
RECENT DEVELOPMENTS TOWARDS MERCHANT BANKING IN INDIA

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ABSTRACT

This paper examines the latest development in merchant banking. In today's economy, merchant banking has an indispensable role to play. They help businesses in daily ways. The goal of all corporations is to obtain the most money from their funds. Merchant bankers enable these businesses to make adequate use of and raise their funds. As long as funding to businesses in the form of equity ownership is an alternative to loans, the merchant bank is a financial institution. In corporate matters, a merchant bank also makes advice to the companies they spend on. Merchant banking is an imperative supply of services by an integer of financial institutions that helps to advance the corporate sector, replicating in due course the economic spread of the country as a whole. Merchant banks have been certified to conduct a range of tasks such as problem management, underwriting, portfolio management, loan syndication, consultant, lawyer, and other operations. A mixture of banking and advisory services is merchant banking. This analysis helps to explain the growth and advancement of merchant banking.

Key Words: Merchant Banking, Financial Institutions, Securities Management

INTRODUCTION

Merchant banking was first founded by Grindlays Bank in India in 1967. Since 1970, speedy development has been completed. Merchant Banking is a community of banking and advisory services. It provides its clients with advisory services for financial, marketing, managerial and legal issues. They give advice on matters relating to banking, advertisement, management, and law. Such consulting services assist undertakings on a preliminary basis, increase economic activity, modernize, extend or streamline undertakings, renew sick units and make available support for undertakings in the registration, purchase and sale of shares. It serves as a company's financial engineer. In modern economic operations, merchant banking plays a major role.

The merchant banks in India basically have concentrated their activities on the following services:

- Corporate Counselling.
- Project Counselling and Pre-investment Studies.
- Credit Syndication and Project Finance.
- Capital Issue Management.
- Underwriting of Capital Issues.
- Portfolio Management.
- Venture Capital Financing.
- Lease Finance.
- Non-Resident Investment Counselling and Management, Mutual Funds.
- Advisory Services for Capital Re-structuring through Mergers, Amalgamations and Takeovers.

REVIEW OF LITERATURE

Waghmare Shivaji (2015) Globalization has opened up the entire Indian economy, which has many positions in financial services. Today, one day, the government is opening the door to insurance and bank investment. That provides current players a favourable environment? Merchant banking is a revolutionary concept that commercial banks have adopted. The need for commercial banking is articulated by the banking commission (1972). Merchant banking provides fee-based and non-fee-based services such as syndication of loans, signing, and promotion of projects, advising small and medium savers. Merchant banking under SEBI operates in India.

Dr. Jyoti Lahoti (2016) Merchant banking is a service offered by a financial institution that contributes to the nation's economic growth. Different services such as portfolio management, loan

syndication, and problem management are offered by merchant banking. A mixture of advisory services and banking is merchant banking. In the company unit, it helps. It also allows the fund to grow and the organization to expand.

Sanjeev Kumar (2016) Merchant banking is a financial institution that, in the form of share ownership, provides a company with money. It also provides guidance to the corporate sector in which they spend cash. In addition to being an adviser, merchant banking is also a principle. Merchant banking, rather than investment, has a long-term strategy. It provides each customer with correct advice. A common concept that also defines private equity is merchant banking. In the private sector, which represents the country's economic growth, merchant banking helps? Merchant banking provides different functions, such as fund management, underwriting, counseling, syndication of loans. Merchant banking is a mixture of banking services and advisory services.

OBJECTIVES OF THE STUDY

- To understand the concept of merchant banking.
- To grasp the services that merchant banking offers.
- To discuss recent developments and trends in merchant banking.

RESEARCH METHODOLOGY

The present study is based on secondary data which is composed during literature reviews, Books, Periodicals, Newspapers, Journals, articles, websites etc.

Developments in merchant banking establishment

- Setting up of Banks Subsidiaries
- Re-organization of Private Firms
- Establishment of SUA
- Securities and Exchange Board of India (SEBI)
- Discount and Finance House of India (DFHI)
- Credit Rating Information Services of India Ltd. (CRISIL)
- Stock-Holding Corporation of India Ltd. (SHC)

➤ Setting up of Banks Subsidiaries

The merchant banking divisions of nationalized banks have begun to form independent subsidiaries in order to meet the growing demand for broad-based financial services from the corporate sector more effectively. With technical experience and skills, these branches provide more specialized services. As the first such subsidiary of SBI, SBI Capital Markets Ltd. was incorporated on 2nd July 1986. Then, in 1987, Canara Bank Financial Services Ltd. was formed as Canara Bank's wholly owned subsidiary. During the middle of 1988, PNB Capital Services Ltd. was supported by PNB. Other nationalized banks are setting up many more subsidiaries.

➤ Re-organization of Private Firms

Expecting rough competition from upward numeral of merchant banking subsidiary companies of nationalized banks, private merchant bankers have also taking place reorganize their activities e.g., J.M. Financial & Investment Consultancy Ltd., 20th Century Finance Corporation Ltd., LKP Merchant Financing Ltd. etc. are a quantity of the private sector firms of merchant bankers who have taken steps to reorder their activities.

➤ Establishment of SUA

The Stockbroker Underwriters Association (SUA) was established in 1984 in order to educate and protect the interests of investors, to provide information on new capital market issues, to develop a code of conduct for underwriters and to provide members and the public with legal and other services. SUA works in co-ordination with merchant bankers and takes steps for promoting the activities of capital market.

➤ Securities and Exchange Board of India (SEBI)

On April 4, 1988, the Central Government formed the Securities and Exchange Board of India to develop and regulate the securities market, to protect investors and to formulate rules and guidelines for the regulation of the securities market. The Board conducts all functions for the growth and regulation of the stock market as may be assigned to the Board/Chairman by the Central

Government. Safety market dealers, merchant bankers, underwriters, sub-brokers, portfolio managers, mutual funds, etc., are required to receive authorization from the Board.

➤ **Discount and Finance House of India (DFHI)**

Under the Companies Act, 1956, DFHI was incorporated with an approved and paid-up capital of Rs. 100 crores as a company. Rs. 51 crores was contributed from this by RBI, Rs. 16 crores by financial institutions and 33 crores by banks of the public sector. It will also have lines of credit from banks of the public sector; a refinancing facility from the Reserve Bank of India to meet the requirements of working capital. DFHI tries to provide liquidity in the money market, as it predominantly deals with commercial bills.

➤ **Credit Rating Information Services of India Ltd. (CRISIL)**

In 1987, CRISIL was founded to assist investors, merchant bankers, underwriters, brokers, banks, financial institutions, etc. CRISIL rates different kinds of instruments offered to the public, such as debt, equity and fixed return securities. It allows shareholders to make investment decisions.

➤ **Stock-Holding Corporation of India Ltd. (SHC)**

SHC was set up by the All India Financial Institutions in 1986 to take care of the secure custody, distribution of shares and collection of securities sales proceeds. In the future, the creation of the SHC is bound to affect the stock market.

CONCLUSION

Merchant banking in India plays an important role in the country's economic growth and because of lots of domestic as well as international fungi, it has vast scope to mushroom Businesses here are booming. It serves as a helping hand for businesses to be involved in the markets overseas .It assists entrepreneurs with its funding and non-funding activities. To set up new configurations and also improve the manufacturing sector. Merchant banking focuses on developing the capital market, making finance readily accessible and encouraging investment.

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