BRIEF OUTLINE OF THE CHAPTER

In this study titled, "A Study of Merchant Banking in India, Emerging Trends and Prospects," an effort has been made to investigate, classify, analyse and evaluate the history and working of these banks in general and the issue management (Public and Rights), and underwriting of public issues in particular. This study deals with six important aspects of Merchant Banking in India, viz origin and development of Merchant Banking in India, its important role as an agent in the capital market working, emerging trends in this profession, shortcomings, suggestions and prospects of this banking in the country.

The findings of this investigation have been summarised in this concluding chapter although some of them have been dealt with in the earlier chapters. It may be recalled that for the purpose of the study mainly secondary data was collected from prime Annual Reports, Rights Annual Reports, RBI Bulletins, CMIE and from other sources. For the intensive study of Merchant Banking Division, Bank of Maharashtra Questionnaire data is used. Views of the top Merchant Bankers, Officers and employees were also taken in to account. It was also a source of information for the study. The summary of the findings and the recommendations of the study in this chapter are based on the analysis of the data and informative collected.

SUMMARY OF FINDINGS:

Following are the major conclusions of the study:

1. Development of Merchant Banking and Primary Capital Market go hand in hand:

Merchant Banks serve as middlemen between investors and corporate sector or users of funds. A sound, vibrant and buoyant primary capital market is the basic requirement for the development of Merchant Banking. Indian primary capital market experienced mushrooming growth since 1980 and particularly after the New Economic Policy of 1991. A keen observation makes it clear that Indian Merchant Banking too developed during this period. The fate of Indian Merchant Banking largely depends upon the state of primary capital market as issue management has remained as core and major activity of Indian Merchant Banking.

2. Definition of Merchant Bank is function based:

A survey of existing literature reveals that, presently, there is no unanimously acceptable definition of Merchant Banking. Its limits have never been adequately and strictly defined, the major problem being that Merchant Banking covers a wide variety of financial activities. The best way perhaps, to understand Merchant Banking is to examine the various functions it performs. These banks are also known by various names in the different countries viz Investment Bank in USA.

3. England has been remained a true development centre for Merchant Banking:

Though the concept of Merchant Banking is the brain child of some Dutch and Scottish traders, the activities of these institutions came in to reckoning in Britain, particularly in London. The period of development was late eighteenth and early
nineteenth centuries. London has been remained an international trade and financial centre. Naturally, Merchant Banking activities could develop in England to a large extent. In the real sense, the activities of the Merchant Banking were boosted up with industrial revolution in England. Today also Merchant Banking is doing well in England.

4. Before the establishment of Merchant Banks Managing Agents performed Merchant Banking activities in India:

Before the development of Merchant Banking profession, managing agents performed some important functions of modern Merchant Bankers. Generally, they financed for trade, commerce and industry. They also acted as issue houses for securities, undertook preliminary investigations and inquiry in to project before promoting them, planning for long term investment, providing risk capitals, nursing the project in the initial stage of development. Indian industry was virtually controlled by these managing agents. It was reported that in the year 1951 more than 600 industrial establishments were managed under the managing agency system.

5. Financial reforms brought about sharp increase in the number of Merchant Bankers:

There is rapid increase in the No. of Merchant Bankers registered with SEBI since 1991. It was the outcome of the recent financial reforms initiated by the Govt. On 31st Jan. 1992, SEBI was given statutory status for governing securities markets in India. SEBI made it compulsory at least one Merchant Banker as a lead manager for every issue. Scrapping of CCI’s Office also created positive atmosphere for the development of Merchant Banking activities in the country. Total No. of Merchant Bankers as on 31.3.1993 was only 173. The number shot up to 1012 on 31.3.1996, showing an increase of 585 percent.

6. Domination of category I and IV Merchant Bankers:

Many nationalised banks, national and state level financial institutions have been rushed in the profession of Merchant Banking as category I Merchant Bankers. As per SEBI’s Notification only category I Merchant Bankers are allowed to serve in the capacity of lead managers to the issues. It is the bread and butter for them. Category IV MB’s have nil networth requirement. So many brokers have been registered as category IV MB’s. Out of 802 MBs registered with SEBI on 31.3.1998, category I and IV Merchant Bankers were to the tune of 343 and 286 respectively. Their share in total no. was more than 79 percent.

7. Category I Merchant Bankers are losing their percentage in the total:

Our study points out that the category I Merchant Bankers to the total has showed declining trends officer 1993. The share of these banks to the total was 73% on 31.3.93, it was reduced up to 40% on 31.3.96 and 43% on 31.3.98. The share of all other categories Merchant Banks showed upward trends. The reduction in the percentage of category I Merchant Banks was mainly on account of heavy amount of networth condition (Rs. 5 crores) and competition. These banks have also failed to capture sizeable business to maintain their existence. But according to the recent amendment of SEBI on Dec.9, 1997, only category I MBs will be existed. There will be no other categories i.e. I, II, III & IV.
8. Majority of Merchant Bankers are located in western zone:

Zonewise distribution of registered Merchant Bankers study reveals that majority of the MBs are located in west zone particularly in Mumbai. Mumbai is supposed as a capital city of India. It has well developed primary capital market and other facilities. More than 55% MBs are located in west zone. The west zone has potentiality of providing big business to merchant Banking.

9. No. of Issues (Public & Rights) and No. of LMs are correlated:

Issue management has remained a crore activity of merchant Banks in India. Our data analysis makes it clear that there is increase in number of Merchant Bankers as lead managers to the public and rights issues, whenever their is increase in No. of issues. During the year 1990-91, 350 issues (public and rights) were managed by only 174 Merchant Bankers. During the year 1995-96, 1691 issues were managed by 789 Merchant Banks showing an increase of 353 percent. It proves the development of Merchant Banking industry in the country. More and more Merchant Banks preferred to involve in issue management for earning attractive incomes. It proves the importance of the issue management from the view point of Merchant Bankers.

10. All Merchant Bankers registered with SEBI could not take part in issue Management:

Though issue management is supposed as a core activity for Merchant Bankers, yet many of them could not take part in it, due to increasing amount of competition. Only some players captured major business of issue management. No. of Merchant Bankers registered with SEBI during 1997-98 were 802. out of them only 156 were engaged in public issues and 156 in rights issues management in the capacity of LMs, Ms and advisors.

11. Post financial reforms period showed volatile nature of participation of MBs as LMs, CMs, Ms and Advisors to public issues.

