SYNOPSIS OF THE THESIS

PERFORMANCE OF INITIAL PUBLIC OFFERING (IPO) INVESTING IN INDIAN CAPITAL MARKET: A STUDY OF BANKING AND NON-BANKING FINANCE COMPANIES (NBFCs) IPOs IN NEW MILLENNIUM

Doctoral Thesis Submitted

In partial fulfilment of the requirements

For the award of the degree of

Doctor of Philosophy

In Management

By

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RANCHI

APRIL 2019

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Chapter 1: Introduction

1.1 Overview

The capital markets are essential for the economic growth of a nation. In fact, it has been seen that a well-developed capital market is a precious national asset. Developed capital markets provide for some important macro economic benefits, including: a) faster economic growth, b) higher productivity and capital growth, c) higher employment, and d) a better developed financial market. Moreover, a developed capital market also offer some micro economic benefits, including: a) wealth formation for private investors, b) more flexible financing for companies, c) improvement of governance structures, since raising of long-term finance is carried out within the contours of laws governing capital issues, like, SEBI Act, 1992, Issue of Capital and Disclosure Requirements (ICDR) Regulations, Listing Obligations and Disclosure Requirements (LODR) Regulations etc. of d) higher cross border M&A power, and e) driving entrepreneurial behaviour.

The blessings of capital market are as under:

1) <u>Bridge between Savers and Investors</u>: The capital market works as a bridge between savers and investors. It plays a crucial role in mobilizing the savings and channelling them into productive investment. Therefore, capital market plays an important role in transferring the financial resources from surplus and uneconomical fields to deficit but productive areas, thereby, enhancing the productivity and prosperity of the nation.

2) <u>Foster Savings</u>: With the development of capital market, banking and non-banking companies provide facilities, encouraging people to save more. In developing countries, in the absence of capital market, there are very little savings and those who save often invest their savings in unproductive and wasteful assets, like, gold, jewellery etc. or in highly illiquid assets like land.

3) <u>Promotes Investment</u>: The capital market assists lending to the corporate houses and the government, thereby, providing a fillip to the investment. It provides facilities through banks and non-banking financial companies. Various financial assets like, shares, securities, bonds, etc. motivate savers to lend to the government or invest in industry.

4) <u>Encourages Economic Growth</u>: The capital market not only reflects the general condition of the economy, but also smoothens and accelerates the process of economic growth. Various institutions of the capital market, like nonbank financial intermediaries, allocate the resources rationally in accordance with the development needs of the country. The proper allocation of resources results in the growth of trade and industry in both public and private sectors, thus fostering a balanced economic growth in the country.

5) <u>Bring about stability in prices of securities</u>: The capital market tends to stabilise the values of stocks and securities and decrease the fluctuations in the prices to the minimum. The process of stabilisation is facilitated by providing capital to the borrowers at a lower interest rate and by reducing the speculative and unproductive activities.

However, the development of capital markets poses several challenges too. If not managed efficiently, rapid growth in capital markets can make the market susceptible to scams, volatility, excessive speculation and misuse by select parties. Capital markets ride on the savings of small and often uninformed retail investors, directly or indirectly. For policy makers, the challenge therefore is to attain a balance between the pace of growth and conservatism ensuring transparency and sound growth.

The enactment of three key legislations namely Capital Issues (control) Act 1947; Securities Contracts (Regulation) Act, 1956; and Companies Act, 1956 have been important steps to provide proper legal support for the development of capital market in India. However, till mid of 1980s, India's Capital Market was dormant. Globalization and financial sector reforms have brought in drastic change in the financial framework of the economy. Since the onset of the financial sector reforms in the early 1990's, the implementation of various reform measures including a number including numerous structural and institutional changes in the different segments of the financial markets has ushered in a dramatic transformation in the working of the financial sector of the Indian economy. It is to be noted the Indian banking sector opened up to private bank formations in 1993 and consequently 10 new bank licenses were issued to them. The public sector banks were also permitted to raise capital from the market by issue of equity as long as they maintained 51 percent public ownership.

The eye-catchy reforms of the Indian capital market were- Market Pricing of Issues; Birth of Regulatory Bodies; Open Electronic Limit Order Book Market; Depository Services; Arrival of Foreign Capital; Foreign Portfolio Investment and New Capital Issues- New Mechanism.

In order to ensure efficient controlling of the banking system, the Government of India nationalized 14 major private sector banks with deposits surpassing INR 500 million in 1969. But the abysmal performance of the banks post nationalization triggered initiation of various reforms and in this regard one of the eye-catchy initiative as per the '*Recommendations of the Committee on Banking Sector Reforms, 1991'* was allowing public and private sector banks to access the capital market. The committee stated that with reference to those banks whose operations have been profitable and which enjoy a good reputation in the markets, they could straight away knock the doors of the capital market for increasing their capital. The committee therefore recommended that in respect of such banks, issue of fresh capital to the public through the capital market should be permitted. Subscribers to such issued capital could be mutual funds, profitable public sector undertakings and employees of the institutions besides the general public.

The launching of reform process in India might have remained in a shell if necessary changes were not brought about in the regulatory structure. The New Economic Policy (1991) resulted in a sea change in the regulatory framework of the capital market in India. The Capital Issues (Control) Act 1947 was rescinded and the Office of the Controller of Capital Issues (CCI) was abolished. The Securities and Exchange Board of India (SEBI), set up in 1988 was fortified with requisite powers in 1992, came to be known as the regulatory body with the requisite authority and powers to regulate and reform the capital market.

