# EMERGING TRENDS IN MOBILIZATION OF FINANCIAL RESOURCES THROUGH EQUITY: ISSUES BY COMPANIES IN INDIA

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## Abstract
To understand the trend regarding any phenomenon, past information and "time-series" data are gathered. In this study, the chronological data relating to "amount of funds generated through public offers'', which includes Initial Public Offerings (IPOs) and Further Public Offerings (FPOs); and "the number of times" the companies resorted to this mechanism to garner funds in a particular year, has been analyzed. Public Offerings as mode of equity funding has been studied to understand its impact in current economic and business scenarios, and to make forecasts. The Method of Least Squares has been used to grasp the trend of equity issues made by Indian companies across sectors over a period of 31 years ranging from 1990 to 2021. The study is based on a secondary source of data. It has been taken from the PRIME database. The analysis has revealed that equity financing has been used as one of the important sources of long-term financing in India; and the financial resources raised through it has been continuously increasing. It indicates that in future also, this mode of financing may be relied upon by industries for collecting funds to complete long-term projects. However, the analysis demonstrates that the number of times the equity offerings made to collect funds; has been reduced over the period.

***Keywords***: *IPOs, FPOs, Stock Market, Equity, Financing, Trend*

## Introduction
Capital is an inevitable need for any business entity. The long-term need for funds may arise due to several factors, such as, to improve operating efficiency, to fulfill expansionary plans into related or unrelated fields, to launch a new product/project, to modernize the business, to shed off an existing costly debt, and to acquire a fixed asset.

Deeds, Decarolis, & Coombs (1997) established that the strategic decision of management affects the amount of funds raised through equity offerings. However, before collecting the required amount of funds for a longer time, a company must make a tough and intelligent decision to opt for a specific mode of funding for raising capital. It may go for debt or equity options or utilize retained earnings to fulfill its proposed goals. The choice of modes of funds is a function of numerous factors, like, reputation and past performance of the company; availability of time; required efforts; cost associated with a particular mode; present and prospective capital structure; expected return on proposed projects; and investors sentiments, among others. Companies generally prefer to go for equity source of funding as it is irredeemable during their lifetime, and associated service costs in terms of dividend are not fixed. Moreover, it may act as a cushion in times of financial crisis. On the other hand, investors also like to invest in equity to multiply their funds by way of earning dividend and appreciation in share price. Equity Public Offerings may be of two types i.e., IPOs, and FPOs.

In IPOs, a company offers its shares or common stock to the public for the first time in its life. This option is undertaken by smaller as well as large companies seeking capital for expansion and growth. It results in an increase in the equity base of the company along with inflow of fresh capital in business. In other words, IPOs are the maiden public issues made by a company either after its incorporation or on conversion from private to public company. The issuer company becomes public-listed on the recognized stock exchange and its shares are traded in the open market.

If the same listed companies make further issues of equity to meet their long-term demand of funds in the secondary market; it is called Follow-on Public Offerings or Further Public Offerings (FPOs). It may be classified as Dilutive or Non-Dilutive offerings.

In case of Dilutive offerings, the new shares are issued, and as a result, the total number of outstanding shares tends to increase; and Earning per Share is reduced or diluted. Furthermore, if these additional shares are offered to existing shareholders than the market for a given time period; it is referred to as Right Issue. In this type of issue, the present shareholders are offered the opportunity to subscribe these shares within specified time, generally, at discounted price in proportion to shares already held by them. This form of offer provides a chance to present members to increase their exposure or shareholding in the company on a preferential basis. However, they may exercise the right or renounce in favor of their nominees. After the expiry of specified time or on receiving the intimation of decline of the offer, such

shares are offered to the public at large for subscription.

