

Vol 5 Issue 9 June 2016

ISSN No : 2249-894X

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*Monthly Multidisciplinary  
Research Journal*

*Review Of  
Research Journal*

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# Review Of Research



## INDIA'S PRIMARY CAPITAL MARKET: AN OVERVIEW



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### ABSTRACT

The objective of current paper is to have an overview of India's primary capital market and its components i.e. prospectus and right issues, euro issues, private placements and mutual funds from the period 2010-11 to 2014-15. Additionally, this paper also tries to find out percentage increase or decrease in the funds mobilised through primary capital market and its various components.

**KEYWORDS** :India, primary capital market, prospectus and right issues, euro issues, private placements, mutual funds.

### INTRODUCTION

In simple words capital market can be described as a systematized mechanism for the purpose of effective transfer of money capital from the investing parties to entrepreneurs. Here investing parties and entrepreneurs can be either individuals or institutions and can be engaged in both either private or public sectors.

Primary market is also known as new issue market and can be defined as a market where fresh securities such as shares, debentures, bonds etc. are issued by new and existing companies to generate funds in order to meet various objectives such as setting new enterprises and expansion and modernisation of existing enterprises.

A well established capital market is necessary for proper economic development of a nation because it helps in maintaining coordination and balance between savings and investments.

### OBJECTIVES OF THE STUDY

- To discover total amount of funds generated by India's primary capital market and its percentage increase or decrease from 2010-11 to 2014-15.
- To find out total amount of funds generated through prospectus and right issues, euro issues, private

placements and mutual fund from 2010-11 to 2014-15.

- To find out percentage increase or decrease in the amount of funds generated through prospectus and right issues, euro issues, private placements and mutual fund from 2010-11 to 2014-15.

## RESEARCH METHODOLOGY

Current study is primarily based upon secondary data and the suitable information's in this regard has been accumulated from various government publications, books, websites, journals, magazines, annual reports of reserve Bank of India (RBI) etc.

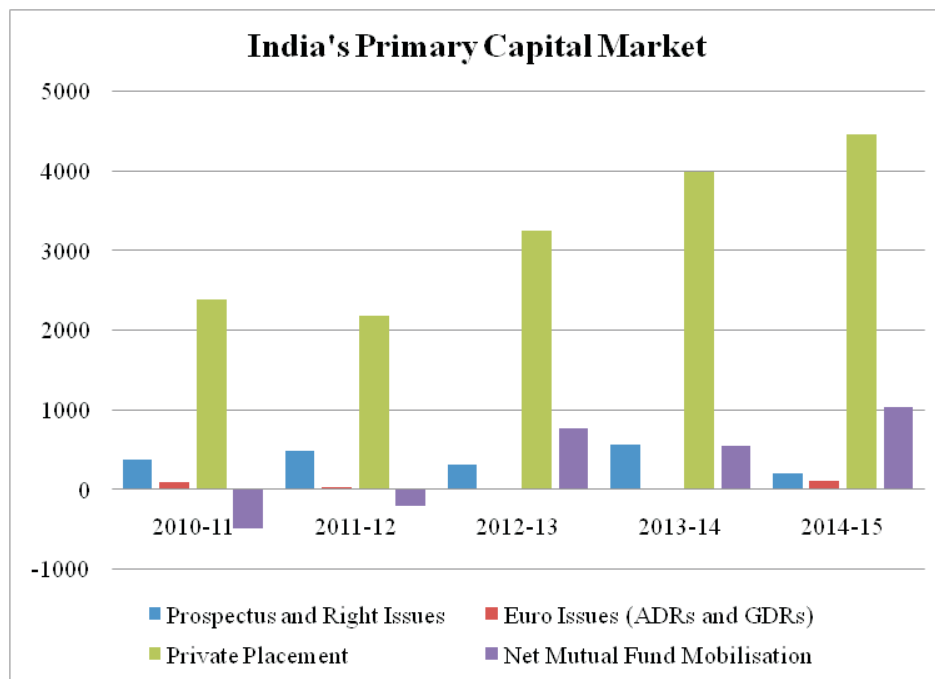
## ANALYSIS AND INTREPRETATION

Fund mobilised through India's Primary Capital Market has been represented with help of following tables and figures:

