CAPITAL AND MONEY MARKETS

Resource mobilisation has continued to suffer from poor investor response in the primary market for public and rights issues, which have been adversely affected not only by the risk aversion of small investors to new issues but also by the lack of sustained buoyancy in the secondary market and underlying sluggishness of industry. Mobilisation of substantial amount has, however, taken place through private placement. Total resource mobilisation from the primary market through both public and rights issues now constitutes only 15-20 per cent of the amount mobilised through private placement. Nevertheless, total resource mobilisation from public and rights issues during April-December, 1998 registered an increase of 27 per cent over the corresponding period in 1997-98.

2. Movements in share prices in 1998-99 reflected longer spells of bear phase and shorter spells of bull phase. The Sensex, which closed at 3893 on March 31, 1998, crossed the 4000 mark in April, registered a steady decline thereafter and closed at 2934 by end-August, 1998. It crossed the 3000 mark in September and remained above 3000 before declining to 2878 on October 5,1998. After remaining below the 3000 mark for nearly three months, the Sensex rose to 3055 on December 28, 1998 and closed at 3433 on January 11,1999.

3. The measures/reforms introduced in the current financial year covered both the primary and the secondary segments of capital market. The initiatives by both the Government and the Securities and Exchange Board of India (SEBI) focussed on regulatory reform as well as market modernisation so as to promote investor interest and ensure investor protection. As regards the primary market, most of the recommendations made by the "Informal Group on Primary Market" have been accepted by SEBI.

4. Measures taken to boost investor interest in the secondary segment of the capital market include the Companies (Amendment) Ordinance (promulgated on October 31,1998 and repromulgated on January 7,1999) and the framing of SEBI Regulations enabling companies to resort to buy-back of their shares, requirement to publish unaudited results by listed companies on quarterly basis, amendment of SEBI Takeover Regulations, rolling settlement in respect of demat securities and stringent margin requirements to curb excess volatility in share prices.

5. Notable developments in the Government Securities market in the current financial year include the practice of notifying issue size in respect of all Treasury Bills, exclusion of non-competitive bids from notified amounts, introduction of uniform price auction for 91-day Treasury Bills and amendments to the Reserve Bank of India (RBI) Guidelines on transactions by Foreign Institutional Investors (FIIs) to facilitate investment by Equity Funds in Government dated securities as well as Treasury Bills in both the primary and the secondary markets within their debt ceiling of 30 per cent.