1.2 Significance of the Study:

1) Growth of Indian capital market especially post 1991, i.e. the onset of liberalization, privatization and globalization era.

2) Initial Public Offers / Follow-on Public Offers / Offer for Sale as a crucial source of raising long term finance by banks and Non-banking Financial Companies.

3) Impact of global economic crisis on the issue of Initial Public Offers / Follow-on Public Offers / Offer for Sale of banks and Non-banking Financial Companies.

4) Impact of issuance of Initial Public Offers / Follow-on Public Offers / Offer for Sale on the key financial parameters, i.e. Reported Net Profit After Tax of both banks; Return on Equity and Return on Assets of banks and Non-banking Financial Companies considered for the study.

1.3 Research Gap

S.No	List of literature review of selected research papers / thesis	Research Gaps
01	Faulhaber (1989), observed that in some circumstances good firms want to “signal” to their investors about their good prospects and thus underprice their IPOs.	The study missed out the post listing of IPO performance, i.e. overvaluation aspect
02	Omran, (2005); Reber and Fong, (2006); Khurshed, Pande and Singh, (2008) suggested that IPOs are underpriced on the listing day	The study missed out the underpricing / overpricing phenomenon after certain period of listing, i.e. 1 year, 2 years, 3 years etc. from the date of listing.
03	Jotwani and Singh (2011) stated that subscription rate of the IPO plays a crucial role in short run.	IPO undervaluation / overvaluation facets was not covered in the study.
04	Chopra (2009) conducted analysis of long and short performance of Indian IPOs and concluded that underpricing is existing in national stock exchange and is more acute in the short run periods, i.e. from the listing day to six months after the listing. He further observed that investors holding their equities for longer period, the long run IPO tends to move to their true value driving out much of underpricing.	At times in the long-run also, the stock tends to be underpriced. In other words, the returns from the stock post listing in the short period is promising.

1.4 Research Objectives and Scope

The research objectives have been developed from the research problem statement after an in-depth study of the domain area and literature review. The objectives of the research study are as under:

a) To ascertain the trend of IPO investing / issue in India with special reference to Banking and Non-Banking Finance Companies.

b) To ascertain the impact of Global Economic Crisis on initial public offering (IPO) issue, with special reference to Indian banking sector.

c) To comprehend the initial public offering (IPO) performance of Banking and Non-Banking Finance Companies (NBFCs).

In order to ascertain the aforesaid objectives, Initial Public Offers (IPOs) / Follow-on Public Offers (FPOs) / Offer for Sale (OFS) issued by both public and private sector banks and Non-Banking Finance Companies (NBFCs) that formed the part of the research study have been taken into consideration. Further, the impact of Global Economic Meltdown on initial public offer (IPO) of Indian banking sector have been also studied. Since global economic meltdown spread like a contagion and affected almost majority of capital markets across the globe, it creates substantial academic and research interests to explore the impact of global economic crisis on initial public offer (IPO) of both public and private sector banks considered for the research study.

In order to know the performance of initial public offer, it is imperative to focus on its post listing performance also, as high return post listing of initial public offer (IPO) implies subscribers or shareholders stands benefitted. In view of this, an endeavour have been made to observe the post listing initial public offer (IPO) performance of banks and Non-Banking Finance Companies (NBFCs) considered for the research study in terms of Initial Return or Raw Return on stocks and Market Adjusted Excess Return (MAER) on stocks and other significant financial variables, such as, Return on Assets (ROA); Return on Equity (ROE); Reported Net Profit after Tax (PAT) and most importantly Non-Performing Assets (NPAs).

1.5 Hypothesis

Hypothesis 1: The Global Economic Crisis does not affected initial public offer (IPO) issue of Banking industry with reference to Cement & Construction and Engineering sectors of India.

Rationale: The rationale for considering the Cement & Construction and Engineering sectors in association with the Banking sector for undertaking a comparative study of the impact of Global Economic Crisis on their IPO issue are as under:

Hypothesis 2: There is no significant difference in the initial public offer (IPO) issue (volume wise) of Indian Banking industry during pre and post Global Financial Meltdown..

Rationale: Global Economic Crisis or Global Meltdown was a great financial shock that created tremors across the capital markets of various economies. In this regard, it generates substantial academic and research interests to explore its impact on Indian capital market also, with special reference to initial public offer (IPO) issue of Indian Banking sector. With the objective of ascertaining the magnitude of impact of the global economic crisis, the hypothesis takes into account the pre and post global economic crisis IPO scenario of Indian Banking and Non-Banking Finance Companies.

The aforesaid hypothesis assist in achieving the second objective also, i.e. the onslaught of global financial meltdown on initial public offer (IPO) of Indian banking industry.

Hypothesis 3: There is no significant difference in the Return on Assets (ROA) of both public and private sector banks taken into consideration for the research study due to issue of initial public offer (IPO) during the period 2000 – 2015.

Rationale: Since Return on Assets (ROA) exhibits profitability of a company in relation to its total assets, it is of great research interest to ascertain as to how issue of initial public offers (IPOs) by both public and private sector banking companies of India that have been taken into consideration for the research study have exerted an impact on their ROA or not during the period mentioned in the hypothesis. Further, assets, particularly the fixed assets are procured from long term source of finance and capital raised through IPO are utilized for financing the investments in fixed assets, which in turn assist in generation of earnings for the company, in view of this, the analysis holds tremendous significance.

