

Investor Preference in New Issue Market: A Study of Non – Government Public Limited Companies

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Abstract – Present study mainly aims at exploring the investor preference in the difference kind of instrument for investment in the new issue market in India in case of non – government public limited companies. This study also cover the Prospectus and right issue methods of floating of new capital in the new issue market during the span period of the study 1995-96 to 2007-08 by non – government public limited companies. In the present study the data is collected from the secondary source. Non-government public limited companies in new issue market use ordinary or equity securities as the main instrument to raise new capital. Prospectus method is popular during the span period of study in non-government public limited companies. Study also reviled that numbers of issue made by non-government public limited companies were decline significantly.

Introduction

The new issue market is the channel for creation of new capital. In 1947, Capital Issues (Control) Act came into force in order to help to safeguard the interest of investors and regulate the raising of new capital. During the four decade of post-independence the new issue market was control by Capital

Issue (Control) Act, 1947 which was known as control base regime.

In 1992, the Government of India abolished the Capital Issue (Control) Act and focused towards discloser based regime by established Securities and Exchange Board of India (SEBI) for providing protection to investors and toning up the operations of the New Issue Market. On 30th January, 1992, SEBI was given statutory status by an ordinance, which was subsequently substituted by an Act of Parliament. It was also given the responsibility of development and regulation of New Issue Market. In the same year the Government of India allowed foreign portfolio investors to invest in its domestic stock market. Since then, foreign private investment (FPI) has become the most dominant form of private foreign capital flow in India.

The Depository Act, 1996 has its own significance in the enhancement of new issue market. The main function of the depositories is to dematerialization of securities and transfer of securities through electronic book entries to help in reducing settlement risks and infrastructure bottlenecks. Dematerialization of securities is one of the major steps for improving and modernizing market and enhancing the level of investor protection through elimination of bad deliveries and forgery of shares and expediting the transfer of shares. One of the main function of new issue market is the distribution of the securities to the ultimate investor are simplified by depository Act.

In 2000, SEBI issued mandatory guideline, viz., 'Securities and exchange board of India (disclosure and investor protection) guidelines, 2000' to raising new capital in India for protection of investor interest and boost up the new issue market. The said guidelines are issued by SEBI under section 11 of the Securities and Exchange Board of India Act, 1992. SEBI has framed the guideline in 1992, which were changed many a time keeping in view the inconsistencies, market development and changing needs of the capital market. In the year 2000 the guideline issued in the above said name and also amended subsequently. The new issue market is regulated by SEBI in terms of SEBI guidelines.

SEBI guidelines are applicable to (i) all public issue by listed and unlisted

companies, and (ii) all offers for sale and right issues exceeding Rs50 lakhs by listed companies whose equity share capital is listed. SEBI guidelines not applicable to (a) A banking company including local area bank, (b) Public sector Banks, (c) Infrastructure Companies, and (d) Right issue by a listed company. The listing agreement between issuing company and stock exchange helps to build the investor confidence in new issue market. Present study mainly aims at exploring the investor preference in the different kind of instrument for investment in the new issue market in India in case of non – government public limited companies. This study also covers the Prospectus and right issue methods of floating of new capital in the new issue market during the span period of the study 1995-96 to 2007-08 by these companies.

Function Of New Issue Market:- The mechanism of floating of new issue, share application and allotment and the intermediaries which help in the process of the issue are the basic function of new issue market. The primary function of New Issue Market is to facilitate shifting of funds from saving-surplus units to saving deficit units. New Issue Market discharges the function of transferring the idle and unproductive funds to the more profitable and productive investments through a triple-service-function (Tripartite function)³. These three functions can be split into three distinct services as follows:

1. Organization
2. Underwriting
3. Distribution

The new issue market does not enjoy any tangible form and geographical location. It is nationwide in its scope and not only commands over disposable saving of the investors, but also offers facilities by which these resources pass readily from the possession of one group to the control of the other group in more or less streamlined fashion.⁴

Method Of Floating Of New Capital In The New Issue Market:- The objective of the New Issue Market is to centre its activities towards floatation

of New Issue. The various methods by which new issue are placed in the market are explained below.

