FALL OUT OF LIBERALISATION: Performance of Indian Industry in the Post-liberalisation Era

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ABSTRACT

A decade ago, India faced serious foreign exchange crisis, precipitated by an abnormal hike in the petroleum prices, which was further accentuated by a flight of NRI deposits. The country had to undertake a series of economic reforms in the form of internal and external liberalisation and also affect structural reforms like privatisation of public sector enterprises. The country also became a founder member of World Trade Organisation (WTO) when it was established in 1994, which binds it to effect the agreements and pushes for external liberlisation at an increasing scale, both in the depth and as well as in the coverage. These steps were expected to not only improve domestic but even global competitiveness of Indian industry and tied over the perennial foreign exchange problems. The country is on the verge of engaging in the next round of negotiations at WTO, which are aimed at opening sectors not open so far and further reduce the tariff walls, quantitative restriction and subsidies currently in force. It is time to have a hard look at the results achieved so far and discuss the policy and executive actions required to benefit from the negotiations and ward off / correct the adverse trends if any.

This comprehensive and in-depth study analyses the performance of Indian corporates in terms of their contribution in foreign trade (exports and imports), their business ventures abroad and their profit and sales performance during a decade (1991-2000) of liberalisation. The findings indicate that the trends are not encouraging and immediate and perhaps radical steps are required to meet the emerging challenges. The study also identifies several issues on which increased research efforts need to be focused on a sustained basis for understanding the impact of economic reforms in its entirety and for developing appropriate coping strategies, as the country enters into successive rounds of negotiation at WTO, which call for increasing opening of the Indian economy. The study is unique in the sense that it tracks down the macro level patterns and trends to performance at micro (firm) level, which gives better insight for future studies, policy making and executive action.

3.0 FALL OUT OF LIBERALISATION: Performance of Indian Industry in the Post-liberalisation Era

3.1 Introduction

A decade ago, India faced serious foreign exchange crisis, precipitated by an abnormal hike in the petroleum prices, which was further accentuated by a flight of NRI deposits. The country had to undertake a series of economic reforms in the form of internal and external liberalisation and also effected structural reforms like privatisation of the public sector enterprise (1). The country also became a founder member of World Trade Organisation (WTO) when it was established in 1994, which binds it to effect the agreements calling for increasing external liberlisation at an increasing scale both in depth and as well as in coverage. These steps were expected to not only improve domestic but even global competitiveness of Indian industry and tied over the perennial foreign exchange problems. The country is on the verge of engaging in the next round of negotiations at WTO, which are aimed at opening the sectors not opened so far and further reduce the tariff and quantitative restriction currently in force. It is time to have a hard look at the results achieved so far and discuss the policy and executive actions required to benefit from the negotiations and ward off / correct the adverse trends if any.

Indian Industry has been undergoing a very turbulent phase in the several years. The economic reforms created an euphoria in the industry though de-regulation and de-reservation. This was further heightened with the reduction in import restrictions both of capital as well as consumer goods. New business opportunities also emerged on account of interest of foreign players to operate in India. Alongside a serious threat also emerged to the public sector companies on account of governments' reluctance to fund losses, keenness to privatise them, and reduction in preferential treatment to them in government purchases etc.

What has been the impact of all these reforms undertaken to benefit from integration of the Indian economy with the world economy? What are the trends? This comprehensive, in-depth study analyses the performance of Indian corporate sector in terms of foreign trade, their business ventures abroad and their sales and profitability during the period 1991-2000. The findings indicate that the trends are not encouraging and immediate and radical steps are required to meet the challenges.

This study is sequel to two other studies undertaken by this author to examine the trends in export/ import by Indian firms (2) and the globalisation of Indian business (3).

3.2 Methodology

For the purpose of understanding the impact of economic reforms over almost a decade from 1990-91 to 1999-2000, three different data sources have been used. For the analysis of the imports and exports, the data has been drawn from the report of Centre for Monitoring Indian Economy (CMIE) and Reserve Bank of India Bulletins. For the analysis of Indian Business Ventures Abroad and Foreign Collaborations in India, data has been drawn from the publications of Indian Investment Centre, New Delhi. For the analysis of the sales and profit performance of Indian corporate sector, data has been taken from PROWESS database of Centre for Monitoring Indian Economy (CMIE). The database is most comprehensive available in India and updated at high frequency; allowing use of latest information for study of this kind. For this study all the companies listed in the "Industry" set of the CMIE database on November 3, 2001 have been considered. Since the database is dynamic, a number of companies have entered during the period 1991-2000, some got acquired/ merged and some got liquidated. Some have not reported the performance for other reasons. The net of companies is shown in table 1.

Table 1
Year-wise Growth in Number of Companies

Year	Total No. of Cos.	Year	Total No. of Cos.
1991	2133	1996	5414
1992	2447	1997	5651
1993	3000	1998	5789
1994	3901	1999	5773
1995	4847	2000	4948

3.3 Findings of the Study

3.3.1 India's Exports and Imports During 1991-2000

Boosting the contribution of corporate sector in the exports has been one of the key planks of the economic reforms that were triggered by foreign exchange crisis and in 1991. What has been the impact of the reforms so far?

Table 2 shows the patterns of country's exports and imports (4). It will be noticed that export/ import ratio over the 10 years has not improved at all. There was a short- lived spurt in it during 1991-94, but it has steadily declined after 1995 (except 1997-98) and is almost back to 1990-91 levels. ***The trade gap in absolute terms has widening from US$ 9049m in 1990-91 to US$ 17841m in 1999-2000, accentuating the foreign exchange crisis that has not started biting for various reasons.*** It may be added here that the export/import ratio of all the developed countries except U.S.A., has been more that 100% and of all the developing countries other than China and Mexico has been less that 100% (5). The exceptions are more of aberrations.

The divide between developed and developing countries thus seems to be directly related to the export/ import ratio. It may also be noted that increasing export/imports ratio per se may not lead to better levels in developing countries, if the terms of trade are not favourable.

