International Journal of Multidisciplinary Research and Modern Education (IJMRME)
ISSN (Online): 2454 - 6119
(www.rdmodernresearch.org) Volume II, Issue I, 2016

FUNDS ENLISTMENT PATTERN OF INDIAN CORPORATE SECTOR

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Abstract:

The present study represents the financial pattern of Corporate India in the modern world. Indian economy is growing at a faster rate when compared to earlier days. The economic development of any country is based on its industrial development. The financing pattern is the key area for the development of industrialization. Without having sufficient funds one cannot do anything. It means finance is the back bone of any Country or Company. The study presents the funds mobilized by the Corporate India through Debt and Equity.

Key Words: Corporate India, Debt Financing, Equity Financing, Funds & Mobilization.

Introduction:

Corporate finance means acquisition and allocation of financial resources of companies in order to increase the wealth of the shareholders. Simply it is the process of raising and investing the funds in an intellectual manner with a motive of maximizing their profits in order to build the value of the shareholders. It requires proper planning and execution of capital structure.

- Corporate finance covers every decision a firm makes that may affect its finances which can be grouped into five areas for the conceptual understanding.
- The first is the objective function, where we define what exactly the objective in decision making should be.
- The second is the investment decision, where we look at how a business should allocate of resources across competing uses.
- The third is the financing decision, where we examine the sources of financing and whether there is an optimal mix of financing.
- The fourth is the dividend decision, which relates to how much a business should reinvest back into operations and how much should be returned to the owners.
- Finally, there is valuation, where all of the decisions made by a firm are traced through to a final value.

Review of Literature:

Modigliani and Miller (1958) argued that real investment decisions are independent of financial decisions. Capital structure of the firms or sources of financing has no bearing on their financial decisions. Debt and equity are not merely alternative modes of finance, but are also alternative modes of governance (Williamson 2002). Corporate governance is meant to create some rules and regulations which would ensure that external investors and creditors in a firm can get their money back and would not simply be expropriated by those who are managing the firm (Shleifer and Vishny 1997). Berle and Means (1932) argued that the separation of ownership and control may lead managers to pursue their own objectives at the expense of owners. However, it is also argued that the diffuse equity ownership can also make managers run the firm to their own benefits at the expense of investors (Bolton and Schartstein 1998, p.100). Cornelli, Portes, and Schaffer (1998) observed that the price of outstanding shares usually drops when a firm announces a new equity issue. An increase in debt has also a similar but less strong effect on share price. This could be the reason why managers prefer internal financing, turn to debt if the former option is not available and use equity issue only as a last resort.

Objectives of the Study:

1. To know about the funds enlistment pattern of Indian corporate Sector.

3. To depict the funds mobilized by Corporate India through equity.
4. To project the funds mobilized by Corporate India by Debt Issues.

Methodology:

Data Collection:

The entire study is based on the secondary data. Hence the researcher has been gathered the information through websites, journals etc.

Period of the Study:

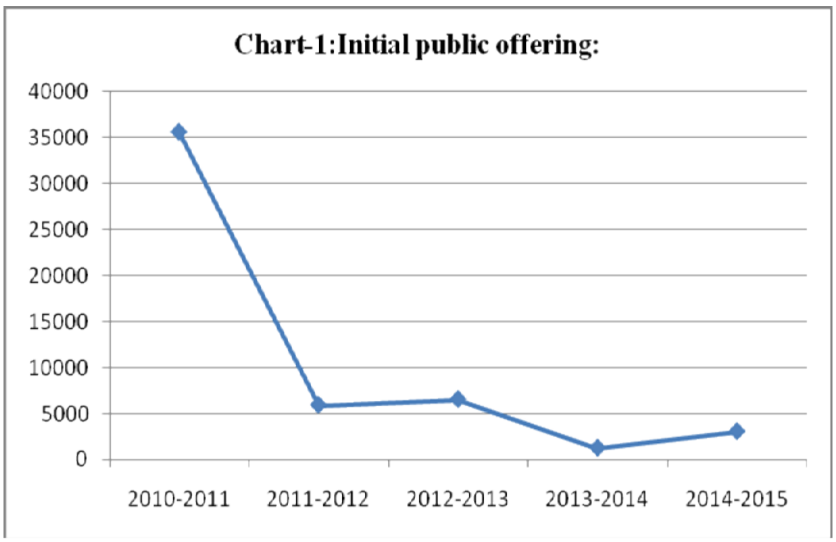
The data has been collected for the present study is from 2010-'11 to 2014-'15.

