

# **A COMPARATIVE STUDY ON PUBLIC & PVT. MERCHANT BANK IN INDIA**

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## **Abstract:**

Merchant Banking has become a crucial component of financial advising services in the midst of the rapid changes sweeping the financial industry. A service-oriented activity called merchant banking moves money from people who own it to those who can use it. They work to determine the demands of the corporate sector and investors, and they offer guidance to entrepreneurs on how to succeed. Every day, new competitors enter this field. Global demand for Indian merchant banking is high. In India, a huge number of businesses are experimenting in this area. Some businesses have developed a strong brands, while others are still working to make their impact on the global market.

## **CHAPTER – 1**

### **INTRODUCTION**

Merchant Bank is a British word for a bank providing various types of financial services like accepting bills arising out of the trade, providing advice on acquisitions, mergers, foreign Exchange, underwriting new issues, portfolio management, etc.

This type of public-related bank plays a game-changing role because the merchant can provide various types of offers to increase the no. of the client, which can attract by the different- different bundle offers. That is helpful for the clients also because they can use this bundle offer for gaining it, which depends on the types of their clients.

It is working like a financial broker, the activities related to MB in India are as follows -

1. The management of the customer's securities.
2. The management of the portfolio.
3. The circumvention of the syndication of loans.
4. The management of the interest and dividend.

## **HOW DOES MERCHANT BANKING WORK?**

- A merchandiser bank is a type of financial organization with a range of services, including trader banking, investment banking, retail banking, and other types of financial services.
- Trader banks typically serve as intermediaries between businesses and investors, facilitating transactions and offering financial strategy guidance.
- Dealer banks can also manage customers' financial capital and investments in addition to providing money to businesses in the form of loans or investments.
- Trafficker banks may also provide additional services such as processing credit and debit cards, currency exchange, and trading services.

## **BENEFITS AND FUNCTIONS OF MERCHANT BANKING**

Offering financial services to firms and organizations is the focus of the specialized branch of banking known as merchant banking. The following are some of the main advantages and

### **Functions of merchant banking:**

**Funds raising:** By approving new securities issuances like initial public offerings (IPOs) and bond offerings, merchant banks assist businesses in raising funds. Setting the price, promoting the securities to investors, and contributing financial expertise are all part of this process.

**Acquisitions:** Merchant banks offer guidance and support to companies engaged in mergers and acquisitions (M&A). They could offer assistance in locating suitable acquisition targets, negotiating agreements, and funding the transaction.

**Structured finance:** Merchant banks are experts at structuring complex financial transactions involving numerous parties and various forms of financing. For instance, they might assist in setting up project funding for sizable infrastructure initiatives like power plants or airports.

**Risk management:** Merchant banks offer guidance and support with risk management, including hedging against changes in currency or interest rates. They might also offer insurance and other goods that reduce risk.

**Investment management:** Merchant banks may provide clients with investment management services, such as portfolio management or investment strategy consulting

**International trade finance:** merchant banks may provide financing and another service to support international trade, such as letters of credit and export financing

## **SERVICES THAT MERCHANT BANK PROVIDES**

Particularly in the corporate and institutional sectors, merchant banks provide a variety of services aimed at addressing the financial demands of their clients. The following are some of the main services provided by merchant banks:

**Corporate Finance:** Merchant banks offer their clients financial advising services on matters about acquisitions and mergers, capital raising, reorganization, and other strategic financial decisions.

**Cash Raising:** Merchant banks assist their clients in raising cash through IPOs, PE investments, or other forms of finance.

**Underwriting:** To ensure that securities are successfully placed on the market, merchant banks underwrite them.

**Project Finance:** Merchant banks offer financial options for significant endeavours needing long-term funding, such as infrastructure development, oil, and gas exploration, or the production of electricity.

**Structured Finance:** Merchant banks provide specialized financing options to customers with particular requirements, such as export financing, financing for receivables, and asset-backed securities.

**Commercial Finance:** To facilitate international commercial transactions, merchant banks offer trade finance services such as letters of credit, documentary collections, and guarantees.

