

A STUDY ON MERCHANT BANKING IN STATE BANK OF INDIA

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ABSTRACT :

Globalization of Indian Economy has made the whole economy open, which has move multinational player in era of the financial services. Government has now open up the doors of investments especially in the area of banks and insurance which leads to competitive environment for the present players. The word merchant bank does not have a fixed definition as this term is used differently in different countries. In general the merchant banks are the financial services, solutions and advice to corporate houses. Merchant banks are popularly called "Accepting and issuing houses". Merchant banking is one of the oldest and specialized financial intermediaries in the primary market. Merchant banking is a much desired innovative step undertaken by the commercial banks in India. The need for merchant banking was stressed by the Banking Commission (1972). In India, at present, a substantial number of Merchant Bankers are operating under the direct supervision of Securities and Exchange Board of India (SEBI). The present study attempt has been made to evaluate the performance of SBI capital market Ltd. in Merchant banking activities. The selected Merchant Bank emphasis has given on categorization of Merchant Bankers and in this direction the Merchant Bank which comes under the purview of Category-I registration with Securities and Exchange Board of India has been chosen to appraise that performance

Keywords *Globalization, Merchant Bankers, Capital Market.*

INTRODUCTION:

Original Definition: A acquirer could also be a British term for a bank providing various financial services like accepting bills arising out of trade, providing advice on acquisitions, mergers, exchange , underwriting new issues, and portfolio management The Focus Definition: A acquirer are often generally described as a financial services company with a private equity investment arm offering investment banking and ancillary services also . Because a acquirer acts not only as an advisor and broker but also as a principal, a acquirer features an extended run approach than a typical investment bank and is extremely concerned with the viability of each investment opportunity and providing the right advice for a strong partnership with each client company

In banking, a acquirer could also be a standard term for an Investment Bank. It can also be used to describe the private equity activities of banking. this text is about the history of banking as developed by merchants, from the middle Ages onwards. Amidst the swift changes sweeping the financial world, Merchant Banking has emerged as a crucial financial advisory package. Merchant banking could also be a service-oriented function that transfers capital from people who own to people who can use it. they struggle to identify the wants of the investors & corporate sector & advice entrepreneurs what to undertake to to to realize success

The merchant banking has been defined on what a merchant banker does. A merchant Banker has been defined by Securities Exchange Board Of India (Merchant Banker) rules, 1992, as “Any one that's engaged within the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, advisor or rendering corporate advisory services in regard to such issue management

REVIEW OF LITERATURE :

A Few of literature are sort of banking where the bank arranges credit financing, but doesn't hold the loans in its investment portfolio to maturity. A acquirer invests its own capital in leveraged buyouts, corporate acquisitions, and other structured finance transactions. Merchant banking may be a fee based business, where the bank assumes market risk but no long-term credit risk. a standard sort of banking in Europe, merchant banking is gaining acceptance within the us , as more banks originate commercial loans then sell them to investors instead of hold the loans as portfolio investments. A banqued'affairs may be a French acquirer , which has more powers than its British counterpart. The Gramm-LeachBliley Act allows financial holding companies, a kind of Bank company created by the act, to interact in merchant banking activities.

(California), Canada, and Nigeria. The bank has other units devoted to capital markets, fund management, factoring and commercial services, and brokerage services. The Reserve Bank of India owns about 60% of State Bank of India. SBI provide the resources, convenience and services to meet your needs by arranging Foreign Currency credits through

- ❖ Commercial loans
- ❖ Syndicated loans
- ❖ Lines of credit from foreign banks and financial institutions
- ❖ FCNR loans
- ❖ Loans from export credit agencies

OBJECTIVE OF THE STUDY

1. To develop the ability to study the functioning of Merchant Banking in India & learn & apply multidisciplinary concepts, tools & techniques to solve vital problems.
2. To familiarize with the various services provided by Merchant Bankers.
3. To compare the public & private sector company engaged in providing merchant banking services on various grounds.
4. To find out the growth potential of the Merchant Banking public & private sector companies.