Results and Discussion:

1. **Finance Mobilized by Corporate India through Equity:**

Table 1: Initial Public Offering (IPO)
(Rupees in Crores)

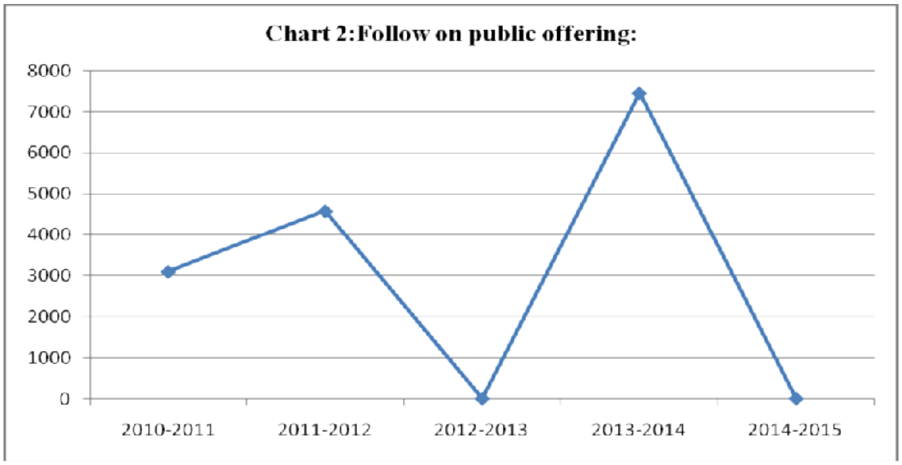
Year	Amount
2010-2011	3558.7
2011-2012	5903.9
2012-2013	6528.6
2013-2014	1236.0
2014-2015	3039.0



The above information projects that the funds mobilized by Corporate India through Initial public offering has been gradually declining. During 2010-2011 funds mobilized through IPOs is Rs 3558.7 Crores and 2014-2015 it has reached to Rs3039 Crores. In 2013-2014 funds mobilized by IPOs is Rs 1236 Crores, which is the least amount in the table 1.

Table 2: Further Public Offer (FPO)
(Rupees in Crores)

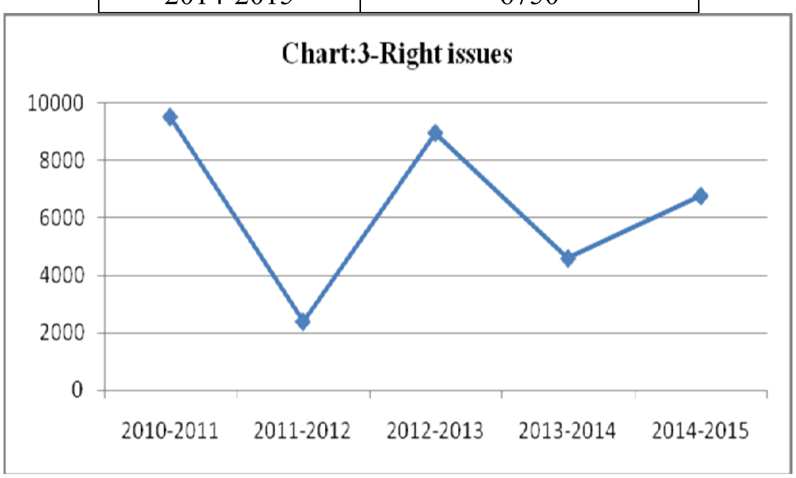
Year	Amount
2010-2011	3095.3
2011-2012	4578.2
2012-2013	0
2013-2014	7457.0
2014-2015	0



During the year 2013-2014, the funds raised through FPOs by corporate India are Rs.7457 Crores. The fund mobilized by the FPOs in the year 2012-2013 & 2014-2015 is zero. This represents that the year 2013-14 is having the highest value in mobilization of funds through FPOs.