Analysis of the data on the timelag between the period 1989-90 to 1997-98 indicates that number of Merchant Bankers acting as lead managers, Co-managers and advisors has shown tremendous growth, particularly after 1992-93. During 1989-90 only 120 Merchant Bankers involved themselves in the public issues management. This number went to 598 during 1995-96 showing an increase of 356% and again came down sharply in 1997-98. As compared to the registration of merchant Bankers with SEBI, all Merchant Bankers did not take part in issue management. It means that the present size of Merchant Bankers seems to be more than required, many of them started their activities in this field as a symbol of status without taking due care of the fact that such business is self supporting and viable. Many of them may not survive in the though competition. Survival of the fittest would be the rule of the hour.

12. Average size and amount of public issues per Merchant Banker is reduced:

The study proves it clearly that average amount and size of public issues per Merchant Banker showed declining trends. It means that the increase in public issues amount and No. of issues could not keep pace with the increasing number of Merchant Bankers. Avarage size of public issue per MB was 1.56 in 1989-90 which came down to 0.52 during 1997-98.
13. New Economic Policy paved way to speedy growth of Private MBs:

Sectorwise involvement of Merchant Bankers as LMs, Ms, CMs and Advisors to the public issues has showed some interesting results. The percentage of divisions and subsidiaries (Merchant Banks) of financial institutions nationalised banks and private banks showed decreasing trends. The percentage of foreign Merchant Bankers to the total was just 1 during 1997-98. Such a percentage of private Merchant Bankers was the highest to the tune of 73 during 1997-98. Many of the private Merchant Bankers are of category IV-th are not economically viable. They may not remain in the competition. Category iv-th Merchant Bankers do not require any net-worth. Though the number of divisions and subsidiaries of FIs and nationalised banks is smaller, yet, they have performed major business of Merchant Banking in case of issue management.

14. Domination of Public Issues in Primary Capital Market:

Public issues have shown substantial increase in it's share in primary capital market. Rights issues and private placements have shown mixed trends, largely decreasing trends in their shares during our study period.

15. Free pricing of issues caused for Mushrooming growth of Equity cult in the initial period only:

During the pre-economic reforms period from 1989-90 to 1991-92, CDs, NCDs and bonds dominated the primary capital market. But during the post economic reforms period (1991-92) equity issues swung-up in the primary capital market. The carrot of high premium to the greedy companies resulted in to the steady growth of public issues through prospects. Cultivating the habit of dependence on own resources instead of external and free pricing of equities have paved the way for the progress of equity issues. Undue advantage has been taken by many companies by charging unethical and unjustified premiums. So after 1995-97 the stake of equity started dealing.

16. Mixed Trends in the Average size of Public Issues:

Average size of public issues shows mixed trends. Such a size mostly depends upon the size of public issues of the concerned companies. In 1989-90 the average size of the public issue through prospectus was Rs. 14.94 crore where as in 1994-95 such a size was Rs. 9.91 crore. It was as highest as Rs. 49.37 crore during 1997-98.

17. Declining Trends in Average applications per public issue:

During the first three years i.e. 1989-90 to 1991-92 average applications per public issue showed increasing trends, but from 1992 to 1993 to 1197-98 the last six years of the study showed decreasing trends. It was due to the entrance of small and medium size issues in the market.

18. SEBI's proportionate Basis of Allotment system reduced Average Application per Issue:

The public response study makes it clear that average applications per issue showed decreasing trends. It was on account of the introduction of proportionate basis of allotment system introduced by SEBI. Only 25 percent shares are reserved for individual investors. Such a situation may prevail in future also.
19. Major Mobilization of funds by Large Public Issues:

A scrutiny of the data shows that public issues above Rs. 10 crore contributed major amount through out our study period. Such a contributions stands in between 66% to 96% the total amount raised through public issues. It was mainly due to the marketing of large sized public issues.

20. Reduction in the percentage of devolved public issues:

Percentage of devolved issues has decreased sharply on account of change in the habit of investing public, good returns on scrips, sound working of primary and secondary capital markets, good results of corporate sector and increased reservation of FIs, FIs and MFs. This decline is caused due to the entrance of reputed concerns at later stage of the study.

21. Networth criteria of SEBI resulted into flood of category IV Merchant Bankers:

According to the SEBI Annual Report, 1995-96 the number of Merchant Bankers registered as on 31.3.1996 was 1012, category I Merchant Banks were 404, followed by category iv 364; 111-162 and 11-82 only. Due to the introduction of net-worth criteria, the category iv Merchant Bankers number is steadily increasing as it does not require any networth. It is bound to take place on account of increasing growth of corporate sector, which needs advisory services.

22. NRI's participation in the No. of public issues increased but the amount percentage remained near about the same.

Participation of NRI's in public issues in increased but the amount percentage remained somewhat the constant. During the year 1994-95, NRI's participated in 410 public issues in 1989-90. Their amount-wise participation was 6.8% during 1994-95 to the total amount of public issues for that year where as in 1989-90 this percentage was 6.6 showing very little variations.

23. Firm allotment of SEBI and entry of private mutual funds resulted in to high participation in public issues:

Positive SEBI guidelines and the entry of several private mutual funds resulted in extremely high participation of the mutual funds in the public issues. According to guidelines of SEBI, mutual funds were allowed to have up to 20 percent firm allotment of shares in the issues. This is the right move of SEBI to encourage institutional investors which is the need of the hour. During 1989-90 participation of MFs in total public issues amount was mere 3.1 percent which raised to 23.6% in 1994-95, but came down to only 7.79% in 1997-98.

24. Undue advantage of free pricing of rights issues affected on it adversely:

There was a flood of rights issues during 1992-93. It was the result of the abolition of CCI's office. This year will go down in history as a watershed year for the rights issues. Many companies took undue advantage of the free pricing of rights issues. The expectations of rights share holders turned in to ashes. It ultimately affected the rights issues prospects. After 1993-94 the number of rights issues and the amount declined sharply. Such a decline was 76% and 33% in case of issues and amount respectively in 1997-98 over the base year.
25. Equity rights issues dominated over debts instruments:

The instrument-wise study of rights issues shows, that the share of equity to total shot up from 13% in 1990-91 to 57% in 1993-94, 54% in 1994-95 and 45% in 1997-98. The shares of FCDs, PCDs and NCDs have been declining year after year. It is a temporary phenomenon. Premium charging facility is available on equity shares only. Many companies took undue advantage of this facility. The same picture will not be continued in future. Mutual funds and other institutional investors prefer debts instruments for their investment purposes. Debts instruments provide regular and secured incomes. These instruments will see bright future due to uncertainties of returns in investment of equities. The year 1997-98 proves it. FCDs and PCDs have 54% stake in total.