Non-diluted follow-on offerings are, generally, known as Offer for Sale (OFS). It was introduced for the convenience of listed companies to offload their holdings to abide by the requirement of minimum public shareholding. Basu, Jain & Singhal (2016) considered OFS as an effective tool to divest the shareholdings of promoters of listed companies. Later, the government used this route for divestment in public sector companies to mobilize more funds. In this process, existing shareholders, promoters, directors, and high net worth individuals offer shares to the public for sale which were issued to them previously. Anyone from the public must place a bid for buying shares. So, the funds are raised from the public, but sales proceeds of such offers are received or get deposited with existing shareholders who offered their holding for sale. The sale is made to take advantage of increased valuation of the company and to enjoy liquidity. Since, no new shares are issued by the companies, their earnings per share are not diluted; and capital structure remains unchanged. Only the pattern of shareholding gets affected. It is to be emphasized here that; OFS are made to garner public funds which are not available for meeting companies' growing financial needs.

The process of public offerings includes various steps. The issuer company deliberates upon the price and number of shares to be issued after taking into consideration various factors, such as, investors' sentiments, market share, valuation of company, governments' regulations, and business activity in the economy. The issue price of public offer is determined by management in consultation with merchant bankers and underwriters. To ascertain issue price, Fixed price method, or Book Building method may be followed. In the case of a fixed price method, the price at which the security is to be offered; is predetermined. But under the book building method which was introduced by the Securities Exchange Board (SEBI) in 1999, a price band is offered to investors. It helps in discovering the demand and price of its shares. According to Huang & Zhang (2022), this method is preferred by companies which surface uncertainty about demand of its shares in the market.

The issuer company nominates an investment banker as a book runner who files Red Herring Prospectus to SEBI; and takes care of all other regulations including listing of securities. SEBI scrutinizes all aspects related to the underlying issue; to safeguard the interest of investors; by detecting and prohibiting fraudulent practices. Once the approval is received by the company, it sets out for promotions, conferences, exhibitions, and road shows across states to attract prospective investors. It paves the way for collecting most-wanted large volumes of capital for future growth.

## Review of Literature

Ansari (2012) presented a review of the Indian capital market along with an analysis of performance. Tigari and Aishwarya (2019) presented the conceptual framework of Indian capital markets; with a focus that the role of markets is to transfer the funds from the surplus sector of the economy to the one who can put it to best use.

Many studies relating to public offerings are focused on their pricing and related return on stock, such as, the studies conducted by Pandey & Pattanayak (2022), Patatoukas, Sloan, & Wang (2022), Xue, & Jiang (2021), Nielsson & Wójcik (2016), Sehgal, & Sinha (2013), Bayar & Chemmanur (2012), Derrien (2005), Ghosh (2004), and Teker & Ömer (2003).

Separate studies have been observed for Initial Public Offerings (IPOs), and Public Offerings or Further Public Offerings (FPOs) – Right issues and Offer for Sale (OFS).

Lester and Richard (2006) revealed that top management makes strong efforts to increase the legitimacy of the company before bringing its IPO in the market. Kipngetich, Kibet, Guyo, Kipkoskandey (2011) investigated various factors which determine pricing of IPO of firms listed on Nairobi Stock Exchange in Kenya. They identified main determinants of IPO pricing as investor sentiment, post-IPO ownership retention, firm size, board reputation, and age of the firm. Singh (2012) analyzed risk perception of investors for investment in IPOs and found that investment through IPOs is considered as moderately risky. Study revealed that promotion of upcoming IPOs plays an important role in building investor's sentiments. Kungu and Iraya (2017), and Manu and Saini (2020), explored that the pricing of IPOs are underpriced at initial stage. They term it as an equilibrium phenomenon. But with passage of time, stock prices embody every piece of information; and no one can make extra profits. They explored that 70 per cent of the IPOs under study were underpriced in the short run; and noticed that such movement is not influenced by the age of the company, size of the IPO issue, ownership pattern, and the promoter's holdings after the issue. Cameron and Morrison (2021) identified that the biotech companies raising equity funds through global markets; attracted huge investments in 2020, despite the widespread CO6D-19 pandemic.
Hansen (1988) found that underwriters play an important role in enhancing the value of a firm. Eckbo (2008) analyzed that right offerings were cost efficient for companies when the issue is subscribed by a large number of shareholders; and so, companies tend to underwrite the issue.