Table 2
India' Export- Import Performance during 1971-2000

Year	Export	Import	Net	Export/ Import Ratio (%)	Year	Export	Import	Net	Export/ Import Ratio (%)
1970-71	1890	2435	-545	78%	1985-86	9461	17294	-7833	55%
1971-72	2122	2759	-637	77%	1986-87	10413	17729	-7316	59%
1972-73	2579	2796	-217	92%	1987-88	12644	19812	-7168	64%
1973-74	2997	3646	-649	82%	1988-89	14257	23618	-9361	60%
1974-75	4006	5620	-1614	71%	1989-90	16955	24411	-7456	69%
1975-76	4830	6197	-1367	78%	1990-91	18477	27915	-9438	66%
1976-77	5750	6097	-347	94%	1991-92	18266	21064	-2798	87%
1977-78	6354	7051	-697	90%	1992-93	18869	24316	-5447	78%
1978-79	6817	9512	-2695	72%	1993-94	22683	26739	-4056	85%
1979-80	7817	12076	-4259	65%	1994-95	26855	35904	-9049	75%
1980-81	8445	16314	-7869	52%	1995-96	32311	43670	-11359	74%
1981-82	8697	15970	-7273	54%	1996-97	34133	48948	-14815	70%
1982-83	9490	16468	-6978	58%	1997-98	35680	41535	-5855	86%
1983-84	9861	16575	-6714	59%	1998-99	34298	47544	-13246	72%
1984-85	10061	15715	-5654	64%	1999-00	37542	55383	-17841	68%

3.3.2 Contribution of Indian Corporate Sector to the Exports

To have an understanding of the Indian corporates' contribution to the exports and imports, data has been analysed for all the 4972 companies having sales of Rs. 0.01 crore or more as well as for the top 1740 companies (having sales of Rs. 50 crores or more) in the year ending March 31, 2000. The top 1740 represented 96% of total sales, 94% of the total exports, 91% of total imports and 89% of total profits of the Indian corporate sector.

The study examined the total imports, total exports and the net of exports and imports by companies. It was observed that out of a total of 4972 companies studied, 1624 were neither engaged in exports nor imports. Only 208 companies were engaged in exports alone. On the other hand, as many as 928 companies were engaged in imports alone. A total of 2212 companies were involved in both.

It will also be observed (see table 3) that among the Top1740 corporates, as many as 207 did not engage in either imports or exports. While 297 out of 1740), i.e., 17%, were engaged in imports only, a paltry 23 (1%) were involved in exports alone. About 70% (1213/ 1740) were involved in both.

The analysis of net of exports and imports is more revealing. It will also be observed that among the top 1740, only 654 were net exporters and as many as 878 were net importers (see table 4). Together they contributed Rs. 37950 crores net of exports and Rs. 105919 crores net imports respectively. The overall effect was Rs, 67969 crores net imports by 1533 among the top 1740 Indian corporates, which works out to around US$ 16 b, almost the total deficit in trade balance of India in the year 2000.

Table 3

Involvement of Corporate Leaders in Imports and Exports.

	Total (4972)	Top 1740 (having sales of Rs. 50 cr. or more)
# of Companies engaged in Exports only	208	23
# of ” ’’ Imports only	928	297
# of ” ” in both Exports & Imports	2212	1213
# Neither engaged in exports nor imports	1624	207

A more detailed analysis by size of companies in terms of net sales indicates that among the top 100 companies in the year 2000, as many as 55 were net importers and only 20 were net exporters. Together they were contributing net exports of Rs. 11326 crores and net imports of Rs. 79708 crores respectively, resulting in an overall net import of Rs. 68383 crores.

Table 4
Contribution to Export/ Import by Size of the Companies

	1-100	101-500	Top 500	501-1000	1001-1740
Net Exporters					
# Cos.	20	124	144	201	309
Amount (Rs. in Cr.)	11326	11574		8764	6286
Net Importers					
# Cos.	55	222	277	267	334
Amount (Rs. in Cr.)	-79708	-18786		-4823	-2602
Net Exports					
Amount (Rs. in Cr.)	-68383	-7212	-75595	3941	3684
Cos. not engaged in imports or exports	25	54	79	32	97

The situation is no better if one considers the next top 400 leaders, 54 among them were not engaged in either exports or imports. 123 of them contributed to net exports to the tune of Rs. 11574 crores, while 223 of them had a net import of Rs. 18786 crores. Overall, they were responsible for net imports to the tune of Rs. 7212 crores.

The ***top 500 corporates in India thus, contributed to net imports to the tune of Rs. 75595 crores (approx. US $ 17 billion).*** The top 500 giants (277 to be precise) together are, thus, responsible for more than India’s total trade deficit, causing foreign exchange drain to the country. It is an ironical fact because one expects the corporate giants to be mainly responsible for earning foreign exchange for the country, rather than being a drain to it.

Table 5

	1999-200	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-200	2000-01	2001-02
	-17098	-9438		-4268	-4056	-9049	-11359	-14815	-16277	-13246	-17841	-14370	
	12935	-242		842	2898	5680	5460	10321	9804	9208	12143	11791	14054
	3856	980		1129	535	602	-186	851	1143	2165	4064	2478	4199
	897	1064		1713	1725	1547	1546	2020	1477	1250	897	294	628
	-665	110		-503	-332	-167	-158	-441	-726	-755	-703	-1257	-413
				-81									
	12256	2069		2773	5265	8093	8506	12367	11830	10280	12256	12798	12125
	-3695	-3752		-3423	-3270	-3431	-3205	-3307	-3520	-3569	-3695	-3918	-2728
t	-4163	-9680		-3526	-1158	-3369	-5899	-4494	-6473	-4038	-4698	-2579	1351
	2167	97		315	586	1343	2133	2716	3202	2480	2167	2342	3905
	3024	3		242	3649	3579	2661	3312	1828	-68	3024	2760	2020
	901	2210		1856	1901	1528	883	1109	899	820	901	427	1204
	313	2248		-358	607	1030	1275	2848	3999	4362	313	4011	-1147
	377	1075			-769	393	49	838	-96	-748	377	105	-890
	790	-364		1073	-844	-962	-384	-870	-2195	-1397	790	-1768	1264
	-26	-269		-144	1297	164	218	-255	-190	-11	-26	36	382
	2140	1537		2001	1205	172	1103	3350	1125	1742	1540	2317	2754
	-177	-222		896	605	292	-175	4	367	1146	-177	-74	207
	-711	-1193		-878	-1053	-983	-952	-727	-767	-802	-711	-617	-519
	1508	1931		-10	1638	1977	-2537	-254	3800	1157	2310		
	10242	7056		3906	8895	8502	4078	11881	11924	8565	10444	9022	9545
	6402	-2492		-560	8537	5757	-1221	6793	4511	4222	6402	5856	11757
s													
	-260	1214		1288	187	-1143	-1715	-975	-618	-393	-260	-26	
	-6142	1278		-728	-8724	-4644	2936	-5818	-3593	-3829	-6142	-5830	-11757
	75857	**83801**	**85285**	**90023**	**92695**	**99000**	**93730**	**93470**	**94320**	**97231**	**98435**		
	68356	75257	78215	83683	89068	94739	88696	86744	89274	93902			

