International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Merchant Banking Analysis of the Publica Private Sectors in Comparison

[1]Lokesh Varma Kucherlapati, [2]Vaishnavi Nangunuri, [3]Sri Harshan Padidhala

[1,2,3] Kl University, India

ABSTRACT

This study is being done to better understand merchant banking in India by looking at its history, potential, and current state of operations.

Although merchant banking has been practiced for many years around the world, it wasn't until 1992, following the establishment of the Securities and Exchange Board of India (SEBI), that it was recognized as a necessity for banks, who required non-fund-based income in order to increase their profitability margins in the face of shifting economic conditions.

Its ability to act as an advisor, broker, and principal, along with its longer-term outlook than that of a traditional investment bank, as well as its commitment to offering the best guidance for each client firm make it distinctive.

This project provides an overview of merchant banking in India, covering its history, goals, rules, current trends, significant players, operations, structural view, including the actual fees being charged by merchant banks globally, its impact on the economy, the perspective of banks towards the same published by other reports, as well as a brief comparison of a few merchant banks based on parameters including revenues, profits, earnings available for investors, and the number of employees.

INTRODUCTION

When the Grind lays Bank received permission from the Federal Reserve Bank of India in 1967, the traditional beginning of trader banking administrations in India began. The Grind lays Bank volunteered to help the board with a capital issuance while it was occupied.

various financial forms of support for budding business visionaries, especially those with experience in the small- and medium-sized business sector. In India, a typical hierarchical discovered by dealer investors to figure is as divisions of Indian and Foreign banks and financial organizations, auxiliary organizations discovered by brokers such as SBI, Canada Bank, Punjab commercial bank, Bank of India, and so forth. A few firms are also coordinated by monetary and specialized experts and experts.

In India, the development of dealer banks served important functions. exercising in the state, applying excess interest to the sources of asset for actually expanding enterprises, and exchange, resulting in the total closure of an expanding gap between the organic market of hidden assets. All Financial institutions had to find resources to meet the demand for reserves, which was growing rapidly corporate-related projects.

In these circumstances, corporate area had the easy choice to benefit from the administration of the capital market for satisfying their protracted financial want through capital issue beneficial offers and debentures. Growing need for reserves prompted capital market experts, business banks, and financial consulting businesses to enter the dealer banking industry to provide the expanding capital market.

MEANING OF MERCHANT BANKING

Earlier in the 1800s and 1900s, merchant banking was just what the name's literal definition would suggest: merchants who helped finance other traders' commerce in addition to their own.

However, because it is a phrase that is ambiguously defined and frequently used, "merchant banking" is used differently in different nations.

"A merchant bank is (a phrase) sometimes applied to banks which are not merchants, sometimes to merchants who are not banks, and occasionally to houses that are neither merchants nor banks," Sir Edward Reid of Baring Brothers & Co. said.

The definition of merchant banking by Michael T. Skully5 states that it "may span a wide variety of financial operations and in process involve a number of different financial organizations" inside the same country. In part, the aura of mystery that surrounds commercial banking has been intentionally fostered, according to Donald T. Brash (6). Some of the biggest merchant banks in the UK, where the industry was booming, do not even display their corporate designations on their doors.

The term "merchant banking" in London refers to activities such as loan syndication, Euro-credits, leasing, consultancy, mergers and acquisitions, portfolio Sens-ices, asset management, etc. that are carried out by members of the British Merchant Banking & Securities House Association.

Investment banking is the term used in America for merchant banking. It is focused on the game ring savings of several frugal people and how to divert the money to commercial firms for the purchase of machinery and equipment.

Since 1969, merchant banking has existed in India, rising to prominence in the 1983–1984 new issue boom.

A merchant banker is defined by the SEBI Act as a person who engages in the business of issue management, whether by arranging for the sale, purchase, or subscription of securities, or by serving as a manager, consultant, adviser, or providing corporate advisory services in connection with such issue management.

Merchant banking in India

This merchant banking focused more on share issues, project reports, and capital structures. India experienced a greater rise in merchant banking.This indicates that there is a greater growth in primary market difficulties in India. The establishment of a merchant banking institution was advocated by the banking commission in its 1972 report. Along with other standard banking services, merchant banking was provided. In 1972, the SBI became the first bank to introduce this merchant banking section. ICICI, Bank Of Baroda, Canada Bank, and Punjab National Bank followed afterwards.

The necessity for sources of funding to boost industry and trade is its key driver of rapid growth. The capital market was under strain as a result of the need for funds.

As a result, companies and consulting firms started participating in merchant banking. Corporate businesses, both in the public and private sectors, found it much easier to start new businesses than to maintain an already existing one. This merchant bank has consistently impressed the corporate sector by providing project funding. Investors or the corporate sector must abide by specific rules and regulations that apply to merchant banking.