Hypothesis 4: There is no significant difference in the Return on Equity (ROE) of both public and private sector banks taken into consideration for the research study due to issue of initial public offer (IPO) during the period 2000 – 2015.

Rationale: The equity shareholders who really own the company, espouses the maximum risk and get residual amount realized from the sale of assets, if available, at the time of winding up of the company. In view of this, it is imperative to find out that whether money procured by both public and private sector banking companies of India that have been taken into consideration for the research study have exerted an impact on their Return on Equity (ROE) or not during the period mentioned in the hypothesis.

Hypothesis 5: There is no significant difference in the Return on Assets (ROA) of both public and private sector Non-Banking Finance Companies (NBFCs) taken into consideration for the research study post initial public offer (IPO) for the period 2012 – 2016.

Rationale: Since Return on Assets (ROA) shows the profitability of a company in relation to its total assets, it is of great research interest to ascertain the post initial public offer (IPO) issue impact on the Return on Assets (ROA) of Non-Banking Finance Companies (NBFCs) of India operating under both public and private sector that have been considered for the research study during the period 2012-2016.

Hypothesis 6: There is no significant difference in the Return on Equity (ROE) of both public and private sector Non-Banking Finance Companies (NBFCs) taken into consideration for the research study post initial public offer (IPO) for the period 2012 – 2016.

Rationale: Since the equity shareholders are the risk bearers of the company in true sense, in light of this fact, it becomes imperative to delve deep into the post initial public offer (IPO) issue impact on the Return on Equity (ROE) of Non-Banking Finance Companies (NBFCs) of India operating under both public and private sectors that have been considered for the research study during the period 2012 – 2016.

Chapter 2: Methodology

2.1 Overview

In order to accomplish the final outcome in a research study, a trajectory is required and that path is provided by the research methodology. Research methodology embraced for this research study is described in the following sub sections: Research Design; Sources of Data and Data Analysis techniques, i.e. various statistical and financial tools that have been used for analyzing primary and secondary data. Further, the rationale for using various statistical and financial tools has also been elucidated.

2.2 Methods of Collecting Data

For undertaking the research study in an efficient manner both forms of data, i.e. primary as well as secondary have been collated and analyzed. A questionnaire was circulated through online among various respondents to procure primary data. Responses were received from 257 respondents. Data was collated from Academicians; Business / Financial Analysts; Entrepreneur; Stock Broker; Researcher and others that comprise of investors.

For the collation of secondary data various authentic sources have been referred. In view of this, the data / information available online on the websites of SEBI, leading Indian stock exchanges- BSE Ltd. and NSE Ltd. various prominent firms actively engaged in the Indian capital market research along with articles, research papers, business newspapers / journals etc. have been referred.

2.3 Period of Reference

Since the research study entails studying the performance of initial public offers (IPOs) of banks and Non-Banking Finance Companies (NBFCs) in new millennium, in view of this, the period considered for the research study is 2000 – 2015 for analysing the performance of initial public offer (IPO) of banks and Non-Banking Finance Companies (NBFCs) on various important facets.

2.4 Methods and Tools of Analysis:

2.4.1 Karl Pearson's Co-efficient of Correlation- By using the mentioned statistical tool the correlation between the quantum of IPOs issued (value-wise) by the banks selected for the research study and Reported Net Profit after Tax (PAT) and Non-Performing Assets (NPAs) will be determined, thereby, providing us with key insights pertaining to performance of Initial Public Offerings (IPOs), with reference to the mentioned significance financial variables.

2.4.2 Parabolic trend equation- The mentioned statistical tool will help in ascertaining the projected values of initial public offers (IPOs) of Indian capital market. Since in the computation of forecasted IPO values, a comprehensive scenario of IPO of Indian capital market have been considered, it will provide a broader view pertaining to the future IPO issue trend of banking and NBFCs also.

2.4.3 F-test (One Factor Model- This statistical test will explain the performance of initial public offer (IPO) of banks and Non-Banking Finance Companies (NBFCs) of India operating under both public and private sector considered for the research study with reference to their significant financial variables, i.e. Return on Assets (ROA) and Return on Equity (ROE).

2.4.4 Kruskal Wallis Test or H-Test- The mentioned statistical tool will be of immense assistance in comprehending that during pre and post Global Financial Meltdown the initial public offer (IPO) issue (volume wise) of Indian banking sector have been affected or not with reference to other two crucial sectors of Indian economy- Cement & Construction and Engineering.

2.4.5 Mann Whitney U-Test- This test will help in finding out the initial public offering (IPO) issue scenario of Indian banking sector pre and post Global Economic Crisis. This statistical tool to a great extent supplements the findings obtained through Kruskal Wallis Test or H-Test, i.e. how IPO of banking sector performed issue wise pre and post Global Economic Crisis.

2.4.6 Initial or Raw Return and Market Adjusted Excess Return (MAER) on stocks- These two financial tools will help in ascertaining the post initial public offer (IPO) listing performance of both public and private sector banks and Non-Banking Finance Companies (NBFCs) of India taken into account for conducting the research study.

2.4.7 Standard Deviation and Co-efficient of Variation- This statistical tool will assist in ascertaining as to which year / (s) have been opportune for the initial public offer (IPO) issue in case of both public and private sector banks and Non-Banking Finance Companies (NBFCs) of India considered for the research study.

