



Top Reasons Why Companies Decide To Go Public

Any company who wants to go public, has multiple reasons for raising capital. For example; let's assume you are an entrepreneur who has just started an organisation. The organization operates with few members who are responsible for profit and loss of a company. As the company started to grow further, you would decide to make its business bigger than before.

To meet such requirements, the company needs to raise capital growth for its future perspective. Another reason for raising capital could be operational expenses.

For both the above terms, a company requires a huge capital. This includes issuing shares to the people. Hence, when a private company decides to issue its shares for the first time in the stock market, it is known as going public. And the process is called initial public offering or [SME-IPO](#).

These IPO offers investors a great opportunity to become shareholders of a company and book profit whenever the company seeks its growth.

Although there are multiple options to raise a capital, such as loan from bank, venture funding etc; the company still decides to go public through the stock market. Why?

Here are some valid reasons:

A cost efficient way to raise capital:

A private company's operations and growth process is mainly financed using funds from shareholders, venture capitalists. However, if the raising capital amount is too high for whatever may be the reason, the existing shareholders unable to acquire such a huge capital which have left a company to choose two options either, take a loan from bank or issue shares to the public.

Applying for a loan for raising capital may harm a company's capital as the interest paid on loan can affect company's profitability to a greater extent. Going public, on the other hand, allows a company to meet its capital requirement in a most cost efficient manner.

Increase Liquidity and Profitability for existing shareholders:

In a private company, a limited number of shareholders invest in a company's shares for the business growth. In this situation, if the company passes to receive the customer's attention and start growing then, the shareholders only then start earning profits.

Now, if a company decides to go public, its market share will heavily depend on the customer's perception and if a company is able to manage its goodwill and brand value, existing shareholders will receive huge benefits from it. Also, new investors get attracted towards these companies. Shares of these companies increase liquidity which in turn enhance the profitability of a company.

Boosts Market Presence

IPOs are launched on a frequent basis. Therefore many investors don't get an idea regarding the launching of an IPO and hear about it for the first time during the launching period.

If a company promotes and advertises its initial public offering, many investors get to know about it and they start doing [stock market research](#) of a company, such as its financial strength, its past performance and more. This helps the company to increase its market presence.

Enhances the credibility of the company

The Securities and Exchange Boards of India (SEBI) control the whole stock market and therefore it has created some strict laws for the companies who want to go public.

If a company launches its IPO, the investors can be assured that it has SEBI's norms and hence considers it as a strong company. This helps the company to improve its overall credibility.

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