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AN EMPIRICAL ANALYSIS OF CAPITAL GENERATION IN INDIAN PRIMARY CAPITAL MARKET DURING POST LIBERALISATION ERA[*]

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ABSTRACT

Corporate finance is raised from the primary capital market through public offers, rights issues and private placement, etc. Public offer is the largest sources of funds from the primary capital market to the company. The initial and subsequent capital issue of securities like equity shares, preference shares, debentures or bonds can be made in the primary market through public issues as well as rights issues. This study analyses the growth and trend of capital generation in the market during 1993-94 to 2013-14 and establishes a relationship between growth of capital generation in this market and Gross Capital Formation (GCF) of the economy. Capital generation in the market is analysed based on 4 dimensions namely, total capital generation, capital generation based on type of issue and issuer and finally sector wise capital generation. Growth is calculated in simple percentage. A Linear Regression Analysis is performed on Log transformed values of capital generation under all select dimensions to analyse the trend. Finally, Pearson's correlation is used to analyse the relationship between growth of capital generation in this market and growth of GCF. The study finds that capital generation in this market suffers from a volatile growth. However, their trend is positive during the period of study. Finally, growth of capital generation in this market is found to moderately influence overall capital generation in the economy.

Keywords: Primary Market; Capital Generation; Public Issue; Rights Issue; Listed Issuer; Unlisted Issuer; Gross Capital Formation.

INTRODUCTION

Capital market in any country plays an important role by mobilising resources from the savers and investing it in productive purposes which ultimately lead to economic growth. The segment of the market where resource mobilisation takes place is known as primary capital market (Sathasivam, 2011, pp. 45-53). Fresh funds from savings surplus units to

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savings deficit units are channeled through this market. Therefore, this market plays a significant role in overall capital formation of the economy (Ahuja, 2012, pp. 387 – 399).

In India, after independence, conformist financial policies of government, credit based financial system and financial repression slackened the growth of Indian Primary Capital Market. In 1991, the then Indian government adopted few liberalisation policies that augmented real savings in the economy. Investors with surplus fund were keenly looking for some good investment destination. On the other hand, Indian companies were also in need of additional capital for expansion in a growing economy. Primary market bridged these two ends and facilitated economic growth. Economic reform in India also created an urge for Indian companies to attain global standards making India a lucrative investment destination for international investors. Deregulation also allowed Indian players to access global markets. Scientific allocation of these mobilised resources also increased productivity of investment and cost of capital was reduced luring more and more players into this market. Establishment of Securities Exchange Board of India (SEBI) during this phase as a statutory regulatory body of Indian financial market replacing erstwhile Capital Issues Control Act, 1947 is considered to be a significant event in the history of this market. SEBI with its progressive policies, promoted development of this market and protected investors' interest. Introduction of several new concepts (e.g. book building method, Initial Public Offer (IPO) grading, green shoe option etc.) made capital generation in this market a simple affair.

In the post liberalisation era, all these factors together led Indian primary capital market to flourish and a steady growth in resource mobilisation is observed. This miraculous growth appealed to a huge section of middle class Indian population who once viewed this market with acute cynicism (Nayak, 2010). Resources mobilised in this market ultimately fuel the Gross Capital Formation of the country which is an indicator of economic growth. However, in the post liberalisation era, this market has suffered from hardships as well. Declining trend in global financial market, economic downturn, and negative economic growth also affected this market adversely.

In this backdrop, this paper intends to empirically analyze growth and trend of resource mobilised in this market based on select dimensions in the post liberalisation era. This paper also makes a relationship between growth of resource mobilisation in this market and growth of overall gross capital formation of the country.

PAST STUDIES

Indian primary capital market has always been an important topic of research for authors and researchers all over the world. Burch and Foester (2004) in their book highlighted growth and development of US primary capital market over a period of time and discussed impact of several regulation and policy recommendations on development of this market with special emphasis on Initial Public Offering (IPO). Chakrabarti and De (2010) in their book, took an analytical approach to assess current status of Indian financial sector and developments in the field of legal structure that helps to improve operational efficiency of Indian primary market. Ahuja (2012) in her article thoroughly discussed several reforms, developments and regulatory interventions made in Indian primary market and compared this market with other markets of the world. Nagraj (1996) in his research paper analysed the caused behind exponential growth of Indian primary capital market in the post liberalisation era. Nayak (2010) in his research paper took an attempt to empirically analyse the developments in primary market in pre and post liberalisation era, common grievances of the investors in new issue market and regulatory measures taken to protect their interest.

Research Gap

The gaps identified in existing researches are pointed out as follows:

- A very small number of research papers consulted for this present study are analytical in nature;
- Growth of resource mobilisation is not analysed in many literatures reviewed so far;
- Analysis of trend of resources mobilisation and forecasting expected resource mobilisation in future period is also rare in existing studies; and
- None of the studies consulted so far took an attempt to establish a relationship between growth of resource mobilisation in this market and growth of gross capital formation.

