SIGHIFICANT changes have taken place in the structure and working of the capital market in recent years. Until recently, the capital market had remained largely dormant, but with the marked revival in the stock market this year, the capital market has also been showing welcome signs of life. The continued upsurge in stock prices on a wide front throughout the year has created buoyant conditions in the investment market such as has not been witnessed since 1946. The investor has regained his lost confidence with the return of hope which this body aroused in the minds of Indian entrepreneurs which can bring nothing but good. Secondly, in a large sized issue, the Corporation appears to follow the practice, after underwriting equity or capital, of requiring the issue to be offered to the public so that the public gets a fair and equal opportunity to subscribe to capital.

A Good Start

In its short period of existence, the new corporation has handled one major public capital issue of a new enterprise, apart from other issues which it has taken up without public offering. But the procedure adopted in respect of this issue which, it is expected, will be followed in the case of subsequent issues, is a welcome indicator that its attempt is directed to forging a better integrated capital market. In its scrutiny of a proposal, it seeks to collect exhaustive and accurate data, much to the chagrin of the promoters who are not ready for such a detailed and thorough examination. This is an educative process in itself for the Indian entrepreneur which can bring nothing but good. Secondly, in a large sized issue, the Corporation appears to follow the practice, after underwriting equity or capital, of requiring the issue to be offered to the public so that the public gets a fair and equal opportunity to subscribe to capital.

It has been customary in India to arrange for private subscriptions even of large issues among directors and friends of the promoters or through brokers without giving any opportunity for subscription to the general public. This is an unhealthy and unfair practice. For instance, it was unfortunate that debenture issues of all the three oil refineries totalling Its 14 crores should not have been offered to public subscription but should have been placed privately, largely with big institutions, so that small investors got little opportunity to subscribe in the beginning and could only purchase subsequently in the open market at a considerable premium. It is strange that Government should have taken no notice of this practice which has acted to the disadvantage of the common investor. Hitherto underwriting and placing of new Issues
have been created alike and underwriting has been interpreted rather loosely.

The Corporation, by observing this distinction, clarifies the position and succeeds in establishing a healthier tradition in the capital market which is fair to the small investor. An important consequence of underwriting risk being assumed by the Corporation is that even if the public response is poor, the shares will not be at a discount because of the known capacity of the Corporation to hold them for a long time. In the promotion of the new issue market, the Corporation also seeks to establish links with banks, insurance companies and brokers as sub-underwriters, so that underwriting may be more orderly and risks may be spread widely among many institutions. This in the long run will develop a team of underwriters working together and help the flotation of capital issues on a scale which is possible only as a joint effort. Thus the idea of a consortium advocated by the Ebbeff Committee is taking shape under the auspices of ICICI but in a manner different from that suggested by that Committee. What is developing is a joint venture in which credit institutions as well as professional underwriters can play their part. In the advance of the capital market, therefore, the establishment of the Corporation can thus be regarded as a milestone.

Even among brokers who have traditionally acted as professional underwriters, the recent tendency has been to act jointly for placing or underwriting an issue which was not the practice previously. This has enabled them to handle larger issues. It must, however, be admitted that the attempt some time back to set up an Investment Underwriters Association of India has so far not succeeded, even though the need for such a body is widely conceded. It may, however, be hoped that such an association may not take very long to materialise.

Outside the existing machinery of the capital market, much direct financing of a long-term nature is being done by the Government itself. Capital is readily advanced to shipping companies for purchase of ships at much below the ruling rates of interest, while large advances have been made to steel companies and preference capital taken up in a locomotive manufacturing company. Capital assistance for modernisation of Jute Mills has been offered through the National Development

---

**NEW INDIA STORIES FROM LIFE**

‘My good turn helped me most’

MY FRIEND’s son came to sell me insurance. My business was doing well, and I thought I did not need any. But the boy was so young and enthusiastic, that just to encourage him and please his father, I agreed to take out a policy.

Some years later, business slackened and everything I touched seemed to fail. My business took some hard knocks, and my partner got too ill to share my problems. I had to re-organize the company, and was not sure where the necessary capital to come from. The only solution was to sell our house — and it was my wife’s pride and joy.

Then my young friend dropped in to remind me that my New India Endowment Assurance policy would mature shortly. What a wonderful relief! I would get the money I sorely needed at exactly the right time.

I thought I had obliged a friend — actually he had helped me!

---

**THE NEW INDIA ASSURANCE CO. LTD.**

Mahatma Gandhi Road, Bombay 1.