**Risk management:** Through the use of derivative instruments and other risk management tools, merchant banks assist their clients in managing a variety of financial risks, including market risk, credit risk, and operational risk.

**Wealth Management:** Merchant banks provide high-net-worth individuals and families with wealth management services, such as investment guidance, portfolio management, and estate preparation.

## **MERCHANT BANKS' FEATURES**

Among the services that merchant banks provide to their clients are:

For securities issuances including initial public offers (IPOs) and bond issues, merchant banks serve as underwriters. From the issuer, they buy securities, which they then resell to investors for a profit.

**Advisory services:** Merchant banks counsel clients on a variety of financial matters, such as capital structure, risk management, and mergers and acquisitions.

**Mergers and acquisitions:** Merchant banks help clients with mergers and acquisitions by assisting with the identification of possible targets, deal structuring, and financing arrangements.

**Project financing:** Merchant banks assist clients working on significant infrastructure projects including power plants, airports, and toll highways by offering project financing services.

**Structured finance:** Merchant banks provide their clients with structured finance solutions that make use of sophisticated financial tools to address certain financing requirements.

**International trade finance:** Letters of credit, export financing, and trade finance advisory services are just a few of the international trade finance services that merchant banks offer to clients. Portfolio management, investment advisory services, and private equity investments are all part of the investment management services that merchant banks provide to their clients.

**The brokerage of securities:** Merchant banks purchase and dispense securities on behalf of their clients. Merchant banks provide custodial services, which entail holding and protecting securities on behalf of customers.

### **INDIA'S PROCESS FOR MERCHANT BANKERS**

By offering a range of services like corporate advising, underwriting, debt syndication, mergers and acquisitions, and project finance, merchant bankers in India play a crucial role in the capital market. The following steps are involved in merchant banking in India:

The merchant banker locates potential clients who are seeking funding or who require financial assistance.

**Feasibility Report Preparation:** The merchant banker creates a feasibility report after determining the potential clients. This report comprises an evaluation of the project's viability and its critical success.

**Company Valuation:** The merchant banker evaluates the client's business to establish its value

**Deal structuring:** Following completion of the feasibility study and company valuation, the merchant banker recommends the kind of securities to be issued, their price, and the timing of the offering

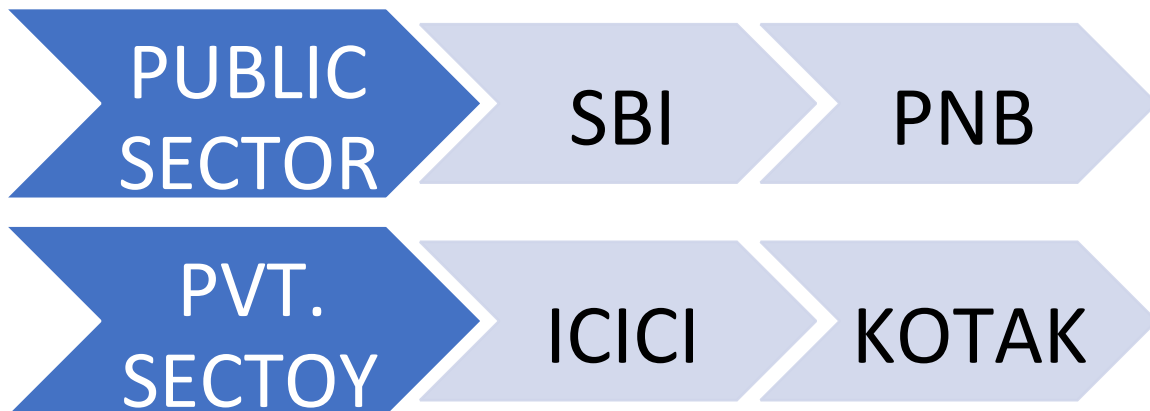
**Documentation:** The prospectus, offering memorandum, and other legal papers needed for the public offering are all prepared by the merchant banker.

**Marketing and Distribution:** The merchant banker underwrites the issue and promotes and distributes the securities to potential investors.

**Securities Listing:** After the issuance is successfully concluded, the merchant banker assists the customer in listing the securities on the stock exchange.