Objectives of the Study

The major objectives of the study taken into consideration are as follows:

i. To analyse the growth of resource mobilisation in Indian primary capital market based on select dimensions and identify the causes behind volatility of growth in the post liberalisation periods [Refer to Table 1, Section V(a)];
ii. To explore the trend of resource mobilisations under select dimensions and to forecast expected resource mobilisation in coming periods [Refer to Table 2, Section V(b)];
iii. To analyse the relationship between growth of resource mobilisation under select dimensions and growth of gross capital formation (GCF) [Refer to Table 5, Section V(c)];
iv. To draw a suitable conclusion of the study.

DATA, METHODOLOGY, RESULTS AND DISCUSSION

Start test from here. The nature of research is exploratory based on secondary data. The data have been collected over the period 1993-94 to 2013-14 from various sources (i.e. Books, Journal Articles, SEBI Bulletin, and Economic Survey and Union Budget. Nature of data collected during the study period (dimensions of resource mobilisations) mentioned below:

- Total capital generation in the Indian Primary Market;
- Capital generation based on category of issue (Public Issue and Rights Issue);
- Capital generation by nature of issuer (Unlisted and Listed Issuer);
- Sector wise capital generation (Private and Public Sector);

Simple linear regression has been applied after taking log transformation of observed values of capital generation over the study period. Pearson's Correlation Coefficient used to check the relationship between growth of capital generation under select dimensions and growth of adjusted gross capital formation.

Growth Analysis of Capital Generation Growth of capital generation in Indian Primary Market is measured with the help of following formula:

$$\text{Growth (G)} = Y_t - Y_{t-1}/Y_{t-1} \times 100$$ Where, Y_t = Resource mobilisation in year t.

Based on the formula for calculation of growth rate, growth of resource mobilisation in Indian primary capital market during the period 1994-95 to 2013-14 is calculated here (Table-1) with reference to following dimensions:

i. Total Capital Generation;
ii. Capital Generation based on Type of Issue (Public and Rights Issue);
iii. Capital Generated based on Nature of Issuer (Listed and Unlisted Issuer);
iv. Sector wise Capital Generation (Private and Public Sector).

TABLE 1

Capital Generation through Indian Primary Capital Market

Year	Growth in Total Capital Generation (%)	Growth of Capital Generation based on Type of Issue (%)		Growth of Capital Generation based on Type of Issuer (%)		Growth in Sector Wise Capital Generation (%)	
		Public	Right	Listed	Unlisted	Private	Public
1993-94	-------	-------	-------	-------	-------	-------	-------
1994-95	13.38	36.22	-26.17	-33.00	110.74	0	0
1995-96	-24.71	-32.34	-0.36	-10.68	-34.08	-36.66	205.73
1996-97	-31.38	-18.84	-58.57	-15.73	-45.45	-38.45	-3.12
1997-98	-67.99	-75.24	-37.19	-57.69	-82.42	-62.39	-82.21
1998-99	22.24	75.37	-66.77	47.12	-61.41	43.20	-90.21
1999-00	39.92	24.66	174.93	-1.63	572.69	38.08	184.50
2000-01	-21.86	-14.04	-53.25	-33.59	0.12	-22.64	7.60
2001-02	23.50	20.89	42.76	87.31	-55.85	12.03	337.69
2002-03	-46.04	-44.03	-58.61	-52.19	-13.57	-71.26	130.70
2003-04	471.79	511.84	133.64	453.59	215.45	140.80	758.73
2004-05	21.42	10.67	259.09	-13.56	319.61	275.64	-40.55
2005-06	-3.09	-5.46	13.05	13.37	-20.46	17.70	-35.25
2006-07	22.37	27.91	-9.25	-69.59	160.64	57.08	-75.23
2007-08	159.73	82.95	776.50	-11.17	49.44	112.15	1008.38
2008-09	-81.36	-93.43	-61.14	184.40	-91.59	-75.90	-100.00
2009-10	254.84	1274.54	-34.17	140.24	659.24	63.00	0.00
2010-11	17.47	18.01	14.23	5.57	30.75	11.15	22.84
2011-12	-28.31	-20.67	-75.01	-78.31	16.75	-32.37	-25.19
2012-13	-33.04	-65.41	276.63	164.04	-84.28	-10.99	-48.36
2013-14	71.47	220.38	-48.84	196.40	-81.07	-33.97	197.80

