

A STUDY ON THE ROLE OF MERCHANT BANKERS IN PRIMARY MARKET

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Abstract : Merchant banker are referred to as those financial intermediaries or institutions that perform the function of providing the funds to the borrowers. They receive these funds from the investors. These are SEBI registered institutions who provide ample of services like loan syndication, portfolio management, corporate restructuring, underwriting, project counselling, financial & management consultancy and issue management services. They provide consultancy services to their clients which facilitates the businessman to start a new business, to raise finance from capital market and also helps in merger and acquisition of business. This research paper attempts to review the current scenario of merchant banking in India, role of merchant banking services in development of Indian capital market, recent trends & development, & future growth prospects & hindrances in the development of merchant banking in India.

Index Terms - merchant banker , capital market , issue management.

I. INTRODUCTION

Merchant banker function could be performed by a person , company , commercial bank or may be a proprietary firm who are mainly involved in the business of pre and post issue management , underwriting of shares , providing loan syndication & project counselling services and rendering corporate advisory services .. Merchant bankers also provides the services of portfolio management so they have to analyze the surveys and help the prospective investors in choosing their investment avenues .As per SEBI guidelines , it is mandatory that all public issues should be managed by the merchant bankers in the capacity of lead managers The first merchant bank was National Grindlays bank of London which was set up in year 1967 and in the year 1970 CITI bank was also established . In India SBI was the first commercial bank , in order to provide merchant banker services had established a separate division in 1972.Later, the ICICI also established its merchant banking division in 1973 followed by a number of other commercial banks like Canara Bank, Bank of Baroda, Bank of India, Syndicate Bank, Punjab National Bank, Central Bank of India, UCO Bank, etc. The FERA regulations in 1973, which required a large number of foreign companies to dilute their shareholdings in India, gave a huge opportunity for the expansion of merchant banking activities in India. development banks and financial institutions such as IFCI and IDBI have also entered in the field of providing merchant banking services.

II. OBJECTIVE

The objective of our study is:

- To understand the contribution & role of merchant banking in development of Indian primary market
- To overview the recent developments & trends in merchant banking services
- To find out the future growth prospects of merchant banking in India
- To find out the challenges ahead in future for the merchant bankers

III. REVIEW OF LITERATURE

- Dr Jyoti Lahoti 2016 in their research paper have tried to explain organization and nature of merchant unit also the role of merchant bankers in the development of Indian economy . In their research paper have also tried to review the objectives and the services rendered by the merchant bankers
- Shreyas B.S 2014 have tried to summarize the evolution and the growth of merchant bankers from the year 1967 .They tried to review the past and present scenario of merchant bankers and suggested that merchant bankers of India have a very bright future prospect and has the potential of competing with the international countries
- Amit Miglani , Vipin Mittal 2016 in their research paper have tried to analyze the role of women in the development of merchant banking in India and also tried to recognize the functions and evolution of merchant bankers right after the globalization

IV. RESEARCH METHODOLOGY

4.1 Sources of data collection: To locate future growth prospects , challenges ahead & recent trends of merchant banking in India , this paper attempts to give contribution to the academic research through secondary method of data collection . The data was collected through the secondary sources , the researcher has collected data from the following sources :

- SEBI website
- SEBI journals
- SEBI annual reports
- Magazines
- Newspaper

4.2 Data Analysis and Interpretation

Analysis of the contribution of the merchant bankers in the development of the Indian capital market

Table 1.1 Number of registered intermediaries under SEBI other than broker and sub brokers

Type of intermediary	2015	2016	2018	2019
Merchant bankers	189	189	195	209
Underwriters	2	2	1	2
Portfolio managers	202	218	264	321
Investment advisers	418	617	885	1149
Research analyst	261	372	476	625