**Post-Issue Management:** The merchant banker offers post-issue management services, which include responding to investor inquiries, helping with the transfer of securities, and offering follow-up services.

## SECTORS OF MERCHANT BANKERS IN INDIA



### INDIAN STATE BANK

With a history that stretches back to the early 19th century, the State Bank of India (SBI) is one of the largest and oldest banks in India.

The British East India Company founded the Bank of Calcutta in 1806. The bank was then renamed the Imperial Bank of India in 1921. In the years leading up to independence, the bank was essential to the growth of the Indian economy. The State Bank of India Act, passed by the Indian government in 1955, nationalized the Imperial Bank of India and replaced it with the State Bank of India (SBI).

SBI has developed into a significant force in the Indian banking sector over the years. Its nationwide branch count of more than 24,000 makes it India's largest banking network. With branches in more than 30 nations, the bank has also expanded its activities internationally.

SBI has contributed significantly to the growth of the Indian economy by offering financial services to citizens all over the nation, especially those living in rural and isolated locations. With the development

of different digital services and projects, the bank has also been at the forefront of technological advancements in banking.

SBI is a well-known bank in India today, providing its clients with a variety of banking and financial services, including retail banking, corporate banking, and investment banking.

### **THE STATE BANK'S PRESENT STATUS**

The State Bank of India (SBI), which will cease operations in 2021, is the largest public sector bank in India and has a vast network of branches and ATMs spread out across the whole nation. SBI reported a total asset base of INR 43.73 trillion (about USD 588 billion) as of March 2021 and a net profit of INR 20.41 billion (around USD 275 million) for the three months that ended in March 2021.

The financial position and status of SBI, or any other bank, could, however, alter over time due to a variety of variables, including prevailing economic conditions, market volatility, legislative changes, etc.



### **PUNJAB NATIONAL BANK**

- History of Punjab National Bank: One of India's biggest and oldest public sector banks is Punjab National Bank (PNB). Here is a thorough history of the Indian bank
- Lahore, which was then a part of British India, is where PNB was established in 1894. Lala Lajpat Rai, a member of the Swedishi movement, was among the Indian leaders who founded it.
- India gained independence from the British Empire in 1947, and PNB was turned into a nationalized bank. As a result, the government became the bank's largest shareholder and assumed control over it.
- In 1969, PNB merged with a number of other financial institutions as part of the government's effort to streamline the banking industry, including Universal Bank, Bharat Bank, and Indo-Commercial Bank...
- 1986 saw the debut of PNB's completely computerized branch in New Delhi, making it the first bank in India to do so. In Noida, the bank also built a cutting-edge data center.
- PNB founded a subsidiary in London in 1993 to serve the financial requirements of the Indian diaspora. This was PNB's first outpost abroad.
- Nedungadi Bank, a private bank in Kerala, India, was purchased by PNB in 2003. This aided the bank's expansion into South India.

- In 2012, PNB, an Indian bank, established PNB Bhutan, a fully-owned subsidiary in Bhutan. In Bhutan, the subsidiary runs a full-service bank.
- 2018: A significant fraud scam involving PNB involved multiple workers who conspired with businessmen to issue false letters of credit

### **MEGA-MERGER:**

The Oriental Bank of Commerce and United Bank of India were combined into the publicly traded Punjab National Bank with effect from 1 April 2020.

In terms of both business and branch networks, the combined company rose to the position of the second-largest nationalized bank in India following the merger.

The combined bank has a network of 1,000,000+ employees, 12,248+ branches, 13,000+ ATMs, and 12346 business correspondents.

A significant portion of this bank's customers also utilizes PNB. Along with deposit services, this bank offers other services. PNB's history dates back to 1895, and since then, the bank has

Grown by giving its clients better products and services. Day by day, the number of PNB branches and ATMs has increased. The Punjab National Bank offers deposit and investment locker services. The bank began operations in 1985 with just a deposit service and a different clientele.