**Table 1: Figure 1: India's Primary Capital Market**

Item	2010-11	2011-12	2012-13	2013-14	2014-15
i. Private Sector (Financial)	43.35	113.2	44.5	60.6	83.6
ii. Private Sector (Non-Financial)	204.96	43.6	116.5	56.2	87
<b>A. Total of Private Sector (i+ii)</b>	<b>248.31</b>	<b>156.8</b>	<b>161</b>	<b>116.8</b>	<b>170.6</b>
iii. Public Sector Undertakings	80.25	1.3	1.9	105.7	0
iv. Government Companies	0	100	0	37	0
v. Banks/Financial Institutions	47.65	226.6	145.7	297	24.5
<b>B. Total of Public Sector (iii+iv+v)</b>	<b>127.9</b>	<b>327.9</b>	<b>147.6</b>	<b>439.7</b>	<b>24.5</b>
<b>1. Prospectus and Right Issues (A+B)</b>	<b>376.21</b>	<b>484.7</b>	<b>308.6</b>	<b>556.5</b>	<b>195.1</b>
<b>2. Euro Issues (ADRs and GDRs)</b>	<b>94.41</b>	<b>27.1</b>	<b>10.4</b>	<b>1.2</b>	<b>95.9</b>
vi. Private Sector (Financial)	719.75	389.4	843.1	875.3	1838.4
vii. Private Sector (Non-Financial)	494.76	240	536.9	338	931.8
<b>C. Total of Private Sector (vi+vii)</b>	<b>1214.51</b>	<b>629.4</b>	<b>1380</b>	<b>1213.3</b>	<b>2770.2</b>
viii. Public Sector (Financial)	989.83	1235.1	1372	1802.7	1349.8
ix. Public Sector (Non Financial)	179.6	318	501.6	975.9	344.8
<b>D. Total of Public Sector (viii+ix)</b>	<b>1169.43</b>	<b>1553.1</b>	<b>1873.6</b>	<b>2778.6</b>	<b>1694.6</b>
<b>3. Private Placement (C+D)</b>	<b>2383.94</b>	<b>2182.5</b>	<b>3253.6</b>	<b>3991.9</b>	<b>4464.8</b>
<b>E. Mutual Fund Mobilisation (Private Sector)</b>	<b>-192.15</b>	<b>-154.5</b>	<b>637.9</b>	<b>488.4</b>	<b>1037</b>
<b>F. Mutual Fund Mobilisation (Public Sector)</b>	<b>-301.91</b>	<b>-65.8</b>	<b>127.5</b>	<b>49.4</b>	<b>-4.1</b>
<b>4. Net Mutual Fund Mobilisation (E+F)</b>	<b>-494.06</b>	<b>-220.3</b>	<b>765.4</b>	<b>537.8</b>	<b>1032.9</b>