Table 3: Funds Mobilization through Rights Issue
(Rupees in Crores)

Year	Amount
2010-2011	9503.3
2011-2012	2375
2012-2013	8945.1
2013-2014	4576
2014-2015	6750

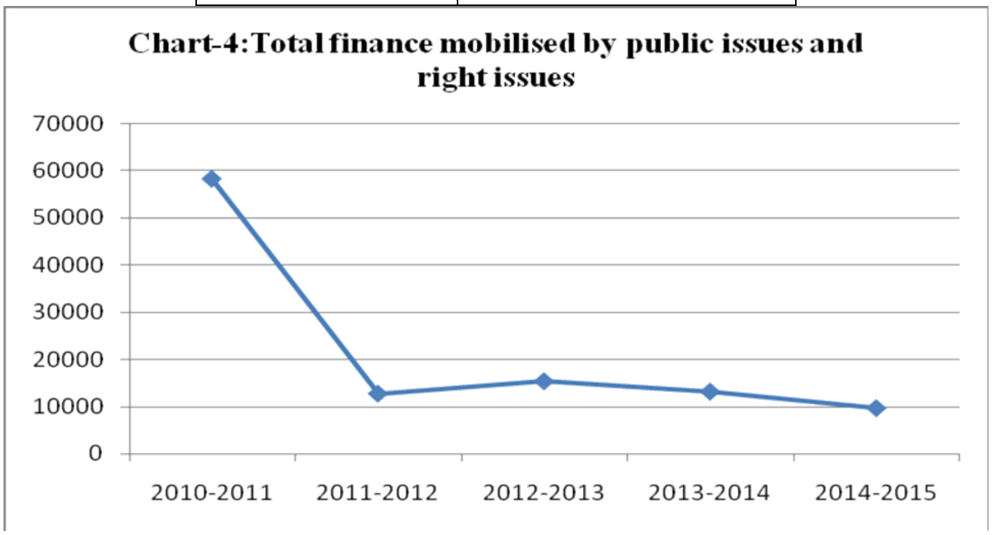


The fund mobilized by Indian corporate from primary market by issuing rights issue in 2010-2011 is Rs. 9503.3Crores. This is the biggest value in the table. The above chart represents that the trend line is not consistent. It is in fluctuating manner.

Table-4: Total Funds Mobilised through Public Issues and Rights Offering
(Rupees in Crores)

Year	Amount
2010-2011	58157.3
2011-2012	12857

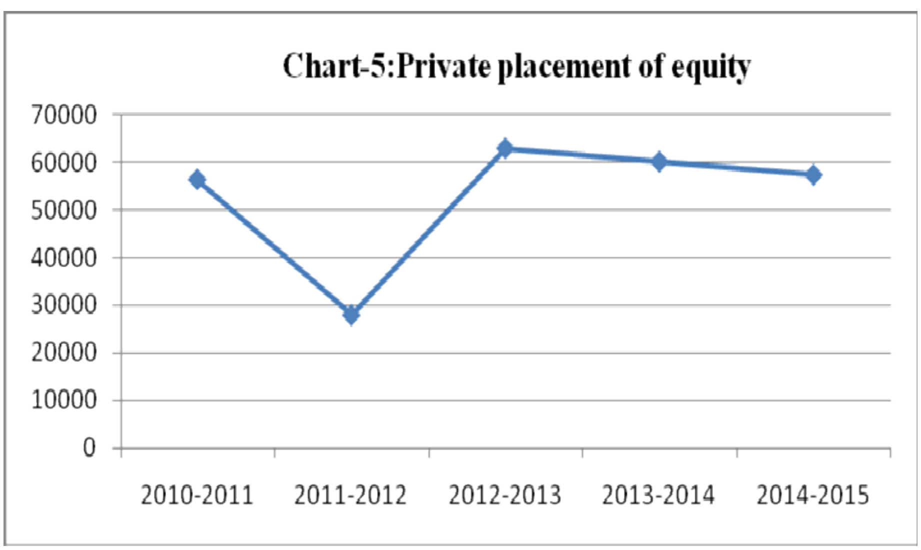
2012-2013	15473.7
2013-2014	13269
2014-2015	9789.0



During the study, funds mobilized through public issue and rights issue is Rs. 58157.3 Crores. Corporate India is not continued its preference to raise capital through public and right issues, because trend line is showing ups and downs. Finally the curve has fall down to Rs. 9789Crore in 2014-2015.

