

AN ANALYTICAL STUDY OF CATEGORY WISE RESOURCE MOBILISATION IN INDIAN PRIMARY MARKET

*Prof. Soniya. N. Kakandikar, Asst. Professor, Finance. SaiBalaji Education Society, Pune.
Prof. Sanjay Gaikwad, PVG's College of Science, Pune.*

Abstract:

This study attempts to understand the trend of Indian primary market from the year 2010-11 to 2016-17. Primary market is where purchasers and merchants arrange and execute specifically without affiliates. Concerning markets, the primary market is additionally frequently alluded to as the new issue market as it is where the issuing of new securities happens. The key role of the primary market is to encourage capital development by empowering people to change over reserve funds into ventures. It encourages organizations to issue new stocks to fund-raise specifically from family units for business development or to meet money related commitments. The centre territories would be the primary securities market with accentuation just on equity market and the asset activation in this section over the examination time frame. This would help in understanding the development and advancement in the Indian securities market post the global monetary emergency. Along with upward trends, descending development got its quality from worries of expanded recession in the created nations, falling domestic imports and exports, expanded withdrawals by FIIs, poor corporate outcomes and falling Indian money.

Keywords: Indian securities market, primary market, IPO, resource mobilization.

Introduction:

The Primary market is the piece of the capital market that has arrangements with issuing of new securities. In Primary market, organizations, governments or open division foundations can raise assets through new securities issues. Basically, the Primary market makes new securities and offers them available to be purchased to people in general. In the Primary market, speculators purchase securities specifically from the organization issuing them.

Organizations issuing securities by means of the Primary capital market have contract with the Investment Banks to get responsibilities from substantial institutional speculators to buy the securities when previously advertised. Investment banks help the organization in the work of origination, price determination and finally distribution of securities to the investors. An organization itself does not really go out into the market to offer securities; it requires investment banks to do it. Little speculators are not regularly ready to buy securities now, on the grounds that the organization and its investment banks try to offer the majority of the accessible securities in a brief timeframe to meet the required volume and must spotlight on showcasing the deal to expansive speculators who can purchase more securities without a moment's delay.

The formation of new securities encourages development inside the economy. Once the securities are obtained by the financial specialists, they can be exchanged in "Secondary market" like the stock trade. As noted above, such a market where organizations can issue new securities to raise outside capital and financial specialists get their first opportunity to buy another security is known as the "primary market". The primary market is otherwise called new issues market.

Highlights of essential markets include:

The securities are issued by the organization specifically to the investors.

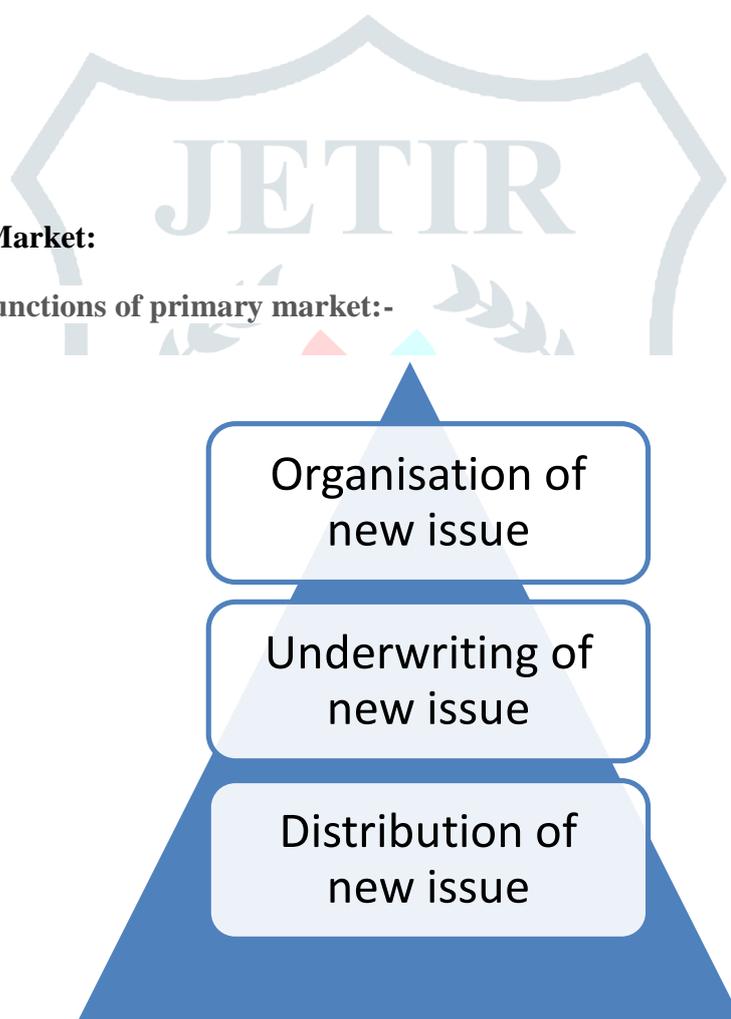
The organization gets the cash and issues new securities to the financial specialists.