Cotterell (2011) highlighted that in South Africa, the stock market returns were

negatively associated with the announcement of the right issue. Malhotra el al. (2012) noticed the decline in liquidity across sectors after the announcement of the right issue. Miglani (2011) explored the positive relationship between the value of a firm and announcement of the right issue. Ogada and Kalunda (2017) found that market returns were significantly higher after the right issue than before. Kusuma & Yasa (2019) explored the positive reaction of the stock market towards the right issue, made by companies for the purpose of investment rather than to pay debts.

Basu, Jain, and Singhal (2016) examined that improper fixation of floor price of OFS may destroy the shareholder's wealth. Lin and Ahmad (2018) revealed that when promoters sell their holdings in the market through OFS route, the market does not welcome it as the motives behind such offers are not made public. Rashid and Rashid (2018) presented that the demand of shares of a firm is relatively less, which makes public offer only through OFS route rather than the firms which issue new shares through IPOs.

## Objectives of the Study

The objectives of the study are:

1. To analyze the trend of equity-based funding in Indian economy for growth and expansion of business activities; and
2. To study the frequency of equity issues as a source of finance by companies across sectors.

## Statement of Problem

Study is focused to inquire about the availability or possibility of long-term source of finance through equity issues in the capital market in India where companies across sectors aim to meet the requirement of funds for a longer period for the purposes like expansion and growth.

## Hypothesis of Study

The study is focused on following two hypotheses:

- Ho1: There is no change in quantum of money raised from equity issues annually over a period of time.

HA1: There is an increasing trend in the quantum of money raised from equity issues annually over a period of time.

- Ho2: Mobilization of funds through equity issues is not a frequent mode of financing among companies across sectors.

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## Research Methodology

### Research Design

Method of Least Square has been used in the study to examine the trend of the amount of funds raised through equity issues. It is a mathematical tool to capture the trend of time-series data. The straight-line trend calculated by using this device is the line of "best fit" to approximate the data. The straight-line trend has the following type of
equation:

$$Y_c = a + bX$$

where,
$Y_c$ is the estimated or calculated values of underlying trend;
X represents the deviations taken from a selected and convenient time period; and 'a' and 'b' are parameters.

The values of these parameters are determined, to minimize the sum of squares of deviations of individual time-series observations from a corresponding estimated trend value. To accomplish this purpose, the following two normal equations are solved, where n represents the total number of
observations:

$$\sum Y = na + b\sum X; \quad and$$

$$\sum XY = a\sum X + b\sum X^2$$

The obtained values of 'a' and 'b' are substituted in a straight line equation to estimate required trend values.

Since time has no magnitude but have the positional value, the calculations of trend values in the study have been made by taking middle year i.e., 2006 as the origin because it makes ∑X equal to zero; and calculations are convenient. For the purpose of analysis, the unit of time is defined as 'one year'.

Two variables or two time-series observations have been analyzed which are represented by $Y_1$ and $Y_2$. Here, the first variable i.e., $Y_1$ is the quantum of funds measured in crores of rupees through equity issues by companies; and the second variable i.e., $Y_2$ is the "number of times" an equity issue has been chosen as mode of finance by companies in a particular year. The trend values have been estimated for two identified variables separately as $Y_{C1}$ and $Y_{C2}$. The calculations for the same have been shown in Table 1 and Table 3, respectively.

The simple regression analysis has also been applied to the data to examine

the statistical significance of underlying variables. The $Y_1$ and $Y_2$ have been taken as independent variables in separate regression models; and results have been presented in Table 2 and Table 4 respectively. The "time" or "Year" has been taken as a dependent variable.

## Period of Study

The study covers a period of 31 years from 1990 to 2021.

## Data Collection

This study is completely based on a secondary source of data. It has been taken up from the PRIME database. The time series observations relate to the total amount of funds raised annually in the economy by companies across sectors through equity issues via IPOs, and FPOs; and the number of times these issues have been made by companies collectively in each corresponding year.