Rs. in Billion

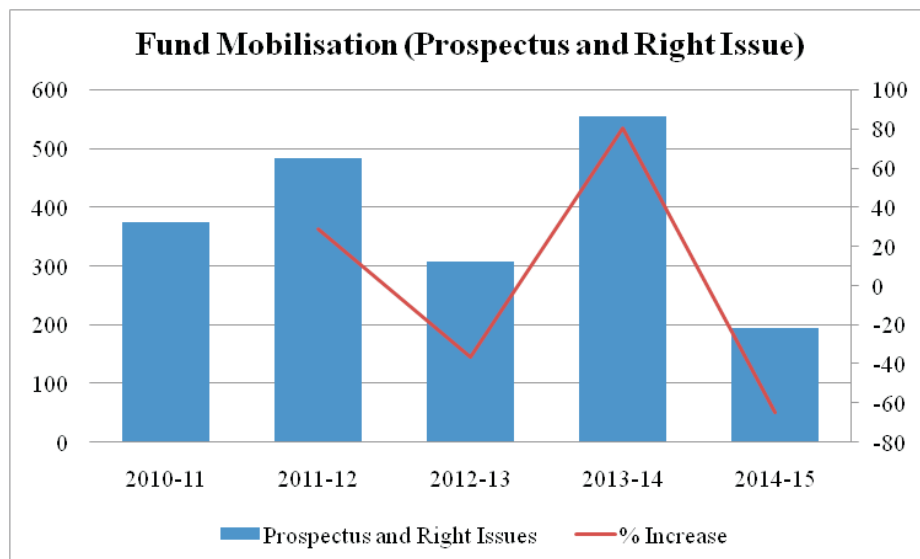
**Figure 1: India's Primary Capital Market**

Y Axis: Rs. in Billion

Table 1 and figure 1 reveal the funds generated through prospectus and right issues, euro issues, private placement and mutual funds in India from 2010-11 to 2014-15. Above table and figure clearly reveals that maximum funds are mobilised through private placements and minimum funds are mobilised through euro issues (ADRs & GDRs).

**Table 2: Fund Mobilisation (Prospectus and Right Issue)**

Years	Prospectus and Right Issues (Rs. in Billion)	% Increase
2010-11	376.21	----
2011-12	484.7	28.84
2012-13	308.6	-36.33
2013-14	556.5	80.33
2014-15	195.1	-64.94
<b>Average</b>	<b>384.22</b>	<b>1.97</b>