1 Public Issue by using Prospectus: - Public offer by using prospectus can be categorized as follow:-

- A) Initial Public offering:-**When a public company raise capital by making an offer to public; its debut is known as the Initial Public Offer (IPO). Generally IPOs are fixed price offers. In the fixed price sale, the company advertises the number of share on sale and the price. The investors then decide how many share they wish to apply for. If the investors consider the price attractive, they may apply for more shares then on offer in which case the issue will be oversubscribed. The company then has to decide on an allotment rule, such as proportionate allotment. In some countries IPOs take the form of tender offers. Investor are invited to submit a sealed bid stating how many share they wish to buy and at what price. The company then determines the price at which the total issue would be sold and all the successful bidders receive shares at that price;
- B) Follow-on public offering:** - When an existing listed company either makes a fresh issue of securities to the public or makes an offer for sale of securities to the public for the first time, through an offer document, such issues are called as Follow-on Public Offering. Such public issue of securities or offer for sale to public is required to satisfy the stock exchange listing obligation along with SEBI's guidelines.

Both the Initial Public offering and Follow-on public offering may be offered either for cash subscription or for consideration other than cash. In the latter case 'no new money' is raised but the issue merely affects a change of ownership of either physical assets or of 'Technical Know-how'. Because of limited scope of this study the latter type i.e. issues for considerations other than cash have not been considered here.

2 Initial Public Offers through The Stock Exchange On-Line System (e-IPO): - When a company proposing to issue capital to public through on-

line system of the stock exchange for offer of securities, is called e-IPO, shall comply with the requirements as contained in Chapter XIA in addition to other requirements for public issue as given in SEBI's guideline.

3 Offer for Sale :- This is a method of floating shares through an intermediary and indirectly through an issuing house or share brokers. It involves two steps. The first step is a direct sale of shares by the issuing company to the issue house and to shares brokers at an agreed price. In the second stage, the intermediaries resell the above securities to the ultimate investors. Offer for sale method is not used in India but sometime foreign company floats its share by using this method. Offer for sale as used in Indian terminology has a different meaning. It is used not to sell securities to the public but to comply with certain stock exchange regulation at the time of listing of shares. So in India, if a company want to made an Offer for sale of its equity share or any other security which may be converted into or exchanged with equity share of company at a later date, it has to fulfill eligibility norms issued by SEBI.

4 Further issue of capital or Right Issue:- Under this method, the existing shareholder are offered the right to subscribe to new shares in proportion to number of share they already hold. This offer is made by circular to 'existing shareholder' only.

5 Preferential Issue or Private Placement: - When a company raises capital by placing their securities with small group of sophisticated investors is called preferential issue or private placement.

A new issue to the public to public has no history of trading on a stock exchange. Prior to an amendment to the Companies Act, 1956 in 1988, however, a public issue of securities in India did not necessarily require listing of the securities. Listing was not compulsory, unless the prospectus provided that the newly issued securities would be listed. Today, listing is mandatory and an application for listing has to be made before an issue is offered to the public.

The SEBI as a capital market regulator has since its inception in 1992 made tremendous strides in achieving the twin objective of investor protection

and capital market development. In keeping with this, SEBI has been constantly reviewing and orienting its policies and programmes. SEBI has successfully created a credible regulatory structure for the securities market and has become the major catalyst for market development by bringing about far reaching changes in market practices. A package of reforms consisting of measures to liberalize, regulate and develop the securities market was introduced which has changed corporate securities market beyond recognition during the last decade.

Objective of Study:- Pre-pointed objectives of the present study are :

- i) To study the mechanism of New Issue market in India.
- ii) To analyses different instrument to raise new capital in New Issue Market by non – government public limited companies.
- iii) To analyses the Prospectus and right issue methods during the span period of study by non-government public limited companies.
- iv) To analyses trends in the new issue made by non-government public limited companies New Issue Market.

Research Methodology:- Every research requires certain data to be used that may be primary or secondary. In the present study the data is collected from the secondary source. These are *Handbook of Statistics on the Indian securities Market, 2008* published by Securities and Exchange Board of India which contains data from RBI, BSE, NSE and World federation of Exchanges. Apart from it the data of RBI, SEBI and NSE published in various other sources have also been used. The data so collected from the above sources are converted into tables and charts, which are used for analysis to determine the investor preference trends in New Issue Market.