## Sample Selection

The sample consists of all Indian companies across sectors which have raised funds from equity issues in a particular year; either through IPOs or FPOs.

## Analysis of Data and Research findings

The results obtained by using Least Square Method have been presented in Table 1 and Table 3. The analysis has been made separately; of two identified variables of study i.e., $Y_1$ and $Y_2$. These are as follows:

### 1. Trends of quantum of funds generated via IPOs and FPOs

The trend values $Y_{C1}$ has been calculated for the observed value of $Y_1$ i.e., quantum of funds raised by equity issues.
The equation of straight-line trends is : $Y_{C1} = a_1 + b_1X$.

Table 1 depicts that the year 2006 has been taken as the base year. It has resulted into the value of $\sum X$ as zero. Since $\sum X = 0$, the values of a1 and b1 are obtained as follow:

$$a_1 = \frac{\sum Y_1}{n} \; i.e. \frac{4762471}{31} = 22957.94 \; and$$

$$b_1 = \frac{\sum XY_1}{\sum X^2} = 1920.351$$

Hence, the equation of straight-line trend is:
$Y_{C1} = 22957.94 + 1920.35X$

The average annual change in the number of resources garnered through equity issues is given by the slope of the straight-line trend i.e., 1920.35 crore rupees. Furthermore, the positive sign of b1 indicates the annual increase in the amount raised via equity issues every year i.e., rupees 1920 crore. The trend values for the years 1990 to 2021 are obtained by substituting the values of X in a straight line trend equation. These have been calculated in the second last column of Table 1. Similarly, the estimates for the funds to be generated for the year 2025 can be obtained by substituting the value of X equal to 19. So, the estimated amount of the funds to be raised in 2025 by companies through equity finance would be around 60,000 crores of rupees.

The statistical implication is attributed to the value of $\sum(Y_1-Y_{1C})$ which is almost equal to zero, i.e., the sum of deviations of actual values of $Y_1$ from the computed values of $Y_{1C}$ as shown by the last column of Table 1. These results have been further verified by applying simple regression analysis by taking "time" as a dependent variable and "amount of funds raised" as independent variable. The findings have been presented in Table 2.

Table 1:
Fitting Straight Line Trend to Amount of Funds Raised through Equity Issues

