Capital Market Reforms in India

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Abstract

The paper focused on the Capital market reforms in India. The paper discussed about the regulatory framework of capital market in India. Any country growth rate depends on capital market. It shows the performance of the primary and secondary market. The paper also discusses the emerging issues of capital market in India. Capital Market plays a dominant role in Indian economy and securities Market. The paper discussed the major stock exchanges like Bombay Stock Exchange, National Stock Exchange. The paper also focuses on the SEBI regulators as a body working in India. Capital Market where securities are selling and buying. Capital Market is dividend two parts. Primary market and second Secondary Market. Bond and Equity market is the main Capital Market.

Key Words Capital Market, Securities Board of India,

Introduction

Financial market is a place or a system where financial assets or instruments are created and exchanged by market participants. Financial markets play a significant role in performing the Resource management in an economy. They help capital creation by acting as a bridge between the savers and the spenders through various financial instruments like equity, debt or a mix of both. In the process it facilitates price discovery and providing liquidity for financial assets. In Every economic system, some units which may be
individuals or institutions are surplus generating (savers) while others are deficit units (spenders). Savers can either invest or hold their savings in liquid cash. Holding liquid cash is required to meet transaction or protective or tentative needs. The surplus-generating units could invest in different forms. They could invest in physical assets viz. land and building, plant and machinery or in precious Metal viz. gold and silver, or in financial assets viz. shares and debentures, units of the Mutual Funds, treasury bills, commercial papers, etc.

Financial Market is divided into two parts.

**Meaning of Capital Market**

Capital Market deals with long term market instruments maturity period more than one year. Capital Market instrument period over 4-5 years will be ideal for a company. It refers to all facilities and the institutional arrangements for borrowing and lending term funds (medium term and long term). The demand for long term funds comes from private business corporations, public corporations and the government. The supply of funds comes largely from individual and institutional investors, banks and special industrial financial institutions and Government. The secondary market is where securities are traded after being initially offered to the public in the primary market. Intermediaries provide the necessary platform for trading in the secondary market, and also for clearing and settlement. The securities are traded, cleared, and settled within the regulatory framework prescribed by the exchanges and the Securities Exchange Board of India. The National Stock Exchange has laid down rules and guidelines for various intermediaries with regard to the admission and the fee structure for trading members, listing criteria, and the listing fees for companies. With the increased application of information technology, the trading platforms of the stock exchanges are accessible from anywhere in the country through their trading terminals. The trading platforms are also accessible through the Internet. In a geographically widespread country like India, this has significantly expanded the reach of the exchanges. The secondary market is composed of equity markets and the debt markets. The transactions in the secondary market pass through three distinct phases—trading, clearing, and settlement. While the stock exchanges provide the platform for trading, the clearing corporation determines the funds and the securities obligations of the trading members, and ensures that the trade is settled through the
exchange of obligations. The clearing banks and the depositories provide the necessary interface between the custodians/clearing members for the settlement of the funds and securities obligations of the trading members. Several entities, such as the clearing corporation, clearing members, custodians,

**History of Capital Market**

Controller of Capital Issues Act (CCI) was passed in 1947. The stock markets have had many confused times in the last 140 years of their existence. The burden of wealth and expenditure tax in 1957 by Mr. T.T. Krishnamachari, the then finance minister, led to a vast fall in the markets. The dividend freeze and tax on bonus issues in 1958-59 also had a negative impact. War with China in 1962 was another memorably bad year, with the resultant shortages increasing prices all round. This led to a ban on forward trading in commodity markets in 1966, which was again a very bad period, together with the introduction of the Gold Control Act in 1963 and this led to a rebirth of interest in the capital markets, only to be punctured by the Harshad Mehta scam in 1992. The mid-1990s saw a rise in leasing company shares, and hundreds of companies, mainly listed in Gujarat, and got listed in the BSE. The end-1990s saw the emergence of Ketan Parekh and the information; communication and entertainment companies came into the limelight. This period also coincided with the dotcom bubble in the US, with software companies being the most favored stocks. There was a reduce in software stock in early 2000.