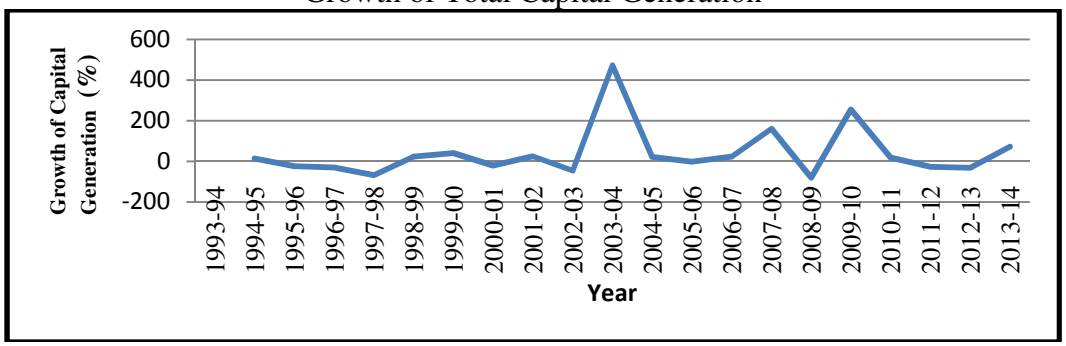
(Source: Compilation of Secondary Data from SEBI Bulletin using SPSS)

Figure 1 to Figure 4 represents growth of resource mobilisation in Indian primary market based on select dimensions. With a view to analysing the growth, the study period has been segregated into 4 different phases. Growth of resource mobilisation in each of these phases with reference to select dimensions is discussed here.

Initial phase of economic reform (1993-94 to 1997-98).

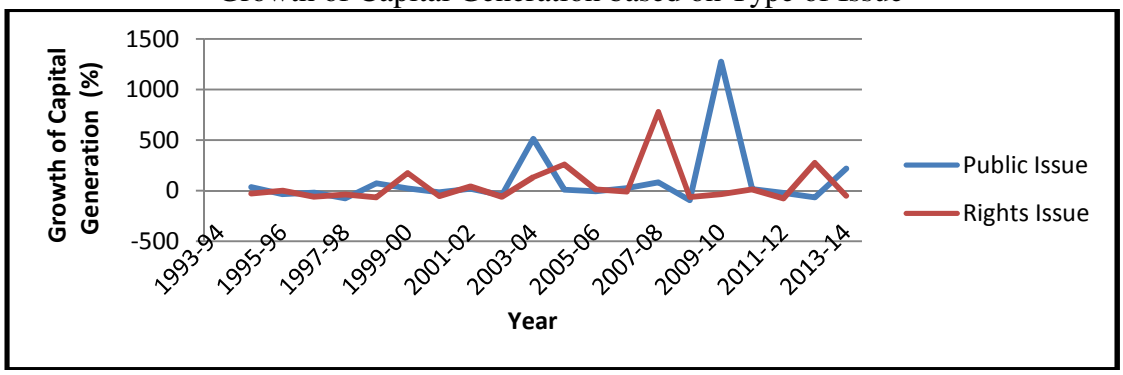
- After economic reforms, regulatory bottlenecks led to negative growth in capital generation in the market for quite some time, while growth rate was stabilised after 1997-98.
- During this phase, resource mobilisation through public and rights issue exhibited almost equal growth rates.
- Growth of resource mobilisation by listed issuers was more than that of unlisted issuer. It suggests that unlisted companies had limited access to primary market during that period.
- A similar situation occurred for companies belonging to private sector. Their growth during this phase was much less than that of companies in public sector.

FIGURE 1
Growth of Total Capital Generation



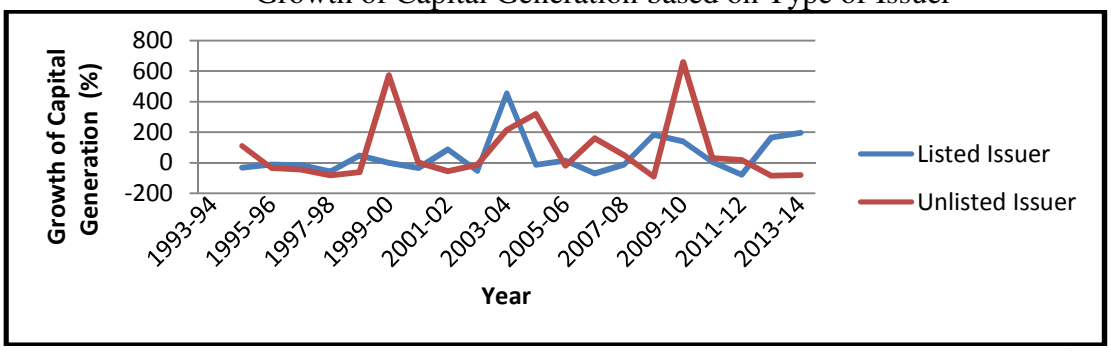
(Source: Based on Table-1)

