

A LITERATURE REVIEW OF MERCHANT BANKING IN INDIA

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1.ABSTRACT:

Merchant banking is a financial institution which provides service to their clients. Merchant banking provides not only financial services but also guides them to move on right path with the help of rules given by SEBI. Merchant banking provides share ownership instead of loans. Merchant banking covers wide range such as portfolio management, customer services, counselling etc. Merchant banking offer fee-based and non-fee-based services like loan syndication, underwriting, project promotion, advisory to small and medium savers. Merchant banking has a long-term approach than investment. This study helps to understand the concept of merchant banking. This paper shows the linkage between intermediations function and economic development in India. There should be collaboration between financial institution and finance company to built a financial system in India. This study helps to understand the prime objective, functions, role in the market and recent development in merchant banking.

2.KEYWORDS: Merchant banking, financial institution, portfolio management, counselling.

3.INTRODUCTION:

Merchant banking services were started in India in 1967 by national Gridley's. Merchant banker defined by SEBI rule, "any person who is engaged in the business of issue management either by selling, buying and subscribing to securities as manager". Merchant bank can be also called investment bank. A merchant bank is a bank dealing in commercial loans and investment. Merchant bank covers wide range of activities such as counselling, portfolio management etc. Merchant banking provide wide range of services such as:

- Project counselling
- Loan syndication
- Underwriting of public issue
- Portfolio management
- Acceptance of bill of exchange

SBI was the bank who implements merchant banking in India. Merchant banking is a fee based business where the bank tries to minimize the risk and maximize the profit.

4.LITERATURE REVIEW:

Sanjeev Kumar (2016): Merchant banking is financial institutions which provide capital to the company in the form of share ownership.it also providing advice to the corporate sector in which they invest money. Merchant banking is in not only advisor but also principle. Merchant banking has a long-term approach than investment. It provides right advice to each client. Merchant banking is a traditional term it also describes the private equity. Merchant banking helps in the corporate sector which reflects into economic development of the country.

Merchant banking provide various function like portfolio management, underwriting, counselling, loan syndication. Merchant banking is combination of banking and consultancy services.

Waghmare Shivaji (2015): Globalization made whole Indian economy open which has a multiple role in the financial services. Now a day's government open the door of investment in the area of insurance and bank. Which provide competitive environment for present player? Merchant banking is an innovative term introduced by commercial bank. The need for the merchant banking is pronounced by banking commission (1972). Merchant banking offer fee-based and non-fee-based services like loan syndication, underwriting, project promotion, advisory to small and medium savers. In India merchant banking work under SEBI.

Dr. Singh and Dr. Saxena (2017): Merchant banking consists of wide range of financial activities and financial institution. Merchant bank called "Accept and issue house". Because merchant banking acting as broker and principle. Merchant banking has a long-term approach concerned with each investment opportunity and provides right advice to each client of the company. Merchant banking is a service provided by many financial institutions to increase growth of corporate sector which reflect into Indian economy. Merchant banking is a combination of consultancy services and banking.

Dr. Jyoti Lahoti (2016): Merchant banking is service provided by financial institution which helps in the economic development of the country. Merchant banking provides various services like portfolio management, loan syndication, and issue management. Merchant banking is a combination of consultancy services and banking. It helps in the business unit. It also helps to increase the fund and to expand the business.

CS Gowtham (2017): Merchant banking issue share, debentures, bank loan to their clients. This finance is used for new business or to expand the business, to modify the business. Merchant banking not only provides finance but also provide right path with respect to SEBI.

Shreyas B.S: Merchant banking consist of wide range of financial activities. Merchant bank is called "Accepting and issuing house" Merchant banking is rapidly growing in Indian economy. The SEBI which gives overall view of present and past. Merchant banking is oldest in the primary market and it has bright future in coming years.