The merchant bankers counsel the investors in order to maximize their potential for capital growth and return on investment in order to persuade them to invest their savings in securities.

OBJECTIVES OF THE STUDY

1. To compare the private and public sectors' merchant banking operating profitability, profit after tax, and gross profit during the previous five years.
2. To research the merchant bank services provided by public and private banks.
3. To evaluate the public and private sectors' financial standing.
4. It helps you get more familiar with the range of services offered by merchant bankers.
5. To determine the growth potential of businesses in the public and private sectors engaged in merchant banking.

SCOPE OF THE STUDY

The operation of the merchant banking companies will be the study's primary emphasis. The study will include information and specifics on merchant banking for both public and private sector businesses, after which the material will be analyzed and then these two groups will be compared. After comparison, it will be determined which category has the most potential for growth both now and in the future.

RESEARCH QUESTIONS

1. What does "financial depth and broadening" mean to you?
2. Describe the Indian stock exchange's three-tier system in brief.
3. Describe the Merchant Banking Regulations of SEBI.
4. Give the financial system's definition and meaning. What purposes does it serve?
5. Write about and describe the institutional framework of merchant banking.

LITERATURE REVIEW

1. In order to determine the expansion of the new issue market and underwriting of capital issues in India and to analyze the cost of obtaining capital between 1970–1971 and 1988–1989, Narta (1996) undertook a research study. The secondary data served as the study's foundation. The study discovered that many public financial institutions, investment organizations, commercial banks' merchant banking sections, and investment consultancy firms were active after independence.

2. (2015) Waghmare Shivaji The entire Indian economy is now open thanks to globalization, which includes a variety of roles in the financial industry. The government has now made investment opportunities available in the banking and insurance sectors. This promotes a hostile environment for the

current player? The phrase "merchant banking" was coined by full-service bank. The banking commission makes clear the need for merchant banking (1972). Small and medium savers can take advantage of merchant banking's fee-based and non- fee-based services such loan syndication, underwriting, project promotion, and advisory. Under SEBI, merchant banking is regulated in India.

3. In 2016, Dr. Jyoti Lahoti: Financial institutions offer merchant banking, a service that aids in the nation's economic growth. The services offered by merchant banking include portfolio management, loan syndication, and issue management.

Consultancy services and banking may be combined to form merchant banking. Within the business unit, it is helpful.

Additionally, it aids in growing the firm and the money.

4. Doctors Saxena and Singh (2017): The term "Accept and Issue House" refers to a broad range of financial operations and financial organization acquirers in merchant banking. due to the brokering and guiding role of merchant banking. With a long-term perspective on each investment opportunity, merchant banking offers the best guidance to each business client. Many financial institutions may offer merchant banking as a service to promote the expansion of the corporate sector, which has a positive impact on the Indian economy. Consultancy services and banking may be combined to form merchant banking.

METHOLODOGY

1. Helping clients raise money through the issuance of shares, bank loans, and debentures. Both the domestic and international markets benefit the client.

2. Stock exchange brokers: A merchant banker is a broker in a stock exchange. For their clients, merchant bankers acquire and sell shares.

3. Managing a public issue: Merchant bankers offer guidance and oversee management of public issues.

4. Managing interest and dividends: Merchant bankers assist in managing interest on debentures and dividends on shares. They offer the client recommendations on time and dividend rates as well.

5. Money market operations: Short-term money market instruments like Treasury bills and commercial paper issued by the RBI are provided by merchant bankers.

RESULTS AND DISCUSSION

1. The respondents are interested in setting aside a portion of their yearly salary for passive income that they will utilize during retirement to maintain their independence from others.

2. The respondents discovered that fixed deposits are a better form of savings than mutual funds because the latter carry greater risk.

3. Because fixed deposits are safer than mutual funds, respondents said they preferred to invest in them.

4. Respondents note that fixed investments require more time than mutual funds but offer a higher return.

RECOMMENDATIONS

1. To raise public awareness and educate the public about the investment opportunity, merchant bankers should use as much advertising as they can.

2. Merchant bankers should inform investors about risk management and proper investment decision-making.

3.They must also assist the company in lining up a memoir by providing technological, financial, and social control services.

4. Assistance for the equity support through loan support to complement this may be extended should be offered.

5. It is best for merchant banks to do their merchant banking duties with professionalism. Merchant bankers will be able to improve their performance as a result.

6. SEBI finds it challenging to keep track on merchant bankers due to their sheer quantity. It is preferable to develop and put into practice realistic and sound eligibility standards for individuals to qualify as merchant banks.

7. Leasing and hire purchase services are offered by merchant banks to their corporate clients, and these services result in revenue in the form of lease rentals and hire purchase instalments.

