PROJECT REPORT

ON

STUDY ON MERCHANT BANKING IN INDIA

SUBMITTED BY

XXXXXXXXXXXXXX

REGISTRATION NO :XXXXXXXXX

PROGRAM NAME: PGDBA (XXXXXXXXXXXXXXXX)

ADDRESS -

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We wish him all the success.

Place: Gurgaon **Name: XXXXXXX**

Date:XXXXXXXXXX

Designation: Sr.Manager

DECLARATION BY THE LEARNER

This is to declare that I have carried out this project work myself in part fulfilment of the **PGDBA (XXXXXXXXXXXXXXX)** Program of SCDL.

The work is original, has not been copied from anywhere else and has not been submitted to any other University/ Institute for any award of any degree/diploma.

Place: XXXXXX **Signature:**

Date: XXXXXXXXX **Name: XXXXXXXX**

ACKNOWLEDGEMENT

Without expressing thanks to those who helped make any work possible, the joy, happiness, and pleasure that come with successfully completing it would not be complete. Success in every endeavor is attributed to hard effort, but without the right direction, it can be unattainable. For this reason, I respectfully and honorably thank everyone who assisted me in completing this project.

I would want to use this opportunity to convey my genuine and heartfelt thanks to XXXXXXXXX, who helped me navigate the project by providing invaluable guidance and directing my efforts.

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ABSTRACT / EXECUTIVE SUMMARY

When it comes to India's economic growth and capital market expansion, merchant banking—a crucial part of the financial services sector—has been vital. With the goal of offering a thorough comprehension of its historical development, current environment, regulatory framework, market dynamics, difficulties, and prospects, this research paper delves into the complex sector of merchant banking in India.

The research begins with a historical overview of merchant banking in India, detailing its rise from a fledgling business to its present-day renown. It takes a look at how the Securities and Exchange Board of India (SEBI) and other regulatory bodies shaped the rules and regulations that merchant banks must follow.

This report thoroughly examines the current state of merchant banking in India, shedding light on the various services provided, market players, and their role in the growth of the country's capital market. While shedding light on potential development and innovation paths, it delves deeper into the difficulties encountered by merchant banks, such as meeting regulatory requirements, dealing with unpredictable markets, and intense competition.

New developments in merchant banking, such as digital platform integration and collaborations with fintech companies, are highlighted and discussed in the report. In addition, it explores sustainable finance, a new area that is rapidly growing and might revolutionize the way the business operates.

By analyzing a few case studies, this paper highlights the tactics that merchant banks have used to great effect, demonstrating how these strategies have contributed to the expansion of capital markets and the stability of financial markets.

For legislators, investors, financial institutions, and industry experts, this report provides a complete examination of merchant banking in India. Among its many strategic suggestions are ways to improve teamwork, embrace technology, diversify services, strengthen risk management, and increase compliance. The merchant banking industry in India can adapt to new circumstances, boost economic growth, and help the country's capital markets stay strong if it follows these suggestions.

CHAPTER 1: INTRODUCTION

1.1 Research Background

When it comes to the intermediation of capital market operations, company financing, and economic development, merchant banking plays a key role within the financial services ecosystem. The story of merchant banking's development in India is intricately linked to that of economic liberalisation and changes to the country's financial sector. With its complex regulatory dynamics and deep historical background, merchant banking in India is the subject of this study.

Banks and other financial institutions in India started providing merchant banking services to firms in the late 1960s and early 1970s, expanding their offerings beyond lending and deposit-taking. At first, underwriting securities and loan syndication were the main areas of concentration. Project finance, advice services, and capital market intermediation are just a few of the services that merchant banks have grown to provide.

Merchant banking took a major turn for the better as India's economy liberalized in the early 1990s. It sparked a flurry of activity in the capital markets, with merchant banks serving as go-betweens for IPOs, privatizations, and m&as. In 1992, the Securities and Exchange Board of India (SEBI) was established. Its purpose was to regulate commercial banking activities and protect investors' interests.