A look at the table 4 also reveals that it is the lower rung companies, those between the 501-1740 ranks, which together have contributed positively to net exports. The companies from 501-1000 contributing Rs. 3941 crores and those in the 1001-1740 ranks contributed Rs. 3684 crores, thus easing the drain of Rs. (-)75595 crores (caused by the top 500) by Rs. 7625 crores. The contribution of the smaller companies was thus found to be more than the leaders. But it is too small to offset the magnitude of net imports by the top 500 companies. ***The data reveals that the economic reforms undertaken, incentives extended to boost exports and India's willingness to open economic borders as a commitment toWTO, have not fetched the desired results so far neither benefited India as expected in terms of correcting the trade imbalance. India is losing more at an increasing rate now.*** The data further reveals that the above measures have not been effective to induce most of the corporate leaders to play the role expected of them in addressing to the national challenge of managing foreign exchange balance at an adequate level, unlike their counterparts in the developed countries. Perhaps more radical measures are required, as the current prescriptions are not fetching desired results.

3.3.3 Adequacy of Foreign Exchange Reserves

The criticality of the task of earning foreign exchange can realised from the fact that ***the country is not earning enough foreign exchange to meet its trade and other the requirements***, but arranging it through increasing debts, securing deposits or institutional investment (see table 5). The countries foreign debt has steadily increased by almost 30% in dollar terms and 200% in rupee terms during 1991-2000 period over the one piled up in 40 years of independence up to 1991 (6).

Table 6

India's Foreign Exchange Reserves (Balance) and Vulnerable Liabilities

(U.S. $ Million)

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Total reserves	**19254**	**25186**	**21687**	**26423**	**29367**	**32490**	**38036**	**42281**	**54154**
Foreign currency reserves	15068	20809	17044	22367	25975	29522	35058	39554	51092
Gold	4078	4370	4561	4054	3391	2960	2974	2725	3052
SDRs.	108	7	82	2	1	8	4	2	10
Vulnerable liabilities	**23133**	**26447**	**26623**	**31208**	**32769**	**32522**	**36056**	**38128**	
FII investments (outstanding)	1638	3166	5202	7609	9284	8898	11237	13396	
NRI Deposits	12665	12383	11011	11012	11913	12344	13365	15432	
Short-term debt	3627	4269	5034	6726	5046	4387	4657	5838	
Trade credit	5203	6629	5376	5861	6526	6893	6797		
Balances under NRI deposit schemes	16218	17156	17433	20389	20367	21301	23098	23072	25177
FCNR(A)	9300	1751	4255	2306	1				
FCNR(B)	1108	3063	5720	7496	8467	7835	8167	9076	9705
NR(E)RA	3523	4556	3916	4983	5637	6045	6758	7147	8392
NR(NR)RD	1754	2480	3542	5604	6262	6618	6754	6849	7080
FC(B&O)D	533								

The analysis shows that though the foreign exchange reserves have increased, they have only mitigated the foreign exchange crisis of 1991. This can not be said to be comfortable a position. It will be seen from table 6 that the foreign exchange reserves (more appropriately termed as foreign exchange balance) as on March 31, 2000 are adequate to cover up only vulnerable liabilities (7). It leaves a whooping US$ 60 billion debt uncovered and there is no source of earning foreign exchange to pay the loan. Even if the present trade deficit of US $ 17 b. p.a. is turned into positive US $ 5 billion per year, (meaning a 50% rise in level of exports efforts made in the year 1999-2000), it will require 12 years of sustained efforts to earn foreign exchange adequate to meet the external debt obligation. This is certainly an uphill task and requires urgent nationwide concern, which is hardly seen. Furthermore, the oil imports have been increasing unabated. Despite more or less stable prices, the net imports of oil companies has steadily increased from U.S. $3.7b in 1991 to U.S.$ 5.9b in 1995 and to U.S.$ 10.5b in 2000. Any abnormal hike in the oil prices like it that in 1991, may precipitate a crisis even today. So is the case with NRI deposits, which has stabilised at around U.S. $ 12bn. The additional worrisome factor is the contribution of highly volatile FII investments, which have increased from U.S.$1.638 b. to U.S.$ 11.237 bn.

3.3.4 Globalisation of Indian Industry

In the post liberalisation period the foreign business ventures of Indian companies have registered a marked increased (8). From a meager 319 business ventures ***approved*** up to 1991 comprising mainly Joint Ventures (JVs), the number of ventures has increased to a total of 2103 in the year 1999 (see table 7), with JVs and wholly owned subsidiaries' share being almost 50/50. However, this phenomenal jump seems to be inadequate to call it a success of globalisation. Firstly, many of them (more than half) are still fall under the category of "under implementation". Secondly, if one compares them with the number of foreign collaborations in India during the same period (9), they far outweigh the Indian ventures abroad. Indeed, it looks that India is becoming more of a global market than emerging as a global player.

Table 7
Indian Business Ventures Abroad and Foreign Collaborations in India

	Upto 1991	'92	'93	'94	'95	'96	'97	'98	'99	Total Upto 1999
Indian JVs Abroad	244	72	104	92	82	116	101	101	111	1023
Indian Wholly Owned Subsidiaries Abroad	75	28	79	122	119	143	122	154	238	1080
Total Indian Business Ventures Abroad	319	100	183	214	201	259	223	255	349	2103
Foreign Collaboration in India	16836	1531	1476	1854	2337	2303	2325	1786	2224	32672

The total number of ventures has increased to 2368 by the year 2001. Further investigations undertaken in this study based upon the revised number (2368), reveal that of the above mentioned total number of ventures, the number of ventures undertaken by the 399 listed companies in the CMIE database (PROWESS) was only 909 as shown in table 8. It will also be noted that among the Top 1000 leaders i.e., companies having sales more than 125 crores in the year 2000, there are only 74 companies that have 3 or more business ventures abroad and only 153 companies, which have 2 or more ventures. Only 12 companies have 10 or more business ventures abroad.

