

A STUDY ON PERFORMANCE EVALUATION OF MERCHANT BANKS IN TRICHY REGION

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ABSTRACT

Merchant banking is about issuing shares, bank loans, debentures to its clients. The issued finance is used to start a new business or expansion of the business or modernizing it. Government has currently open up the doors of investments particularly within the space of bank and insurance, that ends up in competitive surroundings for this players. This merchant banking service not only provides us finance it also guides us to move in right path with all the norms given by SEBI. The design of the research is descriptive research. The technique used for this study is census survey. Here the tools used are chi square test. In chi square test is used to find the association between the variables. These tools are used in SPSS software and the result has explained.

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

INTRODUCTION

Merchant banking is the combination of banking and consultancy service. Here consultancy means to give advice for clients, guidance and service for fee to clients. This merchant banking provides consultancy and its clients for financial, marketing and managerial and legal matters. It helps to grow in financially and expand widely in business. It also help companies to register , buy and sell shares at the stock exchange.

Due to the introduction of liberalization measures protection is removed and competition has set in. Competition is not only among the borrowers but also among bankers to choose and keep a good entrepreneur in their clientele who would efficiently run his business an also provide business to bankers. At this juncture a metamorphosis has taken place in the economy and the public has also started searching for a better market for their savings which can fetch profitable returns despite the risk involved. This made the public opt for investment in companies through

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various financial instruments such as shares , debentures and fixed deposits in views of higher returns. It is the change which gave rise to merchant banks.

STATEMENT OF THE PROBLEM

A merchant bank offers investment banking and ancillary services. A merchant bank has a longer term approach than a typical investment bank and is extremely concerned with the viability of each investment opportunities and provides the proper recommendation for a strong partnership with each company. This study poses to analyze performance of merchant banking in trichy region.

REVIEW OF LITERATURE

A study was carried by ' **ENS economic Bureau 1993** Bombay to the issue management activities both in private and public sector in the country. It was found in the study that the year 1992 to 1993 was a bonanza year in the area of issue management with a record of 527 public issues aggregating Rs.6059.63 crores as against 196 public issues for Rs.1711.36 crores in 1991 – 1992. It was found that among the bankers in the public sector, SBI capital markets limited maintained its top rank both in number of issues and funds handle. This was followed by PNB capital markets services, Bank of baroda and Indian bank merchant banking services limited. Among the foreign banks as many as six were involved , Grind lays bank ranked first with eleven issues. Among the private merchant banks, CRB capital markets top the list followed by IM financial and subashdalal. It was concluded in this study that the number merchant bankers are growing.

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.

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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.VishalBakshi(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.

Southern economist editorial board (1994) highlighted the provisions made under the securities and exchange board of india with regard to the procedure for inspections, obligations and responsibilities of underwriters and a code of conduct. SEBI has assumed powers to cancel the registration of underwriters found indulging in deliberate manipulations, price rigging or cornering of shares. The code of conduct lays down that every underwriter should observe high standards of integrity and fairness in all dealings with clients and other underwriters. The rules stipulate that the underwriter will enter into an agreement with each body corporate whose behalf underwriting is being undertaken. The agreement will stipulate the period within which the underwriter shall subscriber the issue after being asked to do so by the body corporate, the precise commission payable to the underwriter and details of arrangements for fulfilling the underwriting obligations. The rules debar an underwriter from deriving any direct or indirect benefit from under writing the issue other than the commission of brokerage payable under the agreement. The study focused its attention only on the underwriting activity. The other services of merchant bankers are not analyzed.

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ShekharSathe (1998) commented on the role of merchant bankers and their significance in the securities market. He rightly mentions that during the existence of office of controller of capital issues brokers and investors thought that there was always money to be made in primary equities market. With the abolition of the office of the controller of capital issues and due to scams in stock market equity listing and issue prices raised to very high levels-stock manipulation and fly by night merchant bankers and issuers ruined the market. Merchant banks mushroomed all over the country and were liberally registered by SEBI. The stock boom itself was a result of scam burgeoning behind the façade of the iron clad banking system. The common investors have seen an unprecedented diminution of their assets and are reluctant to come back to equities.

Animesh (2016) investigated that 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 study also revealed that in India, at present, a substantial number of Merchant Bankers are operating under the direct supervision of Securities and Exchange Board of India (SEBI) and also evaluated the performance of selected Merchant Bank of India.

OBJECTIVE OF THE STUDY

- To evaluate the performance of merchant banks in the context of public issues rights issues and underwriting.
- To study the customer expectation of merchant banking services
- To review the perception of merchant banking services among customers.
- To study the problems faced by merchant banks.

RESEARCH METHODOLOGY

Research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusion; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

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Methodology indicates a particular technique for gathering and examination of information. It is an approach to methodically take care of the examination issue. It is vital for the scientist to know the exploration strategies/procedures yet in addition strategy.

Research methodology is a way to deal with proficiently deal with the investigation issue. It may be appreciated as a specialty of looking at how ask about is done deductively. In it we think about the distinctive advances that are ordinarily gotten by an expert in considering his examination issue nearby the basis behind them. It is essential for the researcher to know the investigation methodologies yet also framework.

RESEARCH METHODOLOGY

RESEARCH

The use of things, ideas or symbols for the aim of generalizing to unfold, correct or verify data, whether or not that data aids in construction of theory or within the observe of an art. Research in common idiom refers to a quest for data analysis is a tutorial activity and intrinsically the term ought to be utilized in a technical sense. Research includes shaping and redefining issues, formulating hypothesis or advised solutions, collecting, organizing and evaluating information, creating deductions conclusions; and eventually fastidiously testing the conclusions to determine whether they fit the formulating hypothesis.