CONCLUSION

The merchant banking sections of the nationalized banks have begun to arise in the Indian context in order to more efficiently address the growing demand for broad-based financial services from the business sector. Separate subsidiaries. These affiliates provide more specialized services with expert knowledge and abilities. For instance, on July 2, 1986, SBI Capital Markets Ltd. was established as the company's first subsidiary. In 1987, Can bank Financial Services Ltd. was subsequently established as a fully owned subsidiary of Canara Bank. Private merchant bankers have also begun reorganizing their activities in anticipation of fierce competition from an increasing number of merchant banking subsidiary companies of nationalized banks. J.M. Financial & Investment Consultancy Ltd., 20th Century Finance Corporation Lid., LKP Merchant Financing Ltd., etc. are some of the private sector firms of merchant bankers who have taken steps to reorganize their activities. However, when it comes to the global economy, there have been indications of a downward trend in the financial sector recently in 2016, and as a result, investors have been harsh on bank stocks, assuming that the decline in energy, metal, and mining prices would have an impact on the ability of companies engaged in these sectors to repay their loans. This assumption could result in a banking crisis similar to the one in 2008. Some worries are legitimate but overstated. Yes, all banks have some exposure to lending to the energy sector and allied industries, but the proportion of such lending is not concerning. A report demonstrates the connections between banking and oil. Banks also set aside reserves based on their exposure to oil in order to battle tough times and the danger of default. Even though banks have limited their direct lending to the unstable oil sector, many believe that indirect exposure may generate problems for banks. Commercial and real estate loans are made by banks, and a portion of those loans would go to persons employed in the oil and allied industries.

As a result, both direct and indirect effects of bad news, such as a further decline in oil prices, closure, or bankruptcy, can be felt by banks. Because of this, the banks that have declared losses are less related to the oil crisis than they are to internal growth and constraint difficulties.

LIMITATION

1. Secondary data are used to support the study. As a result, the constraints of secondary data can potentially show up and affect the current investigation.

2. The study only takes into account data from a brief period of time.

3. Since the study only included a sample of six merchant bankers, it cannot accurately portray Indian merchant banking as a whole. According to SEBI criteria, merchant bankers are only permitted to see or comprehend issues with the aid of portfolio management. This caused the commercial bankers to limit their own intellectual development. Additionally, SEBI requirements required that merchant bankers be authorized with a minimum of Rs. 1 crore. However, very small, moderately successful, and specialized merchant bankers who lack Rs. 1 crore should be forced to shut down.

Additionally, SEBI has given merchant bankers responsibility for allocating securities in a safe manner and effectively refunding them to investors in need.

REFERENCES

1. SEBI regulations for Merchant Banking on SEBI website 2020 and pdf file of data common docs for final observation01062018

2. The Hindu Business Line, dated April 3, 2018

3. Katherine Di Lucido, Anna Kovner, and Samantha Zeller on Liberty Street Economics dated June 21, [8] Babajide Komolafe for vanguard. combated 6th May, 2019. Fig 10, EY 's global banking outlook survey, 2018.

4. Vijayaragavan S.P., Karthik B., Kiran Kumar T.V.U., Sundar Raj M., Analysis of chaotic DC-DC converter using wavelet transform, Middle - East Journal of Scientific Research, v-16, i-12, pp-1813-1819, 2013

5. Kiran Kumar T.V.U., Karthik B., Improving network life time using static cluster routing for wireless sensor networks, Indian Journal of Science and Technology, v-6, i-SUPPL5, pp-4642- 4647, 2013.

6. Karthik B., Kiran Kumar T.V.U., EMI developed test methodologies for short duration noises, Indian Journal of Science and Technology, v-6, i-SUPPL5, pp4615-4619, 2013.

7. Vijayaragavan S.P., Karthik B., Kiran Kumar T.V.U., Privacy conscious screening framework for frequently moving objects, Middle - East Journal of Scientific Research, v-20, i-8, pp- 1000-1005, 2014.

8. Arul Selvi S., Sundararajan M., A combined framework for routing and channel allocation for dynamic spectrum sharing using cognitive radio, International Journal of Applied Engineering Research, v-11, i-7, pp-4951-4953, 2016.Singh A, Merchant banking -factors degerming its shape in India (2009).

9. Keyur Kumar, D., & M, Nayak Does Public Sector Merchant Banks Require Pills to Survive? Indian

10. Journal of applied research .2015.

11. Dr. Waghmare Shivaji, Performance evaluation of merchant banking in India-A study of SBI

12. Capital market limited (2015), ISSN-2347-9671.

13. Safian F, The efficiency of merchant banks and finance companies in an emerging market (2007).

14. Limbore N.V, & Nalkol A. P, A study of effectiveness and prospects of E-tailing with special

15. Reference to Baramati Region, Asian Journal of Multidisciplinary Studies, Volume1, Issue 5, December 2013, pp