Review Of Literature:-Review has its own importance in the research study. An in-depth review of the available literature can help us in setting up of scientific objective. This section covers a review of some of the available studies done in the area of New Issue Market. Review of literature seeks to explore the existing research gap.

National Council of Applied Economic Research (1966)⁵:- A survey conducted by national Council of Applied Economic Research for a period of 1956-65 reveals that 73 out of 125 issue of new companies were over-subscribed and the rest 52 were undersubscribed. The study highlight that during 1963-64 and 1964-65, this proportion of amount underwritten increased from 81% to 87% for the existing companies. The study show that over the period as a whole, equal proportions of the two categories of the issues were underwritten. The study point outthe extraordinarily heavy burden that the underwriters had to bear due to poor public response to new issue. The study reveals that although the public response to new issues has been declining during the reference period, the whole of New Issue Market has not been however, uniformly affected.

Department of Company Affairs' Research & Statistics Division (1971)⁶:- A study carried by the Department of Company Affairs' Research & Statistics Division, highlights the structure of the capital issues and the pattern of financing the project cost of non-government, non-financial public limited companies which issued prospects during the year 1970-71. It reveals that 91.6 % of the total amount issued was underwritten and 41.6 % of the amount offered to public was subscribed by the underwriters both in their capacity as investors and as part of their underwriting obligation. Public subscription in the case of equity issued accounted for 85.6 % of the total amount offered to public, whereas, in the case of preference share and debenture, public subscription was of the order of 29.3 % and 38.7 % respectively. Public response to capital issues according to size groups revealed that it was the highest according for 60.5 of the aggregate amount offered to the public in the case of companies making a public offer of more than Rs.1 crore and the lowest at 50.6 % in the case of issue of sizes ranging between Rs.25 lakhs to Rs.50 lakhs. An industry-wise analysis reveals that public response was the highest in respect of companies engaged in providing services like hostels, engineering, consultancy, etc. accounting for as much as 92.7 %. The study also shows that the share of the ICICI was the highest of 15.4 % of the total amount underwritten.

Department of Company Affairs (1983)⁷:- Study on the public response to capital issues in 1981-82, conducted by Department of Company Affairs, revealed that the public subscribed to the extent of 94% of equity shares and 82 %of debentures but public response to the preference shares was only to the extent of 26 % of the amount offered. According to the size of capital issues, the study reveals that the public response was the highest 98 % in the highest group (Rs.1 crore and above). The industry-wise analysis of public response to capital issues reveals that it was nearly 100 % to the capital issues of companies engaged in agriculture and allied activities mining and quarrying, transport and communication, community and business services and construction and utilization. Public response was the lowest at 67% in case of companies engaged in processing and manufacturing the goods not elsewhere classified. It further reveals that during 1981-82, among the various underwriters, six public financial institutions viz.,LIC, IFCI, IDBI, UTI, and GIC together accounted for 40 % of the total amount underwritten.

Samal C. Kishore (1997)⁸:- He observed that in recent years, particularly in developing countries including India, there has been increase liberalization of domestic financial and capital market and an opening up of the markets to FIIs. According to author the main emerging feature of India's equity market since 1991 is its gradual integration with globe market and its consequent problems due to hot money movement by FIIs. The FIIs are manipulating equity market through price rigging even during GDR issues of Indian companies for their own benefit at the cost of domestic investors. However, FIIs whose hot money moves from one emerging equity market to other market on whims and flimsy grounds are creating disasters. When 'Equity Price Movement' is greatly influenced by FIIs, the price of a company's scrip may falling even when good results come from the company. In this situation, domestic investors may retreat form the equity market, thus narrowing down the investment base which will have an adverse effect on the economy. Therefore, any policy measure to 'develop' equity market should encourage small domestic investors, who have deserted the market, to participate in the equity market particularly in the primary market which is also dependent on the secondary market, instead of attracting the portfolio

investment of FIIs who have potential to destabilize the emerging equity market and to drain the surplus from it by manipulating the equity market with their vast resources.

