PUBLIC RELATION & MNC'S CORPORATE SOCIAL RESPONSIBILITY: FROM A DEVELOPING COUNTRY'S PERSPECTIVE

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ABSTRACT

Financial sector reforms in India were initiated early in the reform cycle. Some complementary measure in other area including fiscal and external section should be adopted provided the crucial support to the financial sector reforms further. Simultaneously, more money market reforms are required regarding the various liquidity. With the changes taking place in the real sector of the economy, the financial system in India is also in a process of rapid transformation, more particularly after the introduction of reforms in the financial sector. The basic objective of the financial sector reform is to promote a diversified, efficientand competitive financial system. This will raise the allocative efficiency of available saving, increase the return on investment and promote the accelerated growth and development of the real sector in the economy.

Keywords:- *channelize, amalgamation, dilution, pre-liberalization*

INTRODUCTION

Private placement market is comprises by private sector financial and non-financial institution and the public sector financial and non-financial institution. This market is dominated by the public sector financial and non-financial institution. The average amount raised by private sector financial institution during the period 1995-96 to 2009-10 was 8807.75 crore and the percentage share in the grand total was 18.50%. During 1995-96 to 1997-98 this amount was very much lessthan the average amount while from 1998-99 to 2001-02 it is greater than the average amount. And in the last two years again it was less than the average amount. Whereas the average amountof the private sector non-financial institution as Rs. 7174 crore much lesser than the private sector financial institutions. But except the year 1995-96, 2002-03 and 2009-10 it indicated increasing trends with a 15.07% market share during the same period. The market covered by private financial and non-financial institution was 33.58% of the grand total.

INDUSTRY-WISE CLASSIFICATION OF CAPITAL RAISED

The Table 1.5 here clearly reflecting the impact of banking sector reforms. During 1995-96 to 2009-10 the banking and financial institution has raised the 34.25% of the total capital raised by the various industry by only 2.55% number of issue during the same period. This is indicating

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here the issue made by the banking and financial institution was very big. This happen because before 1993 banks and FI were not allowed to raise capital. As in 1993-SBI Act was amended to enhance the scope of provision for private shareholdings and in July 1994, banking companies (acquisition and transfer of undertaking) amended, permitting nationalized banks to raise capital up to 49% from public (RBI, Jan. 1999).

Second highest capital raised by the finance industry i.e. 9.68% and 24% number of issue of the total industry. Then these are chemical and textile industries that raised 5.81% and 5.98% capital respectively and the both industries issued 9.18% and 12.66% number of the total issues. Information and technology industry raised 3.71% capital by issuing 4.83% numbers. The contribution of the other industries heading is 29.17% in capital raising and 17.91% in number of issue (Table …).

Table 1.5: Industry-wise classification of capital raised during 1993-94 to 2003-04

Sr. No.	Percentage share of industry	% of Total No.	% of Total capital Raised
1	Banking/FI	2.55	34.25
2	Cement & Construction	1.46	2.53
3	Chemical	9.1	5.81
4	Electronics	2.28	2.09
5	Engineering	3.56	2.98
6	Entertainment	0.01	1.22
7	Finance	24	9.68
8	Food Processing	11.24	3.27
9	Health Care	5.03	2.98
10	Information technology	4.83	3.71
11	Paper & Pulp	1.6	0.09
12	Plastic	2.88	1.08
13	Power	0.55	1.57
14	Printing	0	0
15	Telecommunication	0.12	1.46
16	Textile	12.66	5.98
17	Other	17.91	29.17
	Total	100	100

The Table 1.6 shows the yearly industry-wise classification of capital raised during 1993-94 to 2003-04. Number of issues are more in the 1993-94 to 1994-95 because of free pricing policy of SEBI and the SEBI stop the free-pricing and bring the book building concept simultaneously attack of financial crises in Asian tigers take place only banking and FI and information technology sector were able to raise capital successfully almost every year.

MATERIALS & METHODS

The present study makes an Endeavour to outline the theoretical legal and operative framework and present position of new issue market changing economic environment in India. The study entitled "Impact of financial liberalization on new issue market in India" aims at examining the impact of liberalization measures taken by our regulators on various different facts of new issue market in India.