To adapt to the ever-changing financial environment, SEBI has revised its regulatory framework for merchant banking in India many times. The rules cover a wide range of topics, including public issues, takeovers, and buybacks; disclosure obligations; a code of conduct; and strict qualifying standards for merchant bankers. In addition to protecting investors and maintaining honest markets, SEBI has long worked to bring commercial banking procedures in line with global norms.

1.2 Purpose of the Study

The major objective of this study is to examine merchant banking in India from every angle, including its past, present, and future, including its regulatory framework, market dynamics, prospects, threats, and historical development. Understanding the contemporary financial environment requires a look back into the origins and evolution of merchant banking in India, from its early days to its present-day heyday. The purpose of this study is to analyze the regulatory landscape of merchant banking in India, focusing on the functions of boards like the Securities and Exchange Board of India (SEBI), and to determine the impact that these changes have had on the sector.

I want to present a complete perspective of the activities of the merchant banking industry in India by conducting an in-depth examination of the current environment, including services supplied, market players, and their contribution to capital market growth.

For the purpose of researching and evaluating the future of merchant banking in light of new technical developments and trends like digitalization, fintech collaborations, and sustainable financing. To provide research-based strategic suggestions to the Indian merchant banking business that would strengthen risk management, increase compliance, diversify service offerings, embrace technology, and promote cooperation among industry players.

CHAPTER 2: INDUSTRY PROFILE

Overview of Indian Banking Sector

The provision of banking services to people, corporations, and the government constitutes the banking sector's vital position in India's economy. There has been a lot of change and expansion in this long-standing, heavily regulated industry.

In India, the banking industry is overseen and controlled by the Reserve Bank of India (RBI), the country's central bank. It is responsible for creating and enforcing monetary policies, overseeing financial institutions, and ensuring the country's financial stability. Scheduled banks and non-scheduled banks are the two main categories that make up India's banking system.

There are two subsets of scheduled banks: commercial banks and cooperative banks. Scheduled banks include both public and private sector institutions. The majority of India's financial services are provided by commercial banks, which cater to both people and companies. There are three main types of banks: public, private, and foreign.

When the government has a majority share in a bank, it is called a public sector bank (PSB). The major PSBs are the State Bank of India (SBI) and its subsidiaries, which give them a considerable position in the banking business. Canara Bank, Punjab National Bank, and Bank of Baroda are a few more prominent PSBs. In order to provide access to banking services in underserved and rural regions, PSBs have been crucial in fostering financial inclusion.

Regulatory framework and governing bodies

A number of important organizations and entities oversee the regulatory framework of the Indian banking sector, ensuring the sector's stability, integrity, and efficient operation. The Reserve Bank of India (RBI), which serves as the country's central bank and has supervisory and regulatory power over banks and other financial institutions, is the main regulatory body. The main regulatory agencies and their functions are as follows:

1. Indian Reserve Bank (RBI):

- Founded in 1935, the RBI is India's central banking organization.
- It creates and carries out monetary policies to keep prices stable and keep inflation under check.
- Banks, non-banking financial firms (NBFCs), and other financial institutions are subject to RBI regulation and oversight.
- It authorizes bank mergers and acquisitions and grants licenses for the opening of new banks.
- The RBI establishes rules for banks' risk management, capital sufficiency, and prudential standards.
- It establishes currency rate policy, oversees and controls foreign exchange operations, and maintains the nation's foreign exchange reserves.

2. Banking Regulation Act, 1949: The main piece of law governing how banks operate in India is the Banking Regulation Act.

- It gives the RBI the authority to oversee bank operations, manage bank licenses, and regulate banking activity.
- The legislation establishes rules for banks' management, capital needs, governance, audit, and reporting obligations.

3. The Indian Securities and Exchange Board (SEBI):

- SEBI is in charge of overseeing the Indian securities industry.
- Although SEBI is primarily concerned with securities markets, it also oversees other facets of the banking sector, including bank securities issuance and adherence to transparency and investor protection regulations.