26. Mixed trends in the average size of rights issues:

Average size of rights issues showed mixed trends. From 1990-91 to 1992-93 it had shown increasing size where as 1993 to 1995 years saw decreasing size. In 1992-93 the average size of amount was the largest. It was the result of marketing of mega issue. Average size of rights issues depend upon the size of the issues. It means that many large companies exploited the rights issues market.

27. Constant domination of large sized rights issues:

Our study points out that the number of rights issues of the size of Rs. 1 crore and below has decreased. The share of issues of the size of Rs. 5 crore to 10 crore had almost doubled. The whole rights issues market was dominated by the issues of the size of Rs. 10 crore and above. By and large their contribution to the total amount of rights issues remained in between 84% to 93% during our study period.

It means the stake of small sized issues is losing its ground year after year.

28. Flood of rights issues attracted new MBs after abolition of CCI’s office:

There was a tremendous increase in the number of Merchant Bankers as lead managers to rights issues. The number of Merchant Bankers served in the capacity of LMs, Ms, CMs, and advisors to rights issues was 209 in the year 1994-95, on the other hand that number stood at 80 in the year 1990-91. It was the immediate result of financial reforms carried out by the government. Many new Merchant Bankers took entry in this profession for reaping the advantages of well doing capital market. But in 1997-98 only 57 MBs were involved in issue management of rights.

29. Average number of rights issues per MB produced mixed trends:

Average rights issues handled by per Merchant Banker produced mixed trends. Such a size booked increased trends up to 1992-93, and downward trends afterwards. It was happened due to the increased number of category I Merchant Bankers. But it had led to severe competition in Merchant Banking. To secure their existence, many Merchant Bankers played their roles as lead managers. These banks have lost their own standards. Unwanted and unethical practices have destroyed the image of this profession.

30. Absolute domination of private Merchant Bankers over others as LMs, Ms, CMs and advisors to rights issues:

The study of sectorwise involvement of merchant Bankers shows that participation of private Merchant Bankers as LMs, MS, CMs and advisors to rights issues saw
tremendous growth. During 1990-91 only 38 Merchant Bankers belonged to private sector out of total of 80 Merchant Bankers in rights issues management. During 1994-95 out of the total Merchant Bankers 209,157 were private Merchant Banks. It shows an absolute domination of private Merchant Bankers at least in case of Nos. In 1997-98 out of 57 MBs, private MBs were 38 with a share 67% in total.

Yet, their business in this regard was very low. On the other hand financial institutions, subsidiaries and divisions of Merchant Banks of nationalised banks were only to the tune of 33 but, they did major business of rights issues management.

31. PPM has large potentiality to provide good business to MBs, in India:

From 1988-89 to 1991-92 the share of PPM to the total amount raised through rights and public issues was in-between 28 to 36 percent. After 1991-92 it has lost, its share sharply and it was a mere 5 percent in 1992-93. This route has failed in keeping consistency in the primary capital market. MBs, In India can make this route popular as it takes minimum possible time for raising funds. This route will provide good business to MBs.

32. Private MBs and brokers dominated underwriting of public issues:

The post 1990 period led to the emergence of large number of underwriting agencies like brokers, private Merchant Bankers, Commercial banks, term lending institutions like ICICI, IFCI, IDBI, SFCs, SIDCs etc. The financial institutions i.e. national as well as state level gave a big push to the primary capital market through state level gave a big push to the primary capital market through underwriting of initial issues through prospectus. The share of national and state level financial institutions and commercial banks in under writing of public issues through prospectus showed decreasing trends. Underwriting of public issues by private Merchant Bankers and brokers has increased sharply. During 1994-95 about 65 percent underwriting of initial issues was performed by these agencies. It was just 22 percent during 1989-90. During 1989-90 FIIs and banks and subsidiaries performed 78 percent underwriting of public issues which was mere 35 percent in 1994-95.

33. Optional underwriting by SEBI reduced underwriting business of Merchant Bankers and reduced cost of raising funds:

During 1989-90 to 1992-93 underwriting of public issues percentage was high. Later years saw decline of such percentage. In 1992-93 more than 95% of initial issues were underwritten. In 1997-98 it came down to 9% SEBI has made underwriting optional now. It is a historical decision taken by it. It will help to avoid the burden of underwriting expenditure on reputed concerns. Thus the cost of raising resources through public issues will come down in case of such companies. The underwriting amount of the initial issues will come down in the years to come.

34. Financial reforms and other developments in capital markets brought
Merchant Bankers under tight control of SEBI:

Securities and Exchange Board of India is the outcome of rapid expansion in the quantum of funds raised in the primary capital market, increase in the stock exchanges, growing number of investors in the primary market and the entry of sophisticated institutional investors such as FIIs, FIIIs, MFs and NRIs.
The growth of Indian capital markets have also brought to the notice several loopholes, inefficiencies and drawbacks that exist in the Indian capital market in terms of disclosures and free flow of information, insider trading, grey market, settlement procedure, pricing of issues and so on. These various factors created an urgent need for building up a focus on the active regulation of capital markets to replace a hitherto fragmented situation. Merchant bankers and other market players came under the direct supervision of SEBI. MBs being vital agents in capital markets have brought under tight control of SEBI.

35. Statutory recognition to SEBI facilitated into the improved working of Merchant Bankers:

SEBI was setup on April 12, 1988 through an extraordinary notification of the government. At first it functioned as an interim body under the administrative control of the Finance Ministry. It was a tiger without teeth. After the announcement of the New Economic policy in 1991, Many factors compelled to rethink over the statutory recognition to SEBI. In the year 1992 the Securities and Exchange Board of India, Ordinance 1992 was promulgated by the president of India. This is the milestone in the history of securities market in India. SEBI's guide lines issued for Merchant Bankers has improved the working of Merchant Banking in the country. SEBI also formed several committees for studying weaknesses in the market players including Merchant Bankers. Implementation of recommendations of these various committees improved the working of MBs.