Mr. P Chidambaram continued the liberalization and reform process, opening up of the companies, lifting taxes on long-term gains and introducing short-term turnover tax. The markets have recovered since then and we have witnessed a sustained rally that has taken the index over 13000. Several systemic changes have taken place during the short history of modern capital markets. The setting up of the Securities and Exchange Board (SEBI) in 1992. The history of the Indian capital markets and the stock market, in particular can be traced back to 1861 when the American Civil War began. The opening of the Suez Canal during the 1860s led to a tremendous increase in exports to the United Kingdom and United States. Several companies were formed during this period and many banks came to the fore to handle the finances relating to these trades. With many of these registered under the British Companies Act, the Stock Exchange,
Mumbai, came into existence in 1875. It was an unincorporated body of stockbrokers, which started doing business in the city under a banyan tree. Business was essentially confined to company owners and brokers, with very little interest evinced by the general public. There had been much fluctuation in the stock market on account of the American war and the battles in Europe. Sir Premchand Roychand remained a kingpin for many years. Sir Phiroze Jeejeebhoy was another who dominated the stock market scene from 1946 to 1980. His word was law and he had a great deal of influence over both brokers and the government. He was a good regulator and many crises were averted due to his wisdom and practicality. The BSE building, icon of the Indian capital markets, is called P.J. Tower in his memory. The planning process started in India in 1951, with importance being given to the formation of institutions and markets. The Securities Contract Regulation Act 1956 became the parent regulation after the Indian Contract Act 1872, a basic law to be followed by security markets in India. The markets have witnessed several golden times too. Retail investors began participating in the stock markets in a small way with the dilution of the FERA in 1978. Multinational companies, with operations in India, were forced to reduce foreign share holding to below a certain percentage, which led to a compulsory sale of shares or issuance of fresh stock. Indian investors, who applied for these shares, encountered a real lottery because those were the days when the ICCI decided the price at which the shares could be issued. There was no free pricing and their formula was very traditional. The next big boom and mass participation by retail investors happened in 1980, with the entry of Mr. Dhirubhai Ambani. Dhirubhai can be said to be the father of modern capital markets. The Reliance public issue and subsequent issues on various Reliance companies generated huge interest. The general public was so unfamiliar with share certificates that Dhirubhai is thought to have distributed them to educate people. Mr. V.P. Singh’s fiscal budget in 1984 was path breaking for it started the era of liberalization. The removal of estate duty and reduction of taxes led to as well in the new issue market and there was an overflow of companies in 1985. Mr. Manmohan Singh as Finance Minister came with a reform was a landmark development. It got its act together, obtained the requisite powers and became effective in early 2000. The setting up of the National Stock Exchange in 1984,
the introduction of online trading in 1995, the establishment of the depository in 1996, trade guarantee funds and derivatives trading in 2000, have made the markets safer. The introduction of the Fraudulent Trade Practices Act, Prevention of Insider Trading Act, Takeover Code and Corporate Governance Norms, are major developments in the capital markets over the last few years that has made the markets attractive to foreign institutional investors. This history shows us that retail investors are yet to play a substantial role in the market as long-term Investors. Retail participation in India is very limited considering the overall savings of households. Investors who hold shares in limited companies and mutual fund units are about 20-30 million. Those who participated in secondary markets are 2-3 million. Capital markets will change completely if they grow beyond the cities and stock exchange centers reach the Indian villages. Both SEBI and retail participants should be active in spreading market wisdom and empowering investors in planning their finances and understanding the markets.