2.4.8 Focused Group Discussion- This research tool will assist in ascertaining the banking experts' views on the following crucial topics-

i) Existence of strong correlation between IPO issues (value-wise) and Reported Net Profit after Tax (PAT) of banks operating under both public and private sectors considered for the research study during the period 2000 - 2015.

ii) Impact of IPO issue on both public and private sector banks and Non-Banking Finance Companies (NBFCs) Return on Assets (ROA) and Return on Equity (ROE) taken into account for conducting the research study during the period 2000 – 2015.

iii) Conduciveness of current economic scenario for IPO issue by banks and NBFCs

2.5 Limitations of the Study:

1) Due to non-availability of information on Initial Public Offers / Follow-on Public Offers / Offer for Sale of Cooperative Banks, Regional Rural Banks and several Non-Banking Finance Companies (NBFCs), they have been kept outside the scope of the research study.

2) Only those banks have been considered for the research study which came up with Initial Public Offers / Follow-on Public Offers / Offers for Sale during the period 2000-2015. In case of NBFCs, only those NBFCs have been covered in the research study of which Initial Public Offers / Follow-on Public Offers / Offers for Sale related details were available.

3) Impact of Eurozone Crisis on the issue of Initial Public Offers / Follow-on Public Offers/ Offer for Sale of banks and NBFCs have not been covered.

Chapter 3: Observations and Findings

3.1 Data Analysis and Discussions

Data analysis and discussions may be classified into two categories, i.e. data analysis and discussions on the basis of primary and secondary data.

3.1 A) Data analysis on the basis of primary data

Based on the data collated from academicians, business / financial analyst, entrepreneur, stock broker, researcher and others that comprise of investors, and after classifying the responses into four important yardsticks, i.e. age, educational qualification, gender, occupation and experience there were noteworthy observations.

i) ***Age***: For most of the questions asked to respondents on the basis of their age, it was observed that for most of the questions there existed consistency in the views / opinions. For instance, for the queries pertaining to the impact of Global Financial Meltdown on the listings of initial public offers (IPOs) issued by Banks and NBFCs (Non-Banking Finance Companies) in the stock exchanges, listing rules of IPO in Indian stock exchanges have whether acted as a catalyst or affected the listing of IPOs of companies, particularly of Banking and Non-Banking Financial Companies, IPO issued by the banks and Non-Banking Finance Companies of India operating under both public and private during the period 2000-2015 and its positive impact in bolstering their Return on Assets and Return on Equity and conduciveness of current Indian economic scenario for IPO issue by banks and NBFCs.

ii) ***Educational Qualification*****:** It is interesting to observe that the responses provided by various respondents on the basis of their educational qualification have shown consensus contrary to the responses provided under the yardstick of age, wherein, a significant difference of views / opinions was observed for majority of questions.

Thus, irrespective of the educational qualification, on various critical questions, like, rating the quantum of IPO issue of banks and NBFCs during the period 2000-2015, impact of Global Financial Meltdown on the listing of initial public offers (IPOs) of banks and NBFCs, listing rules of Indian stock exchanges acting as a catalyst in listing of IPOs of companies, especially those of banks / NBFCs etc. an uniformity in the thinking process can be observed.

iii) ***Gender***: Observing the responses of the respondents, gender-wise, it can be seen that in majority of the questions, the gender has no impact on the opinions formed by the respondents.

Whether it is male or female, as far as IPO related queries of Indian banks / NBFCs are concerned they all have a consensus approach.

iv) ***Occupation***: Occupation wise too, the majority of the respondents have expressed almost similar views / opinions on most of the questions. For instance, the queries focusing upon rating the quantum of IPO issue by banks and NBFCs during the period 2000-2015, impact of Global Financial Meltdown on listing of initial public offers (IPOs) of both banks and NBFCs in stock exchanges, conduciveness of Indian economic scenario for IPO issue by banks and NBFC etc. there is a consent among the respondents. For very few questions, a difference of views / opinions can be observed and one of such question is soaring Non-Performing Assets (NPA) and its n debilitating impact on the IPO issue of both public and private sector banks.

v) ***Experience***: Just like the case of the gender parameter, in this case too, there exist no significant difference in the views / opinions of the respondents based their professional experience. Thus, whether a person has less or more employment / professional experience, it has no influence or impact on their decisions pertaining to the queries relating to IPO issue of banks and NBFCs in India.

By applying the univariate statistical tool of mean and standard deviation on the nine critical queries, it can be observed that the standard deviation is almost similar in case of the queries relating to existence of a positive correlation between initial public offer (IPO) issues (value wise) of the banks and Non-Banking Finance Companies (NBFCs) of India operating under both public and private sectors on their Reported Net Profit after Tax (PAT), impact of Global Economic Crisis on listing of IPOs of Banks and NBFCs on stock exchanges and impact of listing rules of Indian stock exchanges on listing of IPOs of companies, especially of banking and Non-Banking Financial Companies.

On the other hand, the standard deviations seem to have uniformity in case of queries focusing on the impact of IPO issue by banks and Non-Banking Finance Companies (NBFCs) of India operating under both public and private sectors on their financial performance with reference to Return on Assets (ROA) and Return on Equity (ROE), conduciveness of current economic scenario for IPO issue by banks and NBFCs and soaring Non-Performing Assets (NPAs) debilitating impact on the IPO issue of both public and private sector banks.