The primary markets are utilized by organizations to set up new adventures/business or for extending or modernizing the current business

Primary market plays out the critical capacity of encouraging capital development in the economy

Functions of Primary Market:

There are three main functions of primary market:-

**Most common way for firms to raise capital in the primary market:**

1. Public Issue: When organisation arranges money by selling it's shares to general society through issue of offer plan, it is Called an Public issue. It is again divided into two types.

- a. **Initial Public Offer:** When an unlisted organization makes an open issue for the first time and gets its offers recorded on stock trade to people in general is called as Initial Public Offer (IPO).
- b. **Further Public offer:** When a listed organization makes another open issue to raise capital it's advance its business, is called further public offer or follow-on offer (FPO).

2. **Offer for Sale:** Institutional speculators like endeavour reserves, private value reserves and so on put resources into unlisted organization when it is little or at a beginning time. In this way, at the point when the organization turns out to be substantial, these financial specialists pitch their offers to the general public, through issue of offer record and the organization's offers are listed in stock trade. This is called as offer for sale. The returns of this issue go to the existing financial specialists and not to the organization.
3. **Issue of Indian Depository Receipts (IDR):** An outside organization which is listed in stock trade abroad can raise fund from Indian financial specialists by offering (issuing) shares. These offers are held in trust by an outside caretaker bank against which a residential caretaker bank issues an instrument called Indian Depository receipt (IDR). IDR can be exchanged in stock market like some other offers also, the holder is qualified for privileges of possession including getting dividend.
4. **Others:**
 - a. **Right Issue:** At the point when an organization raises capital from its current investors by offering (issuing) them new offers/debentures, it is called as rights issue. The offer report for a rights issue is called as the Letter of Offer and the issue is kept open for 30-60 days. Existing investors are qualified to apply for new offers in extent to the number of offers officially held. Illustratively, in a rights issue of 1:5 proportion, the speculators have the privilege to buy in to one (new) offer of the organization for each 5 shares held by the speculator.
 - b. **Bonus Issue:** In a Bonus Issue, the organization issues new offers to its current investors. As the new offers are issued out of the organization's stores (amassed benefits), investors require not pay any cash to the organization for accepting the new offers. The total assets (proprietor's cash) of an organization comprise of its value capital and its reserves. After a reward issue, there is an expansion in the value capital of the organization with a comparing diminishes in the reserves, while the total assets stays steady. In a bonus issue of 5:1 proportion, the financial specialist will get five new shares of the organization for each share the speculator held as.

Advantages of primary market:-

- Companies get the chance to raise capital at low expenses.
- Securities issued in the primary market can be sold promptly in the secondary market. This implies high liquidity.
- It's a phenomenal strategy for expansion to diminish hazard.
- Price control is low contrasted with secondary markets.
- There's no financier, exchange expenses and stamp obligation.
- There are no market variances in the primary market.
- It's a vehicle for direct remote venture.
- It channels savings properly.
- Capital can be raised through the offer of treasury bonds.