Cho Yoon Je (1999)⁹:- Study on Indian Capital Market; Recent Developments and Policy Issues stated that with a proper regulatory framework and more transparency, the private placement market can develop further as an integral and important constituent of the primary market for raising resources by corporates. Furthermore, favorable tax treatment may be extended to institutional investors to encourage individual investment in the private placement market through professional fund managers, which can reduce asymmetric information and provide better investor protection.

Nagaishi Makoto (1999)¹⁰:- According to him Indian Stock Market from the 1990s onward has not played any prominent role in domestic saving mobilization. The share of financial assets of the household sector has been stagnating since 1992, that is, the post reform period. The shift of saving of household sector from stock market instrument to non-banking deposits has been dramatic since 1993. If there is further deregulation of stock market to attract more foreign direct investment there seems to be no way to avoid falling into similar problems such as more volatile movement of domestic stock price and installed balance of payment position. The contribution of foreign direct investment to sustained economic growth is, at least so far, just a foul hope. We have to be more cautious regarding recent argument on more liberal capital account convertibility which is likely to violate India's convention. Indian Stock Market and financial intermediaries have generally achieved hand-in-hand development since the 1980s and the World Bank research group hypothesis is concrete in this respect. However, it is challenged by the contradictory fact that bank credit to the commercial sector has no positive co-relationship with indicators of stock market development. If it is the case that there is a substitutive function between the stock market and financial intermediaries in terms of financing private investment, an increase in financing in the primary market does not necessarily lead an economy to a higher growth scenario. The function relationship between stock market

development and economic growth is dubious in India.

Gupta Pardeep (2001)¹¹:- He find out that the stock market efficiency means the ability of securities to reflect and incorporate all relevant information in their prices. The author opines that efficient market hypothesis is based on the assertion that rational investors rapidly absorb new information about a company's prospects which is then impounded into the share price. The author feels that all price-sensitive events occur randomly and independently of each other and if stock markets are efficient, then the current price of a company's share is fair. An efficient stock Market contemplates that the price of different financial asserts should fully reflect all available information and such prices should adjust very rapidly to new information. The information set used the market efficiency in the study consists of (a) historical prices, (b) all publicly available information and (c) inside information.

GoyalAshima (2004)¹²:-Feels that liberalization requires de- and re-regulation, since with internationalization government controls become ineffective, and with the use of new technologies new governance structures are required. The functioning of the reformed Indian regulatory structure is examined in the context of the basic principles of regulation, the special regulatory requirements of capital markets, and the features of Indian markets. The regulator's aim was to achieve international best practices, and encourage market -integrity through clear and self-enforcing rules of the game while encouraging the game itself. It contributed to implementing world-class technology and processes in the markets. Following general principles allowed flexible response to arbitrage and change. Insider groups lost power as the liquidity advantage tipped in favour of automated systems, but there were imperfections in implementation due to design inadequacies. As these are addressed, and markets revive with growth, thinness of participation and in depth of securities may be overcome.

Raju M. T., BhutániUpasana, SahayAnubhuti (2004)¹³:- In their Working Paper on Corporate Debt market in India: Key Issues and Policy Recommendations presents an overview of the corporate debt market in India.

A study of the structure and the status of the corporate debt market along with the current policies initiated by Securities and Exchange Board of India, help to identify the associated structural problems in this segment. Based on a detailed analysis of these identified problems, this paper recommends certain steps, which can help to activate the corporate debt market and to become an important source of finance for the economy.

Singh Rajinder pal (2006)¹⁴:- He seeks to appraise the behaviour of primary capital market after SEBI came into existence. The need for such an appraisal has arisen due to changing environment in which participants of the capital market have to function. The study spans the period from 1990-1991 to 2005-06 which is marked with regulatory changes surge in activity in capital market followed by periods of depression and again recovery. This period is also credited with regulated institutionalization of primary capital market, and new methods of floating capital.

The list of studies given above is by no mean exhaustive. There may be a number of other studies done on the subject but due to the limited nature of the work involved, it is not possible to enlist all the work that have been done till now.