3.1 B) Data analysis on the basis of secondary data

3.1B.1 Karl Pearson's Coefficient of Correlation-

i) A strong correlation ($r = 0.92$ and $r^2 = 0.85$) can be observed between value of initial public offer (IPO) issued by the banks of India operating under both public and private sectors, that have been taken into consideration for undertaking the research study and Reported Net Profit after Tax (PAT).

ii) A weak or negative correlation ($r = -0.09$ and $r^2 = 0.0081$) can be observed between value of initial public offer (IPO) issued by the banks of India operating under both public and private sectors, that have been taken into consideration for undertaking the research study and Non-Performing Assets (NPA) of those banks.

3.1B.2 Parabolic Trend Equation- By applying parabolic trend equation, it can be observed that initial public offers (IPOs) in Indian capital market have witnessed and may face lot of volatility. In 2003-04, the initial pubic offers (IPO) value wise stood at INR 3,191.10 crore which rose substantially to INR 41,323.45 crore in 2007-08, then it dipped sharply to INR 2,033.99 crore and the scenario improved to a great extent in 2010-2011 with initial public offer (IPO) issue registering INR 33,097.77 crore in 2010-11.

From the forecasted values of initial public offers (IPOs), it may be opined that in the years ahead a lot of volatility may be observed in initial public offers (IPOs) issue. As a mammoth initial public offer (IPO) may be observed in 2020, i.e. INR 209,845 crore that may nose dive a little during the period 2021- 2027, that may further go down to INR 62,435 crore by 2030. However, in view of the fact that Indian economy is growing at an astounding pace there may be an upsurge in initial public offer (IPO) issue in the future.

3.1B.3 Kruskal-Wallis Test or H-Test- By applying Kruskal-Wallis Test or H-Test, it can be observed that Global Economic Crisis exerted an impact on the initial public offer (IPO) issue of Banking sector with reference to other two crucial sectors of Indian economy, i.e. Cement & Construction and Engineering.

3.1B.4 MANN-WHITNEY U-TEST- By applying MANN-WHITNEY U-Test, concerned it is observed that there is no significant variation in the volume of initial public offers (IPOs) during pre and post Global Financial Meltdown.

3.1B.5 F-Test (One Factor Model)-

i) Regarding post initial public offer (IPO) issue performance with respect to Return on Assets (ROA) of banks of India operating under both public and private sectors, that have been taken into consideration for the research study, it can be observed that there is a significant variation in their Return on Assets (ROA) post initial public offer (IPO) issue.

ii) Regarding post initial public offer (IPO) issue performance with respect to Return on Equity (ROE) of banks of India operating under both public and private sectors, that have been taken into consideration for the research study, it can be observed that there is a significant variation in their Return on Equity (ROE) post initial public offer (IPO) issue.

iii) Regarding post initial public offer (IPO) issue performance with respect to Return on Assets (ROA) of Non-Banking Finance Companies (NBFCs) operating under both public and private sectors, that have been taken into consideration for the research study, it can be observed that there is a significant variation in their Return on Assets (ROA) post initial public offer (IPO issue.

iv) Regarding post initial public offer (IPO) issue performance with respect to Return on Equity (ROE) of Non-Banking Finance Companies (NBFCs) operating under both public and private sectors, that have been taken into consideration for the research study, it can be observed that there is a significant variation in their Return on Equity (ROE) post initial public offer (IPO) issue.

3.1B.6 Initial or Raw Return on Stocks (Banks and Non-Banking Finance Companies, operating under both public and private sectors, considered for the research study)-

i) ***Banks operating under both public and private sectors, considered for the research study:***

In case of banking sector stocks, majority of public and private sector banks have generated positive returns, with HDFC registering an astonishing returns. It is essential to note that Yes Bank despite being the newest of all the banks considered for the study have shown an extraordinary performance as it has not only registered a positive Initial Return or Raw Return on stock, its returns have enhanced every year, i.e. in 2007 it was 203.45%, which increased to 481.25% in 2012. Stocks of ICICI Bank have not fared well as evident from its Initial Returns or Raw Returns on Stock: -72.3% in 2009, -39.41% in 2010, -27.77% in 2011, -44.08% in 2012, -27.10% in 2013 and -17.99% in 2014. However, on close observation one can find the silver lining that is, the negative returns have come down drastically. Another interesting point to note is that like HDFC Bank other private sector banks considered for the study have too displayed a commendable performance in terms of Initial Returns or Raw Returns on stock.

ii) ***Non-Banking Finance Companies (NBFCs) operating under both public and private sectors, considered for the research study***:

In case of Non-Banking Finance Companies (NBFCs) stocks, it can be stated that Power Finance Corporation stocks are undervalued as it has generated positive returns whereas stocks of Infrastructure Development Finance Company, Rural Electricity Corporation, Muthoot Finance and Edelweiss Capital are overvalued, since they have generated negative returns. In case of Power Finance Corporation, the performance is quite encouraging, as Initial or Raw Return on Stock have enhanced substantially, i.e. from 120.31% in 2011 to 144.49% in 2015. A dour performance can be observed in the cases of three NBFCs, i.e. Infrastructure Development Finance Company (IDFC), Rural Electricity Corporation (REC) and Edelweiss Capital, as their Initial or Raw Return on stock have constantly registered negative returns.