**Regulatory Framework of Capital Market**

Indian Capital Markets are regulated and monitored by the Ministry of Finance, The Securities and Exchange Board of India and The Reserve Bank of India. The Ministry of Finance regulates through the Department of Economic Affairs - Capital Markets Division. The division is responsible for formulating the policies related to the orderly growth and development of the securities markets (i.e. share, debt and derivatives) as well as protecting the interest of the investors. In particular, it is responsible for institutional reforms in the securities markets, building regulatory and market institutions, strengthening investor protection mechanism, and providing efficient legislative framework for securities markets. The Division administers legislations and rules made under the Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Securities and Exchange Board of India Act, 1992. The Regulators Securities & Exchange Board of India (SEBI) The Securities and Exchange Board of India (SEBI) is the regulatory authority established under the SEBI Act 1992 and is the principal regulator for Stock Exchanges in India. SEBI’s primary functions include protecting investor interests, promoting and regulating the Indian securities markets. All financial intermediaries permitted by their respective regulators to participate in the Indian
securities markets are governed by SEBI regulations, whether domestic or foreign. Foreign Institutional Investors are required to register with SEBI in order to participate in the Indian securities markets. Reserve Bank of India (RBI) The Reserve Bank of India (RBI) is governed by the Reserve Bank of India Act, 1934. RBI is responsible for implementing monetary and credit policies, issuing currency notes, being banker to the government, regulator of the banking system, manager of foreign exchange, and regulator of payment & settlement systems while continuously working towards the development of Indian financial markets. The RBI regulates financial markets and systems through different legislations. It regulates the foreign exchange markets through the Foreign Exchange Management Act, 1999. National Stock Exchange (NSE) in the role of a securities market participant, NSE is required to set out and implement rules and regulations to govern the securities market. These rules and regulations extend to member registration, securities listing, transaction monitoring, compliance by members to SEBI / RBI regulations, investor protection etc. NSE has a set of Rules and Regulations specifically applicable to each of its trading segments. NSE as an entity regulated by SEBI undergoes regular inspections by them to ensure compliance.

**Role of Indian Capital Market**

The capital market in India is a market for securities, where companies and governments can raise long term funds. It is a market designed for the selling and buying of stocks and bonds. Stocks and bonds are the two major ways to generate capital and long term funds. Thus, the bond markets and stock markets are considered as capital markets. The capital markets consist of the primary market, where new issues are distributed to investors, and the secondary market, where existing securities are traded. In addition, the Indian Equity Markets and the Indian Debt markets do form part of the Indian Capital market. The Indian Equity Market depends mainly on monsoons, global funds flowing into equities and the performance of various companies. The Indian Equity Market is almost wholly dominated by two major stock exchanges - National Stock Exchange of India Ltd. (NSE) and The Bombay Stock Exchange (BSE). The benchmark indices of the two exchanges - Nifty of NSE and Sensex of BSE are closely monitored by the investors. The two exchanges also have an F and O (Futures and options) segment for trading in
equity derivatives including the indices. The major players in the Indian Equity Market are Mutual Funds, Financial Institutions and FIIs representing mainly Venture Capital Funds and Private Equity Funds. The Indian Equity Market at present is a lucrative field for investors. The Indian stocks are profitable not only for long and medium-term investors, but also for the position traders, short-term swing traders and also very short term intra-day traders and speculators.