New Capital Issues By Non-Government Public Limited Companies Through Various Securities: -New issue market is deals with the new securities which were not previously trade able to the investing public. There are various type of securities use to raised the new capital. New capital raised through equity shares as depicted in table 1 reveals that it is decline from Rs.11877.4 crore in 1995-96 to Rs.460.2 crore in 2002-03, thereafter; over the years it increased and was found Rs.56848.3 crore in 2007-08. Number of issues of equity issue was sharply decreased from 1591 issue during 1995-96 to 111 issues in 2007-08. The average size of the equity issue was Rs.512.14 crore in 2007-08 as against Rs.7.46 crore in 1995-96. Percentage shares in total resource raised by non-government public limited companies though various securities, equity had 89 per cent during 2007-08 as against 74 per cent in 1995-96.

Table 1
New Capital Issues by Non-government Public Limited Companies through Various Securities

Year	Ordinary shares		Preference shares		Debentures		Total	
	No. of Issues	Amount (Rs.crore)	No. of Issues	Amount (Rs.crore)	No. of Issues	Amount (Rs.crore)	No. of Issues	Amount (Rs.crore)
1	2	3	4	5	6	7	8	9
1995-96	1591	11877.4	9	150.1	63	3970.1	1663	15997.6
1996-97	801	6101.4	5	74.9	32	4233.2	838	10409.5
1997-98	89	1162.4	1	4.3	12	1971.6	102	3138.3
1998-99	33	2562.7	3	59.7	12	2390.7	48	5013.1
1999-00	69	2752.5	0	0	10	2400.8	79	5153.3
2000-01	128	2607.6	2	142.2	9	3068.3	139	5818.1
2001-02	6	860.4	0	0	13	4832.0	19	5692.4
2002-03	5	460.2	0	0	4	1417.5	9	1877.7
2003-04	35	2470.9	0	0	3	1250.9	38	3721.8
2004-05	51	11451.8	0	0	3	1627.4	54	13079.2
2005-06	128	20899.0	1	10.0	2	245.0	131	21154.0
2006-07	114	29756.0	0	0	3	847.0	117	30603.0
2007-08 P	111	56848.3	1	5480.8	3	1308.8	115	63637.9

Note: -1.P: Provisional

2. Data are on April-March basis.

3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

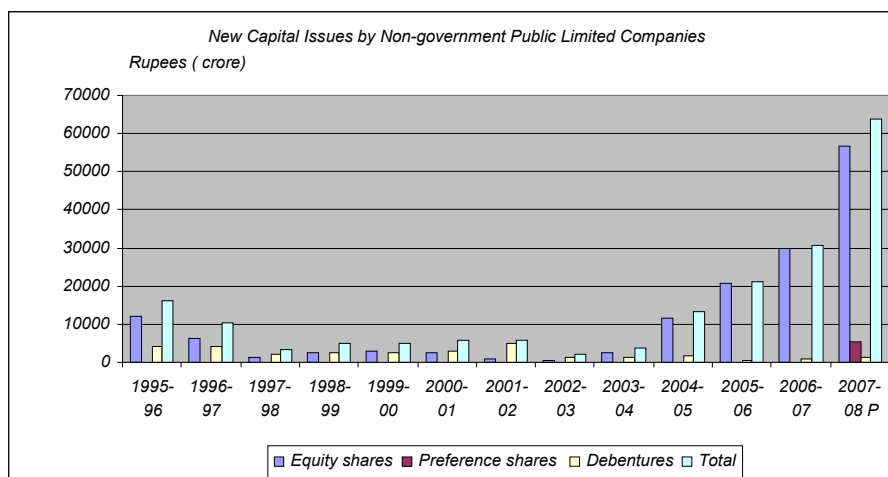
Source: RBI

New capital raised through debentures as depicted in the table 1 reveals that it is decline from Rs.3970.1 crore in 1995-96 to Rs.1308.8 in 2007-08. It was highest in the year 2001-02 to Rs.4832 crore and lowest in the year 2005-06 to Rs.245 crore. The average size of the debenture issue was Rs. 436.26 crore in 2007-08 as against Rs.63.01 crore in 1995-96. Number of issue of

debenture declined from 63 during 1995-96 to only 3 in 2007-08. Preference share played negligible role during the period of study. During 1999-00, 2001-02 to 2004-05 and 2006-07, the contribution of preference capital to the total capital raised from New Issue Market by non-government public limited companies was nil. It was found highest to Rs.5480.8 in 2007-08, which was raised only from one issue.