| S.No. | Year t | Amount (Rs. cr) $Y_1$ | X= t-2006 | $XY_1$ | $X^2$ | Trend Values $Y_{1C}$ | Errors $Y_1-Y_{1C}$ |
|---|---|---|---|---|---|---|---|
| 1 | 1991 | 1450 | -15 | -21750 | 225 | -5847.325 | 7297.325 |
| 2 | 1992 | 1400 | -14 | -19600 | 196 | -3926.974 | 5326.974 |
| 3 | 1993 | 5651 | -13 | -73463 | 169 | -2006.623 | 7657.623 |
| 4 | 1994 | 10821 | -12 | -129852 | 144 | -86.272 | 10907.272 |
| 5 | 1995 | 12928 | -11 | -142208 | 121 | 1834.079 | 11093.921 |
| 6 | 1996 | 8723 | -10 | -87230 | 100 | 3754.43 | 4968.57 |
| 7 | 1997 | 4372 | -9 | -39348 | 81 | 5674.781 | -1302.781 |
| 8 | 1998 | 1132 | -8 | -9056 | 64 | 7595.132 | -6463.132 |
| 9 | 1999 | 504 | -7 | -3528 | 49 | 9515.483 | -9011.483 |
| 10 | 2000 | 2975 | -6 | -17850 | 36 | 11435.834 | -8460.834 |
| 11 | 2001 | 2380 | -5 | -11900 | 25 | 13356.185 | -10976.185 |
| 12 | 2002 | 1082 | -4 | -4328 | 16 | 15276.536 | -14194.536 |
| 13 | 2003 | 1039 | -3 | -3117 | 9 | 17196.887 | -16157.887 |
| 14 | 2004 | 17807 | -2 | -35614 | 4 | 19117.238 | -1310.238 |
| 15 | 2005 | 21432 | -1 | -21432 | 1 | 21037.589 | 394.411 |
| 16 | 2006 | 23676 | 0 | 0 | 0 | 22957.94 | 718.06 |
| 17 | 2007 | 24993 | 1 | 24993 | 1 | 24878.291 | 114.709 |
| 18 | 2008 | 52219 | 2 | 104438 | 4 | 26798.642 | 25420.358 |
| 19 | 2009 | 2034 | 3 | 6102 | 9 | 28718.993 | -26684.993 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 20 | 2010 | 46941 | 4 | 187764 | 16 | 30639.344 | 16301.656 |
| 21 | 2011 | 46182 | 5 | 230910 | 25 | 32559.695 | 13622.305 |
| 22 | 2012 | 23982 | 6 | 143892 | 36 | 34480.046 | -10498.046 |
| 23 | 2013 | 34313 | 7 | 240191 | 49 | 36400.397 | -2087.397 |
| 24 | 2014 | 15234 | 8 | 121872 | 64 | 38320.748 | -23086.748 |
| 25 | 2015 | 29716 | 9 | 267444 | 81 | 40241.099 | -10525.099 |
| 26 | 2016 | 34322 | 10 | 343220 | 100 | 42161.45 | -7839.45 |
| 27 | 2017 | 36615 | 11 | 402765 | 121 | 44081.801 | -7466.801 |
| 28 | 2018 | 98984 | 12 | 1187808 | 144 | 46002.152 | 52981.848 |
| 29 | 2019 | 36405 | 13 | 473265 | 169 | 47922.503 | -11517.503 |
| 30 | 2020 | 37677 | 14 | 527478 | 196 | 49842.854 | -12165.854 |
| 31 | 2021 | 74707 | 15 | 1120605 | 225 | 51763.205 | 22943.795 |
| | **n = 31** | $\sum Y_1$ **=71 1,696** | $\sum X$ **=0** | $\sum XY_1$ **=4762471** | $\sum X^2$ **=2480** | | $\sum(Y_1 - Y_{1C})$= **-0.14** |

The indication of Table 2 about the statistically significance of t-value of $Y_1$ at 1% level of significance supports these findings. The value of R-square is 55% and that of adjusted R-square is 53%. It implies that 53% of variation in the dependent variable i.e., amount raised through equity issues is caused by time.

Table 2:
Results of Simple Regression Analysis

**Dependent Variable – Year**

| | **Coefficients** | **Standard Error** | **t Stat** | **P-value** |
|---|---|---|---|---|
| Intercept | -7767.684 | 5914.632 | -1.313 | 0.199 |
| Amount of Funds Raised (Y1) | 1920.351 | 322.670 | | 0.000 |

| | | | |
|---|---|---|---|
| R-square | 0.5498 | F-statistic* | 35.4197 |
| Adjusted R-square | 0.5343 | Significance F | 0.0000 |
| | | | |

*Significant at 1% level of significance

Similar trends are depicted in Figure 1. It is indicating to reject the first null hypothesis i.e., "there is no change in the quantum of money raised from equity issues annually over a period of time". The fitted trend line is also emphasizing that an increased amount of funds may be mobilized by floating equity issues in future.

This trend throws light on the fact that the capital markets are quite active; and investors are confident enough to invest their funds in equities. There was a time before the seventies when the average Indian preferred to keep their savings in banks as a safe source of investment. But now the inclination

towards investment in equity is quite visible. Recently, many IPOs are witnessed as oversubscribed many times. It also reveals that the capital market is quite efficient and capable of fulfilling the long-term needs of industries. The positive sentiments and boosted confidence of investors can be attributed to various investor-friendly steps taken over the years, by the market regulator i.e., SEBI. To list a few, are automatic trading e-platforms, anonymous trading in equity, uniform cycle of settlement of stock market transactions on all stock exchanges, holding of shares in dematerialization form, and shortened trading cycles from T+5 to T+2. In addition to it, the enforcement of better corporate governance standards, like laws to protect Whistle-Blowers; strict vigilance on insider-trading; enhanced requirements of disclosure; appointment of independent directors; have also helped in enhancing transparency in working of companies. These steps have helped in strengthening the confidence of investors against any prospective fraudulent practice on the part of the company, and multiplied liquidity and trading volumes of funds. Further, the establishment of "Investor Education and Protection Fund"; and enforcement of "Insolvency and Bankruptcy Code of India" have been an instrument in boosting the awareness and trust of investors in the capital market.