RESEARCH METHODOLOGY

The study is both descriptive and analytical in nature. it is a mixture of primary data and secondary data . the primary has collected personally by approaching the online share traders who are engaged in share market. the data are collected with a carefully prepared questionnaire. The secondary data has been collected from the books, journals and websites which deals online share trading.

Sources of data

Primary sources: the primary data was collected through structured unbiased questionnaire and personal interviews of investors. For this purpose questionnaire included were both open ended and shut ended & multiple-choice questions .

Secondary sources : the secondary data collected includes : • Websites • Journals • Text books

Method Used For Analysis of Study

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Method Used For Analysis of Study The methodology used for this purpose is survey and

.HYPOTHESIS:

After thoroughly research, it lies on the research to make following hypothesis.

\ HO: Incidence of loan default in acquirer isn't high.

HI : Incidents of loan default in acquirer is high

HO: loan supervision and monitoring aren't major solution to loan default in acquirer

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THEORETICAL CONCEPT:

‘Merchant’ is a person or business who buys and sells commodities and services to earn profit . The main activities of merchants are to collect goods and services and send them to ‘Agency house’ was the traditional name given to merchants trading to India and far east their historical roots followed a different course to merchant in other sectors of world trade but by the later decades of 19th century they had much the same functions as merchant banks

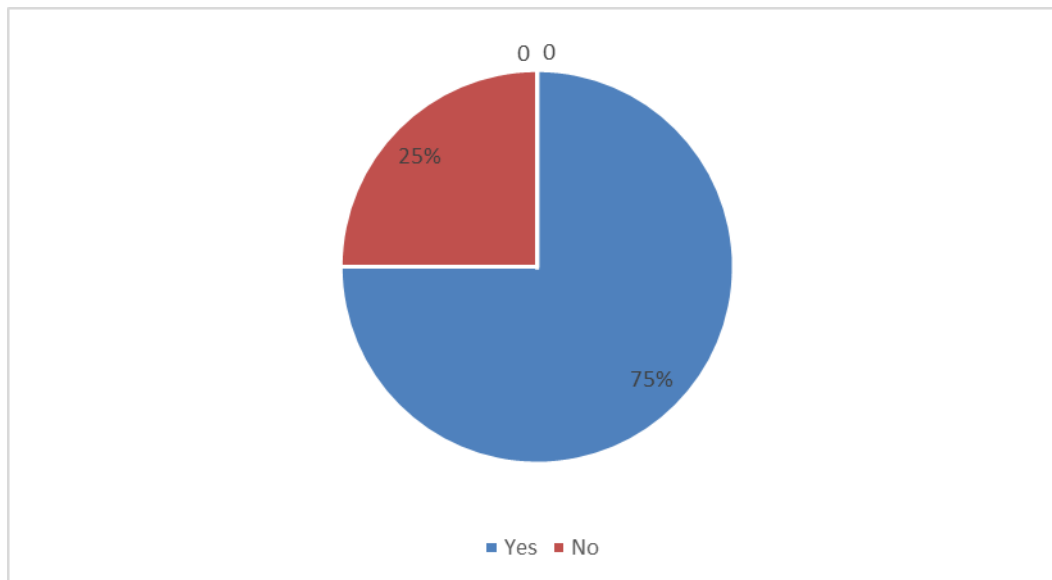
In India merchant banking as understood is essentially an institutional arrangement providing financial advisory and intermediary services typically the corporate finance function in an industrial organization can be viewed as a package consisting of corporate financial planning

which involves the identification of alternative financial proposals, choosing an optimal financing plan and putting the plan into execution .

DATA ANALYSES AND INTERPRETATION

Q1 Will it differ from investment banks?