4. The Indian Insurance Development and Regulation Authority (IRDAI):

• The Indian Insurance Regulatory Authority (IRDAI) oversees the country's insurance industry.

CHAPTER 3: OBJECTIVE AND SCOPE OF THE STUDY

3.1 Objectives

- To identify the scope of merchant banking in India
- To identify the concept of merchant banking
- To recommend the ways to improve the merchant banking in India
- To explore the current trends in merchant banking in India

3.2Scope of the study

The idea of merchant banking is defined in this study. The extent of merchant banking in India is determined by this research. The present developments in Indian merchant banking are examined in this study. The methods to enhance merchant banking in India are suggested by this research.

CHAPTER 4: THEORITICAL PERSPECTIVE

Definition and Scope of Merchant Banking

A specialized financial service, merchant banking—also referred to as investment banking in certain areas—involves a variety of financial operations, with a primary concentration on providing financial and consulting services to governments and businesses. Merchant banks act as a middleman between investors seeking investment possibilities and businesses in need of funding. Corporate finance, capital market transactions, mergers and acquisitions, and strategic financial planning are all included in their range of services.

Scope of Merchant Banking:

1. Corporate Finance Advisory: Merchant banks help companies raise money, manage financial risks, and optimize their capital structure by providing strategic financial advice. This involves assisting businesses in making choices on the issue of debt, equity financing, and financial deal structure.

2. Capital Raising: Helping businesses raise money for a range of uses, including debt repayment, working capital, growth, and research and development, is one of merchant banks' primary responsibilities. Through strategies including rights issues, private placements, and initial public offerings (IPOs), they help raise money.

3. Underwriting: When securities are issued, merchant banks often serve as underwriters. In other words, they provide the issuing business financial certainty by guaranteeing the purchase of a specific quantity of shares or bonds at a fixed price.

4. Mergers and Acquisitions (M&A): By offering advice services to both buyers and sellers, merchant banks are essential to M&A transactions. They do due diligence, negotiate agreements, assess the financial implications of transactions, and help structure them.

5. Project Financing: Merchant banks help get funding for certain initiatives, such major investments or infrastructure development. They assist in structuring the finance arrangements and locating appropriate funding sources.

6. Financial Market operations: Merchant banks trade securities, manage portfolios, and provide customers with investment products, among other financial market operations. In

order to purchase and sell stocks, bonds, and other financial products, they often maintain a trading desk.

7. Research and Analysis: To provide insights into market trends, investment possibilities, and economic situations, merchant banks carry out financial analysis and research. Clients are assisted in making well-informed investment selections by their research reports.

8. Risk Management: By using risk assessment, hedging techniques, and derivative products, merchant banks help their customers manage financial risks. They assist customers in recognizing and reducing possible financial risks.

9. Asset Management: Certain merchant banks provide asset management services, in which they oversee investment portfolios for both individual and institutional customers, deciding which investments to make in accordance with their clients' risk tolerance and goals.

10. Regulatory Compliance: In all of their operations, merchant banks must guarantee adherence to ethical norms and regulatory obligations. This entails abiding with financial rules, securities laws, and behavior guidelines.

11. Global Expansion: A large number of merchant banks operate globally and provide their services to customers in other countries. They make international investments, cross-border transactions, and access to international financial markets easier.

A wide variety of financial services are included in the scope of merchant banking, including capital raising, investment management, financial market participation, and financial strategy advice for businesses. Fostering economic development, enabling money movement, and meeting the financial requirements of governments and enterprises all depend on these services.

The Global History of Merchant Banking Development

Global commercial banking has a long history dating back many centuries, and it has seen substantial changes throughout that period. Here is a summary of its significant turning points and advancements:

1. Merchant banking throughout the Middle Ages (15th–17th centuries): Medieval Europe is where commercial banking first emerged, as affluent merchants participated in

CHAPTER 5: RESEARCH METHODOLOGY

The researcher has used both primary and secondary data to accomplish the research goals.

There are essentially two methods used to get information:

1) Primary Data.