Table-5: Funds Mobilization through Private Placement of Equity (Rupees in Crores)

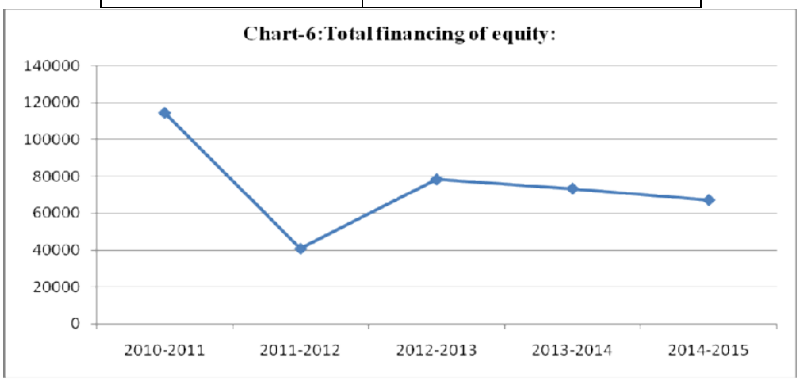
Year	Amount
2010-2011	56361
2011-2012	27871
2012-2013	62935
2013-2014	60125
2014-2015	57362



In 2011-2012, the funds mobilized by corporate India fell down (i.e. Rs. 2781Crores) when compared to the year 2010-11. Later also the mobilization values are declining throughout the study period.

Table-6: Total Financing by Equity
(Rupees in Crores)

Year	Amount
2010-2011	114518
2011-2012	40728
2012-2013	78408.7
2013-2014	73394
2014-2015	67151

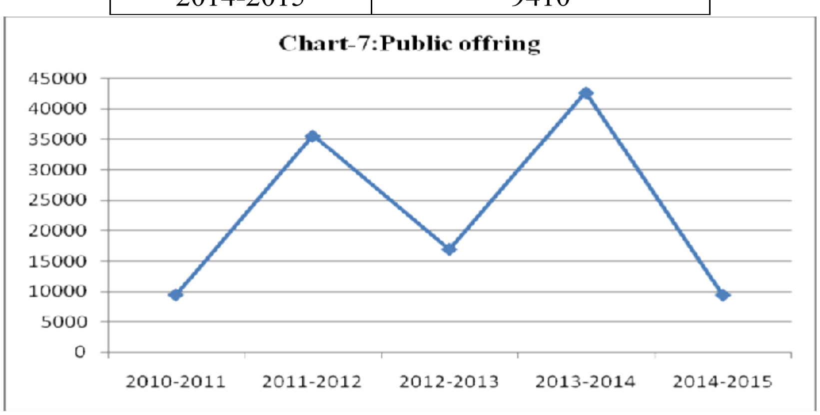


The above table depicts the total financing by equity. This table also shows that the values are inconsistent throughout the study period. In 2010-11 the funds mobilized through equity are Rs. 114518 Crores which is the highest value in the table and in the year 2011-12 the value is Rs. 40728 Crores is lowest value in the table. From the 2012-13 onward there is a tremendous increase in the mobilization of funds and it is changing slightly from 2013-14 onwards.

2. **Finance Mobilized By Corporate India by Debt Issues:**

Table-7: Funds Mobilization through Public Offering
(Rupees in Crores)

Year	Amount
2010-2011	9451.2
2011-2012	35611
2012-2013	16982
2013-2014	42735
2014-2015	9410



The above table reveals that the corporate India has been raised Rs. 9451.2 Crores in the year 2010-11. In the year 2011-12 the value has been increased to Rs. 35611 Crores. Later the trend line projects that these values are changing every year.

Table-8: Private Placement
(Rupees in Crores)

Year	Amount
2010-2011	218785
2011-2012	261283
2012-2013	361462
2013-2014	276054
2014-2015	404136

