

PREFACE

Profitability of an industry is a fulcrum around which entire business activity rotates. Profit rate, which is a yardstick for measuring the financial performance of any concern, plays pivotal role in the growth process of the industry as well as of the whole economy. The industry has to face changing conditions due to imperfections involved in markets. These changes get reflected in two basic data of the industry viz., rate of return and capital. In spite of the significant role played by rate of profit, the profitability has remained almost a neglected field of research in India. However, a few studies have been carried out in this field in developed countries by economists like R.C. Eipstein, R.T. Bowman, P.E. Hart, G.J. Stigler, A. Singh, and G. Whitting and others. These studies are mainly directed towards relating profitability with the size, growth and concentration of industries. Very few attempts have been undertaken in this field in India. Moreover, whatever few studies have been undertaken, majority of them suffer from the conceptual problem of defining rate of profit, and hence are subject to limitations. All these matters tempted us to initiate the efforts in this interesting and challenging field of economic research.

The study attempts to explore and explain the structure of and trends in rates of profit of 21 Indian Manufacturing Industries over the period of 25 years i.e. 1950-51 to 1974-75. It also attempts to fill up some of the gaps in the field of profitability studies by examining industry-wise (over time) and inter-industry variations in rates of profit over the 25 years period. The study not only works with adjusted series of capital representing the real growth of an industry but also relates growth with profitability considering one year time lag in profit rate. It explains the structure and trends in profitability studied earlier through exploring the determinants of profitability. This is however a maiden effort undertaken. It combines the empirical data with historical facts in order to see the effects of the government policy on profitability of different industries. However, this being more or less a preliminary attempt, its results may be treated as experimental.

The present study was undertaken and completed at the Department of Economics under the guidance of Dr. M.M. Dadi. His constant encouragement, inspiration and valuable guidance have gone a long way to shape the study. He acquainted me to the insight of the problem and spent his valuable time liberally in discussions on the problem. His critical comments at every stage of writing and his personal care and interest

enabled me to undertake and complete the arduous task of writing this doctoral dissertation. I am at a loss of words to express what I owe to Dr. Dadi. I am highly indebted to Professor V.N. Kothari, Head of the Department of Economics for his personal care, keen interest and sympathetic attitude towards my problems. In spite of his being overburdened with the day-to-day work, he always extended his help and spared his valuable time for discussions on the problem. I am unable to adequately express in words my feelings of gratitude towards him.

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