### **Punjab National Bank**

Headquarter	New Delhi
Zonal Offices	24
Circle Offices	161
MD & CEO	Mr S.S. Mallikarjuna Rao
Taglines	A name you can Bank upon Together for the better



### **ICICI BANK**

With a presence in more than 20 countries, ICICI Bank is one of the biggest private-sector banks in India. In addition to savings and current accounts, loans, credit cards, insurance, investments, and wealth management services, ICICI Bank also provides a comprehensive range of other banking goods and services. Additionally, the bank provides digital banking services like online, mobile, and digital wallets. The Asian Banker and Eurozone both recognized ICICI Bank as the "Best Bank in India" and "Best Retail Bank in India," respectively, in recognition of its achievements.

The second-largest bank in India after SBI is ICICI Bank. In India, ICICI operates 5275 branches and 15589 ATMs.

The list of significant Indian banks includes the ICICI Bank. This bank consistently employs cutting-edge technology to draw clients and make it simpler to offer superior customer service, setting it apart from other banks in this area. In the most recent ICICI Bank, the head branch used robots, which is a lot of new technology. Along with many other crucial services, this bank also offers financial transfers and investment services. Modern technology and technical management make it simpler to deliver better services to more clients.





### **KOTAK MAHINDRA BANK**

Kotak Mahindra Bank, which has its headquarters in Mumbai, India, was established in 1985. The following are some of the main goods and services provided by Kotak Mahindra Bank:

1. **Savings and current accounts:** The bank provides a selection of savings and current accounts with a variety of advantages, including higher interest rates, cashback offers, and fee-free ATM usage.
2. **Loans:** Kotak Mahindra Bank provides several types of loans, including personal loans, business loans, mortgages, auto loans, and loans for education.
3. **Credit and Debit Cards:** Kotak Mahindra Bank provides a selection of credit and debit cards with a range of features and advantages, including cashback deals, reward points, and discounts on eating and shopping. Insurance: The bank offers various insurance products such as life insurance, health insurance, and general insurance.
4. **Investment Products:** Mutual funds, equity shares, and term deposits are just a few of the investment products that Kotak Mahindra Bank offers. Additionally, the bank provides internet trading services via Kotak Securities, a subsidiary.
5. **Wealth Management:** The bank provides high-net-worth individuals and families with wealth management services, such as investment guidance, portfolio management, and estate preparation.
6. **Digital Banking:** Internet, mobile, and phone banking are just a few of the digital banking options that Kotak Mahindra Bank provides. The Kotak 811 digital savings account is just one of many cutting-edge products that the bank has introduced.

### **REQUIREMENTS OF THE BANK:**

There are several goals for banks, some of them are as follows:

The ability to be profitable. Earnings for shareholders are one of a bank's primary objectives. This is achieved by deftly manipulating the bank's capital and debt, evading fees, and providing first-rate financial services and favors to its clients.

Maintaining sufficient liquidity to meet the requirements and commitments of its clients is another goal of a bank. To do this, banks manage their cash flows, keep adequate reserves, and make sure their assets are easily converted into cash.

Risk management: It is the duty of banks to effectively manage their risks. The goal is to reduce risks that could harm the bank's reputation and financial soundness. Managing credit risk, market risk, liquidity risk, operational risk, and other hazards are all included in this.

Innovation: In order to remain competitive, banks must adopt new ideas and adjust to shifting market conditions. New financial services and products can be developed, new technology can be included, and new business models can be put into practice.

Compliance: Various laws, rules, and moral guidelines must be followed by banks. The goal of compliance is crucial because it keeps banks' reputations intact and helps them stay out of legal and regulatory trouble.

Profitability, liquidity, risk management, client satisfaction, innovation, and compliance are just a few of the goals that banks have overall. These goals must be accomplished through competent management, solid governance, and a focus on the consumer.

## **CENTRE OF THE STUDY**

Depending on the unique goals of the research, the focus of studies for banks can vary. Banks may conduct research in a number of important areas, including:

Banks may do research to better understand the requirements and preferences of their clients, including their banking practices, attitudes toward various financial products, and levels of satisfaction.

**Risk management:** To lessen the effects of various risks, such as credit risk, market risk, and operational risk, banks may concentrate on establishing better risk management methods.