OBJECTIVES OF THE STUDY

1. To examine the overall growth of new issue market in post liberalization era.
2. To evaluate the growth pattern, scope and method of functioning of various new issue market functionaries.
3. To analyze and evaluate the impact of instrumentalisation on the depth, liquidity in new issue market in India.
4. To examine the changing role of SEBI in relation to new issue market due to liberalization in India.
5. To identify the various weaknesses of new issue market in India.
6. To suggest some concrete measures that should be taken by the regulators to improve the efficiency of new issue market.

RESEARCH METHODOLOGY

The present research work is descriptive in nature which is based on the secondary data. The data has been obtained from the Handbook of Statistics on the Indian Securities Market published by SEBI, handbook of Statistics on Indian Economy, various SEBI Bulletins and various RBI bulletins. The various important websites related to the securities market also visited such www.icicidirect.com, nseindia.com, bseindia.com, moneycontrol.com, valuenotes.com and the most important is the google.com which has been visited very frequently. Simultaneously various related journals newspapers also looked. The statistical data, statistical analysis and plan of the study are as follows:

SCOPE OF THE STUDY

The study has analyzed the operation and present position of the new issue market for the securities of the corporate enterprises since beginning of the eighties. Efforts have been made to measure the impact of financial liberalization on various aspect of the new issue markets such as capital raised through equity issues preference share issue, debenture issue, right issue and euro issue and pricing of new issues. It examines the contribution of new issue market in mobilizing resources for industrial development of the country over a period of past 30 years from 1983 to 2010.

RESULTS & DISCUSSIONS

There are number of indicator of financial liberalization like bank rate, ratio of m3/m1, m3 (broad money), weighted average call money rate (WACMR). Market capitalization, net resources raised by mutual fund, net investment of FIIs, turnover of the capital market and bank credit to the commercial sector. To get the index of financial liberalization because all these variable are interrelated and to remove the muticolinearity, we have used the extraction methodof principal component analysis. The results are given below:

1. Communality shows how much of each variable is accounted for by the underlying factor taken together. A high value of communality means that not much of the variable is left over after whatever the factor represent is taken into consideration.

Communalities

	Initial	Extraction
br	1.000	.908
n3/m1	1.000	.945
wacmr	1.000	.568
mktcap	1.000	.820
mf	1.000	.417
fii	1.000	.599
turnover	1.000	.821
m3	1.000	.931
bccs	1.000	.958

Extraction method: Principal Component Analysis

2. Factor loading is similar in both the way i.e. extraction sums of squared loading and rotation sums of squared loading. In this analysis three different component are extracted which explain the 77.418 financial liberalization. First component explains the 42.895%, second component explain 22.138% and third component is explaining 12.385% sum of squared loading.

Total variance explained

Component	Initial Eigen values	Extraction sums of squared	Rotation sums of squared

				loadings			loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	4.212	46.802	46.802	4.212	46.802	46.802	3.861	42.895	42.895
2	1.672	18.582	65.383	1.672	18.582	65.383	1.992	22.138	65.033
3	1.083	12.035	77.418	1.083	12.035	77.418	1.115	12.385	77.418
4	0.942	10.466	87.884						
5	0.694	7.707	95.591						
6	0.190	2.112	97.703						
7	0.130	1.447	99.151						
8	0.054	0.601	99.752						
9	0.022	0.248	100.000						

Extraction method: Principal Component Analysis

3. After analyzing the component matrix and rotated component matrix, we can nominate the different component by three different name of financial development indicator, which is given below:

i) First component can be called the banking sector development index as variable which are highly correlated are of the banking sector, these are bank rate (BR), ratio of broad money and narrow money (m3/m1), broad money (m3) and banks credit to the commercial sector (BCCS), it is find that except the bank rate all the three are complementary to each other.

Component matrix

	Component		
	1	2	3
br	-.938	.168	-.031
n3/m1	.937	-.255	.041
wacmr	-.001	.495	.569
mktcap	.573	.698	-.062
mf	.116	.044	.634
fii	.096	.492	-.590

turnover	.579	.696	.032
m3	.933	-.245	-.028
bccs	.947	-.243	-.043

Extraction method: Principal Component Analysis

Rotated Component matrix

	Component		
	1	2	3
br	-.933	-.185	-.059
n3/m1	.965	.104	.052
wacmr	-.001	.495	.569
mktcap	.272	.858	.102
mf	.097	-.039	.637
fii	-.099	.596	-484
turnover	.279	.840	.194
m3	.957	.124	-.013
bccs	.969	.135	-.027

Extraction method: Principal Component Analysis

2. "Second component can be called the index of capital market development indicator. The variable in this component are (mktcap) market capitalization and its turnover and net investment of foreign investment institutions (FII).