It can be inferred from the discussion that the industries may focus and rely on the equity source of financing in times to come rather than mainly on loans from financial institutions or banks. SEBI is continuously making reforms in one form or the other to improve capital markets' efficiency to make them competitive with international markets. From the viewpoint of investors, the popularity, availability, and recurrence of investment of funds in equity issues is expected to further increase in future times.

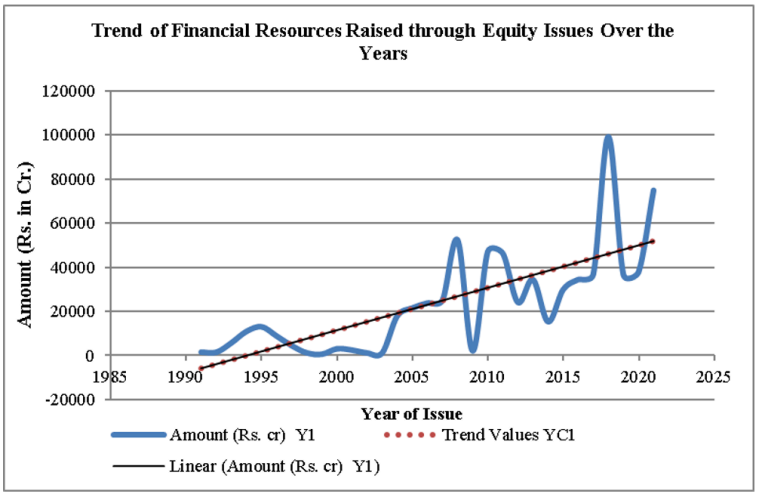


**Figure 1 (based on author's computation)**

## 2.Trend of number of times the equity issues floated in the market

This head gives insight into frequency with which equity mode of funding is undertaken by the companies. The Method of Least Square has been used to analyze the underlying trend and results are presented in Table 2.

The trend values $Y_{2C}$ has been estimated for the observed value of $Y_2$ i.e., number of equity issues over the period of time. The equation formed to capture this trend is :

$$Y_{2C} = a_2 + b_2X.$$

The base year has been chosen as the year 2006 for the convenience of calculations. Table 2 reveals that the calculated value of ∑X as zero. Since ∑X = 0, the values of $a_2$ and $b_2$ are computed as follow:

$$a_2 = \frac{\sum Y_2}{n} \; i.e. \frac{6289}{31} = 202.87 \; and$$

$$b_2 = \frac{\sum XY_2}{\sum X^2} = -20.53$$

The slope of straight-line trend i.e., $b_2$ gives average yearly change in the number of equity issues made by companies which is 20.53. The negative sign of $b_2$ implies that the number of equity issues per year is declining. This fact has been reflected by the trend values shown in the second last column of Table 3, which have been computed for the years 1990 to 2021. The value of $\sum(Y_2 - Y_{2C})$ is zero which indicates the statistical significance of trend values. The similar trends have been shown in Figure 2.