A more disturbing feature is the role so far played by the corporate leaders. The analysis shows that among the Top 100 leaders, with sales mores than Rs. 1677 crores in the year 2000, only 16 had 3 or more ventures abroad. Among the Top 500 industry leaders, having sales over Rs. 300 crores, only 74 companies had 3 or more ventures. There is no other company that has 3 or more ventures abroad. Similarly, the number of corporate leaders having 2 or more ventures was only 6 among the Top 100, 32 among the Top 500, and 55 among the Top 1000 companies.

Table 8
Corporate Leader's Venturing Abroad

Total No.of Business Ventures Abroad	Total No. of Cos. having Business Ventures Abroad	No. of Companies among Top 1000	Other Smaller Companies	Cumulative Frequency Distribution of Ventures	
1	171	74	104	1+	909
2	154	77	77	2+	738
3	25	25	-	3+	430
4	17	17	-	4+	355
5	6	6	-	5+	287
6	6	6	-	6+	257
7	2	2	-	7+	221
8	4	4	-	8+	207
9	2	2	-	9+	175
10	2	2	-	10+	157
11	3	3	-	11+	137
12	3	3	-	12+	104
15	2	2	-	15+	68
18	1	1	-	18+	38
20	1	1	-	20+	20
909	**399**	**218**	**181**		

Table 9
Industry Leaders with Business Ventures Abroad

No. of Business Ventures Abroad	Top 100 (# of Cos.)	Top 101-500 (# of Cos.)	Top 501-1000 (# of Cos.)	Top 1001-1740 (# of Cos.)	Total (# of Cos.)	Smaller Cos. (# of Cos.)
≥ 3	16	58	-	-	74	-
2	6	26	23	22	77	77
1	2	20	34	11	67	104
Total	24	104	57	33	218	181

Even if one considers one venture only, the number of companies having some ventures abroad is only 24 (24%) among Top 100, 128 (26%) among Top 500, and 185 (19%) among the Top1000. These 218 corporate leaders have 651 ventures abroad. Thus, 258 out of 909 ventures are from 181 small companies with less than Rs. 50 crores sales in the year 2000. Further, a large number of ventures 1459 (2368-909) are from small private enterprises (not found in PROWESS database), which could not be expected to have very strong muscle to sustain business abroad. As pointed out in the study, many of these are small trading or software enterprises firms (10), who need enormous nurturing, rather than manufacturing giants, a pattern that is opposite to that in the case of developed countries

It will thus be noticed that a ***preponderance of corporate leaders in India are still not imbibing globalisation philosophy (by venturing abroad) and making global operations as an integral part of their corporate strategy.*** Considering that it is only the number of ventures approved (and not those which are actually implemented), one tends to conclude that not much effort have been made by the industry leaders to make India a global player, at least not as much as the effort made by the international giants for entering the Indian market.

3.3.5 The Overall Performance of Indian Corporates in the Domestic Sector

3.3.5.1 The increase and Decrease in Number of Companies

The performance of Indian corporates is vital for the Indian economy and an acid test for economic reforms especially because it indicates the competitiveness and sustenance capacity in the post-liberalisation era. The study analyses the performance at successive levels of details, providing richer insights.

The performance of Indian corporates ***improved in the period immediately following the first round of economic reforms.*** Table 10 indicates that the number of companies and sales steadily increased from 1990-91 up to 1998 but started declining thereafter. Same effect is seen in the number of companies above Rs. 50 crores and companies above Rs. 10 crores.

Table 10
Yearwise Growth in Number of Companies

Year	Total No. of Cos.	Co. having Sales>Rs. 50 Cr.	Co. having Sales>Rs. 10 Cr	Year	Total No. of Cos.	Co. having Sales>Rs. 50 Cr	Co. having Sales>Rs. 10 Cr
1991	2133	712	1598	1996	5414	1642	3340
1992	2447	832	1812	1997	5651	1711	3411
1993	3000	974	2110	1998	5789	1774	3536
1994	3901	1337	2500	1999	5773	1815	3520
1995	4847	1385	3006	2000	4948	1739	3180

3.3.5.2 The Number of Profit and Loss Making Companies

The decline in the number of companies has a time lag with the decline in performance.

Table 11
No. of Companies making Profit or Loss in various years

Year	Cos. Making Profit	Cos. Making loss	Cos. Neither making Profit nor Loss	Year	Cos. Making Profit	Cos. Making loss	Cos. Neither making Profit nor Loss
1991	1750	376	71	1996	4281	1151	270
1992	2025	420	105	1997	3906	1751	256
1993	2418	577	173	1998	3632	2105	249
1994	3288	499	247	1999	3571	2266	207
1995	4169	727	324	2000	3176	1725	194

It is expected, because many companies enter the corporate sector every year and some get out, but only after a few years of poor performance. It will be observed from table 11 that the number of profit making companies increased steadily from 1750 (in 1990-91) to 4281 (in 1995-96), but thereafter it has been declining steadily. The trend has changed a bit in the year 2000, but one has to watch the performance in the year 2001 and 2002 to conclude whether the adverse trend has really been arrested.

3.3.5.3 Overall Industry Sales & Profitability

The picture of corporates' performance becomes more clear from the analysis of overall industry sales and profitability. It will be seen from table 12 that the industry sales leap-frogged at about 20% or more during the initial period of liberalisation. The profitability also improved a bit. The sales growth, however declined sharply, to below 10%, as the external liberalisation in the form of operation of WTO agreements on trade in goods in the year 1995 came into force. The decline in sales growth is further worrisome in view of the fact that rapid growth in certain sectors like Telecom and the IT sectors were witnessed on account of GATS in Service coming in force in 1996. Further, if the industry sales growth is discounted for inflation rate that has hovered around 5-6%, the real growth comes down to not more than 3-4% in the post external liberalisation era.

Table 12
Overall Industry Sales and Profitability

(Rs. in crores)

Year	Sales	Sales Growth	Net Profit	NetProfi / Sales	Year	Sales	Sales Growth	Net Profit	NetProfi / Sales
1991	211652		9020	3%	1996	734060	124%	39722	5%
1992	328874	121%	10744	3%	1997	825717	112%	35378	4%
1993	394475	120%	9792	2%	1998	903816	109%	33496	4%
1994	459003	116%	17702	4%	1999	966083	107%	34379	4%
1995	593274	129%	36433	6%	2000	1057681	109%	40563	4%

As mentioned in the previous section, the adverse trend was somewhat arrested in the year 1999-2000, but whether the country has successfully arrested it or it is an aberration, has to the seen during 2000-2001 and 2001-2002 years.