2) Secondary Data.

DATA COLLECTION:

Primary Data: Since it offers up-to-date and first-hand information, this is the most authentic and accurate source of data collection.

Primary data for this study was gathered using questionnaires that included closed-ended questions and five-point Likert scale questions.

Secondary Data: Secondary data will be gathered from company reports, books, journals, and the internet. It is compiled from the units' standing orders, official records, and annual reports.

The secondary data for this study was gathered from published databanks, periodicals, magazines, peer reviews, and news articles.

- **Articles**
- **Text Books**
- **Journals**
- **Websites**

STATISTICAL TOOLS WE HAVE USED TO CLASSIFY DATA:

- **Questionnaire and Tables.**
- **Bar Graphs**

TOOLS / TECHNIQUES USED FOR DATA ANALYSIS:

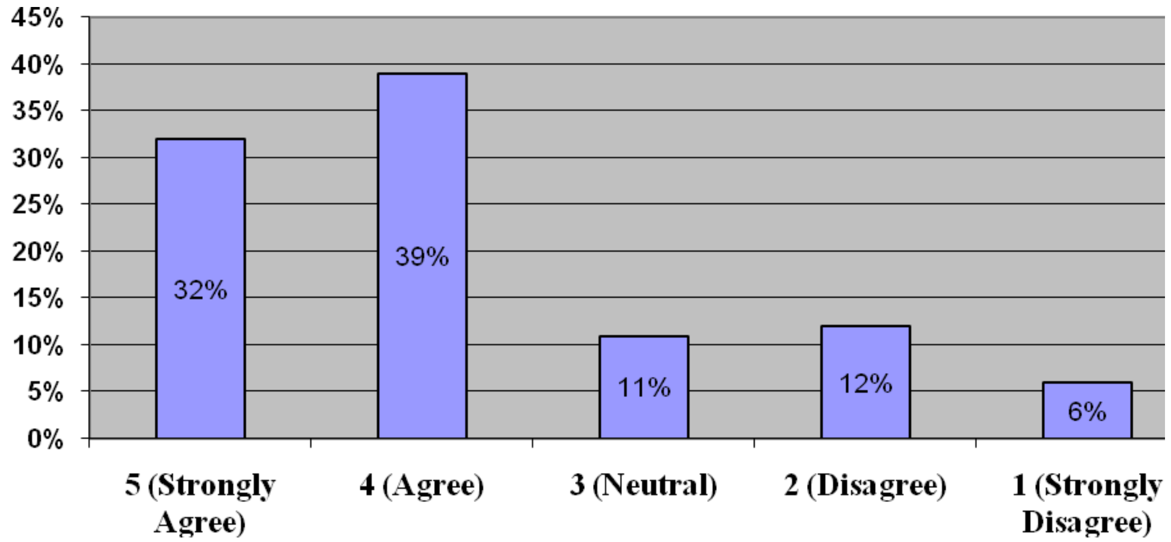
- Samples
- Observing well-defined events.
- Interviews
- Survey