**Review of literature**

**Shirai (2004)** the study focused on financial capital reforms in India through the positive impact on both banking sectors and capital market. It showed that the relationship between bank loans and bank finance. The study focused on three major issues. Firstly firms characteristics and secondly, weak the overall substitution relationship between loans financial institutions and finally equity finance. **Bose .S. (2005)** the study highlighted the stock regulatory infrastructure of the Indian Securities market. The study also discussed the roles of the stock exchanges electronic data base in aiding the regulator in prevention, discovery and convocation of securities of funds. The study also suggested that there are rationalized to completely empower SEBI to carry out its functions as the regulators. **Venkata (2006)** the study examined the long run equilibrium between relationship Indian stock market and seven developed countries namely Switzerland, France, Germany, Japan, U.K, U.S.A and South Korea. It used multivariate co integration technique was used to developed market and developing markets. The study analyzed the short run influence of one market on the other factors which influence the Indian Capital Market. It concluded that the baring Japan, the Asian stock market under study more attractive for international investors. **Dhanda, N and Sheokand, A.(2008)** the study examined the recent trends in primary market. It also observed that the economic development process was required capital for the industrial growth of the country. The study observed that the SEBI had taken several initiatives to improve the operational efficiency and transparency in primary market. The study showed that the per centge share amount raised through right issued was ranging 4.33 percentage to 37.7. The study analyzed the public issues and right issues contained to dominated the amount of capital raised during the study period. **Ahuja (2012)** the study focused on capital market structure. It
showed that the equity debt and debt market framework in India. The study showed the effect of inflation on stock market is also evident from the fact it increases the rates of interest is also high. The study highlighted growth with governance with the Capital Market. Ardiaysh & Qoyum(2012) the study focused on two major issues. Firstly testing the efficiency of Islamic Capital Market. Secondly the regulator can make a good solution to create the real Islamic Capital Market is not efficient in information. The study also abnormal return of market was asymmetric information that will cause the occurrence of abnormal return. Oke & Adevi (2012) the study examined the impact of capital market reforms on the Nigerian economic growth. A study based on analytical nature by taking the period 1981-2010. It showed that the linkage between capital market reforms and economic growth vis-a-vis issues market capitalization, total value of transaction total new issue all share index and inflation.

**Objective**

- To describe the regulatory Framework in India.
- To describe the recent development of Capital Market in India.

**Emerging issues in Capital Market**

Capital Market facilitates lending and borrowing of long term funds. A developed capital market is essential for industrial growth and economic development. In India, the development of capital market has been facilitated by various policy measures taken by the government to make it strong and accelerate the pace of industrialization.

- Capital Market is a sine–non for speedy growth and development of every country’s economy and India is no exception.

- Although the change in the investment pattern of the Indian investors is highly encouraging, but in comparison to development countries to developed countries, the quantum of savings channeled into new issue market insufficient.

- The resources mobilization in the primary market has slowed down on account of low returns on new issues.

**Reform of Capital Market**
There are many reforms in the Capital market. Firstly, I will discuss the trends in the primary market. During May 2013, `928 crore were mobilized in the primary market by way of three issues as compared to `134 crore mobilized through one issue in April 2013, showing an increase of around 6 times over the previous month. In May 2013, there were three equity issues. The cumulative amount mobilized for the financial year 2013-14, so far, stood at `1,062 crore through four issues as against `446 crore raised through five issues during the corresponding period of 2012-13.

Chart showing many primary trends in Market

Further Primary Market Reforms
- The improved disclosure standards, introduction of prudential norms, and simplification of issue procedures.
- Companies required disclosing all material facts and specific risk factors associated with their projects while making public issues.
- Listing agreements of stock exchanges amended to require listed companies to furnish annual statement to the exchanges showing variations between financial projections and projected utilization of funds in the offer document and actual figures. This is to enable shareholders to make comparisons between performance and promises.
- SEBI introduces a code of advertisement for public issues to ensure fair and truthful disclosures.
- Disclosure norms further strengthened by introducing cash flow statements.
- SEBI introduces regulations governing substantial acquisition of shares and takeovers and lays down conditions under which disclosures and mandatory public offers are to be made to the shareholders.

Reforms in Secondary Market
The major reform undertaken in capital market of India includes:

- **Establishment of SEBI:** The Securities and Exchange Board of India (SEBI) was established in 1988. It got legal status in 1992. SEBI was primarily set up to regulate the activities of the merchant banks, to control the operations of mutual funds, to work as a promoter of the stock exchange activities and to act as a regulatory authority of new issue activities of companies. The SEBI Act, 1992 was enacted to empower SEBI with statutory powers for (a) protecting the interests of investors in securities) promoting the development of the securities market, and (c) regulating the securities market. Its regulatory jurisdiction extends over corporate in the issuance of capital and transfer of securities, in addition to all intermediaries and persons associated with the securities market. It can conduct enquiries, audits, and inspection of all concerned, and adjudicate offences under the Act. It has the powers to register and regulate all market intermediaries, as well as to penalize them in case of violations of the provisions of the Act, Rules, and Regulations made the under. SEBI has full self-government and the authority to regulate.

