

NIFTY PERFORMANCE Nifty 50 ₹23462.1 -70.6 -0.3%	SENSEX PERFORMANCE BSE Sensex ₹77213.73 -366.58 -0.47%	COMMODITIES SILVER ₹894.2 3.1 0.35%	Check MUTUAL FUNDS
--	---	--	---

ADVERTISEMENT

MUST READ

Fixed Deposits: 7 banks offering more than 8% return on fixed deposits



Business News / Archive / Efficiency Over Hero Worship

Efficiency over hero worship

The core objective of financial market reforms, particularly in the securities market, is to reduce information asymmetry. This is expected to be achieved by assigning a greater role to the market and letting participants seek more information.

Written by MS Sahoo

April 14, 2008 21:21 IST

The core objective of financial market reforms, particularly in the securities market, is to reduce information asymmetry. This is expected to be achieved by assigning a greater role to the market and letting participants seek more information. Regulation can strengthen this framework by providing appropriate legal backing to the quest for higher quality information. India has shifted from an era of controlled pricing of public issues to a sort of 'free float' system with enhanced disclosure requirements to empower investors. This has generated arguments that some 'free floats' are buoyed by sentiment more than intrinsic business value, adding volatility to the primary market. In this view, the central role of capital markets, to enhance resource allocation efficiency, has been injured by 'spiky' pricing. This can be blamed on the absence of consolidated information on forthcoming public issues for a reasonable time horizon (say, a minimum one year), and the consequent 'muddled' use of funds by investors. It is ironical that while we continuously raise the bar on disclosure requirements, enormous information asymmetry persists between issuers and investors. This asymmetry leads to suboptimal allocation of funds in both the micro and macroeconomic sense; it distorts investment portfolios and causes resource misallocations between sectors.

Individual investors are budget bound, and so often end up with funds blocked in particular issues (even if they do not get subscription), leaving them unable to apply for other IPOs. With the probability of getting allotment low, this results in high opportunity costs. Refunds take about 15 days. Institutional

ADVERTISEMENT

RELATED NEWS

Chef turned woman into ?200-a-night prostitute

THE FINANCIAL EXPRESS

Porn star by profession and choice, says Sunny Leone

THE FINANCIAL EXPRESS

Our world was hotter 1,000 years ago

THE FINANCIAL EXPRESS

Sabeer Bhatia's InstaColl launches ? Live Documents?

THE FINANCIAL EXPRESS

Adani Power likely to purchase, expand power plants in Nigeria

THE FINANCIAL EXPRESS

ADVERTISEMENT

THE FINANCIAL EXPRESS

investors have vastly larger sums at their disposal, and have to pay only 10% of the bid amount with their subscription. Only for issues oversubscribed more than 10 times do they fail to get the shares (and are refunded). Some issues, though, are oversubscribed as much as 100 times. As a result, even with proportional allotment, many investors do not get any allotment. To increase the probability of allotment, they apply for more shares than they want (individuals often use multiple accounts to get around subscription limits), which leads to ?notional? oversubscription. It?s a vicious circle.

ADVERTISEMENT

Powered By

Now, when an investor applies for a particular issue, he is not aware of the choices available to him the next month or next quarter. He is in intense competition with other retail investors for allotment. Issuers, however, have a seller?s [market](#)?a near monopoly?for the [IPO](#) window period, and are aware of other issues lined up.

From a theoretical perspective, the market is well equipped to discover the ? best price?. However, the way the primary market operates, it does not necessarily ensure a flow of resources to the project which would give the best returns. This is possible only if the market has full information about all the issuers who are selling slightly differentiated, but competing products, and investors have an opportunity to compare these products. Investors should be in a position to rank various products in terms of their appetite and opportunity to bid for all them in order of priority, without blocking their resources in a particular issue. They should also have reasonable assurance that they would get allotment of shares of their choice.