FIGURE 2
Growth of Capital Generation based on Type of Issue



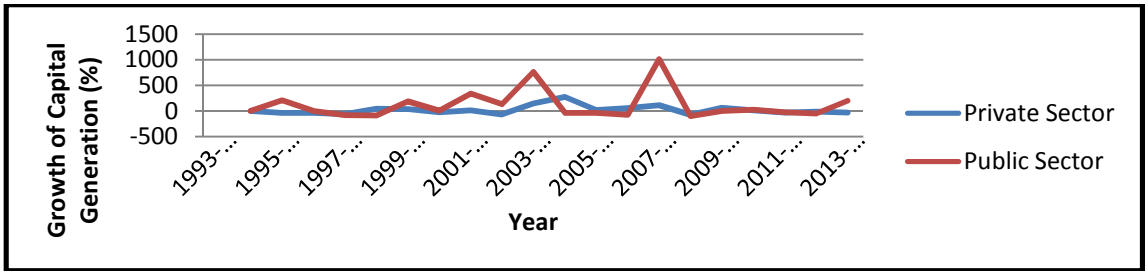
(Source: Based on Table-1)

FIGURE 3
Growth of Capital Generation based on Type of Issuer



(Source: Based on Table-1)

FIGURE 4
Sector Wise Growth of Capital Generation



(Source: Based on Table-1)

Growth phase (1998-99 to 2007-08).

- After 2003-04, favourable international oil prices, growth of agriculture and industry and inflow of foreign capital led to huge growth of Indian economy (Economic Survey and Union Budget, 2004-05). National savings was increased to a great extent. By the end of 2007-08, a huge amount of fund was channelled into the market leading to its enormous growth (Economic Survey and Union Budget, 2007-08).
- This phase is characterised by entry of new players in this market. Savings mobilisation and technological advancement in this market, allowed a huge number of companies to enter this market through Initial Public Offer (IPO) route. From the growth of capital generation based on type of issue, it can be said that companies during this phase, preferred public issue over rights issue. It naturally indicates that huge number of new investors was brought under the market mechanism.
- Entry of foreign players during this phase also encouraged private players to generate resources from this market. This phase shows a satisfactory growth of capital generation by private sector companies.

Global economic crisis phase (2008-09 to 2010-11).

- In 2008-09 when US Sub-Prime crisis came into light, like many other developing economies of the world, Indian economy was also impacted to a great extent. As a result, this market faced serious adversities during this phase (Economic Survey and Union Budget, 2008-09). In 2009-10, few positive government stimuli revived the market to certain extent (Economic Survey and Union Budget, 2011-12). In 2010-11, political instability, indecent policies by the government, inflationary conditions, and currency devaluations again led to negative growth in the market.
- During this phase, companies preferred not to increase their exposure to new investors. Growth in rights issue over public issue is an evidence of this fact. However, the situation reversed after provision of select Government stimuli in this market.
- Although capital generation by unlisted issuer was showing a negative growth during this phase, capital generation listed issuers projected a declining yet positive growth.
- In a crippled economy, capital generation by both private and public sector companies projected a negative growth. However, government stimuli have encouraged their growth in subsequent period.

Current scenario (2012-13 to Present time)

- Currently, change in Government at the Centre, significant steps taken by Reserve Bank of India (RBI) to improve market condition and responsible performance of Securities Exchange Board of India (SEBI) to reduce stock market fraud, positively impacted market sentiments resulting in an upsurge in capital generation.
- Once again companies started preferring public issue over rights issue resulting in entry of new investors in the market. However, entry of new players in the market through IPO route has been stalled.
- Public sector is gaining momentum over private sector in terms of capital generation during this phase.

Trend Analysis of Capital Generation

With a view to identifying a trend of capital generation in this market with reference to select dimensions, we need to plot yearly capital generation in a scatter diagram. The line that best fit the data is called its trend. Therefore, while analysing the trend of capital

generation in Indian primary market, our main objective is to explore the increase or decrease in capital generation with respect to time. Therefore, capital generation is the Dependent Variable (DV) and time represented by year is the Independent Variable (IV). Now, this relationship can be established based on the following formula:

$$\Rightarrow \quad Y_t = Y_1 \times (1+g)^t \quad .....(i)$$

Where,

- Y_t = *Capital generation at time t;*
- Y_1 = *Capital generation in the beginning year; and*
- g = *Compounded Annual Growth Rate (CAGR)*

If we term $Y_1 = a$ and $(1+g) = b$, we can rewrite the above equation in the following way,

$$\Rightarrow \quad Y_t = ab^t \quad .....(ii)$$

Therefore, a non-linear relationship exists between capital generation and time period. It is known as exponential relationship statistically. In order to get the trend of Yt, during our study period, we need to estimate the values of a and b. However, it is difficult to compute those values from the above equation. Therefore, the above non-linear equation is transformed into a linear equation by taking log at the both side. Hence, the equation becomes:

$$\Rightarrow \text{Log } Y_t = \text{Log } a + t \text{ Log } b \quad ..... \text{ (iii)}$$