**Figure 2: Fund Mobilisation (Prospectus and Right Issue)**

Y Axis Primary: Rs. in Billion

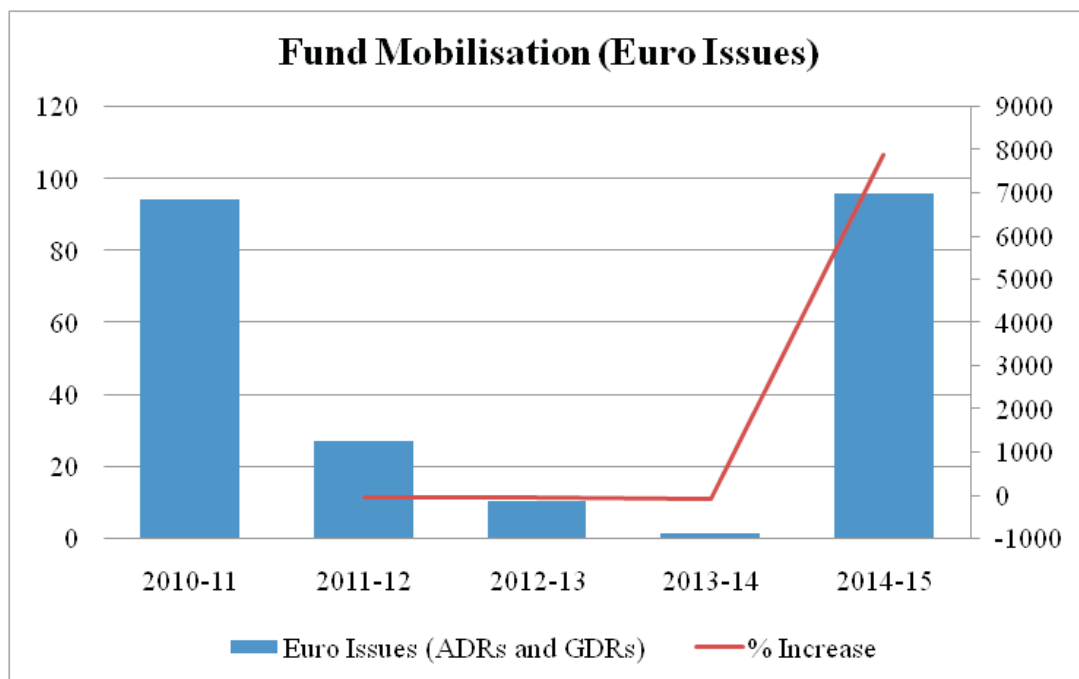
Y Axis Secondary: % Increase

Table 2 and figure 2 exhibits the amount of fund mobilised through prospectus and right issue from 2010-11 to 2014-15. It was in the year 2013-14 when the amount mobilised through prospectus and right issue stood maximum during the study period. The fund mobilised through prospectus and right issues stood at an average of Rs. 384.22 billion and percentage increase in it stood at an average of 1.97%. In the year 2014-15 figure is minimum.

**Table 3: Fund Mobilisation (Euro Issues)**

Years	Euro Issues (ADRs and GDRs)	% Increase
2010-11	94.41	----
2011-12	27.1	-71.30
2012-13	10.4	-61.62
2013-14	1.2	-88.46
2014-15	95.9	7891.67
<b>Average</b>	<b>45.80</b>	<b>1917.57</b>

Rs. in Billion

**Figure 3: Fund Mobilisation (Euro Issues)**

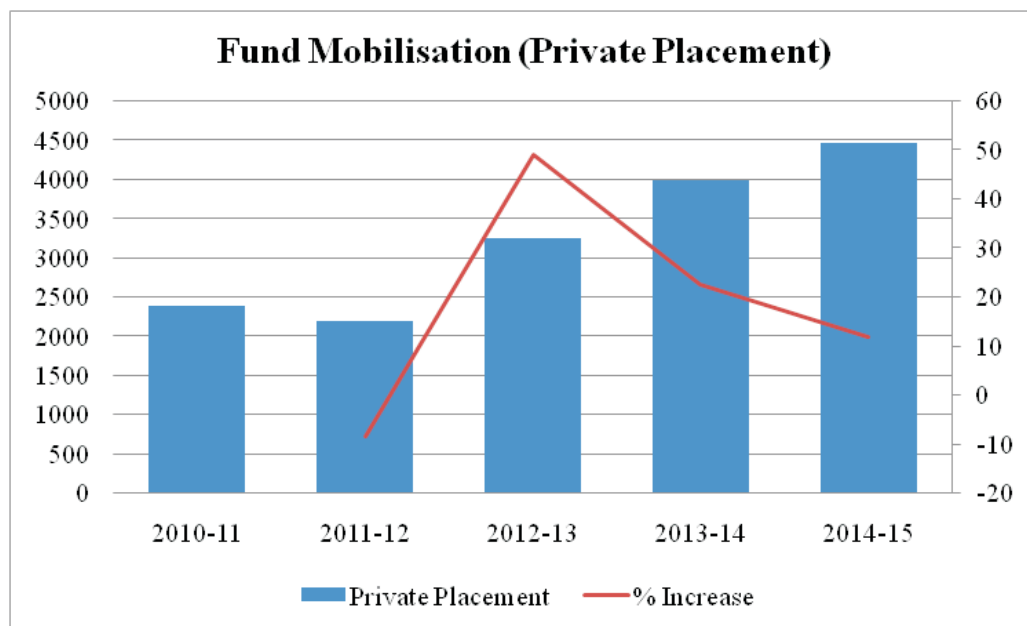
Y Axis Primary: Rs. in Billion

Y Axis Secondary: % Increase

Table 3 and figure 3 shows the fund mobilised through euro issues and percentage increase in it. Fund mobilised through euro issues (ADRs and GDRs) constitutes a very small amount as compared to prospectus, private placements and mutual funds. Fund mobilised through euro issues are highest in the year 2014-15 and stood at an average of Rs. 45.80 billion during the study period. There was a continuous decline in euro issues from 2010-11 to 2013-14. In 2014-15 euro issues has shown a respectable increase and percentage increase in it stood at an average of 1917.57 %.