Disadvantages of primary market:-

- In case of oversubscription, small investors don't get an allocation.
- Money gets locked in for a long time till the investor gets shares.

Review of literature:**Singh (1994)**

Directed the study titled, "Indian Capital Market - A Functional Analysis", which delineates that the "primary market is the lasting hotspot for supply of funds. It activates the funds from the diverse divisions of the economy like families, public and private corporate parts. The quantity of financial specialists expanded from 20 lakhs in 1980 to 150 lakhs in 1990 (7.5 times). As the quantity of speculators expanded the commitment of the securities brought from 35.01% up in 1981 to 52.94% in 1989. With this, the commitment of debentures/bonds expanded essentially from 16.21 per cent to 30.14 per cent."

Nagaraj (1996)

The research was led on inclinations of financial specialists in India by he likewise broke down in his investigation that the inclinations of speculators has moved from deposits to interest in capital market. He likewise distinguished that there was change in the piece of household back i.e. individuals of India moved their bank stores to interests in shares and debentures. This action came about into development in capital market.

Gupta (1981)

Important research was directed by 'Profit for New Equity Issues' which cantered around the distinction between comes back from new issue of value offers and come back from existing value shares. He recommended the financial specialists that arrival from new issue of value shares which incorporates profits and dividend especially of new organizations have greater rate of profit for new issues.

Importance of the Study:

Primary markets empower firms to raise capital through the sale of financial asset. Organizations can get to potential financial investor that is outside its prompt impact. Organizations need to meet stringent market measures to issue securities at the essential market. The additional evaluation makes the issue more alluring to potential speculators, and the organization can raise the capital with lower costs. The organization can likewise keep on raising more capital for future speculations through various issues since it isn't confined to a solitary arrangement of financial specialists. Primary markets additionally help in making the financial resources more liquid. Speculators in privately held organizations are attached to the fortunes of the organization. The primary market speculators, then again, can without much of a stretch exchange their interests in the optional market. This liquidity makes financial specialists less vigilant and empowers organizations to raise more capital effectively. In a roundabout way, this means greater interest in organizations and better occupation creation.

Objective of the Study:

To study the trends of category wise resource mobilisation in primary market from the year 2010 to 2017.

To study the various reasons responsible for volatile resource mobilisation from the year 2010 to 2017.

Scope of the Study:

Scope of this study focuses to understand the trend of category wise resource mobilisation in the primary market since year 2010 to 2017. This study also pivots various reasons which were responsible for the volatile trend of resource mobilisation in the primary market.

Limitation of the Study:

The study covers the resource mobilisation in the Indian primary market from the year 2010 to 2017 because of limitation of the data. Study only focus on category wise resource mobilisation in Indian primary market and is completely based on secondary data.

Research Methodology:

Research Methodology helps to explain the theoretical framework and methodology adopted in the study. It outlines the various dimensions of the study and research objectives and the set of methodologies adopted to accomplish those objectives. Simplistic and descriptive approach has been followed while preparing this research paper and applies secondary sources to collect data.

Data Collection:

The present study is based on secondary data. The data has been extracted from the handbook of statistics published by SEBI in the year 2017.

Data Presentation& Analysis:

Trends in Resource Mobilisation in the Primary Market from the year 2010 to 2017(Rs. In crore):-

Year/Month	Category - wise				Total	
	Public		Rights			
	No.	Amt	No.	Amt	No.	Amt
2010-11	68	58,105	23	9,503	91	67,609
2011-12	55	46,093	16	2,375	71	48,468
2012-13	53	23,510	16	8,945	69	32,455
2013-14	75	51,075	15	4,576	90	55,652
2014-15	70	12,452	18	6,750	88	19,202
2015-16	95	48,927	13	9,239	108	58,166
2016-17	122	58,651	12	3,416	134	62,067

Interpretation:

The budgetary year 2010-11 was a decent year for the primary market tasks as it saw a record number of issues, IPOs/FPOs. There was an enhancement in raising money by corporate in 2010-11 raising Rs.67,609 crore. This year saw the India's greatest ever IPO from Coal India of the issue size of Rs.15,199.4 crore.