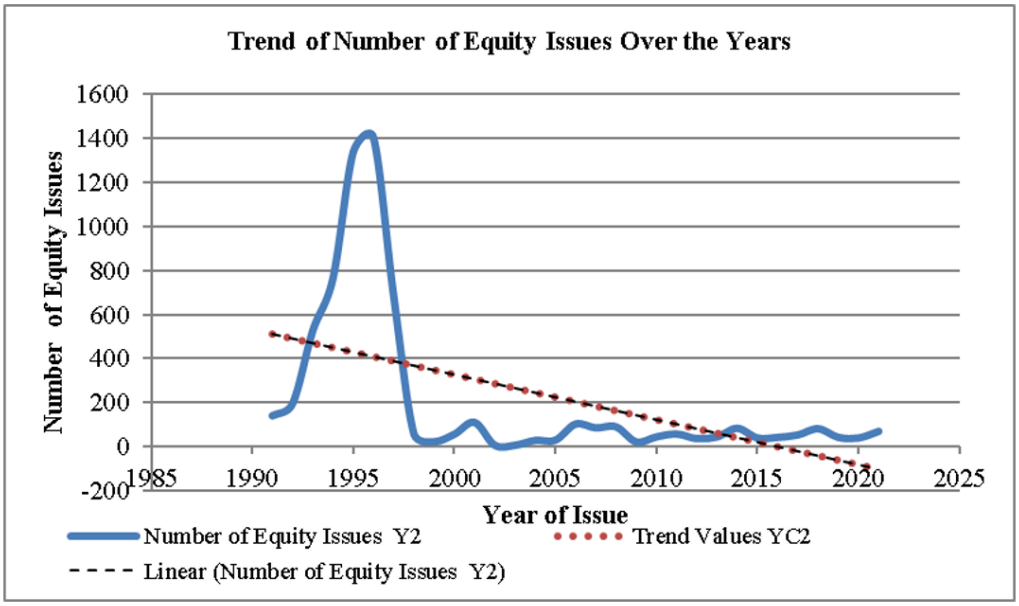


**Figure 2 (based on author's computation)**

Table 3:
Fitting Straight Line Trend to Number of Equity Issues

| S.No. | Year t | Number of Equity Issues $Y_2$ | X=t-2006 | $XY_2$ | $X^2$ | Trend Values $Y_{2C}$ | Errors $Y_2$-$Y_{2C}$ |
|---|---|---|---|---|---|---|---|
| 1 | 1991 | 140 | -15 | -2100 | 225 | 510.67 | -370.67 |
| 2 | 1992 | 195 | -14 | -2730 | 196 | 490.15 | -295.15 |
| 3 | 1993 | 526 | -13 | -6838 | 169 | 469.63 | 56.37 |
| 4 | 1994 | 764 | -12 | -9168 | 144 | 449.11 | 314.89 |
| 5 | 1995 | 1336 | -11 | -14696 | 121 | 428.59 | 907.41 |
| 6 | 1996 | 1402 | -10 | -14020 | 100 | 408.07 | 993.93 |
| 7 | 1997 | 684 | -9 | -6156 | 81 | 387.55 | 296.45 |
| 8 | 1998 | 58 | -8 | -464 | 64 | 367.03 | -309.03 |
| 9 | 1999 | 22 | -7 | -154 | 49 | 346.51 | -324.51 |
| 10 | 2000 | 56 | -6 | -336 | 36 | 325.99 | -269.99 |
| 11 | 2001 | 110 | -5 | -550 | 25 | 305.47 | -195.47 |
| 12 | 2002 | 6 | -4 | -24 | 16 | 284.95 | -278.95 |
| 13 | 2003 | 6 | -3 | -18 | 9 | 264.43 | -258.43 |
| 14 | 2004 | 28 | -2 | -56 | 4 | 243.91 | -215.91 |
| 15 | 2005 | 29 | -1 | -29 | 1 | 223.39 | -194.39 |
| 16 | 2006 | 102 | 0 | 0 | 0 | 202.87 | -100.87 |
| 17 | 2007 | 85 | 1 | 85 | 1 | 182.35 | -97.35 |
| 18 | 2008 | 90 | 2 | 180 | 4 | 161.83 | -71.83 |
| 19 | 2009 | 21 | 3 | 63 | 9 | 141.31 | -120.31 |
| 20 | 2010 | 44 | 4 | 176 | 16 | 120.79 | -76.79 |
| 21 | 2011 | 57 | 5 | 285 | 25 | 100.27 | -43.27 |
| 22 | 2012 | 36 | 6 | 216 | 36 | 79.75 | -43.75 |
| 23 | 2013 | 44 | 7 | 308 | 49 | 59.23 | -15.23 |
| 24 | 2014 | 83 | 8 | 664 | 64 | 38.71 | 44.29 |
| 25 | 2015 | 39 | 9 | 351 | 81 | 18.19 | 20.81 |
| 26 | 2016 | 42 | 10 | 420 | 100 | -2.33 | 44.33 |
| 27 | 2017 | 53 | 11 | 583 | 121 | -22.85 | 75.85 |
| 28 | 2018 | 81 | 12 | 972 | 144 | -43.37 | 124.37 |
| 29 | 2019 | 42 | 13 | 546 | 169 | -63.89 | 105.89 |
| 30 | 2020 | 39 | 14 | 546 | 196 | -84.41 | 123.41 |
| 31 | 2021 | 69 | 15 | 1035 | 225 | -104.93 | 173.93 |
| | **n=31** | $\sum Y_2$ **=6289** | $\sum X$ **=0** | $\sum XY_2$ **=-50909** | $\sum X^2$ **=2480** | | $\sum(Y_2 - Y_{2C})$ **=0.03** |