3.1B.6 Market Adjusted Excess Return (MAER) on Stocks (Banks and Non-Banking Finance Companies, operating under both public and private sectors, considered for the research study)-

i) ***Banks operating under both public and private sectors, considered for the research study:***

With reference to Market Adjusted Excess Return (MAER) of public and private sector banks taken into consideration for the research study, it may be observed that except Canara Bank and Bank of Baroda other public sector banks have generated negative Market Adjusted Excess Return (MAER). Allahabad bank's have registered Market Adjusted Excess Return (MAER) negative returns in 2007, 2009, 2010, 2011 and 2012, i.e. -285%, -203%, -296%, - 167%, and -291% respectively. Similarly, Punjab National Bank also had a negative Market Adjusted Excess Return (MAER) in 2007, i.e. -171% which by 2012 improved quite a lot to -101%. Star performers in case of public sector banks have been Canara Bank and Bank of Baroda, as evident from their Market Adjusted Excess Return (MAER). Canara Bank's Market Adjusted Excess Return (MAER) in 2007 was 14% that increased substantially to 402% in 2012. In case of Bank of Baroda, the Market Adjusted Excess Return (MAER) in 2002 was 72% that reached a whopping 184% in 2006.

Discussing the case of private sector banks, HDFC Bank have fared extremely well in terms of Market Adjusted Excess Return (MAER). During 2006 to 2011 it has continuously registered a enormous Market Adjusted Excess Return (MAER), i.e. in 2006 it was 20210%, in 2007 it was 32739% and in 2010 it was 45492%. However, in 2011 it dipped to 7744% but still maintaining a positive Market Adjusted Excess Return (MAER). Yes Bank's performance has been also extraordinary as it may be observed that in 2010 its Market Adjusted Excess Return (MAER) was 96% which moved northwards and reached 345% in 2015.

ii) ***Non-Banking Finance Companies (NBFCs) operating under both public and private sectors, considered for the research study***:

With reference to Market Adjusted Excess Return (MAER) of public and private sector Non-Banking Finance Companies (NBFCs) taken into consideration for the research study, it can be observed that Power Finance Corporation have fetched positive returns barring for 2014, where a negative return of -13.22% can be observed. The other four NBFCs, i.e. IDFC, REC, Muthoot Finance and Edelweiss Capital have generated negative returns. It is to be noted that the MAER of Edelweiss Capital is quite grim as it has generated extremely high negative returns, i.e. –106.18% in 2011, -82.52% in 2012 and -79.09% in 2013. In case of Muthoot Finance, the situation seems to be improving, as its MAER have moved from negative to positive territory, i.e. -33.39% in 2012, - 15.91% in 2013, 19.67% in 2014 and 35.42% in 2015. It is interesting to note that the journey of MAER of Muthoot Finance have been highly impressive, as substantial improvement can be observed in its MAER. A lot of volatility in the MAER of Rural Electrification Corporation can be observed, as in 2011, the MAER registered was

-28.87%, which was reduced to -27.69% in 2012, then again moving northwards substantially and entering the positive territory, i.e. 13.85% in 2013 and then finally moving downwards to -13.32% in 2015. Almost same scenario can be observed in the case of Infrastructure Development Finance Company (IDFC). The MAER in 2011 was -22.14%, then MAER improved prodigiously in 2012, i.e. – 13.99%. However, the MAER dipped significantly in 2015 to -67.2%. With reference to Edelweiss Capital, it can be concluded that its MAER have improved remarkably, as in 2011 it registered a MAER of – 106.18% which improved to a great extent by 2014 i.e. – 31.86%.

3.2 Opportune years for issue of initial public offer (IPO) issue of banks and Non-Banking Finance Companies (NBFCs) operating under both public and private sectors, considered for the research study

With reference to the opportune years for initial public offer (IPO) issue of public and private sector banks considered for the research study, the favourable years are- 2002, 2007, 2008 and 2013, since the standard deviation and Coefficient of Variation of Return on Assets is on the lower side, i.e. Standard Deviation and Coefficient of Variation for the above mentioned periods are as follows: 0.28 & 39.44%, 0.28 & 35%, 0.24 & 27.3% and 0.35 & 38.9% respectively. Similarly the opportune years for issue of initial public offer (IPO) of selected NBFCs considered for the study can be 2008 and 2009 since the value of Standard Deviation and Coefficient of Variation are on the lower side, i.e. 0.65 & 29.4% and 0.62 & 25.43% respectively.

3.3 Outcome of Focused Group Discussion

i) Existence of strong correlation between IPO issues (value-wise) and Reported Net Profit after Tax (PAT) of banks operating under both public and private sectors considered for the research study during the period 2000 - 2015.

The bankers who participated in the focused group discussion gave the following reasons for strong correlation between IPO issues (value-wise) and Reported Net Profit after Tax (PAT) of both public and private sector banks considered for the study (period considered: 2000-2015):

a) IPO (Initial Public Offer) issued by both public and private sector banks considered for the study assisted them immensely in expanding their business operations by setting up new branches both in urban, semi-urban as well as rural areas.

b) In enhancing lending capacity, resulting into high earnings from interest on loans.

c) Assisted in enhancing growth of the banks, as IPO (Initial Public Offer) issue helped to raise funds, which in turn assisted banks in various ways, i.e. in setting up of new business; mergers and acquisitions; meet working capital requirements, in addressing the long-term financial requirements etc.

ii) Impact of IPO issue on both public and private sector banks and Non-Banking Finance Companies (NBFCs) Return on Assets (ROA) and Return on Equity (ROE) taken into account for conducting the research study during the period 2000 – 2015.