Sr. No.	Difference	Nos.	Percentage
1	Yes	60	75%
2	No	20	25%
	Total	80	100



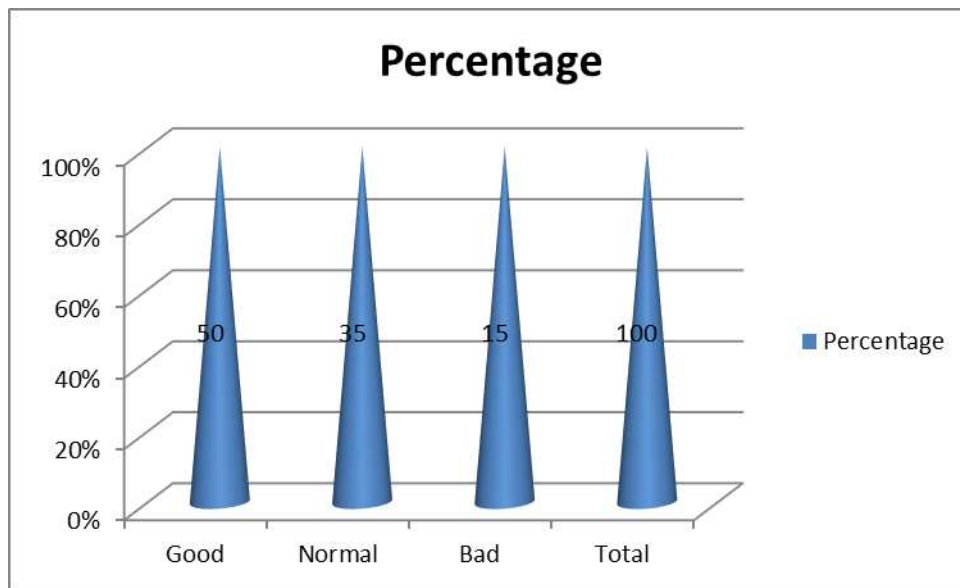
Interpretation

In fig 4.10 Out of total respondents,75% respondents Think that It is differ and rest 25% respondents don't Think s

Q 2 What is the position of Merchant Banking in Private Sector?

sr.no	Position	Percentage
1	Good	50
2	Normal	35
3	Bad	15
	Total	100

GRAPH 4.5



Interpretation

In fig 4.5 Out of total respondents, 50% respondents Say Good, 35% Say Normal and rest 15% respondents say bad.

FINDINGS

- 1 Longstanding client relationship
- 2 Strong positions in high-growth client and product niches
- 3 Multiple revenue growth initiatives are in place with detailed and concrete action plans, and with rigorous follow-up mechanisms.
- 4 Growth is controlled by a sound Risk Management System and disciplined cost management.
- 5 Small & Medium scale enterprises SMEs need immediate attention from merchant bankers to get access to finance.

SUGGESTIONS

- 1 .Merchant bank should attract customers in rural areas to banking services for their agricultural and other transactions for security
- 2 . Merchant bank shall develop new schemes in order to attract customers to deposit gold in the bank
- 3.Merchant bank should implement effective plans for short term deposits in order to improve liquidity
- 4.Merchant bank should implement electronic machines for transacting the demand draft and cheques
- 5.Merchant bank should conduct the awareness programs to make awareness of internet and mobile banking

CONCLUSION

The merchant banker plays a vital role in channelizing the financial surplus of the society into productive investment avenues. Hence before selecting a merchant banker, one must decide

what are the services for which he is being approached. Selecting the right intermediary who has the necessary skills to meet the requirements of the client will ensure success.

It can be said that this project helped me to understand every detail about Merchant Banking and in future how it's going to get emerged in the Indian economy. Hence, Merchant Banking can be considered as essential financial body in Indian financial system.

Market development is predicated on a sound, fair and transparent regulatory framework. To sustain the growth of the market and crystallize the growing awareness and interest into a committed, discerning and growing awareness and interest into a essential to remove the trading malpractice and structural inadequacies prevailing in the market, and provide the investors an organized, well regulated market place in future.

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