36. Financial reforms increased responsibilities of Merchant Bankers:

"It never rains, but pours", describes well, the plight of shareholders today. Investors experienced acute need of protection after the capital market received the maximum doses of liberalisation from 1992, with the removal of CCl office. This field was thrown wide open to the issuers of capital and the intermediaries like merchant bankers. Investors in the primary market, who were for a long time given protection in terms of quality of issues and pricing found them selves thrown to the vagaries of the market. With the increase in investing population, their problems also grew. Entry of greed issuers, ignorance and helplessness of investors, unethical behaviour of intermediaries have made the investors plight to bad to worst. In such situation, Merchant Bankers have to take a lot of exercise to minimise suffering of investors. It can be performed by sound and efficient working and observance of business ethics.

37. Inadequate measures of SEBI to safeguard the interest of investors:

Total complaints received by SEBI during 1994-95 were 5,16,080 as compared to 18794 in 1991. Out of the total complaints received in 1994-95, 43% were concerned with non receipt of refund orders or allotment letters on public issues applications and 39% were related to non-receipt of share or debenture certificates. Out study analysis points out that SEBI could solve only 68% of the total complaints received in 1994-95. This percentage was a mere 22% during 1991. It has yet miles to go to protect investors interests.

38. Credit rating agencies have reduced the task of guidance of MBs:

Credit rating is a recent concept in India. It got much attention after the introduction of the New Economic Policy. Credit rating was made mandatory in India for instruments like commercial papers, debentures with a maturity period of 18 months and NFCs
fixed deposits. After March 1998, credit rating has become compulsory for all debts instruments.

CRISIL, ICRA and CARE are the main credit rating agencies in India. CRISIL is supposed to be a pioneer, agency. It has a lion's share in the field of credit rating. Up to March 1995 out of a total debts instruments 2039 rated in the country, 1305 were rated by CRISIL which is 64% to the total followed by ICRA and CARE, 24 percent and 12 percent respectively. The amount wise distribution is also more or less the same. The total amount of these instruments rated stands to Rs. 99218 Crore up to March, 1995. Before the formation of credit rating agencies, merchant bankers and brokers were the only source of information of the risk of a particular issue. Credit rating agencies have reduced the task of merchant bankers. These banks are relieved of guiding the investors about the risk of a particular instrument.

39. Book-building cannot operate efficiently in developing Primary Capital Market like India:

In the case of book building the pricing of the issue will be more realistic. The final price will be decided about 11 to 12 days before the opening of the issue. The price determined would be very close to the market price. In this system the issuer has the scope to choose the right investors for his securities. The problem of development has become a serious concern which is the result of overpricing. It can be minimised through book building.

But the attempt at book building in the ICICI bond issue failed short of expectations. Now a days primary market is in a bad condition. Book building works in a sellers market. In India the size of retail investors is large. Book building works for placement portion of issue only. So the Indian process will take more time. But it is the only antidote to minimize the problem of overpricing of issues in the country.

40. Foreign Merchant Banks have lost their stake in the public issue management

Foreign Merchant Bankers are losing their business of public issue management in India. As per the saying “An early bird catches the warm”, these banks had played major part in public issue management at the beginning of these activities. Our study analysis reveals that during 1989-90 the share of these banks in the public issue was about 50 percent which came down to 13 percent in 1994-95. Here, for the purpose of calculation of share, if one issue has been handled by more than one organisation full credit for such an issue has been given to all. The entrance of national level financial institutions like IFCI, ICICI, IDBI etc., nationalised banks and private merchant bankers in this business reduced the share of foreign merchant bankers. They are limited in number and are carrying business at some particular places in the country. There may not be much change in their performance in near future.

41. Sharp decrease in the underwriting share of public issues by foreign Merchant Banks:

Foreign merchant bankers are very choosy. They take only calculated risk. It has affected their business of underwriting also. Their share in public issues underwriting has remained just 1.7% in 1995-96, where as it was 6% to the total amount of underwriting in 1989-90. They are facing tough competition.
42. SBI Cap.Ltd. is the leader in the field of issue management:

In case of public and rights issues management the performance of SBI Capital Ltd. is praise worthy. It has maintained its domination in this field since the beginning. It secured first rank in public, issue management as LM, M, CM and advisor for the years 1990-91, 1992-93, and 1994-95, 95-96, 97-98 etc. During 1990-91 it's share was 70 percent in the total amount of public issues. It has acquired sound professional expertise. After 1993-94 this merchant bank has also seen it's share declining in public and rights issues. But in 1997-98 it has 94 stake in the amount of total public issues.

43. The issue management and underwriting of public issues share of ANZ Grindlys is decreasing:

ANZ Grindlays Bank Ltd. is the pioneer merchant bank is India. In the beginning it enjoyed a lot of privilege. Data analysis shows that it is on the way of losing its stake in the public and rights issues year after year. It is finding it very difficult to fight with Indian merchant bankers specially, with subsidiaries of nationalised banks and financial institutions.

44. Poor performance of MBD of Maharashtra Bank:

The performance of merchant banking division of Maharashtra Bank is not encouraging. Actually, the bank established it's MB Division in 1985 yet, it started functioning very late in 1990. This bank does not carry many of the merchant banking activities. Even performance of the bank in the areas of issues management and underwriting is discouraging. The bank has miles to go to compete with other reputed Merchant Banks.

45. Many Indian Merchant Banks perform very limited activities:

The world over, Merchant Banks perform many activities, which is the key for their success. Diversified activities create avenues for earning regular incomes. Unfortunately, this is an area of serious concern for Indian MBs. Indian MBs, perform very few activities. The major share of their incomes comes from the traditional areas of capital issue management and from fund based activities only. It has affected on their regular incomes.

46. Lack of nationwide network of Merchant Banking Services:

Merchant Banks in India are located in a few metropolitan cities only viz. Mumbai, Hyderabad, Delhi, Chennai, Ahmedabad and other capitals of states. Semi urban and rural areas are totally away from the Merchant Banking services.

47. Many Merchant Bankers have misused free pricing of issues:

The system of free pricing has been misused by Several MBs, They have encouraged companies for charging unrealistically high premium. Many companies have made hay while the sun shone and mopped up cash while going was good. This high premium is also being cited as contributory and factors for the decline of the new issues dream.

48. Drafting and certifying the offer document is done by the same MB:

Transparency has become an important aspect today. But Indian MBs never took this aspect seriously at the time of drafting of offer documents. Some uncrupulous
MBs are found to be concealing vital information in the prospectus and late on disclosing it through public notices in the closely circulated periodicals. The job of drafting offer document as well as certifying the truth, correctness and firmness of information are done by the same MB. This brings to fore the irony of the situation where the MB are sitting in judgement on their own work, applicant and judge rolled in one.