The stability of overall profitability may give a solace, but this seems to be more on account of higher profitability on telecom and IT sectors rather than overall comfortable scenario. Further, it must be kept in mind that maintaining profitability without increase in sales is not a happy situation. Lack of growth deprives career opportunities and compounds the unemployment problem. Further, certain strategies of retaining profitability like VRS may improve profit performance temporarily, but it will be short lived, as they do not lead to increase in purchasing power for sustained improvements in sales.

It must also be realised that growth in IT sector is not enough. ***Indian economy as a whole has first to be strong domestically. It can not compete externally, if a large number of corporates are losing ground.*** Besides, for a country the engagement in international trade as a subcontractor may not provide real competitiveness edge in the long run, where high value addition and value retention is the name of the game. To what extent the Indian corporates are really getting affected and what are the implications thereof, can be more clearly understood with the analysis of corporate leaders?

3.3.5.4 Performance of Pre- reform Corporate Leaders

The real impact of the liberalisation can be assessed when one analyses the impact of external liberalisation on the business leaders. This has been done here with the analysis of the corporate giants of India in 1991, when the economic reforms were initiated. As per the data available in the CMIE database on November 3, 2001, there were only 2133 companies having sales of Rs. 1 lakh and above. Of course some of the public sector enterprises like commercial bank did not find place in the listing as they had not been registered companies; but that may not seriously impair the patterns of overall performance derived from a large base of 2133 companies.

3.3.5.4.1 Profit Performance of the Pre-reform Corporate Leaders

From the data given in table 13, it will be observed that out of a total 2133 companies, which had sales of Rs. 1 lakh or more in 1991, only 1616 reported performance for the year ending March 31, 2000 (as per the database updated up to November 3, 2001, a year and a half after the end of the financial year). The reason may be many, but as we shall see later, it is more likely that their performance has suffered badly as the companies having superior performance tend to announce results to public faster than the ones do not have good performance to report.

From the data available in table 13 it will also be observed that there is a sharp decline in number of companies making profit and rise in number of companies making loss in the post- liberalisation era. ***The pre-reform corporate leaders are thus observed to be losing ground fast in terms of profit performance.***

Table 13
Profit Performance of Pre reform Corporate Leaders

		1991	2000
#	Cos. making Profit	1356	1043
#	Cos. neither making Profit nor Loss	9	7
#	Cos. making Loss	251	566
		1616	1616

0. ... *Gain/Erosion in Profit Positiony*

The profit performance becomes even more revealing, if the gain/erosion on profitability (net profit/ sales) is analysed. From table 14 it will be seen that the only about 1/3 (554/1616) of corporate leaders have improved their profitability, while about 2/3 (968/1616) have experienced erosion in profitability.

It will also be noticed from the table that as many as 436 companies faced erosion in their profitability by 10% or more, while only 153 had gained as much. Further as against 147 companies whose profitability was eroded seriously (by 50% or more), there were only 40 companies who gained as much. It may also be mentioned here that given that profitability generally hovers around 20% or less, a gain in profitability by higher value (20% or more) is more on account of reduction in loss than increase in profitability, while erosion in profitability of 100% or more typically signifies a company entering into loss situation rather than only reduction in profitability.

The erosion in profitability in successive years ultimately leads a company to become a loss making one. The data on erosion in profitability indicates the situation to be a lot more alarming than what the number of loss making companies given in the last section depicts, which all, by itself was none too encouraging.

Table 14
Gain/ Erosion in Profitability in the Post-liberalisation Era

Range	Gain # of Cos.	Erosion # of Cos.
≥ 1% but < 10%	401	530
≥ 10% but < 20%	59	164
≥ 20% but < 50%	56	125
≥ 50% but < 100%	19	51
≥ 100% but < 1000%	15	69
≥1000%	6	27
Total	554	968
No Change	94	
Grand total	1616	

3.3.5.4.3 *Sales Performance of the Leaders*

The analysis of sales performance of the leaders in terms of sales poses a problem, because comparison of sales over 10 years period would in all probability show improvements, at least by inflation rate, even for those companies which have stagnated. The data (see table 15), however suggests that ***there has been a rise in the sales in the***

Table 15
Sales Growth of Companies during the 1991-2000

Year	Sales Growth	No. of Cos
92-92	118%	1615
92-93	112%	1576
93-94	112%	1541
94-95	126%	1550
95-96	122%	1551
96-97	112%	1555
97-98	107%	1535
98-99	110%	1526
99-2000	116%	1578

	91-95	96-2000
Growth	158%	153%
No. of Cos. For which data was available	1576	1555
Diffrence		5%

initial period (1991-96), but thereafter it declined, as was observed in the general trends in industry sales (see table 12). There is a 5% decline in the sales growth rates achieved during 1996-2000 as compared to 1991-1995.

More importantly, it will be seen from the table 16 that the number of corporates achieving decline (1042) during 1996-2000 as compared to 1991-95, is considerably (2.2 times) more than the number of corporates experiencing rise in sales growth rates (437)

Table 16
Gain/ Loss in Growth Rates between 1991-95 and 1996-2000

	Gain	Loss
0-10	68	80
10-20	45	74
20-50	142	229
50-100	97	298
100-500	98	321
500-1000	13	23
>1000	7	17
	470	**1042**
Total		1512
0 (No Change)		9
Not Applicable		95
Grand Total		**1616**

3.3.5.4.4 The (Absolute) Slide of the Pre-reform Corporate Leaders in Sales Rank

An analysis was also carried out about the magnitude of slide of the Pre-reform leaders vis-à-vis those who have entered into the fray later.

Table 17 gives the year-wise details of the entry of the top 2000 companies (by sales in the year 2000).

Table 17

Year	No. of Co.Existing	Addition During the year.	Total	Year	No. of Co.Existing	Addition During the year.	Total
1991	1413	78	1491	1996	1830	9	1839
1992	1491	118	1619	1997	1839	38	1877
1993	1619	124	1733	1998	1877	86	1963
1994	1733	58	1791	1999	1963	37	2000
1995	1791	39	1830	2000	2000		

It will be seen that as many as 587 companies among Top 2000, in the year 2000, did not even exist in the year 1991. Many of these companies have registered high growth rate on account of opening of the Indian economy. This has definitely impacted on the pre-reform leaders.