Graph 1

New Capital Issues by Non-government Public Limited Companies through Various Securities



Note: - 1. P: Provisional

2. Data are on April-March basis.

3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

Source: RBI

Role of preference share in new issue market is negligible in the study span period can be predicted from graph 1 Highest contribution of debentures in total capital was during 2001-02. During the last four years of the study's span period, graph of equity share significantly contributing to the total capital.

Table 2
Percentage Share in Total Amount raised by Non-government Public Limited Companies through Various Securities.

Year	Percentage Share in Total Amount of Equity shares	Percentage Share in Total Amount of Preference shares	Percentage Share in Total Amount of Debentures
1995-96	74.24489	0.938266	24.81685
1996-97	58.61377	0.719535	40.6667
1997-98	37.03916	0.137017	62.82382
1998-99	51.12007	1.19088	47.68905
1999-00	53.41238	0	46.58762
2000-01	44.81876	2.444097	52.73715
2001-02	15.11489	0	84.88511
2002-03	24.50871	0	75.49129
2003-04	66.38992	0	33.61008
2004-05	87.55734	0	12.44266
2005-06	98.79455	0.047272	1.158173
2006-07	97.2323	0	2.767703
2007-08 P	89.33089	8.612478	2.056636

Note: -1.P: Provisional

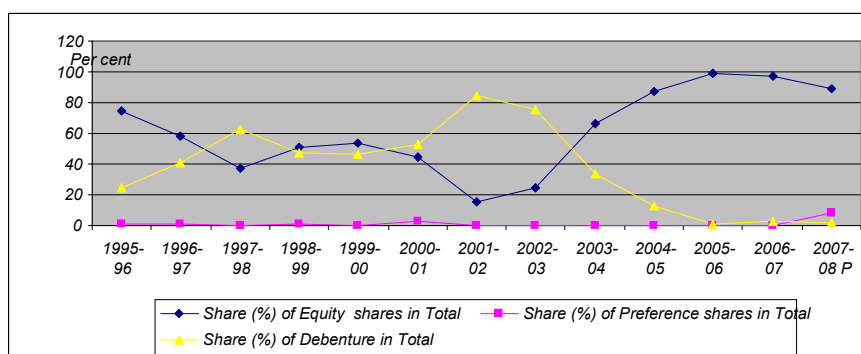
2. Data are on April-March basis.

3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

Source: RBI

During the span period of study i.e. from 1995-96 to 2007-08, average percentage share of equity shares, preference shares and debentures in total amount is 61.3983 percent, 1.0838 percent and 37.518 percent respectively. On the yearly basis highest percentage share of equity shares, preference shares and debentures in total amount is 98.794 percent, 8.6124 percent and 84.8851 percent during 2005-06, 2007-08 and 2001-02 respectively.

Graph 2
Percentage Share in Total Amount raised by Non-government Public Limited Companies through Various Securities.



Note: -1. P: Provisional

2. Data are on April-March basis.
3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

Source: RBI

The graph of Percentage share of equity shares in total amount firstly decline upto 1997-98, then marginally increase and again decline to the lowest level during 2001-02. Thereafter it constantly increased to its highest level during 2005-06. Average percentage share of preference share in total amount is 1.0838% during the span period of study, which reflected from the graph. Due to contribution of preference share in total amount is negligible therefore, debenture's graph just opposite to the equity graph. Contribution of debentures during 2005-06 is just 1.1581 percent, which is lowest reflected from the graph.

New Capital Issues Through Prospectus And Right Issue By Non-Government Public Limited Companies:-Public limited companies issues prospectus in the public issue only when they want to raise new capital in the form of cash only. Public issue through prospectus is most popular method

of floating of new capital in New Issue Market in India. Right issue method of floating of new capital in new issue market is use by the existing companies.