- **Establishment of Creditors Rating Agencies:** Three creditors rating agencies viz. The Credit Rating Information Services of India Limited (CRISIL - 1988), the Investment Information and Credit Rating Agency of India Limited (ICRA - 1991) and Credit Analysis and Research Limited (CARE) were set up in order to assess the financial health of different financial institutions and agencies related to the stock market activities. It is a guide for the investors also in evaluating the risk of their investments. Among the credit rating agencies in India, CRISIL is one of the leading credit ratings agencies which cover extensive sectors of industries and follow procedures for fair rating through substantial analyses in India. CRISIL was established as an independent body in 1992, and became affiliates of S & P in 1996. CRISIL was taken over by S&P in 2004, which holds stake of 51% of CRISIL. As one of the major characteristics of CRISIL on credit ratings and default study, CRISIL has default rate for company analyses in credit rating exercises. Other credit rating agencies are mainly focusing on failures of debt. Unlike ICRA (affiliate of Moody's), CRISIL has an independent committee on the local credit ratings and not much involved by S&P in local bond ratings. The rating methods have been established
through the relatively long experience of credit rating. To cater for uniform valuations CRISIL launched the CRISIL Bond Valuation Matrix (CRISIL BVM), which has since been mandated by SEBI/AMFI as a uniform pricing standard for the mutual fund industry. As of date nearly Rs. 80,000 crore (US $ 18 billion) of fund portfolio holdings are marked-to-market every day, based on the CRISIL Bond Valuation Matrix. The launch of the CRISIL BVM has not only set a uniform pricing standard but has also led to a considerable deepening of the corporate bond market and helped develop the broader concept of identifying and pricing “risk” inherent in securities of a portfolio.

Increasing of Merchant Banking Activities: Many Indian and foreign commercial banks have set up their merchant banking divisions in the last few years. These divisions provide financial services such as underwriting facilities, issue organizing, consultancy services, etc.

Increasing Electronic Transactions: Due to technological development in the last few years. The physical transaction with more paper work is reduced. It saves money, time and energy of investors. Thus it has made investing safer and hassle free encouraging more people to join the capital market.

rowing Mutual Fund Industry: The growing of mutual funds in India has certainly helped the capital market to grow. Public sector banks, foreign banks, financial institutions and joint mutual funds between the Indian and foreign firms have launched many new funds. A big diversification in terms of schemes, maturity, etc. has taken place in mutual funds in India. It has given a wide choice for the common investors to enter the Capital market.

rowing Stock Exchanges: The numbers of various Stock Exchanges in India are increasing. Initially the BSE was the main exchange, but now after the setting up of the NSE and the OTCEI, stock exchanges have spread across the country. Recently a new Inter-connected Stock Exchange of India has joined the existing stock Exchanges.

Investor's Protection: Under the purview of the SEBI the Central Government of India has set up the Investors Education and
Protection Fund (IEPF) in 2001. It works in educating and guiding investors. It tries to protect the interest of the small investors from frauds and malpractices in the capital market.

- **Growth of Derivative Transactions:** Since June 2000, the NSE has introduced the derivatives trading in the equities. In November 2001 it also introduced the future and options transactions. These innovative products have given variety for the investment leading to the expansion of the capital market.

- **Commodity Trading:** Along with the trading of ordinary securities, the trading in commodities is also recently encouraged. The Multi Commodity Exchange (MCX) is set up. The volume of such transactions is growing at splendid rate.

These reforms have resulted into the great growth of Indian capital market.