Farzana Huda (2017): Merchant banking plays vital role in economic development. It is observed that merchant bank is able to achieves growth in investment sector like brokerage, capital loss/ gain, portfolio management, issue management, advisory fees. This study analyse the performance of prime finance ,capital management.

6.RESEARCH OBJECTIVE:

- To understand the nature and prime objective of merchant banking.
- Merchant banking's role in Indian economy.
- To understand the services provided by merchant banking.

7.RESEARCH METHODOLOGY: Qualitative research method is used for the study.

8.DATA COLLECTION:

There is lots of information available in journal, internet, and article about the merchant banking such as challenges, problems, and role in economy. Secondary data is collected through journals, internet, article etc.

9.SERVICES OF MERCHANT BANKING:

Following are some services provided to customer by merchant banker:

1. **Issue management:** In this service merchant banker issues share and debentures to general public.
2. **Portfolio counselling:** In this service merchant bank invests in different form of financial instruments on behalf of clients and manager as a whole investment.
3. **Project counselling:** Project counselling consist of filling up application forms and trying to fund through financial institutions.
4. **Loan syndication:** In this bank provide loans for the projects that need money.

10.PRIME OBJECTIVE OF MERCHANT BANKING:

1. Provide long term funds to clients.
2. In project counselling, project appraisal, loan syndication and management of working capital.
3. Underwriting.
4. Portfolio management.
5. Corporate advisory and issue management.

11.ROLE IN THE MARKET

Merchant bankers play an important role in public issue process. While acting as a banker to an issue, a merchant banker has to disclose full details to the Securities Exchange Board of India (SEBI).

The economy of country gets affected by unpredictable condition such as inflation, unemployment etc there should be steady growth in economy of the country, for this long-term financial planning is required and merchant banking provides services, solution for it.

These banks work as intermediators between two organisations, the one who lends the money and one who borrows it. They also provide advisory on financial issues and they charge fees for it. They also invest their capital in client's business. They help their client with different financial options as merchant bank's branches all over the world. In this way client gets more opportunity for steady growth

12.FUNCTION OF MERCHANT BANKING

1. **Raising funds for their clients:** Merchant banking helps clients by issuing shares, bank loans and debentures. It helps client in domestic and international market.
2. **Brokers in a stock exchange:** The merchant banker's works as a broker in stock exchange. Merchant bankers buy and sell shares for their clients.
3. **Managing a public issue:** Merchant bankers advice and manage public issues.
4. **Managing interests and dividends:** Merchant bankers help to manage dividends on share and interest on debenture. They also advice to to the client on the rate of dividend and timing.
5. **Money market operation:** Merchant bankers consist of short term money market instruments like, Treasury bill, commercial paper, issued by RBI.

13.RECENT DEVELOPMENT IN MERCHANT BANKING:

The best time for merchant banking was 1985-1992. Previously merchant banks would deal with larger more complexes and highly structured loans and equity deals etc but now highly skilled individuals are setting up their own businesses and assisting in deal structuring and apart from a balance sheet the need for a merchant banker is slowly being eroded.

Soon larger balance sheet transactions will also be provided like fintech's do today for small business loans and personal lending. Merchant banking like all banking will continue to face challenges to stay relevant and cost efficient.

By introducing new financial instruments, merchant banker gets more and more opportunity. The financial surplus of general public is productively invested. They help intermediaries for various issues; registrar, banker, underwriter, printers etc and they ensure that they follow rules and regulation

14.FUTURE PROSPECTIVE OF MERCHANT BANKING

1. Growth in primary market
2. Increasing in foreign investors
3. Corporate restructuring
4. Change in financial policies

15.CONCLUSION:

This study helped me to understand details of merchant banking. The services provided by merchant bankers to their customer such as loan syndication, portfolio management, underwriting, conseling etc. They also work as a intermediary to share issue. All merchant banks are registered under security exchange board of India (SEBI). Merchant banking helps to grow Indian economy. Hence merchant banking is essential body in Indian financial system

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