Table 3

New Capital Issues through Prospectus and Right issue by Non-government Public Limited Companies.

Year	of Total of Capital Issue			
	Prospectus		Rights	
	No. of Issues	Amount (Rs. crore)	No. of Issues	Amount (Rs. crore)
1995-96	1405	10331.9	258	5665.7
1996-97	727	7748.2	111	2661.3
1997-98	54	1411.1	48	1727.2
1998-99	24	2601.8	24	2411.3
1999-00	55	4028.1	24	1125.2
2000-01	118	5290.5	21	527.6
2001-02	14	4980.2	5	712.2
2002-03	6	1406.7	3	471.0
2003-04	16	2715.2	22	1006.6
2004-05	28	9635.5	26	3443.7
2005-06	95	16937.0	36	4217.0
2006-07	81	27175.0	36	3428.0
2007-08 P	86	47977.5	29	15660.4

Note: -1.P: Provisional

2. Data are on April-March basis.

3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

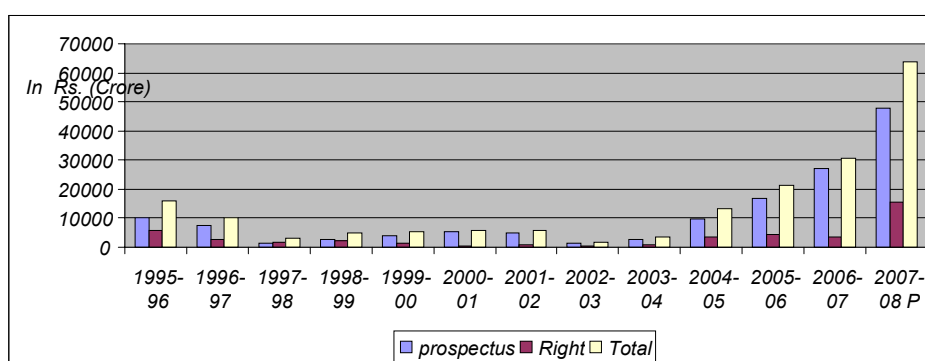
Source: RBI

During 1995-96, 1663 non-government public limited companies accessed the new issue market and raised Rs.15997.6 crore through

prospectus(1405) and rights issues (258) as against 115 non-government public limited companies which raised Rs.63637.9 crore through prospectus (86) and rights issue (29) in 2007-08 (Table 3). Resource mobilized through prospectus was lowest Rs.1406.7 crore during 2002-03 and highest Rs.47977.5 crore during 2007-08. Table 3 reveals that new capital raised through prospectus always higher than capital raised through right issue during the span period of study except during 1997-98. During 2007-08 Rs.15660.4 crore was generate through right issue in new issue market, which is the highest during the span period of study through right issue.

Graph 3

New Capital Issues through Prospectus and Right issue by Non-government Public Limited Companies.



Note: -1.P: Provisional

2. Data are on April-March basis.
3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

Source: RBI

During the span period of study we finds that only during 1997-98 resource mobilized through right issue is more then the prospectus which can seen from graph 3 and the new capital raised through right issue in new issue market is increase from Rs.5665.7 during 1995-96 to Rs.15660.4 in 2007-08, which is a growth of 36.18 %. New capital raised through prospectus by

non-government public limited companies is increase from Rs.10331.9 crore during 1995-96 to Rs.47977.5 crore in 2007-08, which is a growth of 21.53%.

Table 4
Percentage Share in Total Amount raised by Non-government Public Limited Companies through Prospectus and Right Issue.