49. **Easy norms for entry in the profession of Merchant Banking:**

The norms of SEBI for the entry in this profession are so simple that many bankers seem to jump on the bandwagon at once and the bandwagon to jump on is Merchant Banking. It has resulted in to the enormous growth of MBs. On Nov. 3, 1996, total No. of MBs, registered was 1151.

This mad rush in the profession has led towards unhealthy competition and observance of unethical ways.

50. **Lack of innovative approach :**

Innovative approach is very essential in such a profession. It helps to satisfy the varied needs of investors. But such a picture is very gloomy in India. Majority of the Indian MBs follow the traditional instruments for raising capital from the market.
There is a wide scope to improve the working of Indian Merchant Banks. We hope these suggestions will help to increase efficiency and profitability of these banks. “Survival of the fittest,” has become the rule today. So every Merchant Banker must try to be free from the given drawback. These suggestions run as follows:

1. **GLOBALISATION OF THE ACTIVITIES OF MERCHANT BANKS**

   Issue management has become the only sole function of Indian Merchant Banks. Actually, there is a wide scope for Merchant Banks to improve their profitability and financial status. The new Economic policy of 1991 has offered a lot of avenues for Merchant Bankers in the country. In a competitive economy, the management of finance could make all the difference among extinction, survival and growth for companies. The corporate sector would look to Merchant Bankers for advice on choice of cost effective funding and efficient capital structure, capital restructuring, customising financial needs and use of innovative financial products like derivatives. With increasing de-regulation, India’s industry has started undertaking a major restructuring exercise. Indian Merchant Bankers have to enter in the areas of acquisitions, mergers, commercial papers, fixed deposit schemes, joint venture, international bond market, euro equity market and so on. There is a saying that, “All eggs should not be kept in one basket”. Likewise Indian Merchant Banks should not rely on very few activities only. Indian economy is leading towards free economy. Advisory services would be the top most area of operation for these banks. To capitalise on this opportunity, the Merchant Banking industry should acquire new skills and upgrade the existing skills. Again, Merchant Banks can undertake the activities like portfolio management, over the counter trading (OTC) sponsorship, leveraged and management buy outs, designing rehabilitation packages for sick units etc.

2. **REDUCTION IN COST OF RAISING FUNDS**

   In India, the cost of raising resources is around 11 percent which is supposed to be very high. There is need to reduce such a high cost. Under the existing arrangements, there are several set of functionaries involved in any public issue of shares and debentures, e.g. managers, bankers, underwriters, brokers and so on.
One of the obvious ways to reduce the costs of public issue is to explore the possibility of Merchant Bankers itself undertaking the functions of manager, underwriter, broker and so on. The possibility of the central office of the Merchant Bank acting as the wholesale broker / underwriter and the selected branches acting as sub-broker / sub underwriter needs to be carefully examined. The functions of these different types, perhaps may be helpful in reducing the cost of raising funds. Another way of reducing the cost of raising funds is to save on the cost of printing and distributing application forms, brochures and prospectus. The present practice is that existing staff of these banks consist of those who have come from the parent banks and a few fresh MBAs / CA, recently recruited directly from the open market. The skills of these hands need to be upgraded and reoriented for handling the new assignments effectively. Besides the compensation package offered to them is also found to be less satisfactory as compared to their counterparts in the private sector and those offered by the foreign banks. This poses a continuous threat of high staff turnover resulting in an unstable and uncounted work force. RBI has already advised scheduled banks to develop a separate cadre of officials in their Merchant Banking subsidiaries which should also imply a different and adequate wage structure for its personnel to meet the demands of the profession in true sense.

There is an acute need of developing available human resources to meet the new challenges. So it is necessary to identify the training needs and develop the requisite expertise in the new areas. Unfortunately, the effective training facilities are lacking at present, through some of the personnel are being occasionally sponsored by these subsidiaries for participation in various programs / conferences conducted locally and overseas. However, the training infrastructure has yet to fully develop. RBI and SBI can play a key role in this respect. The attempts to fill gap can be made by inviting foreign experts at frequent intervals to conduct important workshop / professional development programs for the benefit of Merchant Banking community in India. Also the institute of Unit Trust of India can do a lot.

Sometimes potential investor receives several sets of application forms and relevant materials. In order to avoid such wastage, the possibility of introducing mandatory centres, where the application money could be collected should be explored. The bank branches selected for such purposes should be provided with application and brochures and with a very limited set of prospectus. Also, the possibility of joint management of public issues as a way to reduce costs should be explored. Bought out Deals should be encouraged as it will reduce considerable cost of raising funds.
At present, underwriting has been made optional by SEBI. Reputed companies can minimize such cost without underwriting their issues.

3. NEED FOR HUMAN RESOURCE DEVELOPMENT IN MBs:

The real competitive strength of any Merchant Bank lies in its organisational skills and expertise which is in fact the biggest challenge before these banks today. This calls for not only building up a multi-disciplinary work force of high caliber but also adequately compensating, motivating and maintaining it for achieving the organisational goals most effectively and efficiently. The aim should be to create such a supportive, growth oriented and challenging environment where the individuals tend to relate their personal goals with those of the organisation. Besides, training needs are also to be given due attention for the continuous development of human skills to keep them up-to-date in a rapidly changing business environment.

Management (NIBM), Institute of Chartered Financial Analysts of India (ICFAI) Mumbai stock exchange etc. can do a lot for training facilities.

The Merchant Banking community in India can easily look for ward to an assured and well protected future on account of rapid industrialisation, envisaged growth of small scale sector and flow of foreign investment in the country. But at the same time with the number of Merchant Bankers also expected to multiply a fiercely, competitive environment is bound to be created where the only criteria of success will be that of professional excellence, innovation and sound management. A Mumbai based foreign banker is satisfied about the hands in India Merchant Banks. He says”, I think too much is being made of importing skills and knowledge. Most of the employees in the major Indian Investment Banking firms have been trained either abroad or in one of India’s top B-schools. They read the same books as international management graduates. It will not take them much time to upgrade their skills.”[3]
4) COVERAGE OF RURAL AREAS THROUGH MERCHANT BANKING:

Merchant Banking activities are concentrated in metropolitan cities only. These banks have rendered their valuable services for corporate sector. This is high time to consider the feasibility of these banks for rural development particularly, in a country like India. During this period of industrialisation agriculture has proved its dominant role in the economy. India has already signed General Agreement on Trade and Tariffs (GATT), which come in to effect on January 1, 1995. There is a vast scope for exporting agricultural products at comparatively low price. India has the advantage of cheap labour. Our agricultural resources have not been exploited fully.