**Technology adoption:** As the banking sector becomes more digital, banks may concentrate on determining how new technologies, such as mobile banking, and artificial intelligence, will affect their operations and customer experience.

**Regulatory compliance:** Banks must adhere to a number of rules and regulations. They may concentrate on making sure they are fulfilling their duties while continuing to run their businesses successfully and efficiently.

**Financial performance:** Banks may concentrate on comprehending the factors that influence their profitability, cost control, and revenue production. They may also make plans to enhance their performance.

**Innovation and competitiveness:** To remain competitive in a financial environment that is rapidly changing, banks may concentrate on identifying new chances for innovation and growth, such as entering new markets or offering new goods and services.

In order to enhance their operations, client experience, and overall performance, banks may concentrate on a range of areas for study.

## **CHAPTER-2**

### **LITERATURE REVIEW**

#### **REVIEW OF EXISTING LITERATURE**

The Merchant Bank operates in the public and private sectors. Increases in both areas may be beneficial. They can offer consumers services, and to help them make better use of those services, they can also employ a bank to offer advising services.

Gather customer information to open a merchant account, and then double-check all crucial information. For services and the procedure to open a merchant account with the bank, the banks charge the consumers. They are able to cover the loan for use with cooperating rates as well as market risk.

Make a chart of providers that you can fill out with all the partner firm information, fees, and benefits, among other things. Merchant Banking is filled with that kind of data. The number of merchants in India is growing every day, and the s are luring customers to register merchant accounts by offering better deals and services.

Watch and double-check the contract's miniprinmini printlanation of the clauses. Do not sign anything until you are certain that you are aware of all the fees, requirements, termination provisions, and other facts.

## **RM OF RESEARCH**

### **RESEARCH STRUCTURE:**

- Sample size 100 responded
- Convenience sampling has been used
- This study is based on a secondary analysis
- Statistical to a frequency & percentage sample is Greater than Noida

Statistical Tools- Diagram, Table, graphs & charts

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### **METHODS OF DATA COLLECTION:**

**Primary Data** through self-observation.

**Secondary Data** are collected by the information related to the Merchant bank, which is already covered by those earlier. It considers these various sources-

- Newspapers
- Websites
- Books

## **CHAPTER-4**

### **PRESENTATION & ANALYSIS & INTERPRETATION RESEARCH**

Q 1 Are you satisfied with the Financial? Services that banks provide you?

No.	Satisfied with Services	Respondent	% Of Respondent
1	Yes	48	48
2	No	52	52
	Total	100	100

EXPLANATION -

48% of respondents are satisfied & 52% of respondents are not satisfied with the services that banks provide.

Q 2 Are you aware of Merchant Banking?

No.	Know About Merchant	Respondent	% Of Respondent
1	Yes	40	40
2	No	60	60
	Total	100	100

EXPLANATION –

40% of respondents are aware of Merchant banking & the rest 60% of respondents are not aware of that.

Q 3 the services provided by the bank are easy to use or not?

No.	Agree	Respondent	% Of Respondent
1	Yes	55	55
2	No	45	45
	Total	100	100

EXPLANATION –

55% of respondents are agreeing that the services provided by banks are easy to use & 45% of respondent are not agreeing with that.

Q 4 Which bank gives you better service?

No.	Bank	%
1	ICICI	18
2	SBI	34
3	PNB	25
4	KOTAK	15
5	Other	8

EXPLANATION –

A huge no. of organizations takes budgetary administrations from SBI.

Q 5 According to you where stand Pvt. Sector Merchant Bank?

No.	Criteria	%
1	Good	50
2	Normal	35
3	Bad	15
	Total	100

EXPLANATION-

According to the respondent the Pvt. Sector merchants are in a good position by 50%, 35% normal & 15% bad.

Q 6 According to you where stands Public Sector Merchant Bank?

No.	Criteria	%
1	Good	40
2	Normal	55
3	Bad	5
	Total	100

EXPLANATION -

According to the respondent, the public sector merchant bank is in a Normal position by 55% , good by 40% & bad by 5%.



Q 7 which type of deposit do you prefer in the bank?