In order to estimate the values of Log a and Log b, we need to log transform the observed values of Yt. Accordingly, we have performed log transformation of the amount of capital generation under each select dimension in our study. We can estimate the values of Log a and Log b based on following formulae:

$$\Rightarrow \text{Log } b = = (N\Sigma \text{ Log } Y_t \times t - (\Sigma \text{ Log } Y_t)(\Sigma t)) / (N\Sigma t^2 - (\Sigma t)^2)$$

$$\Rightarrow \text{Log } a = (\Sigma \text{ Log } Y_t - \text{Log } b (\Sigma t)) / N$$

Where,

- N = Number of observations = 21; and
- t is the time period 1 – 21 [1993-94 to 2013-14]

After calculating the values of Log a and Log b, we need to take antilog of them to get the values of a and b. If we put these values of a and b in Equation (ii), we can estimate the trend values of Yt. From this equation, we can also forecast the values of Yt in the forthcoming periods. In Equation (ii) b is represented by (1+g) where g is CAGR for the study period. From the estimated value of b, we can also calculate the value of CAGR for capital formation under each of the dimension. CAGR (%) = (b-1)× 100

We have observed capital generation in primary capital market during our study period (1993-94 to 2013-14) based on following dimension:

a. Total Capital Generation;
b. Capital Generation based on Type of Issue (Public and Rights Issue);
c. Capital Generated based on Nature of Issuer (Listed and Unlisted Issuer);
d. Sector wise Capital Generation (Private and Public Sector)

Based on the observed values under each head, we can estimate the trend of capital generation using aforesaid formulae. Estimated values of Log a, Log b, a, b, trend values of capital generation during our study period and forecasted values of capital generation for coming 3 years for each select dimension in presented in the following table:

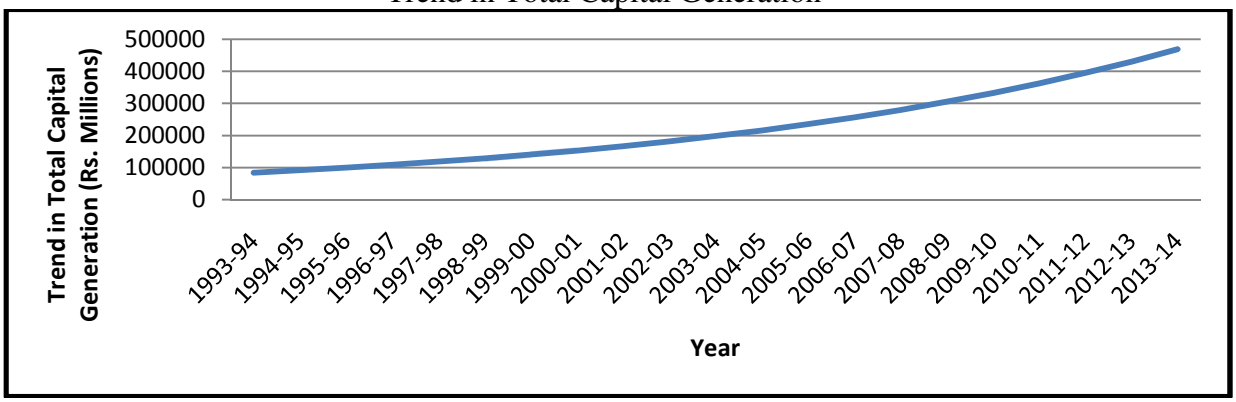
TABLE 2
Trend of Capital Generation in Primary Capital Market