Year	Percentage Share in Total Amount through Prospectus	Percentage Share in Total Amount through Right Issue
1995-96	64.58406	35.41594
1996-97	74.43393	25.56607
1997-98	44.96383	55.03617
1998-99	51.90002	48.09998
1999-00	78.16545	21.83455
2000-01	90.93175	9.068253
2001-02	87.48858	12.51142
2002-03	74.91612	25.08388
2003-04	72.95395	27.04605
2004-05	73.67041	26.32959
2005-06	80.06524	19.93476
2006-07	88.79848	11.20152
2007-08 P	75.39139	24.60861

Note: -1.P: Provisional

2. Data are on April-March basis.

3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

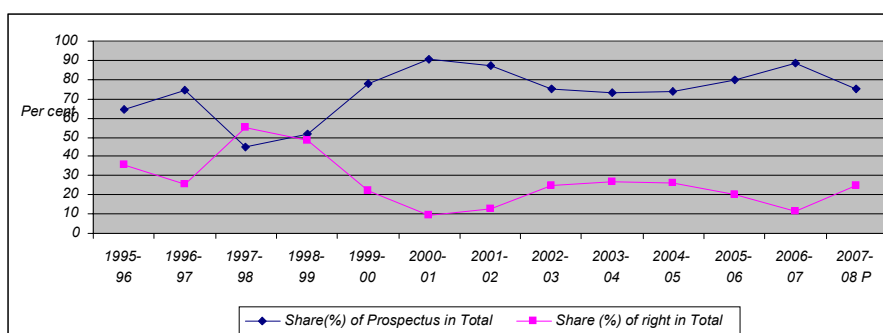
Source: RBI

Average percentage Share in total amount of new capital raised through prospectus and rights issues from new issue market during the span period of study is 73.71 per cent and 26.28 per cent respectively. This high % indicates

that prospectus method of floating new capital in new issue market is most popular. Yearly basis percentage share in total amount of new capital raised through prospectus by non-government public limited companies from new issue market during 2000-01 is 90.93175 which is highest during the span period of study and lowest is 44.96383% during 1997-98.

Graph 4

Percentage Share in Total Amount raised by Non-government Public Limited Companies through Prospectus and Right Issue.



Note: -1.P: Provisional

2. Data are on April-March basis.

3. In conformity with the Controller of Capital Issues, the 'initial' and 'further' capital issues were changed to 'new' and 'existing' along with conceptual changes from 1971.

Source: RBI

The curve of share (%) of prospectus in total new capital issue by non-government public limited companies is firstly increased then it fall, thereafter, it increased upto 2000-01. During 2002-03 to 2005-06 the graph of prospectus seems to be constant. Curve of share (%) of right issue in total new capital issue by non-government public limited companies is below the curve of prospectus during 1998-99 to 2007-08, which indicate that right issue method of floating capital in new issue market is less popular than the prospectus method of floating capital.

Conclusion:-The new issue market is a perennial source of supply of

funds as seen in study for, non-government public limited companies. A developed new issue market provides a triple-service-function viz., origination, underwriting and distribution. In new issue market trading in securities is mainly through public issue, offer for sale, preferential issue or private placement and further issue or right issue. Thus, primary function of a new issue market is to facilitate the transfer of investible funds from their owners to entrepreneurs seeking to establish new enterprises or to expand the existing ones. From analysis new issue market for the span period 1995-96 to 2007-08, following findings has founds.

- Total capital rose from new issue market by non-government public limited companies increased four times from Rs.15997.6 crore in 1995-96 to Rs.63637.9 in 2007-08.
- The average size of the issue made by non-government public limited companies in 2007-08 was Rs.553.37 crore as against Rs.9.62 crore in 1995-96, which is 5752.28 percent increase.
- No. of issue made by non-government public limited companies decline from 1663 issues during 1995-96 to 115 issues in 2007-08.
- Non-government public limited companies in new issue market use ordinary or equity securities as the main instrument to raise new capital. During the span period of study i.e. from 1995-96 to 2007-08, average percentage share of equity shares, preference shares and debentures in total resource raised through various instruments is 61.3983 percent, 1.0838 percent and 37.518 percent respectively. Percentage shares in total resource raised of equity had 89 per cent during 2007-08 as against 74 per cent in 1995-96.
- Average percentage share in total resource mobilized through prospectus was 73.71 per¹cent, this high percentage indicate that prospectus method for floating new capital in new issue market was the popular method during the span period of study in non-government public limited companies.
- During the span period of study we find that average percentage share in total resource raised by existing non-government public limited

companies in new issue market was 70.39 per cent; indicate role of new non-government public companies was not much affective in new issue market.

(Footnotes)

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