CHAPTER 2

RESEARCH

METHODOLOGY
Introduction

The scenario in the Indian Capital Market has changed very fast ever since '80s, the activities of capital market have accelerated and the momentum is still continuing. It has emerged as a major source of finance for the corporate sector. The healthy development in the primary as well as secondary market with appropriate degree and manner of regulation will be of immense importance in the coming years on account of their role in meeting the need for greater investment, especially in infrastructure sector.

Indian companies have become more innovative while raising capital. Gone are the days when companies just offered simple equity and debentures. Today the market is evolving in such a way that companies have begun to place variety of combinations of equity and debt instruments in the market.

As India embarked upon the route of new economic reforms and liberalisation the Indian corporates too developed a global vision. These corporates, who uptill now were restraining themselves to only the domestic finance available at high interest rates for financing, have come upto realise that a host of investors, particularly in Europe, Asia and America, can be roped in for mobilising funds at cheaper cost and fewer hassles. Thus, Indian companies have found their way to global capital markets for meeting their resource requirements.
As a part of globalising the economy, the Government undertook two major steps that of allowing Foreign Institutional Investors (FIIs) to invest in the Indian capital market and permitting Indian Companies to float their stocks in foreign markets.

An Euro issue is an issue where the securities are issued in a currency of the country of issue and the securities are sold internationally to corporate and private investors in different countries. A Euro-issue is different from a foreign issue where the issuer is not incorporated in the country in which the securities are being issued, but the securities are denominated in the currency of the country of issue. Euro securities are transferable which are to be underwritten and distributed by a syndicate. The concept of Euro market was first developed in Europe. The size and geographical diversity of the Euro market draws participants, be it an issuer, underwriter, intermediary or investor from all over the world, thus making it characteristically international. The major benefit that an Euro issue provides to the issuer company is the ability to raise funds at a lower cost. The two major instruments which are floated in the Euro capital markets are Euro Bond and Euro Equities.

The Indian capital market is undergoing a dramatic metamorphosis. Not only it is increasingly moving towards attaining international standards, it is also attracting many global players into the domestic arena. Without doubt, it has been the economic liberalisation process started in the year 1991 that is spurring the change in our capital market. To begin with more flexible laws allowing for raising of
capital have been a plethora of small and big companies flocking to the primary market to raise project funds.

On the other hand, the entry of foreign institutional investors (FIIs) has given a fillip to investors in the secondary market. According to information released by SEBI recently all the FIIs put together have made a net investment of just are $3 billion in the country’s bourses since they entered India in September, 1993.

**Objectives**

The main objectives of the study are:

To study the historical background of Euro issues and its due role on Indian economy.

To study the progress and scope of Euro capital market in relation of Indian companies.

To study which instruments is more useful profitable for Indian companies in Euro capital market.

To study the benefits to the Indian share holders by way of Euro issues.

To study the uses of funds by Indian companies collected by way of Euro issues.

To study the benefits of Indian company’s in relation to the cost and pricing of Euro issues in comparison to right and public issue.

To study the impact of Euro issues on the future earnings of the company.
To study the impact of Euro issues on Indian capital market.
To ascertain the nature of and reasons for the trend of rising costs and its impact on profitability of the Indian Companies.
To study who is the most beneficial instrument of issuing companies.
To study problem areas in connection with research project.
To suggest suitable improvement, various measures how the Euro issue activity can play its due role in the overall development of capital market particularly Euro issue market.

**Methodology**
The present study has the following methodology:
Relevant data has been collected both from primary and secondary sources.

a) Primary source is mainly confined to personal contacts which have been made possible through an unstructured list of equestions. The respondent selected are mainly officials, stock brokers, companies leaders and academicians. Their responses have been collectively analysed and discussed in terms of analytical study and summary. In chapter eight namely conclusion and suggestions, the responses have been discussed.

b) The secondary source of information is from Journals, magazines, periodicals, Gourment publication, reports, seminar proceedings, newspapers, and other relevant references text books. During the course of the study visits to various offices for the purpose of getting latest information has also been made.
Hypothesis:
Following launch of the economics reforms since 1991, the policy of foreign investment, has had predominant role in the capital market. Also their have been a far reaching changes in the entire gamut of rules and regulations governing industrial and external sectors. In other words foreign investment is encouraged even with majority equity participation. FII portfolio flows have a far reaching impact on capital market which has affected the Indian economy in general and business sector in particular towards a steady growth path. To encourage foreign investors to participate in the Indian economic improvement by allowing them to have the facility of trading equity of Indian giants in their stock market through hard currencies namely US dollar (Euro-Issues), has paid dividends.
Chapter Plan:
The thesis comprises eight chapters. The first one is introduction briefly mentioning historical background and role of Euro-Issues in the changing context. The second chapter briefly mentions the research methodology. In the third chapter role and guidelines of government, SEBI and their agencies have been extensively discussed. The fourth chapter analyses the various instruments to be issued in as Euro-Issue. The fifth chapter discusses the capital issues activities. The sixth chapter analyses the impact of Euro-issues on capital market, economy and business sector. The seventh chapter discusses the problems and critically analyses the functioning of capital market with respect to Euro-issues. In the last namely in the eight chapter conclusion and suggestions have been given which are grown during the course of the study and got from personal surveys.