The banking experts gave the following views pertaining to the positive impact of IPO issue on Return on Assets and Return on Equity of banks of India operating under both public and private sectors, that have been taken into consideration for the research study during the period 2000-2015:

a) Since IPO (Initial Public Offering) issue assisted banks and NBFCs to generate funds, which they invested in both fixed and current assets in order to provide an impetus to their business operations, thereby, resulting into higher operational efficiency leading to a higher return on assets.

b) Due to IPO (Initial Public Offering) issue the capital base of banks and NBFCs got enhanced, resulting into rise in their business activities in terms of establishing new branches, launch of new products, mergers and acquisitions, foraying into offshore markets etc. thereby, increasing their profits as well as return on equity.

iii) Conduciveness of current economic scenario for IPO issue by banks and NBFCs

The banking experts put forward the following reasons pertaining to the conduciveness of current economic scenario for IPO issue by bank and NBFCs in India:

a) India being one of the rapidly growing economy of the world and expected to reach pinnacle by becoming one of the top three economic powers of the globe over the next 10-15 years, augmented by its robust democratic set-up provide a favourable business climate to banks and NBFCs to raise capital by embracing IPO (Initial Public Offering) route.

b) Government of India’s decision to recapitalise banks to the amount of INR 2.11 trillion (US$ 32.9 billion) is expected to provide an impetus to the credit growth in the country. Thus, along with recapitalization plans, procurement of capital through IPO (Initial Public Offering) issue will play a pivotal role in creating a broad capital base which in turn will assist Indian banking sector enhance the quantum of loans to various critical sectors of the economy.

c) Supplementing point (ii), demand for loans / finance will increase not only from Indian companies but also from foreign companies as numerous foreign corporate houses are establishing their business units in India due to various government measures like, ‘Make in India’ and ‘Digital India’.

d) According to Boston Consulting Group (BCG) report, India is estimated to become the third biggest consumer economy as its consumption is expected to triple to US$ 4 trillion by 2025 due to shift in consumer behaviour and expenditure pattern. Thus, a huge demand for loans in order to meet the expenditure on various items (durable as well as non-durable goods) is expected. In light of this, IPO issue by banks and NBFCs will assist them immensely in meeting the soaring demand for credit in future.

e) India’s securing the 100^{th} rank in the World Banks Ease of Doing Business Report, 2018 from 130^{th} rank in World Banks Ease of Doing Business Report, 2017 on account of sustainable business reforms is a metaphor of an economy growing at an astounding pace with potential to attain excellence in different spheres of economic activities. In view of this, IPO issue by banks and NBFCs will prove to be a financial blessing for them since they will be able to harness various business opportunities that is expected to be created due to better ranking by India in World Banks Ease of Doing Business Report, 2018.

Chapter 4: Conclusion and Scope of Further Research Study

4.1 Conclusion

From the research study, it can be concluded that banks and Non-Banking Finance Companies have scope for further initial public offering (IPO) issue, as Indian capital market and current economic scenario provide a conducive environment for initial public offering (IPO) issue. Further, looking into the growing demand for credit by industrial, agricultural and other priority as well as non-priority sectors of Indian economy, initial public offerings (IPOs) may play a critical role in meeting the capital requirements of banks and Non-Banking Finance Companies. Moreover, issue of initial public offering (IPO) / follow on public offer (FPO) / offer for sale (OFS) may play a crucial role in recapitalizing the banks that have lost substantial funds due to soaring non-performing assets (NPA).

It is heartening to note that issue of initial public offering (IPO) / follow on public offer (FPO) / offer for sale (OFS) by banking and Non-Banking Finance Companies have received overwhelming response as depicted by the Mean value, i.e. 2.18 on the query pertaining to the rating of quantum of initial public offering (IPO) issue by banks and Non-Banking Financial Companies during the period 2000-2015.

Similarly based on the primary data analysis, the issue of initial public offering (IPO) value wise by banks and Non-Banking Finance Companies displays a strong correlation with their Reported Net Profit after Tax (PAT). The Mean value is 1.26.

The majority of respondents showing consensus on the fact that Global Economic Crisis had exerted a negative impact on the listing of initial public offer (IPO) of banks and Non-Banking Financial Companies (NBFCs) in the stock exchanges establishes the fact that Global Financial Crisis spread like a contagion and impacted the financial sector across the globe. The Mean value is 1.29.

As mentioned above, that India provides a congenial business ecosystem is proved by the findings of the primary data also. With reference to the query regarding whether listing rules have acted as a catalyst in the listing of initial public offer (IPO) of banking and Non-Banking Financial Companies, it can be observed that majority of respondents have accepted that listing rules have really acted as a catalyst in enhancing the listing of initial public offer (IPO) of banks and Non-Banking Financial Companies. The Mean value is 1.28.

It is quite impressive to note that post initial public offer (IPO) performance have been positive. The issue of initial public offer (IPO) by banks and Non-Banking Finance Companies (NBFCs) operating under both public and private sectors have assisted them phenomenally in improving their significant financials, i.e. Return on Assets and Return on Equity. It is proved from the primary data analysis. For public sector banks, the Mean value is 3.74; for private sector banks it stood at 3.76 and for Non-Banking Finance Companies is 3.80.

Thus, the key takeaways from the research study are:

i) India is all set to provide a favourable business climate, wherein banks and Non-Banking Financial Companies will thrive.

ii) Huge opportunities for both public and private sector banks and Non-Banking Finance Companies to espouse the initial public offering (IPO) / follow on offer (FPO) / offer for sale (OFS) path.

iii) Issuance of initial public offering (IPO) / follow on public offer (FPO) / offer for sale (OFS) by banks and Non-Banking Finance Companies (NBFCs) operating under both public and private sectors in near future will assist them in bolstering their key financials like, Return on Assets and Equity as well as Reported Net Profit after Tax.

iv) The menace of non-performing assets (NPA) needs to be curbed by both public and private sector banks as raising of any quantum of capital may not assist them in expanding their operations and achieve business growth unless and until the critical issue of non-performing assets (NPA) is adequately addressed. In this regard, initial public offering (IPO) / follow on public offer (FPO) / offer for sale (OFS) issue may provide financial solace to a great extent as it will assist the banks in infusing capital. Similarly, NBFCs being on the expansion mode also need capital to finance their expansion and business operations. In this regard, initial public offerings (IPOs) may prove to be a messiah.