An analysis of the top 2133 companies of 1991 was carried out to understand the slide in these sales ranks from 1991 to the year 2000. It may be recollected that only 1616 of 2133 corporate leaders of 1991 had reported their financial performance for the year ended March 31, 2000 as per the CMIE database. For measuring the slide, the companies were arranged in descending order of sales in the year 2000 and allotted rank, the highest sales company was give the rank 1, next highest was given the rank 2 and so on. Next the companies were arranged in descending order of sales in 1991 and allotted ranks once again in the fashion. The differences in the ranks of the companies in the year 1991 and in the year 2000 were calculated to see if there was a gain or loss in their sales rank. Finally data was retained for the 1616 companies for whom the data was available both for he year 1991 and the year 2000. The gain/loss in the sales rank were divided into several slabs i.e., 0-10, 10-20, 20-50, 50-100, 100-500, 500-1000 and over 1000. For the purpose of appreciating the slide, the companies were divided into 6 categories top 100, 101-500, 501-1000, 1001- 1500, 1501-2000 and 2001-2133. The results are given in the table 18

.

The data indicates that there has been heavy slide in the sales ranks of the industry leaders of 1991. ***Among the top 500 companies, (having sales of Rs. 80 cr.& above), as many as 300 had lost their ranks and only 121 gained. It will also be seen that for as many as 171 companies, the down slide was more than 100 ranks and 46 of them (10%) had lost their sales rank by as much as 500 or more.*** None of course gained 500.

The same was the pattern among the next set of companies (501-1000) who had sales of Rs. 30 cr. or more in 1991. As many as 238 of them lost the rank by as much as 100 or more and 120 (30%) of them lost rank by 500. Only 101 of them had gained in the sales rank by 100 or more. None of them had gained by 500 or more ranks.

Table 18
Absolute Slide in the Sales Ranks of the Pre-reform Corporate Leaders

Range of Rank Change	Sales Rank of Companies in 1991																	
	1-100		101-500		501-1000		**1-1000**		1001-1500		1501-2000		**1001-2000**		2001-2133		Total	
	Gain	Loss	Gain	Loss	Gain	Loss	**Gain**	**Loss**	Gain	Loss	Gain	Loss	**Gain**	**Loss**	Gain	Loss	Gain	Loss
< 10	15	14	6	10	2	4	**23**	**28**	1	2	2	-	**3**	**-**	-	-	26	30
> 10 but < 20	5	13	6	6	-	3	**11**	**22**	2	4	1	1	**3**	**-**	-	-	14	27
> 20 but <50	6	11	23	29	6	13	**35**	**53**	5	5	4	1	**9**	**-**	-	-	44	59
> 50 but 100	1	12	27	34	11	26	**39**	**72**	9	10	3	9	**12**	**19**	-	1	51	92
> 100 but 500	-	9	32	115	75	118	**107**	**242**	47	74	27	39	**74**	**113**	8	5	189	360
>500 but <1000	-	-	-	24	7	49	**7**	**73**	22	97	27	69	**49**	**166**	3	7	59	246
>1000	-	1	-	22	-	71	**-**	**94**	3	92	14	156	**17**	**248**	7	49	24	391
Total	27	60	94	240	101	284	**222**	**584**	89	284	78	275	**167**	**559**	18	62	407	1205
No Change	3		1		-		**4**				-		**-**		-		4	
Grand Total	90		335		385		**810**		373		353		**726**		80		1616	

Thus, among the ***top 1000 companies (having sales Rs. 30 cr. and above in 1991) only 222 (27%) gained rank and 694 (72%) lost their rank***. The slide was more than 100 for 409 (50%) companies and more than 500 rank for 167 (20%) companies. Overall, out of the 1616 companies ***(among the top 2133 leaders of 1991***, having sales over Rs. 1 lakh or more in 1991) ***1205 lost rank and 407 gained***.

The above findings indicate that there is storm, if not earthquake, in the offing. If the pre reforms grants start crumbling, it may, have far reaching impact on Indian the general Indian economy and society.

3.3.5.4.5 Combined Gain/ Loss in Sales Rank and Gain/ Erosion in Profitability

The Pre-reform corporate leaders were also analysed for loss/gain rank (in terms of sales in 1991 and 2000) and the gain/ erosion in their profitability. It will be seen from table 19 that out of a total of 1616 companies only 167 (about 10%) companies gained in sales ranks as well as on profitability. On the other hand, 750 (46%) of them have lost on both. A total of 385 (23%) companies have been able to save erosion in profitability losing sales rank, while 216 (13%) companies seemed to have gained rank by holding on sale even at the cost of erosion in profitability, which can not be sustained in the long run.

Table 19
Sales Rank & Profitability Gain/ Erosion of Pre- reform Corporate Leaders
(# of companies)

Profitability		Sales Rank		
Total	Gain	Loss	No Change	
Gain in Profitability	167	385	2	554
Erosion in Profitability	216	750	2	968
No Change	24	70	-	94
Total 1616	407	1205	6 4	

3.3.5.4.6 The Unexplained 517

It may be worthwhile to have a brief mention of the 517 companies whose performance for year ending March 31, 2000 was not reported in

CMIE database analysed on November 3, 2001. Table 20 gives the profit performance of these 517 companies over the decade of liberalisation. It will be noticed that out of 517, as many as 389 were in profit in 1991 and only 119 were in loss. The same situation prevailed until 1995. However, thereafter the situation change dramatically and there has been a steady decline, the number of profit making companies coming down from 344 in 1995 to 204 in 1998 and 119 in 2000. The number of loss making companies jumped from 126 in 1995 to 240 in 1999. Thereafter the number of companies not reporting performance jumped from 70 in 1998 to 239 in 1999 and to 517 in 2000. It can thus, be assumed that the number or companies not reporting performance of the year ending March 31, 2000 were the once which were experiencing pressure on profits, had perhaps reached the situation of loss making hence not reporting performance. The number can thus be added to the companies facing erosion on profitability and to the loss making companies than to the companies in profit or gain in profitability.

