

# PERFORMANCE EVALUATION OF MERCHANT BANKING IN TRICHY REGION

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## ABSTRACT

Globalization of Indian economy has made the whole economy open, which has more multinational player in the era of the financial services. This has resulted in to the emergence of the global investment in financial sector. 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. Merchant banking is a much desired innovative step undertaken by the commercial banks in India. The need for merchant banking was stressed by banking commission (1972).

**KEYWORDS** :Merchant banking, global Investment, Expenditure, Income, Expense.

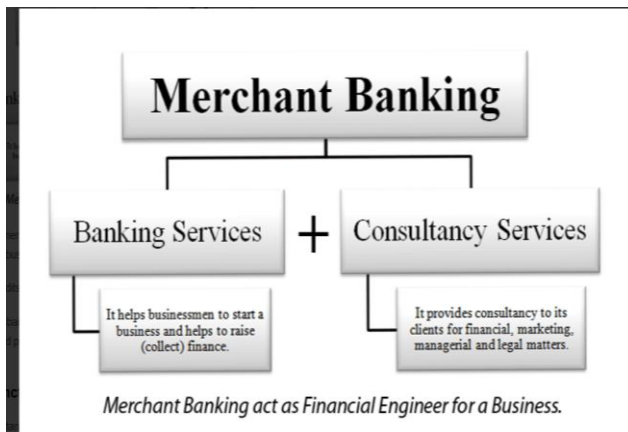
## INTRODUCTION

The financial system of a country is a complicated and integrated set of sub systems of financial institutions, markets, instruments and financial services which facilitate the transfer and allocation of funds efficiently and effectively. Indian financial system consists of both organized and unorganized segments. The formal economic system comes underneath the range of Ministry of Finance, Reserve Bank of India, Securities and Exchange Board of India and other regulatory bodies. Merchant Banking has its origin among the commerce ways that of countries among the late eighteenth and early nineteenth century once trade-taking place was supported by bill of exchange drawn by merchanting houses, as merchants were merely financing their own

activities. The role of merchant banking is wide ranging and they can now provide most of the financial services required by a company, touching almost all aspects of establishing and running of industrial units on sound financial footing. Merchant banks are popularly called “Accepting and issuing houses”. Merchant banking is one of the oldest and specialized financial intermediaries in the primary market.

## DEFINITION

Merchant banking is that the combination of banking and consultancy services. Banking services helps businessman to start a business and helps to raise the finance by lending loans. Consultancy services provides consultancy to its clients for financial marketing, managerial and legal marketing. Merchant bank is also act as a financial engineer for a business.



Source: Prof. Mudit katyani

### Concept and history

Merchant is a person or businessman who buys and sells commodities and service to earn profit. The main activities of merchants are to collect good and services and to send them to customers i.e., a merchant is a buyer on one hand and on the other hand he is the seller. But when the word bank is attached to the word merchant and it becomes an organization.

### Performance

### REVIEW OF LITERATURE

S.Lalitha(1993) observed that a consortium of brokers and merchants, should take the role of market makers. This is because, share brokers, generally being partnership firms do not have the financial clout which is necessary for market activity

C.RL.Narasimhan (1993) has pointed out that the securities and exchange board of india was been given regulatory powers over the issuers of capital which it was clamouring for to regulate the capital market. The ordinance enables it to impose monetary penalties on the erring intermediaries and

prosecute companies directly without referring to any government agency.

Mr.Anand Desai (1994) has made an attempt to analyze that with the abolition of the office of the controller of capital issues it has become imperative that the issue of securities be priced optimally one that gives the maximum benefit of the premium to the issuer and at the same time is attractive and offers reasonable scope for capital appreciation to the assessor.

Mr.Vishal Bakshi(1993) has, made an attempt to highlight the issue that discontent is brewing among the private merchant banker over the influence used by nationalized bank in securing business for their merchant banking subsidiaries. The role of market intermediaries and necessity of capital market reforms is clerly brought out by SEBI(1992) in its maiden publication “Indian securities market agends for devolpment and reform. A discussion paper”. SEBI in the process of regulating merchant bankers in particular issued” merchant banking rules(1992) and merchant banking regulation(1992)

Mala B.Gandhi(1993) has analyzed the boom period in merchant banking. The scenario in the Indian industry is witnessing drastic changes in the wake of the liberalization norms announced since 1991 with 100% rupee convertibility now a reality, the industry is gradually poised for an interface with the world economy.

## METHODOLOGY OF THE STUDY

The present study is fully based on secondary data. The secondary data are collected from annual reports of capital market Ltd.

### Incomes are from:-

#### 1.Merchant Banking & advisory fees include

Issue management, arrange fees & loan syndication, advisory fees, underwriting commission, stock bonding membership operations.

#### 2.Income from securities include

Interest on securities, profit on sale of investment, trading profit on stock-in-trade, dividend, etc.

#### 3.Lease and hire purchase income & other income include:

Lease rental, lease and hire purchase overdue interest, bad debt recovered, foreign exchange fluctuation, miscellaneous income, interest from staff loan etc.,

### Expenditures from following heads:-

#### 1.Employee costs include:

Salaries, wages and bonus, contribution to provident and pension funds, contribution to gratuity, contribution to superannuation, staff welfare etc.

#### 2.Depreciation & amortization

#### 3.Provisions & non-operating expenses include:

Provisions for diminution in value of investments, provisions for fall in value of stock in-

trade, provisions for doubtful advances, prior period expenses, foreign exchange loss, permanent investment written off, preliminary expenses written off, loss on sale of assets etc.

#### 4.Interest expenses include:

Interest on bank and other, debentures etc.

#### 5.Other expense include:

Legal and professional fees, conveyance and travelling, rent & rates and taxes, brokerage expenses, bad debt written off, postage, telephone and telex, advertisement, electricity, maintenance of buildings etc.

## CONCLUSION

Merchant bank helps to strengthen the economic development of a country as they act as sources of funds and information for corporations. Considering the way the Indian economy is growing, the role of merchant banking services in India is indispensable. These financial institutes also act as corporate advisory bodies to help corporations rightly get involved in various financial activities.

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