All issuers planning to access the market during a quarter ought to enter the primary market together, on a predetermined date. They should compete among themselves for subscription, and investors will subscribe for shares in their order of preference. This would reveal a proper picture of demand and supply. If an investor does not get shares in the company of first choice, the [money](#) should be considered for allotment of shares in an issuer of second choice, and so on. This will prevent funds from being blocked, and smoothen the retail end of IPOs. This will also reduce the incentive to use benami accounts to apply for more shares than he really wants possession of. Such a ranking and choice method would relegate the less-fancied companies to the bottom of the subscription pyramid, which is desirable from the angle of macro allocation efficiency.

How infra bottlenecks, traffic woes pose major hurdles as Thane gears up for polls

Elections 27 min ago

Thane's growing population and real estate boom have led to challenges such as traffic congestion and infrastructure delays. The upcoming triangular electoral battle in the Thane constituency will focus on addressing these issues. The three main candidates, Sanjay Kelkar (BJP),...

[VIEW ALL SHORTS >](#)

STOCK ACTION

NSE BSE

Nifty 50

Name	LTP	Chg
Nifty 50	23,462.10 AD Ratio: 0.83	-70.60 -0.30%
Nifty Bank	50,351.95 AD Ratio: 2.25	172.40 0.34%
Nifty Next 50	67,556.65 AD Ratio: 0.82	148.00 0.22%
Nifty 100	24,311.15 AD Ratio: 0.83	-54.90 -0.23%
Nifty 200	13,196.70 AD Ratio: 0.79	-23.70 -0.18%

[VIEW ALL](#)

ADVERTISEMENT

PHOTO GALLERY

9 PHOTOS

In pictures| Delhi's air quality plummets: National Capital gasping for breath as AQI dips to 'severe plus' category

3 hours ago

The proposed model needs an IT-enabled centralised mechanism with a consolidated application form for a bunch of issues. This will allow investment options to be compared with one another and will thereby result in relatively efficient allocation of funds?the whole point of the capital market. This would also reduce the basic cost of issues, as all issuers would share transaction costs (even if [marketing](#) costs rise). Thus a ?planned? system of public issues through a quarterly calendar and a centralised mechanism can promote allocation efficiency and deliver greater investor satisfaction. On the whole, this would mean better fund utilisation in the [economy](#) as a whole.

Another benefit: it would obviate the ?hero worship? of a few companies that manage to manipulate market sentiment at suitable junctures to their cash advantage, leaving the entire economy worse off.

?The authors are civil servants. These are their personal views

Get Live [Share Market](#) updates, [Stock Market Quotes](#), and the latest [India News](#) ... [Read More](#)

First published on: 14-04-2008 at 21:21 IST

STOCK MARKET STATS

- Market Stats
- Top Gainers
- Top Losers
- Indices Performance
- Gold Rate Today
- Silver Ra

9 PHOTOS

US Election 2024 In Pictures: Trump's victory fills the air with excitement but Harris' 'heart is full'

2 weeks ago

10 PHOTOS

In photos: Sacred moments from Chhath Puja festivities across India

2 weeks ago

View More

ADVERTISEMENT

Today's Commodity Rate

18 NOV, 2024 New Delhi

PETROL ₹94.77/LTR ₹0.00 ↔ >

DIESEL ₹87.67/LTR ₹0.00 ↔ >

VIEW GOLD RATE TRENDS >

ADVERTISEMENT

LATEST NEWS

Maharashtra Election 2024: How infrastructure bottlenecks, traffic woes pose major hurdles as Thane gears up for polls



BSEB STET 2024 Results declared at bsebstet.com, check steps to download here



Warangal airport to take off soon, Telangana government approves Rs 205 crore for land acquisition



HCL Software announces appointment of Vikrant Chowdhary as senior vice-president & country head for India



MSME registration: Check online process to modify or change details to your Udyam certificate online



