.	19	18	0-182%	0-208%	0-222%
Processing & Mfg. (Metal & chemicals, including drugs)	115	111	0-7330%	0-10030%	0-6720%
Commerce, Trade & Finance	31	24	0-1235%	0-1530%	0-3920%