Sample size: 100

Target Respondents: Customers of Merchant Banks

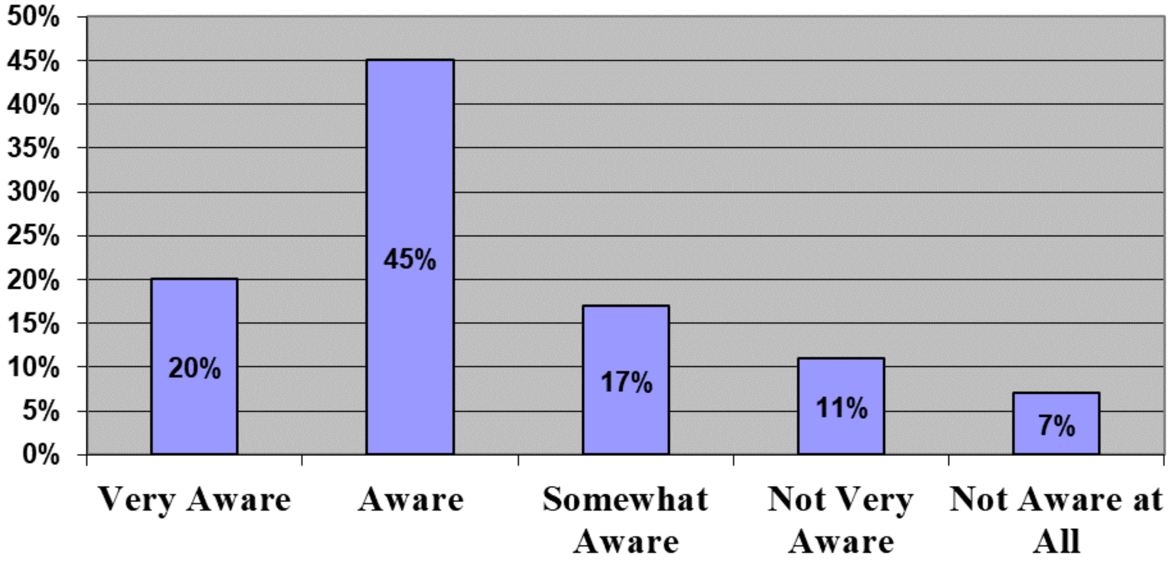
CHAPTER 6: DATA ANALYSIS & FINDINGS

Q1. Indian merchant banking services sufficiently satisfy investors' and enterprises' financial requirements.



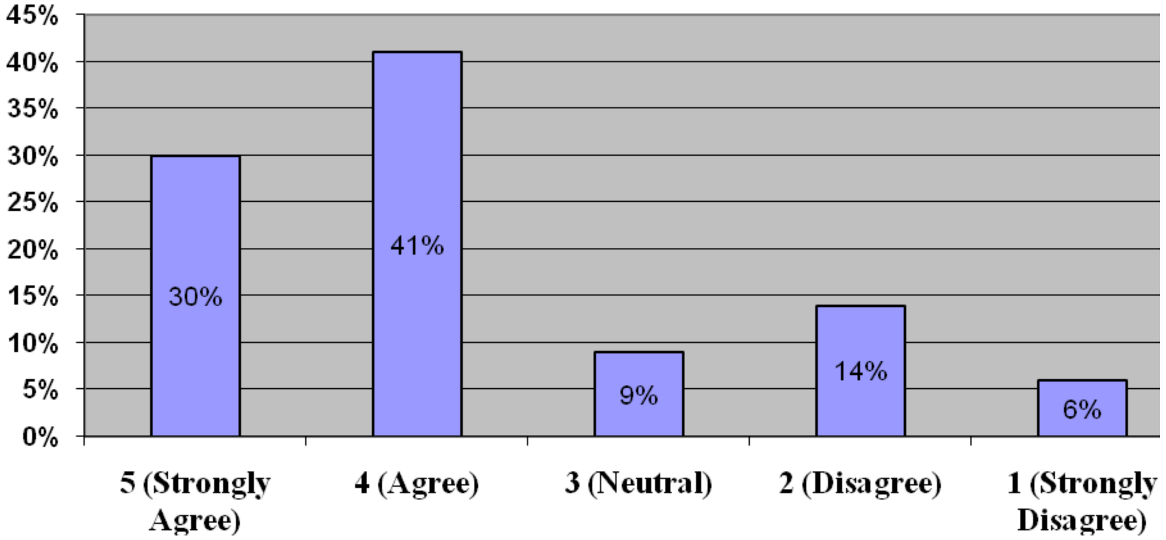
Twelve percent of respondents disagreed with the aforementioned statement, while thirty-two percent strongly agreed with it.

Q2. I am aware of the services provided by Indian commercial banks.



