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RESOURCE MOBILIZATION THROUGH PUBLIC OFFERINGS: AN ANALYSIS OF INDIAN BANKING SECTOR

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ABSTRACT

This study explores the patterns and dynamics of resource mobilization in the Indian banking sector through public offerings in the primary market. Given the critical role of banks in the country's economic development, particularly in capital mobilization, the research examines trends in public offerings and their relationship with key financial indicators such as the Nifty Bank Index and total deposits. The analysis highlights significant fluctuations over the years, revealing a declining trend. The findings show a weak correlation between public offerings, market performance, and deposit mobilization. The study emphasizes the need for strategic decision-making, regulatory support, and financial innovation to enhance resource mobilization in the sector. Strengthening investor confidence and promoting financial innovation are recommended as key measures to improve capital accessibility in the banking sector.

KEYWORDS: *Public Offerings, Banking Sector, Resource Mobilization.*

INTRODUCTION

Capital serves as the cornerstone of any business entity. Companies require adequate capital to fulfil their financial requirements. Companies acquire this capital by issuing their securities in the capital market. Capital market is divided into two, which are primary market and secondary market. The Primary market plays a crucial role by helping the various companies to raise funds they need for their requisite. The primary market issues in India includes public issues, private placements, bonus issues and right issues.

Banking sector is one of the major sectors for the development of the economy in any country as it takes care of the entire financial functions of the nation. The core functions of the banking sector include accepting deposits and providing credit and provisions of credit, which helps in mobilizations and movements of funds in the country. Nowadays banks also involve in procurement of the funds from the public where Public Offerings through issue of securities plays a pivotal role and is also regarded as one of the safest forms of investment on part of investors with low risk and high liquidity.

Public offerings are a significant method for banks to raise capital by offering shares or securities to the public, enhancing both market visibility and credibility. The interplay between Public Offerings and the banking sector offers insights on business growth and adoption to dynamic economic landscapes. The successful mobilization of resources through Public Offerings not only strengthens individual banks but also contributes to the overall stability and growth of the Indian financial sector and economy. As Indian banks continue to navigate a rapidly evolving financial landscape, Public Offerings will remain a crucial tool for achieving long-term success and important for the economic development of the country.

REVIEW OF PREVIOUS STUDIES

Rajesh et al., (2024) – The study analysed the Initial Public Offerings (IPOs) in the banking sector from 2011 to 2022, focusing on the factors influencing their success and challenges. A mixed-methods approach was utilized, combining quantitative data from financial databases with qualitative insights from interviews with banking executives and analysts. In conclusion, the study contributed to financial market literature by detailing the interplay of internal strategies and external forces affecting banking sector IPOs, offering practical recommendations for banks to ensure comprehensive preparation and alignment with market conditions and the necessity of adapting to regulatory changes and leveraging technology to attract investors

Aleena et.al (2015) – The authors investigated the impact of resource mobilization on business continuity management on banking sector of Pakistan. The study examined the effect of resource mobilization on business continuity management practices in banks. The findings suggested that resource mobilization is an effective tool for implementing business continuity and disaster management plans. The study concluded that resource mobilization positively impacts practices directed towards business continuity management. It emphasized that effective resource mobilization is crucial for timely recovery and restoration of business processes during disruptions.

Ratna et.al (2014) – The study explored the transformation of the Indian banking sector following economic reforms initiated by the government. The objectives included analyzing the impact of liberalization, privatization, and globalization on national and commercial banks, while also understanding the significance of banks in India. Findings indicated that the banking sector experienced significant changes, with a growing demand for sophisticated retail banking services driven by a rising middle class. The conclusion emphasized the necessity for banks to adapt to emerging consumer needs and technological advancements to remain competitive in a rapidly evolving market.

Sourabh et.al (2012) – The study focused on the performance of Initial Public Offerings (IPOs) in the banking sector, particularly in India, where expert committee recommendations encouraged banks to raise capital through IPOs. The objectives included analysing the performance of banking sector IPOs and assessing whether they underperformed compared to expectations in developing countries. Findings indicated that there was no significant evidence of underperformance for banking sector IPOs, and performance improved in the post-listing period.

Saurabh et.al (2005) – The authors investigated the post-offering performance of Initial Public Offerings (IPOs) in the Indian banking industry, addressing the well-documented anomaly of IPO underperformance. The research design involved a detailed analysis of stock returns and key accounting parameters of banking sector IPOs. Findings revealed that, contrary to international evidence, Indian banking sector IPOs did not exhibit significant underperformance; instead, there was an improvement in key profitability measures post-listing.