Year	Trend in Total Capital Generation (Rs. Millions)	Trend of Capital Generation based on Type of Issue (Rs. Millions)		Trend of Capital Generation based on Type of Issuer (Rs. Millions)		Trend in Sector Wise Capital Generation (Rs. Millions)	
		Public	Right	Listed	Unlisted	Private	Public
1993-94	83642.4	65679.0	18805.5	54866.3	30859.1	66881.5	3502.4
1994-95	91170.22	71590.1	19934.8	58158.3	33019.3	70894.4	4413.1
1995-96	99375.54	78033.2	21130.9	61647.8	35330.6	75148.0	5560.5
1996-97	108319.3	85056.2	22398.7	65346.7	37803.8	79656.9	7006.2
1997-98	118068.1	92711.3	23742.7	69267.5	40450.0	84436.3	8827.8
1998-99	128694.2	101055.3	25167.2	73423.5	43281.5	89502.5	11123.0
1999-00	140276.7	110150.3	26677.2	77828.9	46311.3	94872.6	14015.0
2000-01	152901.6	120063.8	28277.9	82498.7	49553.0	100565.0	17658.9
2001-02	166662.7	130869.5	29974.5	87448.6	53021.8	106598.9	22250.2
2002-03	181662.4	142647.8	31773.0	92695.5	56733.3	112994.8	28035.3
2003-04	198012	155486.1	33679.4	98257.2	60704.6	119774.5	35324.5
2004-05	215833.1	169479.8	35700.2	104152.7	64953.9	126961.0	44508.8
2005-06	235258	184733.0	37842.2	110401.8	69500.7	134578.7	56081.1
2006-07	256431.3	201359.0	40112.7	117025.9	74365.8	142653.4	70662.2
2007-08	279510.1	219481.3	42519.5	124047.5	79571.4	151212.6	89034.4
2008-09	304666	239234.6	45070.6	131490.3	85141.3	160285.3	112183.3
2009-10	332085.9	260765.7	47774.9	139379.8	91101.2	169902.5	141351.0
2010-11	361973.7	284234.6	50641.4	147742.5	97478.3	180096.6	178102.2
2011-12	394551.3	309815.7	53679.9	156607.1	104301.8	190902.4	224408.8
2012-13	430060.9	337699.2	56900.6	166003.5	111602.9	202356.6	282755.1
2013-14	468766.4	368092.1	60314.7	175963.7	119415.1	214497.9	356271.4
2014-15	510955.4	401220.4	63933.6	186521.5	127774.2	227367.8	448901.9
2015-16	556941.3	437330.2	67769.6	197712.8	136718.4	241009.9	565616.4
2016-17	607066.1	476689.9	71835.8	209575.6	146288.7	255470.5	712676.7
Log a	4.885	4.78	4.249	4.714	4.46	4.8	3.444
Log b	0.038	0.036	0.025	0.025	0.029	0.026	0.101
a	76736.15	60255.96	17741.89	51760.68	28840.32	63095.73	2779.71
b	1.09	1.09	1.06	1.06	1.07	1.06	1.26
CAGR	9%	9%	6%	6%	7%	6%	26%

(Source: Compilation of Secondary Data from SEBI Bulletin using SPSS)

The trend values of capital generation during our study period for each select dimension in presented with the help of following figures:

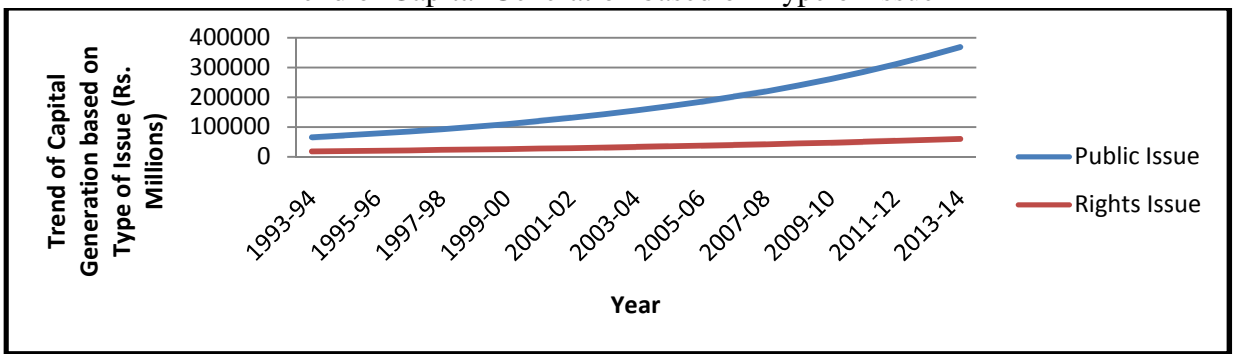
FIGURE 5
Trend in Total Capital Generation



(Source: Based on Table-2)

FIGURE 6

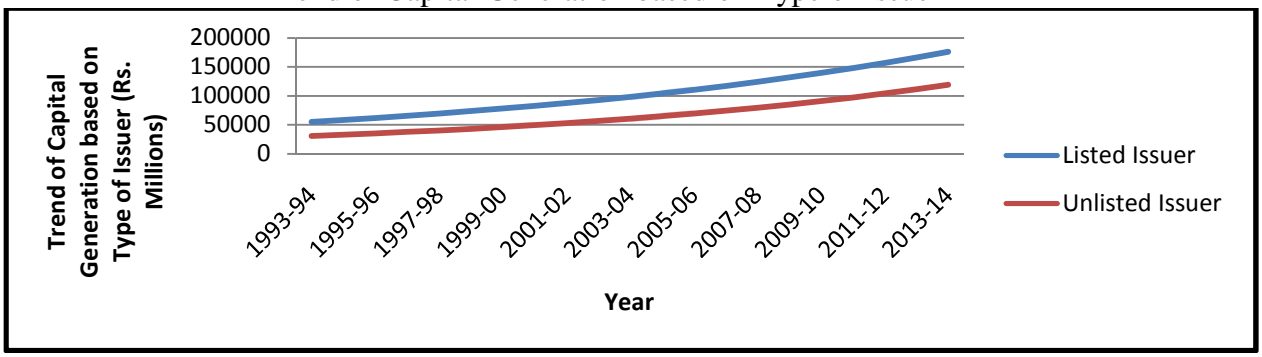
Trend of Capital Generation based on Type of Issue