TRENDING TOPICS

INCOME TAX CALCULATOR

SILVER RATE TODAY

GOLD RATE TODAY

IPO

STOCK MARKET QUOTES

MUTUAL FUNDS

WAAREE ENERGIES IPO 2024 LIVE

TOP CATEGORIES

MARKET | JOBS | INDIA NEWS | BUSINESS | MONEY | HEALTH CARE | JOB CARRIER | LIFE | PHOTOS | LIFESTYLE

| NDA VS INDIA LOK SABHA ELECTION | MAHARASHTRA ELECTION

STOCK MARKET STATS

MARKET STATS | NSE TOP GAINERS | NSE TOP LOSERS | BSE TOP GAINERS | BSE TOP LOSERS | INDICES PERFORMANCE | NIFTY 50

| BSE SENSEX PERFORMANCE | STOCK MARKET QUOTES

TOP NSE/BSE COMPANIES SHARE PRICE

TOP NSE/BSE COMPANIES SHARE PRICE | TATA MOTORS SHARE PRICE | TATA STEEL SHARE PRICE | STATE BANK OF INDIA SHARE PRICE
| HDFC BANK SHARE PRICE | INFOSYS SHARE PRICE | ITC SHARE PRICE | WIPRO SHARE PRICE | NTPC SHARE PRICE | ONGC SHARE PRICE
| ADANI ENTERPRISES SHARE PRICE | ADANI PORTS AND SPECIAL ECONOMIC ZONE SHARE PRICE
| BHARAT PETROLEUM CORPORATION SHARE PRICE | COAL INDIA SHARE PRICE | BAJAJ FINANCE SHARE PRICE | ICICI BANK SHARE PRICE
| TITAN COMPANY SHARE PRICE | LARSEN & TOUBRO SHARE PRICE | POWER GRID CORPORATION OF INDIA SHARE PRICE
| ASIAN PAINTS SHARE PRICE | HINDUSTAN UNILEVER SHARE PRICE | HCL TECHNOLOGIES SHARE PRICE | HINDALCO INDUSTRIES SHARE PRICE
| BAJAJ AUTO SHARE PRICE | NESTLE INDIA SHARE PRICE | AXIS BANK SHARE PRICE | JSW STEEL SHARE PRICE | TRENT SHARE PRICE
| TECH MAHINDRA SHARE PRICE | RELIANCE INDUSTRIES SHARE PRICE | SUN PHARMACEUTICAL INDUSTRIES SHARE PRICE
| BAJAJ FINSERV SHARE PRICE | ULTRATECH CEMENT SHARE PRICE | CIPLA SHARE PRICE | INDUSIND BANK SHARE PRICE
| BHARTI AIRTEL SHARE PRICE | EICHER MOTORS SHARE PRICE | BRITANNIA INDUSTRIES SHARE PRICE | HERO MOTOCORP SHARE PRICE
| GRASIM INDUSTRIES SHARE PRICE | SHRIRAM FINANCE SHARE PRICE | APOLLO HOSPITALS ENTERPRISE SHARE PRICE
| MARUTI SUZUKI INDIA SHARE PRICE | KOTAK MAHINDRA BANK SHARE PRICE | MAHINDRA & MAHINDRA SHARE PRICE
| TATA CONSUMER PRODUCTS SHARE PRICE | SBI LIFE INSURANCE COMPANY SHARE PRICE | TCS SHARE PRICE
| DR. REDDYS LABORATORIES SHARE PRICE | HDFC LIFE INSURANCE COMPANY SHARE PRICE

STOCK PRICE QUOTES

A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z
| OTHERS

POPULAR CAR MODELS

ALTO K10 | MARUTI BALENO | ERTIGA | SWIFT | DZIRE | FRONX | WAGON R | MARUTI SUZUKI BREZZA | GRAND VITARA
| HYUNDAI CRETA | HYUNDAI VENUE | MAHINDRA THAR | SCORPIO N | XUV 3XO | KIA SELTOS | KIA SONET | TATA NEXON
| TATA PUNCH | TOYOTA FORTUNER | TOYOTA INNOVA CRYSTA | TATA CURVV | MAHINDRA THAR ROXX | HYUNDAI ALCAZAR
| MAHINDRA BOLERO | MAHINDRA SCORPIO | HONDA ELEVATE | MARUTI SUZUKI EECO | MARUTI SUZUKI CELERIO | HONDA AMAZE
| HONDA CITY | TOYOTA HYRYDER | KIA CARNIVAL | TATA SAFARI | TATA TIAGO | TATA HARRIER | MARUTI SUZUKI S PRESSO
| MARUTI SUZUKI INVICTO | TOYOTA RUMION | TOYOTA TAISOR | TOYOTA GLANZA | MAHINDRA XUV700