**Stock Exchanges in India**

The Indian Equity Market is more popularly known as the Indian Stock Market. The Indian equity market has become the third biggest after China and Hong Kong in the Asian region.

**Stock Exchange:** Stock Exchange is an organized and regulated financial market where securities (bonds, notes, shares) are bought and sold at prices governed by the forces of demand and supply.

**The Role of Stock Exchanges:** Stock exchanges have multiple roles in the economy. This may include the following:

- **Raising Capital For Businesses:** The Stock Exchange provide companies with the facility to raise capital for expansion through selling shares to the investing public.

- **Facilitating Company Growth:** A takeover bid or a merger agreement through the stock market is one of the simplest and most common ways for a company to grow by acquisition or fusion.

- **Creating Investment Opportunities For Small Investors:** As opposed to other businesses that require huge capital outlay, investing in shares is open to both the large and small stock investors because a person buys the number of shares they can afford. Therefore the Stock Exchange provides the opportunity for small investors to own
shares of the same companies as large investors.

**Barometer of the Economy:** At the stock exchange, share prices rise and fall depending, largely, on market forces. Share prices tend to rise or remain stable when companies and the economy in general show signs of stability and growth. An economic recession, depression, or financial crisis could eventually lead to a stock market crash. Therefore the movement of share prices and in general of the stock indexes can be an indicator of the general trend in the economy.

**Speculation:** The stock exchanges are also fashionable places for speculation. In a financial context, the terms speculation” and "investment" are actually quite specific. For instance, although the word "investment" is typically used, in a general sense, to mean any act of placing money in a financial vehicle with the intent of producing returns over a period of time, most ventured money—including funds placed in the world's stock markets—is actually not investment but speculation.

The larger companies are enlisted with BSE and NSE. The smaller and medium companies are listed with OTCEI (Over The Counter Exchange of India).

**Bombay Stock Exchange (BSE):** BSE is the oldest stock exchange in Asia. The extensiveness of the local equity broking industry in India led to the formation of the Native Share Brokers Association in 1875, which later became Bombay Stock Exchange Limited (BSE). BSE is widely recognized due to its pivotal and pre-eminent role in the development of the Indian capital market. In 1995, the trading system transformed from open outcry system to an online screen-based order-driven trading system.

- The exchange opened up for foreign ownership (foreign institutional investment). Indian companies to be allowed to raise capital from abroad through ADRs and GDRs.
- Expanding the product range (equities/derivatives/debt).
- Introduced the book building process.
and brought in transparency in IPO issuance.

- Depositories for share custody (dematerialization of shares).
- Internet trading (e-broking).

BSE has a nation-wide reach with a presence in more than 450 cities and towns of India. BSE has always been at par with the international standards. It is the first exchange in India and the second in the world to obtain an ISO 9001:2000 certifications. The equity market capitalization of the companies listed on the BSE was US$1.63 trillion as of December 2010, making it the 4th largest stock exchange in Asia and the 8th largest in the world. The BSE has the largest number of listed companies in the world. As of June 2011, there are over 5,085 listed Indian companies and over 8,196 scraps on the stock exchange, the Bombay Stock Exchange has a significant trading volume. Though many other exchanges exist, BSE and the National Stock Exchange of India account for the majority of the equity trading in India.

**National Stock Exchange (NSE):** With the liberalization of the Indian economy, it was found inevitable to lift the Indian stock market trading system on par with the international standards. On the basis of the recommendations of high powered Pertain Committee, the National Stock Exchange was incorporated in 1992 by Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), all Insurance Corporations, selected commercial banks and others. Trading at NSE takes place through a fully automated screen-based trading mechanism which adopts the principle of an order-driven market. Trading members can stay at their offices and execute the trading, since they are linked through a communication network. The prices at which the buyer and seller are willing to transact will appear on the screen. When the prices match the transaction will be completed and a confirmation slip will be printed at the office of the trading member. NSE have several advantages over the traditional trading exchanges. They are as follows:

- SE brings an integrated stock market trading network across the nation.
Investors can trade at the same price from anywhere in the country since after market operations are streamlined coupled with the countrywide access to the securities.