(Source: Based on Table-2)

FIGURE 7

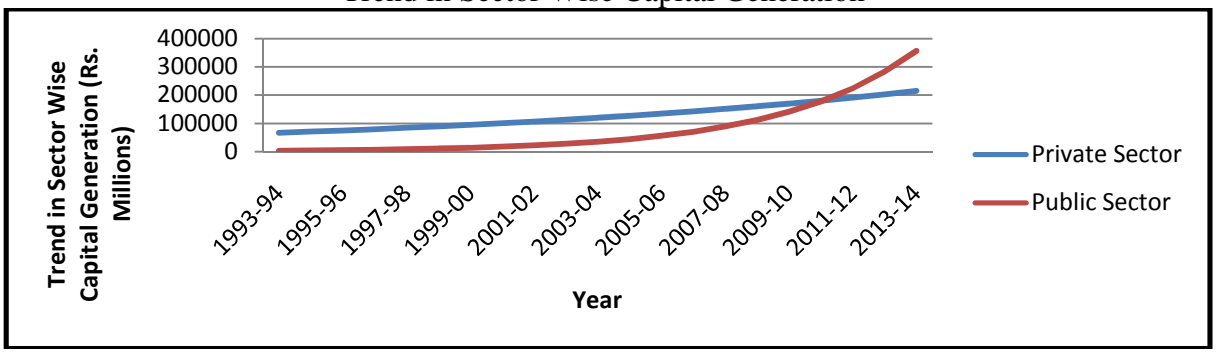
Trend of Capital Generation based on Type of Issuer



(Source: Based on Table-2)

FIGURE 8

Trend in Sector Wise Capital Generation



(Source: Based on Table-2)

- It is observed that total capital generation in Indian primary capital market is showing an increasing trend during the study period (Figure 5). The calculated value of CAGR is 9%. It shows that capital generation in this market is constantly increasing at 9% rate.
- It is evident that capital generation through public and rights issue is showing an upward trend. But, the trend line for public issue is steeper than that of rights issue (Figure 6). It signifies that rate of capital generation through public issue during our study period is much higher than that of rights issue. During the period under study, capital generation by public issue route has registered a growth of 9% as compared to only 6% growth in case of rights issue (Table 2).

- It is observed that capital generation by listed and unlisted issuer are following almost equal trend (Figure 7). However, CAGR of capital generation by unlisted issuer (7%) is slightly higher than that of listed issuers (6%) (Table 2).
- The trend line of sector wise capital generation is plotted against years under study. It is observed that capital generation in both the sector is showing an upward trend. But, the trend line for public sector is much higher than that of private sector (Figure 8). At the end of 2011-12, the trend line of public sector capital generation intersects the trend line of private sector capital generation and moves upward. A staggering growth of 26% in public sector capital generation against only 6% growth in private sector capital generation shows that public sector companies have access this market more often.
- Forecasts of capital generation under each dimension for 2014-15, 2015-16 and 2016-17 shows that capital generation under all select dimensions are going to rise in the forthcoming periods.

Relationship between Growth of Capital Generation and GCF

Savings mobilisation from primary market led to generation of capital stock. Net addition to the capital stock during a financial year in a country is known as its Gross Capital Formation (GCF). Growth in GCF influences country's economic growth. This segment establishes a relationship between growth of capital generation in primary capital market under each select dimension and growth of adjusted GCF. Growth of capital generation is exhibited in Table-1. The growth of adjusted GCF during our study period is shown here (Table-3).