*Source : annual report SEBI 2015-16, 2016-17, 2018-19

Interpretation : the above table shows that number of merchant bankers registered under SEBI have increased from 189 in 2015 to 209 in 2019 as well as the number of registered portfolio managers , investment advisers , research analyst have also increased during the past five years which is shown in the following graph , Due to this increment the number of IPO and public issues have also increased which is explained in the next table 1.2

Figure 1.1 Number of registered intermediaries under SEBI other than broker and sub brokers

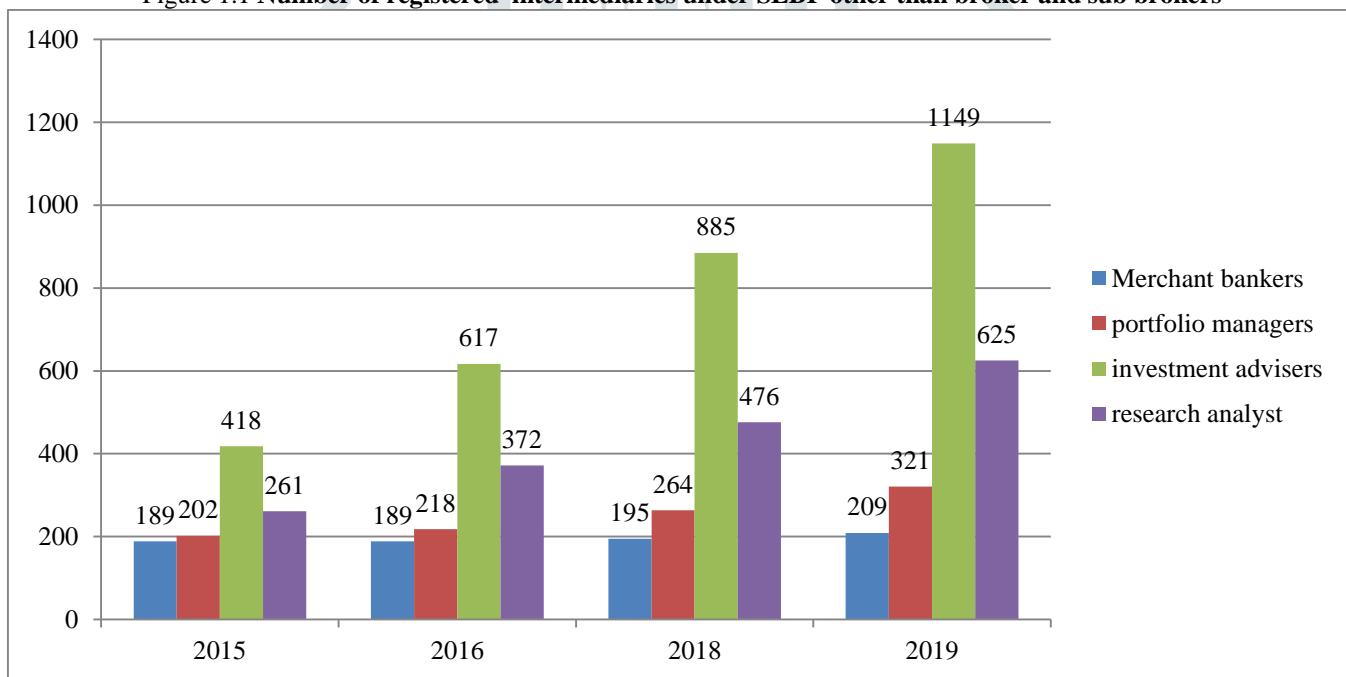


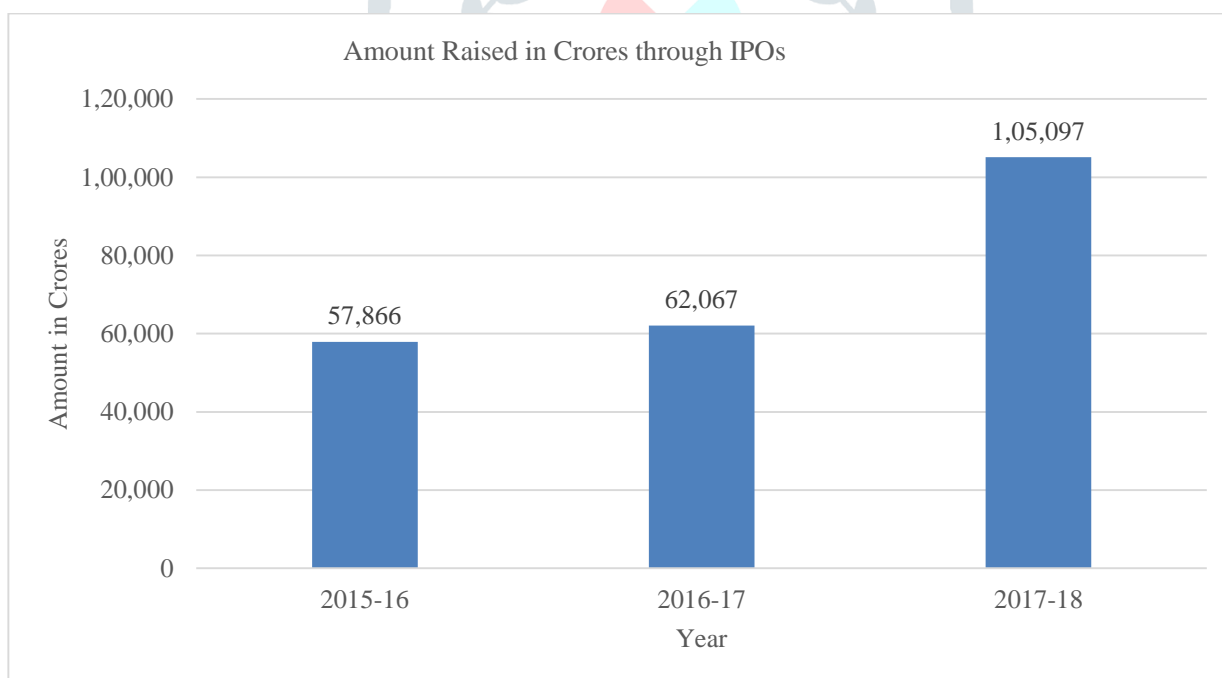
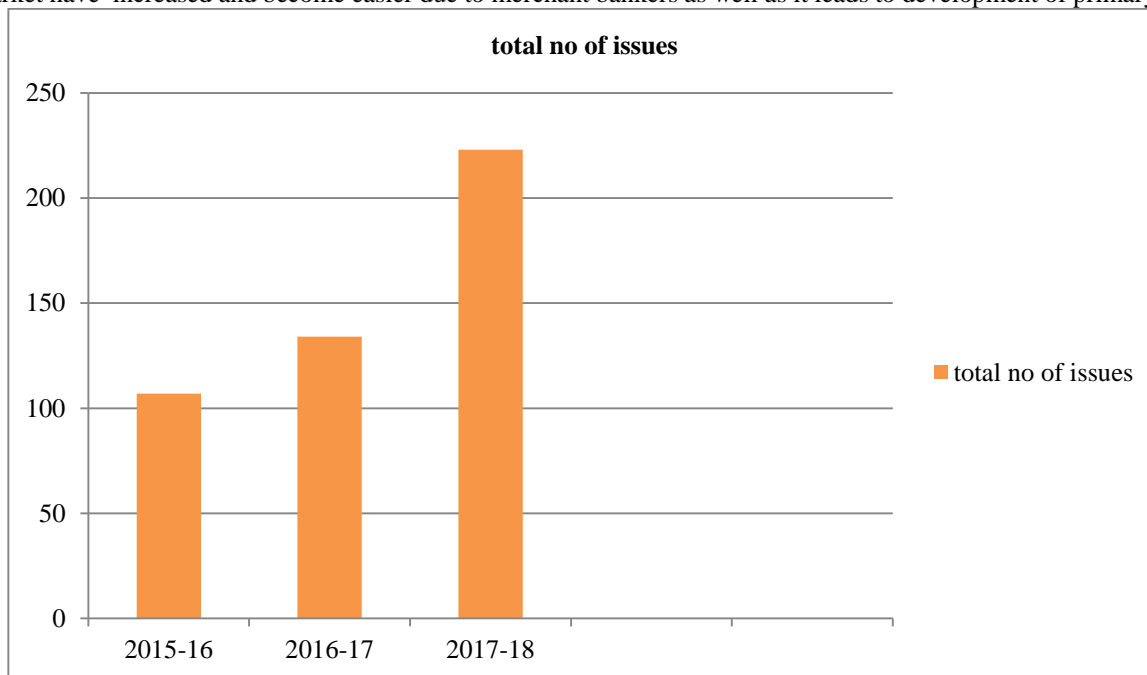
Table 1.2 Resource mobilization through public and rights issue