3. Third component consist of the two variable i.e. weighted average call money rate and amount raised by mf. We can here name them as indicator of money market.

RESULTS & DISCUSSION

This research work deals with the financial liberalisation policy in context to the new issue market. The efficiency of the new issue market is totally depends on the equity market development as well as banking sector development. The equity markets growth reflected a series of reforms that were accelerated by stock scam in 1992 that revealed serious weaknesses in the regulatory mechanism. (See table 8.1)

Table: 8.1

Selected indices of stock market development in India

Indicators	1991	1999	2003
Listing	2,556	5.863	5.644
Market capitalisation (% of GDP)	16.6	41.0	45.9
Turnover (% of market capitalisation)	57	193	139

Source: Standard & poors.

Reforms implemented included the establishment of SEBI, promulgation of rules and regulations governing various types of participants in the capital market. The introduction of electronic trading system, rolling settlement, dematerialisation of share and entry of FIIs in the Indian equity market brings the efficiency. Effective regulation of stock market requires the development of institutional expertise, which necessary require time, but a good start has been made, and India"s stock market is much better regulated today than in the past.

The Indian banking sector has not developed, as it is developed in other countries. The corporate sector will be able to obtain the loans at a low rate it efficiency in financial intermediation improved a lot. Financial intermediation is the ability to match the demand for loan able funds with supply of such funds at a reasonable price.

The policy recommendation here is that the interest rate spread between private and government debt should be minimised. All the debt should be disbursed on the market determined interest rate. It has been found that public sector financial institutions stats facing the growing competition from the private sectors. To face the competition from the private and foreign sector govt. should increase the disclosure of information regarding the hidden non-performing assets of the financial institution. Govt. should not finance the sick financial institution. Financial institution should be made free to collect money from the new issue market.

The functional area of new issue market functionaries should not be restricted to the new issue market. Some policy should be framed to identify the broader access of these functionaries.

It has been found that the growth of new issue market in post liberalisation period was not consistent because of increased volatility arising from the liberalisation of interest rates and capital inflows. Interest rates now move up and down because of the link to external market, are in flounced much more by international developments.

The policy maker should correlate the amount raised by ADR & GDR, FIIs net investment with the exchange rate. It has been found that market capital ratio, it turnover have positive significant correlation with the net investment of FIIs.

The net investment of FIIs in India and amount raised by ADR & GDR by Indian companies has positive correlation. As every investor knows FIIs move according to the movement of international interest rate. Here the policy recommendation is that the spread between the Indian

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interest rate and international interest rate should be minimised. The policy related to ADR & GDR should correlate with the exchange rate of rupees.

The policy related to the pre placement IPOs allocation to FIIs should be clear as soon as possible. As RBI is of view to consider it as FDI and according to SEBI view, it should be considered as portfolio investment. To increase the market capitalisation of the new issue market, it should be considered as a portfolio investment, if it will have been considered as a FDI, the contribution of FIIs in pre placement of IPOs will decrease tremendously consequently the weak, new issue market will became weaker.

India‟s policy makers knew what is to be done to create a financial system that can contribute more effectively to higher growth and longer-term prosperity for all.

Reforms in Indian financial market focused on institutional development, instrument development and market micro structure improvement. The first phased tried to case structural rigidities on price and quantities to mere efficiently allocate resources. Institutions were promoted to develop market and faster compactions. Market practices were made more transparent and the settlement mechanism was made more efficient through the „delivery versus payment‟ system. The second phase of reforms focused on stability. Effect were directed at fostering market discipline, fine tuning market micro structure to reflect technological advances, and developing appropriate regulatory, institutional, legal, and technological infrastructure. The financial sector is still predominantly government owned. More efficient allocation of resources through greater competition and elimination of regulatory forbearance need speedy progress in bank divestiture.

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