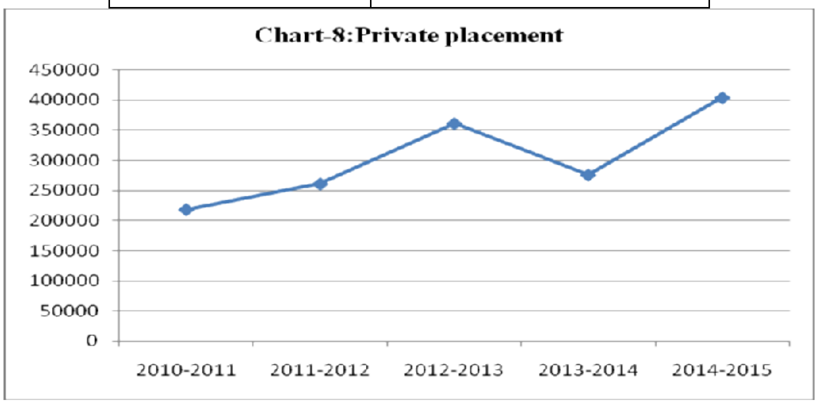
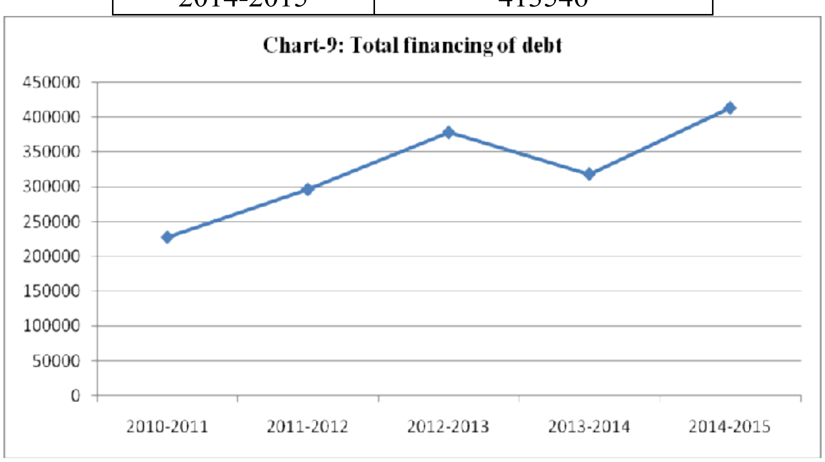


Table 8 shows that the corporate India in giving more preference to private placement of debt in the modern days. Because in the year 2014-2015 the fund mobilized by corporate India is Rs. 404136 Crores which is the highest value in the table. However in the year 2010-2011, the value is less when compared to the other years in the table. This shows that corporate India is showing more interest in private placement in mobilization of funds.

Table-9: Total Financing of Debt
(Rupees in Crores)

Year	Amount
2010-2011	228236
2011-2012	296894
2012-2013	378444
2013-2014	318789
2014-2015	413546



During the study period, the trend line of mobilized funds through debt financing is gradually increasing except in the year 2013-14. This reveals that Indian corporate giants are preferring debt financing for mobilization of funds.

Findings:

1. The study indicates that the resource mobilized through IPOs during the study period is in a declining manner throughout the study period.
2. During the study period total resources mobilized in Indian corporate sector through debt is Rs16, 35,909.2Crores, whereas Equity is Rs3, 74,200 Crores. This indicates that the Indian corporate sector is giving more priority to Debt financing rather than Equity financing.
3. During the study period, the Public issues and rights issue has occupied 5.45 percent share, whereas the resources mobilized through private placement alone occupied is 13.17 percent. Hence the study found that the private placement is playing a predominant role while mobilizing Equity capital.
4. The role of IPOs has occupied 2.60 percent of share in mobilizing Equity capital during the study period.
5. The share of private placement in 2010-2011 is 49.21 percent, whereas in 2014-2015 it has reached to 85.42 percent, which means there is a continuous increasing in private placements from year on year.
6. The mobilization of resources through rights issue in 2012-2013 is a note worthy. It is witnessed that, a jump from 5.83 percent in 2011–2012 to 11.41 in 2012–2013.
7. During the study period there is no consistency in equity financing of corporate India. During the year 2010-2011 funds mobilized through equity is Rs 1, 14,518 Crores, and there is a declining trend from 2011-12 onwards.
8. The Private placement (Debt Financing), was dominating the public offering. During the study period the entire public offering occupies only 5.68 percent, whereas private placement occupies 75.70 percent.
9. Debt financing of corporate India (Private placements) is playing a predominant role with a share of 75.70 percent when compared to other methods of financing.

Conclusion:

This paper discussed the funds enlistment pattern of Indian Corporate Sector. The study expressed that the corporate India is giving more priority for debt financing rather than equity financing. It is understood that the corporate savings are fallen for re-investment. Most of the corporate giants are based on external sources of funds, which in turns lead to increase in the cost of capital. Indian corporate giants have to focus more on money management in order to save their earnings for re-investment, to reduce their cost and to run their show in a stifle manner forever.

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