STATEMENT OF THE PROBLEM

In today's world, banking sector plays an essential role in the economic upliftment and evolution of the nation's financial system. As the Indian economy is transforming from the savings to the spending pattern, there is a reduction in the amount of money deposited in banks by the public. Resource mobilization through Public Offerings poses various challenges and opportunities as there is a limited study on the trends of mobilizing resources in the Indian Banking Sector. The relationship between the performance of the Nifty Bank Index and the success of Public Offerings is not documented which leads to gaps in strategic decision-making for banks requiring to raise funds. So, the present study aims to analyze the patterns of mobilizing funds through Public Offerings in the primary market by banks and examine its relationship with the bank index. With this theoretical background the study aims to answer the following questions.

RESEARCH QUESTIONS

1. What is the trend in resource mobilization through Public Offerings in the Indian primary market within the banking sector?
2. What is the relationship between the Nifty Bank Index, Total Deposits of Banking Sector and Public Offerings in the Indian Primary Market?

OBJECTIVES OF THE STUDY

1. To Examine the Trends in the Resource Mobilization through Public Offerings in the Indian Primary Market within the Banking Sector.
2. To Identify the Relationship between the Nifty Bank Index, Total Deposits of Banking Sector and Public Offerings in the Indian Primary Market.

RESEARCH METHODOLOGY

A non-probability sampling method is used, focusing on financial data from 2013 to 2023. The purposive sampling technique was selected as the data reflect specific characteristics aligned with the study objectives. Data were obtained from SEBI Annual Reports, the Handbook of Statistics, journal articles, and other financial websites. Linear Growth Rate (LGR) and correlation analysis were used to analyse the data efficiently and meaningfully.

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Analysis and Interpretation

Trend in the Public Offerings of the Indian Banking Sector

It is evident from the below table 1 that there have been high fluctuations in the amount of the Public Offerings in the study period. The average value of the Public Offerings of the banking sector during the study period was Rs. 8800.60 crores, and the slope shows a value of (-0.602), indicating a moderate negative relationship. The F-value (4.541) tests the overall significance of the regression model, with a significance level (p-value 0.066) that the model is not statistically significant at the 5% level, but it is close, suggesting that the study period may have a noteworthy influence on Public Offerings.

The Findings of the trend revealed that the value of the Public Offerings in the Indian Banking Sector decreases by approximately 1,855.72 crores for each additional year. There are various fluctuations in the amount mobilized through public offerings during the study period. Since the value of the growth rate is in negative, it signifies a decline in resource mobilization in the banking sector over the years covered during the study period.

Table 1

Year	Public Offerings (Rs. Crores)
2013-14	29700 (100)
2014-15	2873 (9.67)
2015-16	15698 (52.86)
2016-17	10930 (36.80)
2017-18	8075 (27.18)
2018-19	1131 (3.80)
2019-20	2345 (7.90)
2020-21	15120 (50.91)
2021-22	1200 (4.04)
2022-23	934 (3.14)
Mean	8800.60
Standard Deviation	9337.14
Linear Growth Rate	−1855.721

Source: Secondary Data

Figures in Parenthesis are indices with 2014 as base year

Correlation between Nifty Bank Index, Deposits and Public Offerings

Table 2

Variables		Public Offerings	Nifty Bank Index	Deposits
Public Offerings	Pearson Correlation	1	-.558	-.570
	Sig. (2-tailed)		.093	.085
	N	10	10	10
Nifty Bank Index	Pearson Correlation	-.558	1	.974***
	Sig. (2-tailed)	.093		.000
	N	10	10	10
Deposits	Pearson Correlation	-.570	.974***	1
	Sig. (2-tailed)	.085	.000	
	N	10	10	10

***significant at 1% level

The results of the Correlation analysis indicates that there is a strong positive correlation between Nifty Bank Index and the Deposits (r=0.974, p=0.000), suggesting a highly strong relationship between the variables. Whereas, there prevails a negative correlation between the Public Offerings and the Nifty Bank Index (r=-0.558, p=0.093) Public Offerings and Deposits (r=-0.570 p=0.085), revealing a weaker relationship between the variables.

SUGGESTIONS

1. Investors should look beyond public offerings when diversifying their portfolios, particularly given the downward trend in resource mobilization within the banking sector.
2. For shareholders, a thorough evaluation of a bank's financial health is crucial, focusing on its deposit mobilization efforts and its performance in the Nifty Bank Index, as these factors significantly influence its capacity to raise funds through public offerings.

3. The government and regulatory bodies should provide incentives for capital raising activities, such as easing restrictions on public offerings or offering tax breaks to banks. Additionally, creating a favourable regulatory environment for digital banking and fintech can help banks innovate and attract more deposits, boosting their fundraising capabilities.

CONCLUSION

The performance and resilience of the banking sector are influenced by internal strategies and external economic factors. As investors diversify their portfolios and banks adapt to evolving market conditions, proactive approaches in deposit mobilization, financial literacy, and risk management become essential. Regulators and the government must foster financial inclusion, promote digital innovation, and create a conducive environment for capital raising. These efforts collectively support the sustainable growth of the banking sector, benefiting both investors and the broader economy.

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