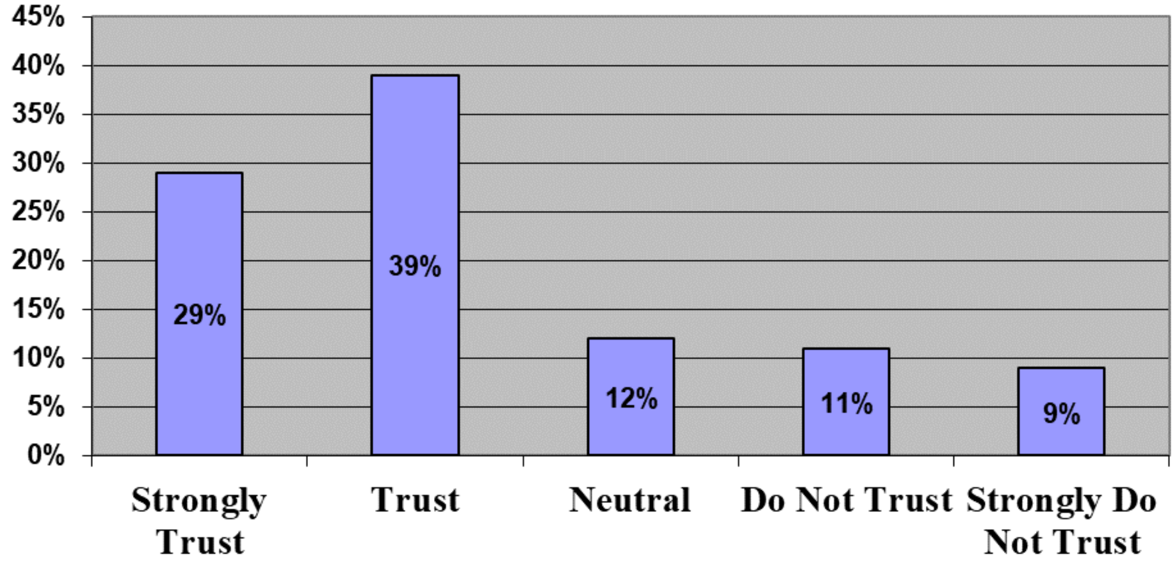
While 11% of respondents are not particularly aware of the services provided by Indian merchant banks, 45% of respondents are aware of these services.

Q3. Investor safety and transparency are effectively ensured by the regulatory structure that oversees commercial banking operations in India.



Thirty percent of respondents strongly agreed with the aforementioned statement, while fourteen percent disapproved.

Q4. I have faith that merchant banks in India provide trustworthy financial services and guidance.



29% of respondents firmly believe that Indian merchant banks provide trustworthy financial services and advice. However, 11% of respondents don't think Indian merchant banks provide trustworthy financial services and advice.

CHAPTER 7: RECOMMENDATIONS

Among the many financial services offered by merchant banks are underwriting, the issuance of stock or debt instruments to raise cash for businesses, and the facilitation of mergers. An intermediary between the issuer and the investors is a merchant bank when a company is trying to raise funds. Private investors, who tend to be very wealthy, and public market capital pools are two common sources of funding.

Both the buyer and the seller may take use of merchant banks' merger and acquisition (M&A) services. On one hand, you have the buy side, where you find potential targets and help them acquire them. On the other hand, you sell side, where you find buyers or bidders at auction who are a good strategic match for your clients' businesses. When a business is in financial trouble, merchant bankers may assist with reorganizing its debt or equity.

Managers often encounter choices about the purchase or sale of firms and business divisions in the current ever-changing economic landscape. The function of mergers and acquisitions in creating value for shareholders and gaining a competitive edge is the subject of this three-day session. When mergers seem promising on paper but end up failing, why is that? How does one determine the worth of corporations that acquire or are acquired? How can one most effectively negotiate? In what ways might "synergy" be realized? Executives must have a thorough understanding of the deal's financial, strategic, and execution difficulties before opening the corporate checkbook to negotiate, due to the unique risk that acquisitions entail. These concerns are used as yardsticks by successful acquirers in both the pre- and post-acquisition phases of planning. This course teaches students the fundamentals of M&A, divestitures, and strategic alliances via the use of practical examples and real-world case studies.

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