Table 20
The Unexplained 517

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
# Cos in Profit	389	369	323	347	344	296	259	204	119	0
# Cos in Loss	119	123	141	130	126	163	200	240	57	0
# Cos Neither in Profit Nor in loss	9	7	2	6	3	5	5	3	2	0
# Not reporting performnce	0	26	51	34	44	53	49	70	239	517
	517	517	517	517	517	517	517	517	517	517

Table 21
Profit Performance of Pre-reform Corporate Leaders
(including the 517 companies)

1991
2000

Cos. Making Profit 1745
1043
Cos. Making Loss 370
1081
Cos. Neither making profit nor loss 18 9

2133
2133

If the above assumption is taken into account the scenario of profit/loss making companies changes dramatically. The figures in table 12 change as shown in table 21. It will be observed that in the year 1991 the 82% (1745/2133) of the pre-reform corporate leaders (by sales) were in profit and only 17% were making moss. ***By the year 2000, the % of loss making pre-reform corporate leaders decreased from 82% to 49% and that of loss making increased from 17% to 51% a three fold rise.***

3.4 Implications of the Findings

The analysis of performance and contribution of the Indian corporate sector over the decade indicates that the reforms and policy measures are undertaken so far, are not proving to be sufficient to increase the global competitiveness of India, to draw the benefits of liberalization, both internal and external, to the fullest. ***The export/ import gap continues to deteriorate and the balance of trade is getting adverse. The Indian business is not getting global by venturing abroad in any major way. More importantly, the overall financial performance of industry is also going down steadily, which had not been the case even in the pre-liberalisation eras***. The data indicates that the initial euphoria of liberalisation died down too soon within 4-5 years. The fast deterioration in export-import performance coincides with the very year the WTO came into being, and from 1997 onward the profit and sales performance also started deteriorating. The erosion of profitability and the number of sick companies increased steadily since 1997. ***The assumption that just by opening the Indian economy to outsiders, the competitiveness of Indian industry will increase, is not proving right. Perhaps a lot more original and radical change in thinking and action is called for to mend the situation***. Borrowing proven practices from elsewhere in the developed countries, which were developed on the basis of experiences in their culture and society, alone may not help the matter. At the beginning of the liberalization process, the country faced the challenge of increasing its global competitiveness. The data suggests that the level of globalisation of India firms is still very limited and emergence of truly multinational Indian giants is still a far dream. ***Indian Industry continues to face the challenge of preparing for global operation and face global giants elsewhere in the globe. To this has been added a new***

challenge that of arresting the fall, if not the collapse of Indian Industry.

To benefit from the external liberalization through international trade, the competitiveness of the firms has to increase. The findings on foreign collaborations indicate that the ***corporate strategies of Indian industry in the post-liberalisation era have still banked, by and large, on growth through import of technology***. While this strategy was a sound one for competing in the domestic market in the bygone era of protected economy and may still work in certain cases in the post liberalization period, ***it neither allows them building superior competencies for competing abroad nor facilitates in capturing the value created***. The country and the firms have to ***engage in serious soul searching exercise to identify some truly Indian natural endowment based, value added products, which have potential for higher value creation and then spend efforts on technology development that allows higher value capturing***. India is poorly organised for the task of managing the embryonic stage of product life cycle i.e. developing a new product made through (preferably) local natural endowment and developing its technology and distribution system for large scale production and consumption. The large-scale production in India primarily came through import of capital- intensive technology. The social structure in India has by and large remained oriented to decentralised production and consumption of native of items (i.e. items developed here using natural endowment of the country). Indians have rarely designed products for distant markets, nor the companies here have been under any pressure to do so, the domestic market being large enough to consume what they could produce. With few honourable exceptions, the industries manufactured items through imported technology.

For want of the emphasis on new product development, the country has been instrumental in assisting value creation but not value capturing when the foreign companies enter the country or technology is imported for manufacturing and selling the product here. It is pertinent here to mention that we need to critically examine ***the resolve of WTO members from developed countries to help developing and least developed countries in capacity building and provide technical assistance (11). Such assistance if not examined carefully may lead to latter's engagement only in value creation*** as a subcontractors, *but not in value capturing* for economic development through international trade. The importance of the above can be realised from the fact that the retention of value created in the product/service comes through control over factors of production. The control over factors of production including technology comes through research, design and technology development efforts. Once a firm or country has control over design and technology development, it can afford to outsource its low value items and retain high amount of value created.

A corollary of the new product design and development is that the companies also need to engage in improving the products imported rather than only promoting their use, adding unique features to improve the product or service. The new product/technology is to be adapted efficiently to avoid heavy drain of foreign exchange resources.

Since neither the social structure nor the business pressures demand engagement in new product development, it will not happen on its own. ***Conscious and concerted efforts have to be made to do so and major policy shifts are needed to provide necessary encouragement*** (12).

On the second challenge i.e., arresting the fall in the performance of corporates, the country ***can not afford to sit back and take the shelter of slow down in Indian economy as a global phenomenon, for several reasons***. Firstly, by doing so the ***magnitude of the challenge is being undermined by claiming it as a recession, which is a global phenomenon***. The point could be contested as in a large country like India with very small international trade is unlikely to be so adversely affected by the recession elsewhere. One has to critically examine whether it is on account of global recession, or other reasons like reckless capacity creation encouraged by opening of Indian economy/ premature reforms / some other basic weaknesses in the economy that do not allow companies to gear up for meeting global competition in domestic market. The latter seem to be more likely causes. Secondly the ***repercussion of this are going to be far more serious for a country like India with huge unemployment and steadily reducing employment opportunities*** (13) when even the graduates of leading technical and management institutions are facing employment crisis (14). The social repercussions for the young bewildered generation and the anxiety of looming unemployment to middle aged groups are causes of concern though they are not analysed so far. Further, the slowing down of industry below a point may kill the established financial institutions, both on account of lack of investment opportunities and also on account of the accumulation of non-performing assets (signs of which have already started appearing). This may set a chain reaction; starting with their inability to meet the existing long term commitments and make new long- term commitment for any definite return to a large number of middleclass investors, for protecting their saving for old age. This will result in reduced confidence of the investors. In a country with poor social security for large masses, the repercussion of their loss of confidence in public financial institution may even lead to some unexpected consequences.

Thirdly, the ***slow down in industry may not vanish on its own, i***f it is caused by over capacity creation as a fall out of euphoria of liberalization. It may take lot of time and the firms may not be able to survive on account their poor financial structure. Given the fact the country does not have too much of investible surplus (15), it can ill afford the wastage of capital assets created. ***Innovative models for arresting the fall have to be developed urgently*** (16, 17), as the task is not small but gigantic for a large country like India and the time may be running out. The exit models, downsizing and such other prescription used in the developed western countries may prove to be too inadequate for the emerging challenge on account of the magnitude of problem and the socio-political culture context of the country that often makes them very difficult to use, if not down right unworkable.