2011-12 year saw the effect of worldwide macroeconomic changes on the Indian value markets. The primary market exercises were repressed amid this year as drowsy and bearish pattern won for the real piece of the year. The worldwide financial happenings like Euro zone sovereign obligation emergency, monetary and obligation issues in US, high oil costs and commodity costs and seismic tremor in Japan and Middle-east wrecked worldwide financial development prospects and gouged the speculator and buyer certainty. India's venture cycle which was on an upward turn all of a sudden backed off because of expanding worries out of delicate worldwide economy.

Amid 2012-13 the primary markets stayed curbed. The explanations for this were the financial lull and resulting loosening of speculation request and high inflationary weight and reliably high monetary and current record deficiencies.

To the extent the year 2013-14 is concerned, the primary market recorded expanded figures as far as asset preparation. Despite the fact that the primary half observed troublesome occasions with universal unsettling influences and local vulnerabilities yet in the second half money thankfulness got a development the outside interest. The financial specialist feelings were cheery by virtue of empowering worldwide situation and enhancing macroeconomic household factors. There were number of positive components like financial recuperation, regulation of monetary and current record deficiencies, change of rupee swapping scale, falling loan fees, have each of the positive effect on the business sectors.

In the year 2014-15 as far as asset activation is concerned, there were total 88 IPO this year in the primary market, raising a total amount of R.19, 202 crore as against sum of 90 enterprises brought capital up in the primary market to the tune of Rs.55,652 crore when contrasted with earlier year amid which 69 issues came in market and raised Rs.32,455 crore.

For the year 2015-16, primary market saw a moderate development as appeared in numbers the extent that asset assembly is concerned. Amid the year, 108 issues came in the primary market raising an aggregate of Rs.58,166 crore as against 88 issues of a year ago raising Rs.19,202 crore.

2016-17 year saw an expansion in the primary market exercises as the quantity of IPOs expanded and furthermore as far as asset activated in the primary market. There were number of variables in charge of positive speculation atmosphere, for example, strong macroeconomic execution, facilitating expansion, stable FDI inflows, and administrative changes advancing business certainty and financial specialist idealism in the primary markets. An aggregate of 134 issues got to the primary market this year raising Rs.62, 067 crore as against 107 issues amid a year ago raising an aggregate sum of Rs.57,866 crore. This year was said to the time of IPO advertise as there was a gigantic bounce in the quantity of IPOs and the sum prepared through them. The explanation behind this example could be restoration of the mechanical exercises, optimistic attitude in the secondary market and increment certainty of the corporate and the speculators in the Indian Capital market and its administrative system.

Conclusion & Suggestions:

An all-around created primary securities market is exceptionally critical for asset activation as the economy to unite the financial specialists looking for venture openings and issuer looking for assets to support their organizations. Building up the securities market has been, as far back as SEBI's commencement, as one of its preludes and for this it has been taking various measures to make the primary securities market more lively and more effective with each passing year. From the former issue, one could without much of a stretch follow how Indian primary securities market has handled the evil impacts of worldwide unfavourable monetary changes and has possessed the capacity to work in a methodical and adjusted way. The year 2008-09 was an exceptionally difficult day and age for the monetary markets world over which tried their administrative instrument. Furthermore, the individuals who could support the weight are the one which are today being viewed as the best worldwide securities market of which Indian capital market is one. From the investigation one could without much of a stretch follow how and when and why Indian primary market acted in a specific way. There have been years when the asset activation in the primary market portion has declined and afterward there are years when the crisp issues have expanded in numbers and have overpowering reaction from the speculators. With the approach activities like opening up of an exchanging stage committed for the SMEs, acquiring least open shareholding prerequisite, presentation of e-IPOs, presenting QIP (Qualified Institution's Placement, streamlining the issue procedure every once in a while and numerous other such encouraging activities of SEBI have given an improvement to the tasks in the essential market adding to its development and quality.

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