PREFACE

A major debate of our era revolves around the relationship of the government with the private sector; who should control the companies, especially the large and widely held companies; how and for the pursuit of what goals ? Eight alternate propositions—"Trust it", "Nationalize it", "Restore it", "Democratise it", "Pressure it", "Induce it", "Ignore it", and "Regulate it", do represent fundamentally different values and in some cases ideologies as well.

Political scientists, economists and management theorists have tended to cluster around the social responsibility concept. The managerial and organisational perspectives are also significant. To the proponents of "Regulate it", the companies can be made responsive to social needs by having their actions subjected to the control of a higher authority—the Government, in the form of a regulatory agency or legislation backed by the courts. Regulation is neither a panacea nor a menace. It is important where a corporation commits an abuse of the power. Regulation is, no doubt, a clumsy instrument but an essential element to be applied more appropriately in the public interest.

The term "financial management" connotes the idea of managing the flow of funds within an enterprise collectively and efficiently. Such allocation of funds by the financial manager contributes to the future prosperity of the company and to the vitality and growth of the economy as a whole. Financial analysis and proper awareness about primary and secondary sources of securing funds from capital market are necessary conditions or pre-requisites for making sound financial decisions. Loans are becoming scarce all over the country and role of banks and financial institutions, though significant as financial intermediaries, is undergoing vast changes.

With the implementation of six Five Year Plans, further necessary adjustments in the changing industrial environment can be accomplished by corporations considering their duty towards investors, stockholders, employees and the society. The concept of duty towards the society at large is fast expanding in various directions and dimensions. Although profitability and productivity are indices of corporate success, nevertheless these must occur in a socially acceptable manner. The government regulation plays a very significant role in diverse ways. On the one hand, the government regulates the proper financial functioning of the corporations and, on the other, it meets the challenges of the new awakening and consciousness in the society.

A welcome feature of the policy of liberalisation, recently launched by the government, is the series of relaxations it has effected, and proposes to announce—with respect to industrial licensing and MRTP companies. It aims at the removal of hurdles for proper industrial growth to achieve the planned targets.

The eight-chapter study analyses in depth the main problem—"Government" *vis-a-vis* "Financial management of private corporate sector in India". It provides a conceptual orientation interwined with the institutional material needed to give a proper grounding in finance. Althrough there is an emphasis upon the role of the government regulation in the financial decision-making, the sole endeavour has been to examine certain selected areas out of the whole gamut of the financial management reflecting the interplay of law, corporations and social change. The study especially pinpoints the various corporate laws and their regulatory impact on the industrial growth, financial control under the Companies Act, contribution and pattern of financial assistance sanctioned and disbursed by the financial institutions, capital formation and regulation of banks' money supply, issue of share and debentures, regulation of public deposits in companies, and the remuneration to managerial personnel in private corporate sector. At places suggestions are also made for reforms to improve the image of the private corporate sector's financial functioning in the society.

It is really difficult to account for all the influences which have contributed to this study. However, I am particularly grateful to Justice D.A. Desai, Chairman, Law Commission of India, who (then Judge, Supreme Court of India) constantly encouraged me to pursue this field of inquiry in the selected important areas, spared his precious time for discussions, read the entire manuscript and suggested changes, which have improved the quality of the study considerably. My thanks are also due to Shri P.M. Bakshi, formerly Member-Secretary, Law Commission of India, for making useful textual suggestions in the manuscript.

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