Our Governments have moved heaven and earth for the development of agriculture, but did not get expected results. Nationalisation of fourteen major commercial banks, introduction of cooperative banking system, setting up of Regional Rural Banks and National Bank for Agriculture and Rural Development etc. are the chain of efforts taken by Governments for the revolution of agricultural sector in the country. These banks could not provide expert services. Merchant Banks can do a lot for the agricultural sector. Merchant Banking activities are concentrated in industrial sector and it has not been extended to agriculture and agro based industries, which occupy a key position in the Indian economy. Agriculture continue to be the heart of the Indian economy.¹²

Against this backdrop, agriculture and allied activities sectors require massive investments in the coming years. This requires specialised knowledge and technical competence and Merchant Bankers have an immense scope in this unexplored area of agriculture and aground industries.

The commercial banks now, should have Merchant Banking services to rural lending activities. The banks should recruit specialists having experience and expertise in agriculture and allied activities and train them in Merchant Banking inside and outside the country. Each bank should have a Merchant Banking Division in Rural credit Department at its head office and depending upon the potentialities Zonal / regional offices should have Merchant Banking sections which should be managed by experience and qualified Merchant Bankers in the field of financing.¹³ Rural bankers will identify bankable projects, agro based industries, market demand at home and overseas markets, entrepreneurs to under take production and processing activities, traders and exporters to market the products,
besides arranging finance and counselling. Considering the banking policy adopted by the Govt. of India in the recent years, banks will have to be competitive to keep their commercial viability intact and at the same time, they should also discharge their social responsibilities in financing agriculture and allied activities not only to provide employment opportunities but also to increase production to meet the increasing need of the growing population.

5) EXTENSION OF RATING SYSTEM TO MERCHANT BANKS:

For licensing every company, private or public is mobilising resources from capital market. With the changed environment and with the concept of free pricing, it would indeed be a tough task for the Merchant Bankers. Since the last seven years, many new Merchant Bankers have entered in this profession in India. There is an over crowd of private Merchant Bankers in the profession. The increase in the number of newly registered Merchant Bankers created unhealthy competition in the market. Merchant Bankers are solely responsible for appraising projects for their economic and financial viability. Appraising a project requires experience and sound professional knowledge. Expertise and commitment to investor protection are essential for addressing the issue of pricing. SEBI has surrendered vetting right to Merchant Bankers now a days.

The time, has come to think over the entry norms of Merchant Bankers. Mere networth should not be the deciding factor to certify a Merchant Banker to be eligible for managing a public issue. Experience in the relevant field, professional qualifications, ability to assess the market conditions and marketing capability would be relevant besides networth. Financial muscle alone should not determine capability to take Merchant Banking activity, considering the direct bearing it has on the average investor. Today companies, with the support of Merchant Banks are taking investors for a ride. It has become a cheap way to exploit investors. Investors are losing confidence in primary market.

There is a need for rating of Merchant Banks before registration and post registration. Like the credit instruments that are rated by the rating agencies, Merchant Bankers also could be rated on the basis of certain broad criteria. Before issuing license and keeping registration intact of the Merchant Bankers which are in operation. These banks should be rated by SEBI on certain ground. The following chart provides the points to be considered for the purpose of rating of Merchant Bankers.
Indian Economy is vast and fast developing in nature. The economy is leading towards free economy. Privatisation has become a key word, today. All sectors of economy are likely to be opened for private sector. Key sectors like transportation, water supply, electricity, communication etc. are getting increasing importance day by day. They will naturally require huge amount of capital investment. Setting up of new industries and expansion and modernisation of the existing units will also require large funds. These funds are likely to be raised in the primary market of the country. Many new Merchant Banks will be formed and expansion of the existing Merchant Banks are bound to take place. All these factors will contribute towards increasing the importance of this profession in the years to come.
There is a need for professionalisation of Merchant Banking. It is the need of the hour to make such knowledge available at university level. An apex institution should be established on the line of Institute of chartered Accountants of India or Institute of Company Secretaries of India. This institute should be named as Institute of Merchant Banks of India. This institute should be a authorised to conduct examination and to issue certificates to successful candidates. It should offer postal coaching to provide requisite background, training and professional exposures. It should also provide training facilities for officers and other employees in the field of Merchant Banking.

7. STRENGTHENING OF CREDIT AND BILLS DISCOUNTING:

Acceptance credit and bills discounting are the major functions of Merchant Bankers at international level. There are the prime sources of income of Merchant Bankers. Banking Commission recommendations in the Report, 1972, about Indian Merchant Bankers taking up acceptance credit and bill discounting remains to be implemented. In advanced countries this service assumes great importance to finance domestic trade and storage of goods. In USA, it covers 4 percent of the domestic trade and 90 percent of international trade.

Indian Merchant Banks are mainly engaged in issue management only. Due to the entry of new Merchant Bankers particularly, private Merchant Bankers these banks are observing cut-throat competition. It has reduced incomes of many Merchant Bankers, which have caught in financial crises. At this critical juncture, acceptance credit and bills discounting may offer a good chance for increasing incomes. India has already signed GATT and has become a member of world trade organization. Today, India’s position in international trade is not at a good rank. But the future is bright. There is tremendous scope for this activity. India’s domestic trade is increasing. Acceptance credit and bills discounting have much liquidity and there is no blockage of funds.

8. MANAGEMENT-BUY OUT OF THE SICK INDUSTRIES OF MBs:

According to a press report, about 83597 industrial units are sick and out of which 66000 are unviable economically. They enjoy total credit of Rs. 3273 crores. "Management buy-out" is trusted in European nations to prevent industrial sickness. Before an industrial unit actually goes sick, symptoms of its sickness are diagnosed by the banks and financial institutions and its management with own-
ership is handed over physically to the managers with Merchant Banking services package for counselling and funding. Loan finance and equity capital are arranged by the Merchant Bankers for such units. Venture capital is provided to the managers to take over the unit by purchasing the shareholdings of the persons in management and control of affairs of the corporate unit. Merchant Bankers should have continuous watch. This measure will work more effectively to eliminate sickness if implemented along with the recommendations of Tiwari Committee.  