Particulars	2015-16		2016-17		2017-18		2018-19	
	No of issues	Amount in crores	No of issues	Amount in crores	No of issues	Amount in crores	No of issues	Amount in crores
1. Public issues	94	48,627	122	58,651	202	83,696	123	16,087
i public issues	74	14,185	106	29,104				
IPOs	74	14185	106	29,104	201	83,684	123	
FPOs	0	0	0	0	1	13	0	0
ii public issues (bond / NCD)	20	33,812	16	29,547				
2. Rights issues	13	9239	12	3416	21	21,400	10	2,149
<i>Toal equity issues</i>	87	24,054	118	32,520				

Total equity and bond	107	57,866	134	62067	223	1,05,097	133	18,235
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*Source : annual report of SEBI of 2015-16, 2016-17, 2017-18 ,2018-19

Interpretation: As studied above that merchant bankers perform the function of issue management and it clearly seen in the above table that the money raised by the companies through IPOs have continuously increased from 57,866 crores in 2015 to 1,05,097 in the year 2018 therefore it could be concluded that resource mobilization and raising of capital from primary as well as secondary market have increased and become easier due to merchant bankers as well as it leads to development of primary market of India



V. RECENT TRENDS IN THE MERCHANT BANKING SERVICES AND FUTURE GROWTH PROSPECTS FOR MERCHANT BANKERS

- Indian economy attracts the foreign investors because of huge market and foreign capital can come through two ways either by foreign direct investment or foreign portfolio management , this increases the scope of merchant bankers
- Merchant bankers provides the advisory and consultancy services on issues related to mergers and acquisitions in the coming years it is expected that there will be number of merger and acquisitions which will open doors of opportunities for merchant bankers
- The demand for fee based financial services by the corporate sector in continuously increasing , in order to cope with the needs the nationalised banks have started forming subsidiaries which would provide merchant banking services with professional expertise and skills for eg SBI capital markets Ltd , was set up as subsidiary of SBI in 1986

- To increase the awareness among investors , to protect their interest & and to furnish information about new issues of the capital market , stock broker underwriter association (SUA) has established, which works in collaboration with merchant bankers and work towards the development of the Indian capital market

- The government will sell the shares of the identified public sector at any time when they get a good price above minimum stipulated level , therefore disinvestment by the government sector could offer huge opportunity to merchant bankers to extend the area of their operations.

VI. CONCLUSION

Through the study it can be concluded that due to increase in number of registered merchant bankers , portfolio managers , investment advisers through out the years, the number of IPOs as well as the money raised through those IPOs have continuously increased, which has lead to the development of capital market of India and as per the guidelines of SEBI , it is mandatory that all public issues should be managed by merchant bankers . As India is moving on to the path of globalisation very fast due to which foreign direct investment & portfolio investment are all also increasing which forecasts that the future growth prospects of merchant bankers is high .

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