No.	Deposit	Respondent	%
1	Bank Security (F.D.)	28	20
2	Gold	0	0
3	Land Papers	50	50
4	Third Person Security	22	22
	Total	100	100

EXPLANATION –

Land papers are the 1st choice of 50% of respondents, the rest can prefer the FD 28% & third person security 22%.

Q 8 you are agreeing to pay a certain amount of security amount of the bank?

No.	Agree to a payment amount	Respondent	%
1	Yes	70	70
2	No	30	30
	Total	100	100

EXPLANATION -

According to the respondent, 70% agree to pay this amount & the rest 30% do not agree with that.

Q 9 Can banks handle all operations & services timely?

No.	Agree	Respondent	%
1	Yes	67	67
2	No	33	33
	Total	100	100

EXPLANATION–

67% of respondent agree & the rest 33 % does not agree on that.

Q 10 Is Merchant Bank & Investment Bank being same?

No.	Agree	Respondent	%
1	Yes	30	30
2	No	70	70
	Total	100	100

#### INTERPRETATION-

70% of respondent are not agreeing that it is the same & the rest 30% agree that it is the same.

## **COMPARISON BETWEEN PUBLIC & PRIVATE SECTORS**

Organizations in the public and private sectors diverge in several areas, including ownership, goals, management, funding, and responsibility. The public and private sectors have the following main distinctions:

The government owns and controls organizations in the public sector, whereas private sector organizations are owned and managed by private individuals or companies.

**Objectives:** While private sector organizations are concentrated on making money for their owners and shareholders, public sector organizations are primarily focused on serving the public interest and delivering critical services.

**Management:** In the public sector, organizations are normally run by government employees or appointed boards, whereas in the private sector, boards of directors and company leaders are in charge.

**Funding:** Public sector organizations are typically funded by government budgets, taxes, and other public sources of funding, while private sector organizations are funded through investments, loans, and sales revenue.

**Accountability:** Public sector organizations are accountable to the government and the public, while private sector organizations are primarily accountable to their shareholders and customers.

**Entrepreneurship and innovation:** Businesses in the private sector frequently exhibit these traits more than those in the public sector, which may be characterized by slower decision-making and more bureaucratic procedures.

**Job stability:** those in the public sector are typically more stable and secure, whereas those in the private sector could be more dynamic and subject to market conditions.

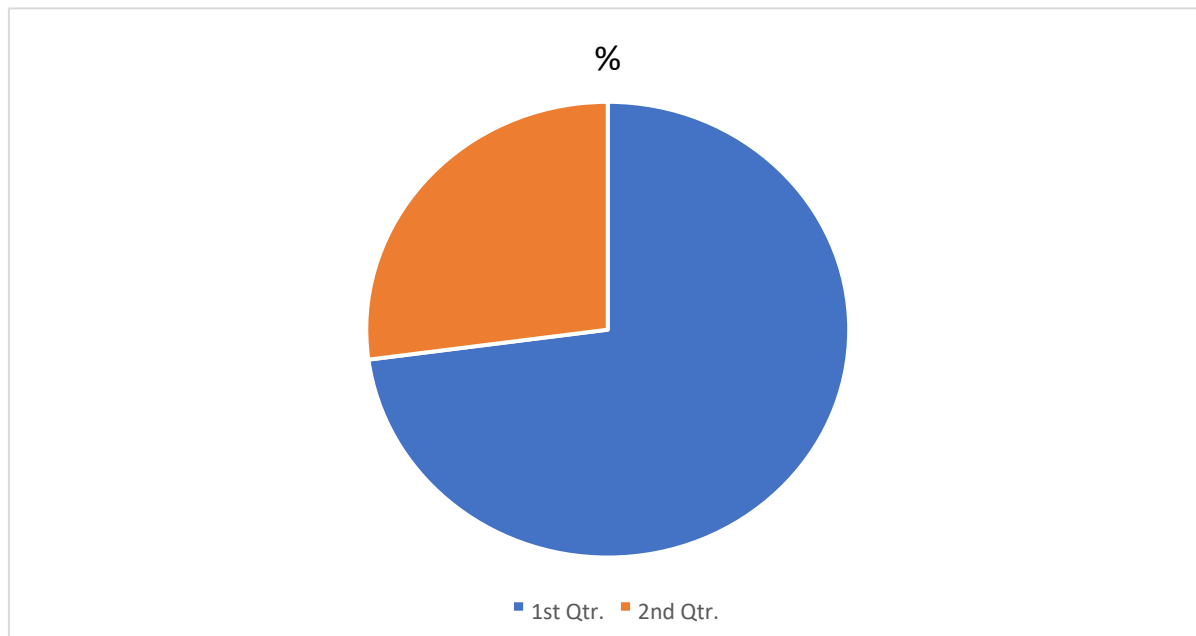
Organizations in the public and private sectors both have strengths and limitations and play significant roles in the economy and society. Private sector organizations tend to be more inventive and profit-driven, while public sector organizations typically concentrate on serving the public interest.