These outcomes have indicated towards the acceptance of the second null hypothesis i.e., mobilization of funds through equity issues is not a frequent mode of financing among companies across sectors. Table 3 reveals that the maximum number of public issues i.e., 1402; were floated in 1996. After that, the number of issues declined to even single digit in 2002 and 2003 respectively.

The statistical significance of the independent variable, i.e., the number of equity issues, has been identified by applying simple regression analysis and results have been reported in Table 4. The t-value is significant at 1% level of significance.

Table- 4:
Results of Simple Regression Analysis

Dependent Variable – Year

| | ***Coefficients*** | ***Standard Error*** | ***t Stat*** | ***P-value*** |
|---|---|---|---|---|
| Intercept | 531.3161 | 116.3655 | 4.5659 | 0.0001 |
| Number of Equity Issues ($Y_2$) | -20.5278 | 6.3483 | -3.2336* | 0.0030 |
| R-square | 0.2650 | F-statistic | 10.4563* | |
| Adjusted R-square | 0.2397 | Significance F | 0.0030 | |

*Statistically Significant at 1% level of significance

The reason for this trend may be attributed to the associated costs accompanied with reforms made by SEBI in the capital market. The various benefits which accrued to companies due to reforms were enjoyed and welcomed; but related costs are not neglected but due considerations have been given to this aspect. Apart from that, a lot of effort and time is required to bring out an equity issue, such as, preparation, printing and filing of prospectus; making contracts with underwriters, solicitors and bankers; filing of required documents with SEBI; marketing of issue; and then allotment of shares. However, it has not wiped out the popularity of equity issues. This fact has been reflected in not only sizable funds collected from public issues, but also many noticeable oversubscribed issues.

## Conclusion

Equity issues have been an important source to fulfill long term financing needs of companies. Statistical evidence has established that the funds collected from this source are increasing every year. So, the preference of management for using this mode of funding over the years has been dominating the Board's room. It also indicates the willingness and perception of investors in favor of investment in equities. Even after the outbreak of covid-19, which led to decline in business activities; many IPOs have been witnessed as oversubscribed and registered a remarkable performance in terms of money collected. Many of them have been successful to list at a high premium to their issue price. These types of activities in financial markets have further strengthened the belief; that generation of financial resources through equities is a dependable and continuous source of long-term finance for industries to diversify and expand. However, huge amount of costs is to be borne

by companies in reaching to public or making a public offer, such as, preparation of legal documents and related payments and fee, underwriting commission, expenses relating to accounting and disclosure of information, expenditure on publicity of issue, and costs associated with human resource connected with IPO process. These costs have somewhat restricted the decision of companies to make public issues relatively at shorter time intervals than they used to happen in the mid-nineties. But still equity financing has gained attention as one of the important sources of long-term financing in India.

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