PREFACE

The importance of an efficient financial system in the developement process of an economy is well recognised. The basic characteristics, objectives to be achieved and modus operandi of financial systems vary largely depending on the broad economic setting in which it operates. The Indian financial system essentially functions in an unique economic system, often referred to as a " mixed economy". Here it is largely dominated by the Government who considers it to be an effective tool for planned economic developement of the country. This characteristic of the the financial system inspired a host of researchers to conduct extensive studies in this area. A few of them are both interesting and thought provoking and can hardly escape the attention of serious researchers.

An important development, i.e., change in the power structure of private corporate sector in favour of Government controlled financial institutions drew considerable attention of all the keen observers of the capital market and inspired a number of researchers to review the present role of institutions in the private corporate sector. Unfortunately, by and large,these studies are not very deep - rooted, lack vigour and objectivity.

The present study adopts a different approach to resolve the debate on role of institutions in the private corporate sector. The study maintains the stand that the rise in institutional equity holding in the private corporate sector per se has little relevance unless it has any developmental implications. This study thus attempts to show efficiency consequences of increased investment of public financial institutions in the risk capital of corporations.

Based on the findings of the empirical analysis, the role of institutions in the private corporate sector has been defined accordingly.

The brief outline of the study is as follows;-

(i) Chapter One , to start with, deals with the task of efficient financial systems and the present condition of the Indian financial system . Next, the chapter examines in details how through the course of the years, financial institutions have acquired large volumes of shares in the private corporate sector. This chapter ends with the question as to whether the institutions can participate in corporate management directly by virtue of their large shareholdings.

(ii) Chapter two deals generally with the methodology of the study which encompassses description of the sample, the variables,and the time period of the study. Several hypotheses that are necessary for the study are drawn here; these hypotheses are based on managerial theories of the firm.

(iii) Chapter three uses both parametric and non-parametric ststistical tests to conduct the study on an univariate basis.

(iv) Chapters four and five are based on multivariate techniques. The former uses multiple regression analysis and the latter uses multiple discriminant analysis to test the effect of institutional holding on corporate financial behaviour'

(v) Finally, chapter six draws on the empirical findings to conclude the study and state the policy implications. This chapter also includes a discourse on the role of nominee directors and sugesstions as how to improve the efficiency in private sector corporations.

Each chapter is further divided into several sections to discuss issues in their proper perspectives.

It is worthwhile to state here, that, though the scope of the study was considered to be quite wide yet it was felt that paucity of means might hinder the ends. During the course of the study problems like dearth of computational and other infrastructural facilities and absence of a data bank, were frequently encountered. up. However, in spite of these limitations attempts have been made to obtain reliable and valid results from the analyses in all the cases.In order to facilitate readability, and in order to avoid information overloading, details of the analyses, for example, list of discriminant score etc have not been appended with the treatise.

Finally, a work like this in a broad area and also involving a multidisciplinary approach is bound to suffer from a large number of lapses. No one is more conscious of them than myself. The reader will, I trust, treat them with a certain indulgence and bear with the short-comings. I shall consider myself amply honoured if this treatise stimulates deliberations and lead to more prolific research in this area.

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SAMIRENDRA NATH DHAR

DEPARTMENT OF COMMERCE

NORTH BENGAL UNIVERSITY.