POPULAR BRANDS

HYUNDAI CARS | MAHINDRA CARS | MARUTI SUZUKI CARS | TATA CARS | TOYOTA CARS | KIA CARS | HONDA CARS | BEST POPULAR CARS

TOP COMMODITIES

GOLD RATE TODAY | GOLD RATE IN CHENNAI | GOLD RATE IN KERALA | GOLD RATE IN HYDERABAD | GOLD RATE IN BANGALORE
| GOLD RATE IN MUMBAI | GOLD RATE IN NOIDA | GOLD PRICE IN DELHI | GOLD PRICE IN AHMEDABAD | GOLD PRICE IN KOLKATA
| SILVER RATE TODAY | SILVER RATE IN BANGALORE | SILVER RATE IN AHMEDABAD | SILVER RATE IN HYDERABAD | SILVER RATE IN CHENNAI
| SILVER RATE IN JAIPUR | SILVER RATE IN MUMBAI | SILVER RATE IN DELHI | SILVER RATE IN NOIDA | SILVER RATE IN LUCKNOW
| PETROL PRICE | PETROL PRICE IN DELHI | PETROL PRICE IN MUMBAI | PETROL PRICE IN BANGALORE | PETROL PRICE IN HYDERABAD
| PETROL PRICE IN CHENNAI | PETROL PRICE IN KOLKATA | PETROL PRICE IN PUNE | DIESEL PRICE | DIESEL PRICE IN DELHI
| DIESEL PRICE IN BANGALORE | DIESEL PRICE IN MUMBAI | DIESEL PRICE IN HYDERABAD | DIESEL PRICE IN CHENNAI
| DIESEL PRICE IN CHANDIGARH | DIESEL PRICE IN JAIPUR | DIESEL PRICE IN LUCKNOW

TRENDING TOPICS

Budget 2024 Live

TRENDING STORIES

India Election Results 2024 Highlights: Nitish Kumar, Chandrababu Naidu attend	PSEB 10th Result 2024 Highlights: Results OUT at	BSEB Bihar Board 10th Result 2024 Live Updates:	Happy International Women's Day 2024: Share wishes, greetings, and
--	---	--	--

NDA meet at Modi residence, INDIA huddle shortly

Maha Shivratri 2024: Spread festive wishes and quotes to commemorate this special occasion

Lok Sabha Elections 2024: Congress CEC clears Rahul Gandhi's candidacy for Wayanad seat, first candidate to be out soon

PM Modi LIVE: PM Modi congratulates participants and awardees of National Creators Awards

pseb.ac.in, how to check, direct link to scoreboard

Result declared at bsebmatic.org

messages with friends and family

JM Financial says will fully cooperate with Sebi in probe into public issue of debt securities

INDIANEXPRESS

Conrad Sangma: 'Without change of guard in Manipur, no effective steps possible ... Had multiple meetings with Amit Shah, J P Nadda'

As Kailash Gahlot joins BJP, AAP brings in 'Jat face' Raghuvinder Shokeen to replace him as minister

Delhi air crisis: Supreme Court may disallow relaxing GRAP IV pollution curbs without its permission

15 medical students booked for junior's death after ragging in Gujarat

Jiribam family at centre of spiralling violence in Manipur wants to move to safety – but can't

FOLLOW US



DOWNLOAD APPS



EXPRESS GROUP

INDIAN EXPRESS GROUP

The Indian Express

Loksatta

Jansatta

Inuth

Ramnath Goenka Awards

MyInsuranceClub

IE Tamil

IE Malayalam

IE Bangla

IE Gujarati

IE Education

This Website Follows The DNPA's Code Of Conduct

Compare Term Insurance

QUICK LINKS

T&C

Privacy Policy

Hindi

Pan Card

Aadhaar Card

Insurance

World News

Entertainment

Airlines/Aviation

CONTACT US

About Us