**Table 4: Fund Mobilisation (Private Placement)**

Years	Private Placement (Rs. in Billion)	% Increase
2010-11	2383.94	----
2011-12	2182.5	-8.45
2012-13	3253.6	49.08
2013-14	3991.9	22.69
2014-15	4464.8	11.85
<b>Average</b>	<b>3255.35</b>	<b>18.79</b>

**Figure 4: Fund Mobilisation (Private Placement)**

Y Axis Primary: Rs. in Billion

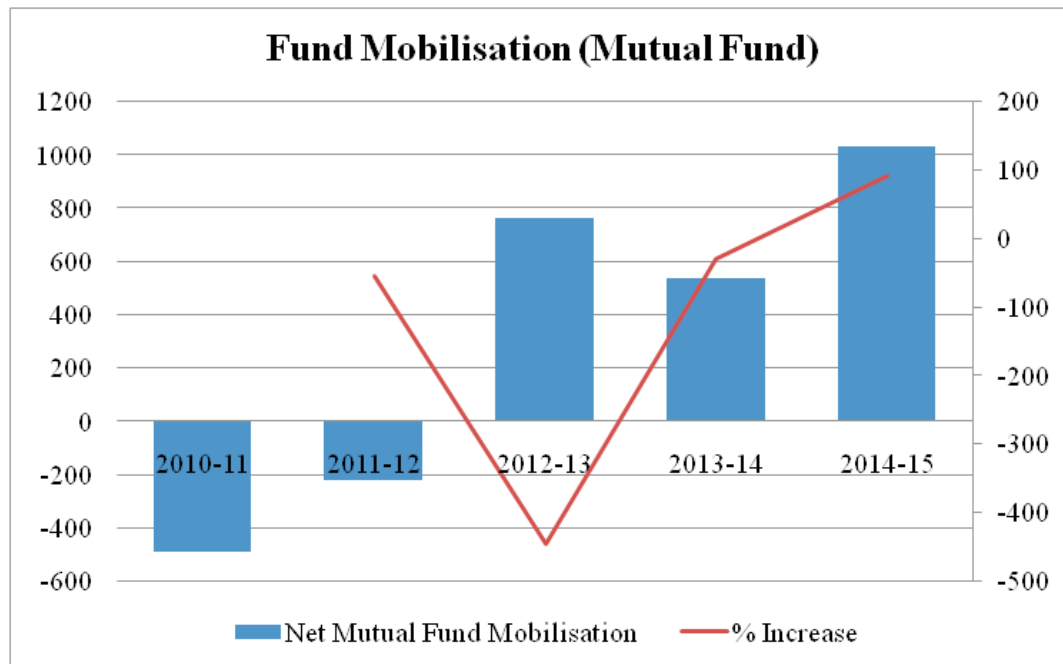
Y Axis Secondary: % Increase

Table 4 and figure 4 represents fund mobilised through private placement and its increase in percentage from 2010-11 to 2014-15. Fund mobilised through private placement are continuously increasing from 2011-12 to 2014-15 and stood at an average of Rs. 3255.35 billion during the study period. Private placement figures are maximum in 2014-15 and minimum in 2011-12. The percentage increase in private placement stood at an average of 18.79 % during the study period.