RESEARCH DESIGN

Decisions concerning what, where, when, how much, by what suggests that regarding associate inquiry or a pursuit study represent a pursuit style. A analysis style is that the arrangement of conditions for assortment and analysis of knowledge in an exceedingly manner that aims to mix relevancy to the analysis purpose with economy in procedure.”¹ The formidable downside that follows the task of process the analysis downside is that the preparation of the planning of the research, popularly called the “research design”

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RESEARCH METHOD

DESCRIPTIVE METHOD

Descriptive research incorporates studies and actuality discovering enquiries of various types. The significant motivation behind engaging exploration is portrayal of the situation as it exists at present.

SAMPLING TECHNIQUE

In the project sampling it is done on the basis of non-probability sampling method. Among the non-probability sampling design, chosen is quota sampling technique.

Quota sample: The researcher finds and interviews a prescribed number of people in each several categories.

SAMPLE SIZE

63 samples of Merchant bank users in Trichy region.

DATA COLLECTION

Questionnaire is sent to the people worried about a solicitation to reply and restore the poll. Survey comprises of a number inquiry includes both explicit and general inquiries identified with representative's conduct.

STATISTICAL TOOL USED

1. Correlation
2. Chi square

DATA ANALYSIS

1. CORRELATION - I

Null hypothesis H₀:

There is no significant relationship between form of the organization and feel safe in your dealings with merchant banking.

Alternative hypothesis H₁:

There is some significant relationship between form of the organization and feel safe in your dealings with merchant banking.

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Table – I**Correlations**

		form_of_the_organization	Q17
form_of_the_organization	Pearson Correlation	1	.156
	Sig. (2-tailed)		.221
	N	63	63
Q17	Pearson Correlation	.156	1
	Sig. (2-tailed)	.221	
	N	63	63

Calculated value = 0.156

Significance value = 0.221

Take the level of significance = 0.05

Result:

Since calculated significance=0.156 < significance value=0.05. Therefore **Accepted H1**.

Decision:

There is some significant relationship between form of the organization and feel safe in your dealings with merchant banking.

2. CORRELATION - II**Null hypothesis H0:**

There is no significant relationship between capital employed by your concern and merchant bank will insist on error free records.

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Alternative hypothesis H1:

There is some significant relationship between capital employed by your concern and merchant bank will insist on error free records.

Table – II

		Correlations	
		Q11	capital_employed_by_your_concern
Q11	Pearson Correlation	1	.073
	Sig. (2-tailed)		.572
	N	63	63
capital_employed_by_your_concern	Pearson Correlation	.073	1
	Sig. (2-tailed)	.572	
	N	63	63

Calculated value = 0.73

Significance value = 0.572

Take the level of significance = 0.05

Result:

Since calculated significance=0.572 > significance value=0.05. Therefore **Accepted H1**.

Decision:

There is some significant relationship between capital employed by your concern and merchant bank will insist on error free records.

3. CHI SQUARE TEST**Null hypothesis H0:**

There is no significant relationship between form of the organization and feel safe in your dealings with merchant banking.

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Alternative hypothesis H1:

There is some significant relationship between form of the organization and feel safe in your dealings with merchant banking.

Table – III

Chi-Square Tests			
	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	12.880 ^a	4	.012
Likelihood Ratio	17.470	4	.002
Linear-by-Linear Association	1.514	1	.219
N of Valid Cases	63		

a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is .78.

Chi-square result

Calculated value = 12.880

Degrees of freedom = 4

Tabulated value = 9.49

Significant Level = 5%

level Comparison = $12.880 > 9.49$

Interpretation

Calculated chi-square value is greater than the table value. Hence H₀ is rejected H₁ is accepted. There is significance association between form of the organization and feel safe in your dealings with merchant banking.

Conclusion

The very purpose for which these merchant banks commenced their services should be taken care of and they should mould their policy decision and activities to move in tune with the main objective of investors protection and to create a healthy environments in capital markets. No doubt, merchant banking concerns are subject to a host of control measures, regulations and

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rules frame and guided by securities and exchange board of India (SEBI). To some extent frequent changes and amendments to policies and control measures, though needed for smooth functioning of the capital markets, proves to be an obstacle in the growth and development of merchant banking system in the country. The SEBI act 1992 confers power upon SEBI to supervise and control the affairs of the merchant banking concerns in India. It exercise control over all activities of merchant banking concern through different measures. The assessment of merchant banking concerns performance is beset with many difficulties on account of the diverse commercial objectives that influence their performance. Notification of merchant banking regulations and amendments to it from time to time by SEBI brought the merchant banking industry to a new dimension.

In recent past, the small investor has turned his back on the primary capital markets. Issue after issue failed to capture his imagination rekindle his enthusiasm and reinforce his faith. He has last hope of appreciation of his investment. To protect the interest of small investor SEBI introduced proportionate allotment and minimum subscriptions. But these measures did not yield desired results. This has considerably affected the interest of small investors from their pre-eminent position in the capital market.

To sustain the growth of the market and crystallize the growing awareness and interest into a committed, discerning and growing pool of investors, it was essential to remove the trading malpractice and structural inadequacies prevailing in the market, and provide the investors and organized and well regulated market place in whose probity they can have confidence where their rights are fully protected and redressal made easily accessible and effective.

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