The rising toxic loans and fiascos of banks have made them to move away from direct lending to customers and instead they are lending to NBFCs who in turn are servicing corporate and retail customers. In view of this, NBFCs have to financially strengthen themselves in order to reach the last mile.

v) It is heartening to note that recently Non-Banking Finance Companies (NBFCs) there have been an expansion in initial public offer (IPO) financing business as substantial bids for initial public offerings (IPOs) have resulted to an enhanced demand for funds. The IPO market has revived demand for IPO loans from NBFCs

vi) Seeing to the optimistic Indian business scenario, the banks and Non-Banking Finance Companies may ponder over enhancing the quantum of loans to Micro Small and Medium Enterprises and Start-ups. The growing requirement for loans by the mentioned business organizations may be met by issuance of initial public offering (IPO) / follow on public offer (FPO) / offer for sale (Offer for Sale).

In nutshell it can be stated that today India being the most vivacious economies of the world is creating phenomenal business opportunities and banking and NBFCs have a larger role to play in financing the business growth.

4.2 Scope of Further Research Study

No research study is exhaustive, as there are numerous developments that continue to take place in the particular field in which the research study is conducted. Similarly, initial public offering is contemporary and almost an eternal area of research, since as the time will progress we may witness more and more initial public offerings (IPOs) may be for setting up of a business, expansion of business, merger and acquisitions etc. as evident by referring the recent India Brand Equity Foundation Report (IBEF) which states that the total amount of Initial Public Offerings enhanced to INR 84,357 crore (US$ 13,089 million) by the end of FY 18. In FY 19 (up to June 2018) US$ 1.2 billion has been raised from 37 Initial Public Offerings (IPOs). The growing vibrancy in the Indian Banking and Financial Services sector due to the some of these significant developments in Indian economy will play a vital role in the expansion of Indian Banking and Financial Services sector and usher in IPO renaissance-

i) Soaring incomes are providing a fillip to the demand for financial services across various stratum of population as well as corporate world.

ii) Financial inclusion initiatives by Reserve Bank of India (RBI) have broadened the scope for Banking and Non-Banking Financial Companies across the country, especially in semi-urban and rural areas. Financial inclusion drive from RBI has expanded the target market to semi-urban and rural areas.

iii) Soaring credit and investment penetration in rural areas.

iv) Approval for new banking licenses by the Government of India.

v) The burgeoning business of Non-Banking Finance Companies (NBFCs) as they are gaining prominence in the capacity of financial intermediaries in retail finance. In addition, in equipment leasing and hire purchase businesses, Non-Banking Finance Companies (NBFCs) have captured a lion share.

Thus, from the aforesaid points, it is clear that in the years ahead IPO will capture the Indian capital market, especially, the Banking and Financial Services sector IPOs. Moreover, a lot of developments will definitely take place in a political, economic, financial and legal milieu which would exert an impact on the IPO issue process, which in itself will be a subject of research. For instance, there are constant amendments in Issue of Capital and Disclosure (ICDR) Regulations and SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations which will have an impact on issue and listings of IPO in the stock exchanges respectively. Further, various foreign banks or financial institutions may embrace the IPO route which will open up a new vista of research.

As India being one of the 'Super-Economic Power' of the globe and Asia, it is definitely going to witness an upsurge in business activities and being ranked in top 100 in World Bank's Ease of Doing Business Report, 2018 is a metaphor of prodigious economic development ahead. In view of this, we are going to witness a phenomenal industrial growth and growth of corporate sector per se. To fuel this growth, IPO will play a pivotal role and various critical facets associated with it will act as a trigger for further research.

4.3 Publication and Presentation by the scholar in the research area

S.No	Name of the Ph. D. Scholar	Topic	Journal/Seminar/Conference	Place in case of Seminar/Conference	Month /Yr
01	Akinchan Buddhodev Sinha Dr.Manisha Singh Dr.Balmukund Singh	Growth and Development of Venture Capital Financing in India with a Special Emphasis on Selected Sectors	National Finance Seminar. The paper was published in an ISBN Book	Siva Sivani Institute of Management, Hyderabad, Telangana, India	November, 2016
02	Akinchan Buddhodev Sinha Dr.Manisha Singh Dr.B.M.Singh	E-Voting- A Resurgence in Corporate Democracy	Dimensions Journal	IBS Business School, Mumbai	February, 2017
03	Akinchan Buddhodev Sinha Dr.Manisha Singh Dr.B.M.Singh	Non-Banking Financial Institutions of India- Their Onset, Growth and Performance of Selected NBFCs	Brahmaputra Journal	Don Bosco Institute of Management Studies, Guwahati	February, 2017
04	Akinchan Buddhodev Sinha Dr.B.M.Singh Dr.Manisha Singh	Gauging the Conduciveness for IPO Issues in Indian Capital Market	Journal- NCRD’s Business Review	NCRD’s Sterling Institute of Management Studies, Nerul, Navi Mumbai	March 2018

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