The finding of the study on the performance of ***industry leaders*** indicates that many of them ***do not seem to be concerned with meeting the key challenges of managing favourable balance of trade and the globalisation of Indian-business***. Most of them seem to be concerned only with the performance of their corporations and not the Indian economy. The focus of most of the leading players is domestic market, ***international operations have not become an integral part of their corporate strategy and strategic thinking***. The policies have not made any major impact in inducing to become truly global players.

The findings of the ***performance of industry leaders of the pre-reform period are as much depressing as startling.*** Almost half of industry leaders of 1991 are estimated to be in loss making position and many others may follow suit soon. Even the established players have been destabilised. It indicates that Indian industry is undergoing a major churning process. Many firms are finding it difficult to survive following the past strategies. Many of them, which had grown through conglomerate diversifications by import of technology and without achieving the economies of scale, are now facing competition from the supplier of technologies and are facing the challenge of major internal re-structuring of their business. ***If the established industry leaders could be so vulnerable, how much can the country bank upon the newly emerging giants, most of whom are following the same strategy of managing growth through import of technology, for the development***

and stability of Indian economy facing global competition in domestic market.

The sheer number of companies entering into loss making category indicates that *the country should expect an accelerated incidence of merger, acquisitions and divestitures in very near future*. The prospects are further increased in view of the fact that there are other factors like deregulation, sale of state owned companies, restructuring of family owned businesses, increased opening of Indian economy to multinationals corporations etc. also at work (18). Unfortunately the performance of mergers and acquisition the world over has not been very heartening a large percentage of them lead to divestiture in just a few years of bitter experience (19). India may also undergo the *painful experiences of Europe and U.S.A., if it does not start examining the issue in right earnest, proactively, by building competencies to manage mergers, acquisitions and divestitures in an efficient and effective manner, keeping the specific characteristics and demands of Indian economy and society*

The study also highlights, albeit in passing, the *absence of livewire information system to a comprehensive and coherent picture of the economy* **to the countrymen,** *to build necessary perspective for mobilizing unified national efforts* **that are necessary to meet the challenge of global competition in the domestic market and to benefit from international trade.** *There is a lack of unified data bases to correlate various issues.* **The data on financial performance of the Indian corporates is not available in a reliable form with less than two years time gap. Same is true with the data on export and import, balance of payment etc. The data on Indian business ventures abroad is even more scanty and sketchy to have a full understanding of their performance and appreciation of the problems they are facing.** *It is utmost necessary that such databases are created and brought to the public domain fast to enable timely analysis by scholars at different levels to assist decision making on broader national issues.*

3.5 Issues for Future Research

The study enables identification of many issues for future research. The findings on falling financial performance of Indian corporates draw attention to the ***need for sustained and ongoing research efforts required to understand the gravity of situation***. There is also a need to analyse its impact on unemployment and its wider social ramifications.

There is also a ***need for empirical studies on the efficacy of current coping strategies*** of like down sizing restructuring etc.

The study also highlights the inadequacy of Indian business ventures abroad indicating that there are still major factors holding Indian business from going truly global to reap the benefits of international trade for economic development. ***What are the problems faced by India business from going global? Are the policies and reform insufficient? Are there any unsupportive mindsets working against globalisation of India business***? Luckily there are now at good number of Indian companies on whose experiences others can build on. At the same time there is also need for analysing the reasons why the ventures approved are not implemented or take inordinate time, besides studies on analysis of their performance.

The finding on export and import impress upon the *need for a more close scrutiny of items fetching foreign exchange and causing drain*. **Combining the findings on foreign collaboration, they lead to suggestion that the** *dependence of Indian business is increasing since economic reforms were initiated a decade ago*. **Giving that a large part of India's foreign exchange reserves are comprised of vulnerable liabilities, the** *study of dependence of Indian industry and economy on outsiders assumes not only critical but also strategic importance*. **If by chance the prices petroleum crude, a critical import item, increases abnormally, will India once again face crisis of 1991? Will it be able to support infrastructure development in telecom and software, both of which bank on the hardware imports if the above eventuality materialises? Will India be able to support hardware imports required for building software development infrastructure, when the foreign exchange earnings through software export face a declining trend? Will India ever be able to have favourable balance of trade to repay increasing external debt burden, if the exports are highly import linked? What is the sensitivity and critically of different import items? Are the imports more of such items that allow higher value capturing by external vendors?**

There is also a need for value chain analysis (20) of Indian import and exports. ***How much is value capturing and how much is value creation in the Indian exports and imports***; which is very necessary from the view point of terms of trade? The ***terms of trade also need to be examined*** on a regular basis; whether they getting more adverse or more favourable.

There is also need for studies on cross-linkages. How much intra sector and inter sector linkages enist in the imports and exports? For example how the export of Computer Software Training (21) and export of English language training to China is going to affect the export of computer software. As mentioned above, there is also a close linkage between software exports and hardware/software imports. Likewise there may be intra-sector linkages in other sectors, which need to be closely examined. There exist inter- sector linkages also. If we export "english language service" to China, a growing market, whether it will adversely affect our remaining software exports in the years to come? If so, how much? What are linkages among computer hardware import and tourism sector? What is cross linkage between TRIPS (cop rights) and educational spread of technical material and thus with management and other higher education?

As mentioned earlier there is ***also need for developing new models for arresting the fall of Indian corporate sector***, which are amenable to the Indian socio-cultural context. The turnaround of Scooters India Ltd. (22), which was almost written off by one and all, indicates that research is required to develop new approaches for managing firms to avoid burrying the "looking deeds". ***Such experiences need to be collected, abstracted and generalised for application in the other organisations***. There is also ***need for capturing experiences of collaborations*** within the country to face the threat from external competitors. ***European experience of co-opetition may come very handy for the purpose***. But they need to be examined/modified for application in a very different socio-cultural context of India.

3.6 Conclusions

This comprehensive and in-depth study analyses the performance of Indian corporates in terms of their contribution in foreign trade (exports and imports), their business ventures abroad and their profit and sales performance during a decade (1991-2000) of liberalisation. The findings indicate that the trends are not encouraging and immediate and perhaps radical steps are required to meet the emerging challenges. The study also identifies several issues on which increased research efforts need to be focused on a sustained basis for understanding the impact of economic reforms in its entirety and for developing appropriate coping strategies, as the country enters into successive rounds of negotiation at WTO, which call for increasing opening of the Indian economy. The study is unique in the sense that it tracks down the macro level patterns and trends to performance at micro (firm) level, which gives better insight for future studies, policy making and executive action.

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