**Table 5: Fund Mobilisation (Mutual Fund)**

Years	Net Mutual Fund Mobilisation (Rs. in Billion)	% Increase
2010-11	-494.06	----
2011-12	-220.3	-55.41
2012-13	765.4	-447.44
2013-14	537.8	-29.74
2014-15	1032.9	92.06
<b>Average</b>	<b>324.35</b>	<b>-110.13</b>

Rs. in Billion

**Figure 5: Fund Mobilisation (Mutual Fund)**

Y Axis Primary: Rs. in Billion

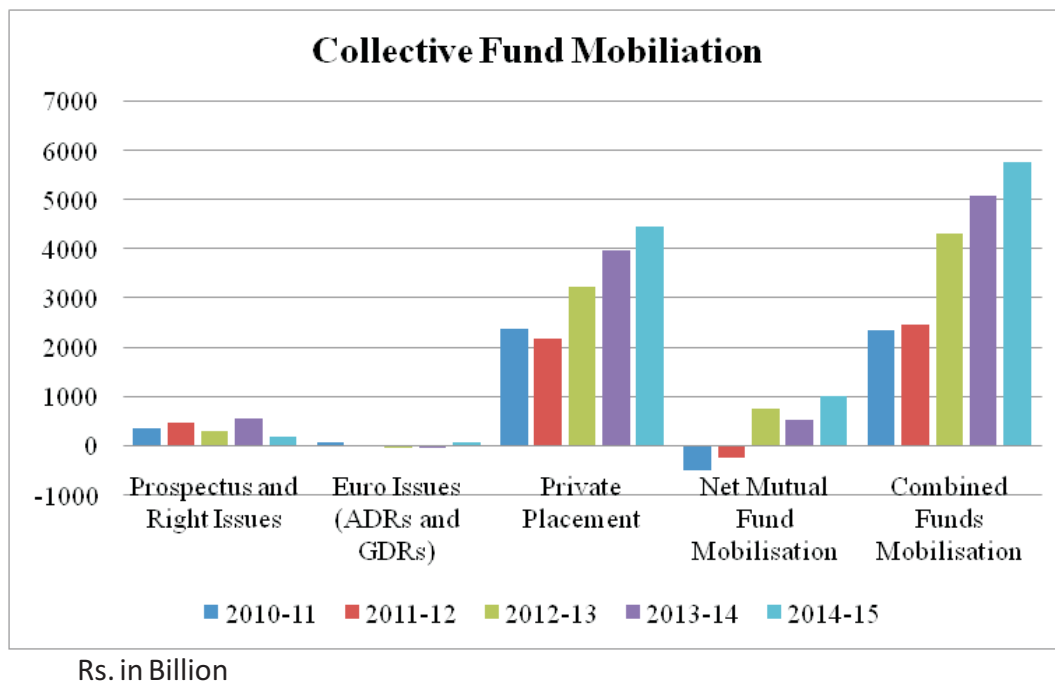
Y Axis Secondary: % Increase

Table 5 and figure 5 shows fund mobilised through mutual fund. Fund mobilised through mutual fund are negative in 2010-11 and 2011-12 and has shown a mixed trend of increase and decrease during the study period. Fund mobilised through mutual fund stood at an average of Rs. 324.35 billion and its percentage increase stood negative at an average of 110.13 %.

**Table 6: Collective Fund Mobilisation**

Years	Prospectus and Right Issues	Euro Issues (ADRs and GDRs)	Private Placement	Net Mutual Fund Mobilisation	Collective Fund Mobilisation
2010-11	376.21	94.41	2383.94	-494.06	2360.5
2011-12	484.7	27.1	2182.5	-220.3	2474
2012-13	308.6	10.4	3253.6	765.4	4338
2013-14	556.5	1.2	3991.9	537.8	5087.4
2014-15	195.1	95.9	4464.8	1032.9	5788.7
<b>Average</b>	<b>384.222</b>	<b>45.802</b>	<b>3255.348</b>	<b>324.348</b>	<b>4009.72</b>

Rs. in Billion

**Figure 6: Collective Fund Mobilisation**

## CONCLUSION

From above study it can be concluded that private placement is having a respectable share in fund mobilisation in Indian economy as its figures are highest in every year during the study period as compared to prospectus, euro issues and mutual funds. Additionally, the above study also reveals that there has been a continuous increase in collective fund mobilisation from 2010-11 to 2014-15 in India which is a good symbol of economic development.

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