9. ISSUE OF DUE DILIGENCE CERTIFICATE BY AN INDEPENDENT AGENCY:

Today, the job of drafting offer document and certifying the truth, correctness and fairness of information are done by the same Merchant Banker. This practice is not sound. According to U.K. Choudhary, president and Dr. S.P. Narang, Secretary, the Institute of Company Secretaries of India (ICSI) "It is desirable to bifurcate the roles played by the Merchant Banker and the issuer of a due diligence certificate. A Merchant Banker helps a company to fix the price and premium on its shares, draft the prospectus get it cleared from SEBI and co-ordinates with intermediaries to market the issue. The due diligence certificate should be issued by an independent professional, who is conversant with the law and procedures of a public issue. Bifurcation will be good for the primary market. Where as, the Merchant Banker should specialize in his own thrust areas, the professional will ensure full, fair and relevant disclosure of material information to protect the interests of investors."[7]

According to them, "A company secretary is well equipped to examine and assess the truthfulness, fairness and adequacy of disclosure made in the prospectus and can do justice to the job of issuing a due diligence certificate. Being subject to a strict code of conduct and disciplinary jurisdiction of the Institute of Chartered Secretaries of India (ICSI) a high degree of reliability and dependence can be placed on the certification by a company secretary. If need be, a company secretary can use the expertise of other professionals, depending on the complexity and technicalities of a case."[8] Emphasising that a strict code of conduct has to be adhered to by the member, they are of the view that, "As, a company secretary has to abide by the code of conduct and disciplinary jurisdiction of the ICSI, he will ensure compliance of the law and procedure in letter and spirit while issuing the due diligence certificate. Obviously, the disciplinary action, in case of default, will depend on the nature of default and the facts and circumstances of a
The time is ripe for SEBI to take corrective decisions on this issue. Otherwise, Merchant Bankers will ruin their prestige of and the confidence of investors in Merchant Banking.

10. ADAPTATION OF INNOVATIVE FINANCIAL PRODUCTS / INSTRUMENTS:

The rules of the game in the Merchant Banking industry are innovate or die and survival of the fittest. Hence, Merchant Bankers have to innovate new financial instruments, which can meet the needs of various categories of investors. Existing instruments should be improved. Recently, the industry has introduced such instruments as detachable warrants, equity preferential shares, convertible preference shares, zero interest bonds, deep discount bonds secured premium notes, triple option bond etc. It has also introduced the concept of Khokha buy back in 1991.

As the number of rights and public issues increases, Merchant Bankers have to introduce new financial instruments to remain in the profession. J.M. Financial can be regarded as a Merchant Banker's leader in this area. It developed fully convertible Debentures, secured premium notes, Deep discount Bonds, Triple option convertible Bonds etc. M.R. Mondkar, President, J.M. Financial and Investmental consultancy services says "When you are forced to the wall, the best comes out of you. An innovative instrument is our way of tailoring the customer needs to the market and the best way to successfully market is issue".

The notable innovative instruments are floating interest rate bonds by SBI in December, 1993, optionally convertible debentures in February, 1994, by Llyods Steel Industries, Equipref instrument in March, 1994, by Fabworth (India) and VCK Capital market services. VM Jog Engineering also issued detachable warrants along with equity shares. One can say with conviction that more and more new instruments are tailored to suit the needs of the clients. Indian Merchant Bankers have a lot of scope in this area.
11. TIE UP ARRANGEMENT WITH WORLD WIDE FINANCE SERVICES ORGANISATIONS:

The real threat to the category I Merchant Bankers functioning in the country, today, is from the entry of international investment bankers. Very close to full convertibility on current account, booming capital market, rapidly growing market for investment banking are just the right factors for international investment Merchant Bankers to enter Indian market. Give the financial muscle of global giants like Menill Lynch, J.P.Morgan, G.E.Capital etc. Indian Merchant Bankers would find it difficult to withstand the onslaught. International investment bankers are not too keen on independent ventures.

They seem to favour strategic alliances with Indian partners. The strategic alliance between Indian and foreign investment bankers can use the expertise of its Indian partners in Indian markets and most importantly the client relationship built over time to gain foothold in the Indian markets. Indian Merchant Bankers can gain a lot from the international expertise of the foreign Merchant Banker. The tie up process with foreign Merchant Bankers has already been started. Lazoard Brothers have a stake of 40 percent in credit capital investment Banking group. Merrill Lynch has been working with DSP Financial consultants for the last ten years. In 1994, both the Merchant Bankers signed an agreement which enables Merrill Lynch to acquire approximately a 29 percent stake in DSP with an option to increase it to 40 percent at a later date. A joining venture between ICICI and J.P.Morgan, is expected to gain the requisite skills from J.M.Morgan in order to provide advisory services to its clients. A host of other Merchant Bankers are eagerly looking forward to a tie up that gives them the vital exposure to areas hitherto unthought of.

12. DELEGATION OF POWERS BY SEBI TO SELF REGULATORY ORGANISATION:

The central Government started liberalizing economic policy in the early 1980. Today securities markets activity has increased several fold. As a result of the increasing importance of securities markets and of the widening investor base, there was a need of setting up of a separate and independent regulatory body to
take over regulation of the stock exchanges and to ensure investor protection. SEBI was set up in to regulate and further develop securities market. The second phase of economic liberalisation started in 1991, which forced to give statutory powers to SEBI. In April 1992, irregularities were discovered in Indian securities market. A joint parliamentary committee was set up to look into the causes of the irregularities and to suggest remedial measures. The committee made various suggestions to minimize the irregularities in the securities markets. It has given birth to a self regulatory organisation like Association of Merchant Bankers of India (AMBI). A number of market intermediaries, like Merchant Bankers, stock brokers, underwriters, registrars and even mutual funds have begun organising themselves into SROs and applying for recognition to SEBI. In fact, the stock market regulatory authority has just granted its first ever recognition to an SRO to the Association of Merchant Bankers of India (AMBI) a critical body of the country’s major Merchant Banking out fits’ As SEBI views it, eventually, an SRO like AMBI would be vested with some authority like the vetting of offer up to a certain amount. Besides, applications for fresh registration of Merchant Bankers could also see SEBI consulting AMBI on the matter. According to some experts, the British model of SROs is a good model to start with, since there are at least four very active SROs in the U.K. Which come under the overall, framework of the securities Investment Board (SIB), the UK equivalent of SEBI. In the U.K there is the Investment Management Regulation Organisation (IMRO) which is an association of mutual funds, the securities and futures Association (SFA) for securities brokers, the Financial Intermediaries managers and Brokers Regulatory Association (FIMBRA).