Both the public and private sectors play a significant role in merchant banking. The public, according to the most recent information on the popularity of public and private sector banks

Sector is a higher percentage of the share in comparison to the private sector merchant bank. Both sectors' merchant bank is doing well. But most respondent is referring to the public sector because of the many factors like trust, safety, and others.

The public sector MB is the first choice that's the reason that it captures a higher percentage of the share than the private sector share.

**Public Sector Share % = 84% Private Sector Share % = 30%**



## **CHAPTER-5 FINDINGS & CONCLUSIONS FINDINGS**

- Most people know that merchant banks differ from investment banks.
- The percentage of the market share of the public sector is much higher than the private sector.
- The Private sector banks are stands in a much good position than the public sector bank.
- The public sector bank gives better service than the private sector bank. And SBI stands at the top of the list.
- The banks can handle all the operations timely.
- Most of the respondents prefer to deposit in the land paper.
- The services provided by the banks are easy to use, and there is the approximate same thing as most of the respondents.

## **CONCLUSION**

- The Market share of the public sector is increasing day by day.
- Most people trust public sector banks because of their services and the history of the bank.
- The bank plays a very important role in attachment with any bank.
- The banks are facing competition day by day. So, it is very difficult for the bank to handle the customers.
- Implementing new technology also affects the situation of the bank.
- SMEs are also connected with the bank for the financial services provided by the Merchant banks.

## **LIMITATIONS OF THE STUDY**

- There can be a probability of “individual biases” on the part of respondents.
- The sample size to be taken may not be the exact representation of the population.

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## **QUESTIONNAIRE**

QUESTIONNAIRE Hello Sir/ Madam, I KUNAL GUPTA currently delving into the matter “An almost STUDY ON PUBLIC &PVT. MERCHANT BANK IN INDIA” Please carry your truthful belief and live concluded that this data controlled will exist morally private and not to exist partook for any design unlike than inquiry reporter ’

### **RESPONDENT’S PROFILE**

**Name:** \_\_\_\_\_

**Age:** 20-35 ( ) 36-50 ( ) 51-60 ( )

**Gender:** Male ( ) Female ( )

**Occupation:** \_\_\_\_\_

Q 1 Are you happy with the Fin? Favors that banks supply you?

Yes (), ( b) NO()

Q 2 Are you witting in Merchant Banking?

a) Yes (), ( b) No()

Q 3 the turns furnished by the bank light to operate or not?

a) Yes (), (b) No ()

Q 4 Which bank gives you better turn?

a) ICICI(), ( b) SBI(), ( c) PNB() d) KOTAK(), ( e) unlike()

Q 5 answering to you were sitPvt. Sector Merchant Bank?



a) Logical (), ( b) common (), ( c) wrong ()

Q 6 answering to you where stands Public Sector Merchant Bank.

a) Logical (), ( b) common (), ( c) wrong()

Q 7 which variety of grounds do you care in the bank?

a) Bank protection(), ( b) Gold(), ( c) country document(), ( d) Third- do cover()

Q 8 You're concurring to compensate a given quantity of cover quantity of the bank?

a) Yes () ( b) No ()

Q 9 Can banks take all charges & favors speedy?

a) Yes (), ( b) No()

Q 10 Is Merchant Bank & Investment Bank living even?

Yes (), ( b) No()