Delays in communication, late payments and the malpractice’s prevailing in the traditional trading mechanism can be done away with greater operational efficiency and informational transparency in the stock market operations, with the support of total computerized network.

**Over The Counter Exchange of India (OTCEI)**: The traditional trading mechanism prevailed in the Indian stock markets gave way to many functional inefficiencies, such as, absence of liquidity, lack of transparency, unduly long settlement periods and benami transactions, which affected the small investors to a great extent.

To provide improved services to investors, the country's first ring less, scrip less, electronic stock exchange -OTCEI - was created in 1992 by country's premier financial institutions - Unit Trust of India (UTI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI), SBI Capital Markets, Industrial Finance Corporation of India (IFCI), General Insurance Corporation and its subsidiaries and Can Bank Financial Services. Compared to the traditional Exchanges, OTC Exchange network has the following advantages:

- TCEI has widely dispersed trading mechanism across the country which provides greater liquidity and lesser risk of intermediary charges.

- Greater transparency and accuracy of prices is obtained due to the screen-based scrip less trading.

- Since the exact price of the transaction is shown on the computer screen, the investor gets to know the exact price at which she/he is trading.

**Recent development in Capital Market**

Primary market facilitates government as well corporate in raising capital to meet their requirements of capital expenditure and/or discharge of other obligation such as exit opportunity for venture capitalist/ Private Equity firm. The most common primary mechanism for raising capital is an Initial Public Offer (IPO), under which shares are offered to common public as precursor to
the trading in secondary market of an exchange. When securities are exclusively offered to the existing shareholders of company, as opposed to the general public it is called Rights Issue. Another mechanism whereby a listed company can issue equity shares, fully and partly convertible debentures which can be converted into equity shares later on, to a Qualified Institutional Buyer (QIB) is termed as Qualified Institutional Placement. Apart from raising capital in domestic market, companies can also issue securities in international market through ADR/GDR/ECB route and raise capital.

**Primary Market Development**

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<th>2010-11</th>
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<td>73.8</td>
<td>17.6</td>
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<td>Market Capitalization (crore)</td>
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<td>Gross Turnover</td>
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<td>Daily Volatility</td>
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<td>P/E Ratio</td>
<td>14.3</td>
<td>22.2</td>
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Sources Securities Exchange Board of India Handbook.

**Secondary Market Development**

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<td>Debt</td>
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<td>2,245</td>
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<tr>
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<td>2,082</td>
<td>46,737</td>
<td>46,678</td>
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Capital is increasing acquisitions targets on a year-over-year basis. This strong equity and debt desire together with solid fundamentals point to flat to lower cap rates across property sectors barring an economic setback—either a down turn in the economy or materially higher interest rates. As a result, the C&W survey points to lower to flattening cap rates across property sectors with only isolated pockets of upward cap rate pressure (indict for example given the fiscal cliff cutbacks). While multifamily has the overall lowest cap rates across property sectors, further cap rate compression is expected in the secondary multifamily markets in 2013 as investor appetite remains quite strong. The industrial sector has the most momentum and is expected to sustain significant cap rate compression in 2013 with the majority of markets/sectors expecting lower capitalization rates. And while housing office product has the highest cap rates for Class Assets, cap rates are expected to compress for prime suburban office products CMBS lending revives in 2013.

Research Methodology

Research methodology can be defined as a way to systematically solve the research problem by logically adopting various steps. For finding and exploring research question, a Researcher faces lot of problems that can be effectively resolved with using correct research methodology. The proposed study based on descriptive nature.

Data Collection

The study will be based on secondary data. The data will be collected from INTERNET, SEBI WEBSITE, E-LIBRARY, and CMIE data base, PROWESS based and from various JOURNALS, MAGAZINE, and NEWSPAPER etc.