TABLE 3

Growth of Adjusted Gross Domestic Capital Formation

Year	Growth of Adjusted GCF (%)	Year	Growth of Adjusted GCF (%)	Year	Growth of Adjusted GCF (%)	Year	Growth of Adjusted GCF (%)
1994-95	30.73	1999-00	23.44	2004-05	39.56	2009-10	22.35
1995-96	19.91	2000-01	-1.84	2005-06	20.27	2010-11	21.52
1996-97	8.41	2001-02	7.99	2006-07	19.67	2011-12	9.40
1997-98	19.63	2002-03	9.91	2007-08	24.12	2012-13	-4.70
1998-99	8.56	2003-04	21.45	2008-09	1.61	2013-14	4.90

(Source: Economic Survey, 2013-14)

The above table shows a volatile growth in adjusted GCF during our study period. Nature of relationship between growth of capital generation under select 4 dimensions and growth of adjusted GCF can be measured with the help of Pearson's Correlation Co-efficient (r). It is an indicator of linear relationship between two components. In our study, these two components are growth of capital formation (x) and growth of resource mobilisation based on different parameters (y) during 1994-95 to 2013-14. Statistical formula for calculating 'r' is presented as follows:

$$r = \frac{n\sum xy - (\sum x)(\sum y)}{\sqrt{n(\sum x^2) - (\sum x)^2}\sqrt{n(\sum y^2) - (\sum y)^2}}$$

Where n is the number of pairs of data. In our analysis n = 20. The value of 'r' ranges between -1 to 1. The basic guideline for interpreting different values of 'r' is under (Leared Statistics).

TABLE 4

Guideline for Interpreting Correlation Coefficient between Two Variables

Value of r	Strength of Linear Relationship
-1	Perfect negative relationship between two variables. It implies if one variable increases, another variable will decrease with an exact proportion.
-1 to -.5	Very high negative relationship.
-.5 to -.3	Moderate negative relationship
-.3 to -.1	Small negative relationship.
-.1 to 0	Very small negative relationship
0	No linear relationship.
0 to .1	Very small positive relationship
.1 to .3	Small positive relationship
.3 to .5	Moderate positive relationship
.5 to 1	Very high positive relationship
1	Perfect positive relationship between two variables. It implies if one variable increases, another variable will increase with an exact proportion.

Now, based on growth rates calculated in Table-1 and Table-3, let us calculate correlation coefficient between (a) GCF growth and growth of overall resource mobilisation in Indian capital market and (b) GCF growth and resource mobilisation in each individual category under each dimensions identified in the previous sections:

TABLE 5

Correlation Coefficients between GCF Growth and Growth of Resource Mobilisation based on Select Dimensions

Growth of GCF and Growth of overall Capital Generation in Primary Market	.318
Growth of GCF and Growth of Capital Generation based on type of issue	
Growth of GCF and Growth of Capital Generation through Public Issue	.213
Growth of GCF and Growth of Capital Generation through Rights Issue	.298
Growth of GCF and Growth of Capital Generation based on nature of issuer	
Growth of GCF and Growth of Capital Generation by Listed Issuer	-.186
Growth of GCF and Growth of Capital Generation by Unlisted Issuer	.563
Growth of GCF and Sector wise Growth of Capital Generation	
Growth of GCF and Growth of Capital Generation by Private Sector Companies	.659
Growth of GCF and Growth of Capital Generation by Public Sector Companies	.194

(Source: Compilation of Secondary Data using SPSS)

- Growth of GCF and growth of total capital generation in primary capital market is moderately correlated. This proves capital generation in primary capital market has moderate impact on overall capital formation of the economy.
- There is small positive correlation between growth of GCF and growth resource mobilisation through public and rights issue. It proves none of the issue type individually can influence overall capital generation of the country.
- Growth of GCF has small but negative correlation with growth of capital generated by listed issuer. It shows that excessive access of this market by listed issuer actually has a negative impact on overall capital formation of the country. On the other hand, if new players enter this market resulting in growth of resource mobilisation by unlisted issuers, it will have a great positive influence on overall capital formation of the country. A strong positive correlation coefficient between growth of GCF and growth of capital generation by unlisted issuers is an evidence of this statement.

- Growth of capital generation by private sector companies has higher positive impact on overall capital formation than that of public sector companies. It proves that presence of private players in the market actually boost overall economic growth.

CONCLUSIONS

The present analysis shows that growth of capital generation under all select dimensions is volatile during the study period. Though it was on the growth platform for quite some time after economic reform took place, it was halted to a great extent at the eve of global financial crisis. Capital generation in current scenario is still suffering from adversities. Whenever the market took a positive turn, new issuers and investors entered the market resulting in higher growth for public issue and issue by unlisted issuer. Economic liberalisation encouraged participation of private players in this market, while growth scenario does not show a great participation by them. An analysis of trend of capital generation under all select parameters shows a positive trend in all the aspects considered in our study. The forecast for coming three years is also giving an optimistic view of the market. During the study period, trend of capital generation through public issue is much higher than that of rights issue. Similarly, capital generation by public sector companies shows a higher trend than that of private sector companies during the period under study. Analysis of correlation coefficient between growth of capital generation in this market under all select dimensions and growth of GCF shows that capital generation is moderately correlated with GCF. Capital generation by unlisted issuers and private sector companies significantly influence overall capital formation in the country.

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