AMBI, as SRO can perform many tasks and can minimize many limitations in the field of Merchant Banking. It can recommend and implement healthy business practices, ethical code of conduct, standard principles and practices, to be followed by the members of the company and others engaged in the activities of Merchant Banking and financial services including agencies connected or involved in the field of capital markets and financial services. It may also help in setting up professional standards for providing efficient services and establishing standard practices in Merchant Banking and financial services. It will promote and develop research and development in the areas of Merchant Banking, financial and capital markets and in the areas of financial services. Such a self regulatory organisation can upgrade the Merchant Banking profession in the country.
13. WHOLE SALE BANKING BY M.Bs.:

Current economic policy has opened many new avenues to Merchant Banks in India. Due to the tough competition in the field of Merchant Banking, there is a considerable decrease in the earnings of many medium and small Merchant Bankers. To overcome this difficulty Merchant Bankers should start whole sale banking. They should start accepting deposits in bigger denominators at interest rates prevailing in the market and lending these funds to the corporate sector at competitive interest rates. This will help greatly both the investors and the corporate sector.

14. MANAGEMENT OF INTER CORPORATE LENDING:

There are some companies with surplus funds which generally remain idle with them. On the other hand, the financial strain upon some other companies is so intense that it poses a threat to their very existence. Merchant Banks should explore the possibility of helping the management in inter corporate lending.

15. INVOLVEMENT IN EXPORT CREDIT ACTIVITIES:

In the field of exports, Indian Merchant Bankers have shown very little initiative possibly because unlike the ECGD of the UK, or CAFACE of France, our export credit program do not provide satisfactory business to Merchant Bankers. However, some development banks like ICICI, IDBI and EXIM Bank, as also SBI, BOB and BOI are engaged in international Merchant Banking too. Even so, Merchant Bankers not operating under the umbrella of their parent banks are not in a position to participate in such programs. It is necessary that our Merchant Bankers undertake selling and buying of equipment with other countries.

16. UNDERTAKING OF VENTURE CAPITAL FINANCING:

Financing an emerging high risk project, is called venture capital financing. Venture capital funds (VCFs) are part of the primary market. There are about 14 venture capital funds with a corpus of about Rs. 400 crores and commitments totaling Rs. 370 crores. These enterprises promise high returns. They use new
technology and are promoted by technical and professional entrepreneurs. Once the company meets the listing requirements of the OTCEI or stock exchanges of the National market System, VCF can dis-invest its shares. It is relevant to quote of their industry in the post world war - 1 period had developed equity participation with large stoke in the client's industry. USA had given a lead to this concept for promoting the small industries. At present, it is reported that there are 600 venture capital firms in USA, which are financing the small business.[19] Merchant Bankers have a lot to do in this area. Merchant Bankers can find viable upcoming projects. They can invest their funds in such projects, which may provide them good earning chances.

17. INVESTOR EDUCATION AND THE TRAINING OF INTERMEDIARIES

The significance of investor education has become important in the light of recent liberalisation and introduction of free pricing. It puts demands on investors who need to check the viability of the project and other relevant aspects of an issue. SEBI therefore, should intend to focus on investor education and should play the role of a catalyst in this area.

Some measures have already been taken by SEBI. During 1993-94 SEBI had been involved in developing an investor education program with the chartered financial Analysts of India (ICFAI). The program titled ‘Personal financial management (PFA) covers the entire gamut of importance to individual investors and can be completed-through self study, assignments and optional refresher classes at ICFAI. SEBI continued to publish the investor Guidance series in the press. SEBI should plan to prepare a television serial on various topics of interest to investors to create a greater degree of awareness among them about their rights and available remedies and enlighten them on various aspects of investments in securities market. As of March 31, 1996 SEBI had recognized 18 investor associations across the country.[15]

18. AMBI SHOULD BE GIVEN STATUTORY RECOGNITION :

The functions of SRO are two fold :-

b. Implementation of these guidelines by invoking punitive powers. Self Regulatory organization of MBs can quality in the first test. However, it has yet to acquire any powers to punish errant behaviour on the part of its members. A voluntary association like AMBI is unlikely to get punitive powers, unless there is a statutory / official backing. D.R.Mehta, chairman, SEBI, is of the opinion that instead of self regulatory association industry association may work better. He remarks that, they have not thought much in this area. He has assured AMBI that SEBI will back up of SRO in enforcing implementation of the approved code of conduct and guidelines for business. Ultimately, AMBI should be able to implement to SRO concept more or less on the lines of Institute of Chartered Accountants of India. This would necessitate vesting powers in AMBI to authorize / de link MBs. There is another problem of control of other agencies engaged in primary capital market like, Advertising Agencies, Registrars to the issue, Banks and others. These agencies at present, are engaged directly by the issuer and answerable to the issuer. MBs have no control over these agencies, although MBs are answerable for the performance or the lack of its by the associated agencies. To over come the problem is to make the agencies responsible to the lead manager to the issue. Another, alternative is to establish their agencies separately by SEBI and make them answerable direct to it.

To maintain high standards, dignity, efficiency and integrity along with transparency a lot of things are to be corrected. India’s capital market is on the way of maturity. Over a period of time, this SRO should blossom in to a true Regulatory Body with powers to discipline errant bankers. Basically, Indian Merchant Banks have to change their attitude. As Rao says, “Merchant Bankers have to decide what is good for them and there is a lot of introspection going on.”

(19) FORMATION OF AN INTERNATIONAL ORGANIZATION OF MERCHANT BANKERS

Due to the introduction of General Agreement on trade and Tariffs (GATT) followed by world Trade Organisation, the whole world has become a single market today. Corporate sector can mobilise funds from international securities markets. The present situation has opened up great avenues of progress for the Merchant Bankers located in the various countries. The role and functions of Merchant Bankers depend upon the local needs. Now a days, Merchant Bankers are rendering their valuable services in majority of the major countries of the world. Different countries have different code of ethics or professional standards. It is the need of the hour to evolve a common set of principles, ethics and stand
ards acceptable at the international platform. Efforts are already been made in this direction by setting up an International co-ordinating committee (ICC) of which the of the members. ICC should be developed as an international Organisation of Merchant Bankers. The present members of this committee should encourage to form self Regulatory organisations of Merchant Bankers in their respective countries. These SROs should be the members of this organisation in addition to the existing members. The organisation should have head office and its branches in all the member countries at par. Such an organisation should conduct seminars, workshops etc. indifferent countries through which there will be exchange of ideas and techniques among the Merchant Bankers of different countries. It will safeguard the interest of the investors, issuers and Merchant Bankers particularly of developing countries.


3) I bid


