CONCLUSIONS AND SUGGESTIONS
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CONCLUSIONS AND SUGGESTIONS

Time and again the Merchant Banking Industry in India witnessed, experienced and underwent significant changes. The very purpose for which these firms are commenced their services should be taken care of and they should mould their policy decisions and activities to move in tune with the main objective of Investors' protection and to create a healthy environment in capital markets. No doubt, Merchant Banking firms are subject to a host of control measures, regulations and rules framed and guided by SEBI. To some extent, frequent changes and/or amendments to policies and control measures, though needed for smooth working of the securities Industry, proves to be detrimental to the very existence of the Merchant Banking system in the country. The SEBI's Act, 1992 confers power upon SEBI to supervise and control the affairs of the Merchant Banking firms in India. It exercises control over all activities of the Merchant Banking firms through different measures. Assessment of the Merchant Banking firms' performance is beset with many difficulties on account of the diverse commercial objectives that influence their performance. Notification of Merchant Banking Regulations and amendments to it from time to time by SEBI brought the Merchant Banking Industry to a new dimension.

The various studies which had been undertaken in India for evaluating the performance of Merchant Banking firms and the implications of these on securities Industry. No single study has been emerged so far pertaining to the evaluation of Merchant Banking firms and in-depth study on their activities as well as operational and financial performance in the light of changing regulatory
environment. Hence, the Research Study captioned "Merchant Banking in India- A study with Special Reference to Evaluation of Functions and Performance", is an attempt in the direction of penetrating in to the subject and to emerge with truth and illuminating comments.

This concluding Chapter, besides, covering various issues related to role, responsibilities and future trends of Merchant Banking Industry, also covers the opinions and remarks made by the industry professional in the field about the Merchant Banking. Last but not least, this Chapter also covers the conclusions drawn and possible suggestions, based on the study, were made with the objective of smooth functioning of the Merchant Banking system in the country.

In recent past, the small investor has turned his back on the primary capital market. Issue after issue as failed to capture his imagination, rekindle his enthusiasm, and reinforce his faith. He has lost all hopes of appreciation of his investment. And this when all these years millions have thought capital market, ate capital market and dreamt capital market. It needed an extraordinary effort and skill the drive the small investor away! High premiums, false premiums and gray market operations. The professed protector of his interests first laid down the dictum of proportionate allotment, then of minimum subscription, all working against his interests. This would make an observant student of the stock market infer that there is some game plan afoot to dethrone the small investor from his pre-eminent position in the capital market. In the traditional Indian market, he was believed to be the king. In the primary sector, he enjoyed tremendous power as he took his own investment decisions.
With the coming of SEBI, an organization that was ostensibly brought into existence to guard the interest of the small investor, hopes ran high that the small investor would now have a safe playing field. But these hopes were soon belied. Far from guarding the interests of the investing public, SEBI embarked on a course of action, which has positively hurt them. The latest fiat of SEBI bans corporate advertising after the receipt of acknowledgement card by a company wanting to go public. SEBI's this action has caused the closure of an information window. Now 50 million potential investors are deprived of official and authentic information given by the Issuer. It is hard to understand reasons for this drastic and totally uncalled for action. While there has been no official explanation for this fiat, there is reason to believe that it may be based on a wrong perception of the role for corporate advertising.

All this has been done perhaps because the corporate and intermediaries is to follow the practices of Western capital markets here, oblivious of the fact that our capital markets are altogether different in structure, in systems and in the number of participants. A vibrant capital market has to be knowledge driven and not regulator driven; it has to be in-tune with the spirit of a liberal and progressive economy. Freedom of commercial expression could be exploited by some to serve their own ends, just as freedom of speech and expression could be abused but this has not led our Government to put arbitrary restrictions on our freedom.
Merchant Bankers have reason to believe they will be handicapped without the marketing support. But the worst sufferer would be the investor, especially the small investor it is this class which forms the backbone of the capital market. As a result of the ban, inspired by the recommendations of the Malegam Committee, the small investors would be deprived of the opportunity to study the corporate profile of the Issuer. In the absence of adequate information, they will have to depend on manipulated facts and information fed by unreliable sources. (The Merchant Banker Update, February 1996)

Besides there are larger issues arising out of SEBI's action. From the point view of liberalization of the economy, SEBI has taken a retrograde step. A market economy flourishes through bigger markets, higher sales and lesser profits. To achieve this performance, a company needs an aggressive marketing plan and advertising effort is the main thrust of such a plan. No marketing plan can be worthwhile unless it is backed by an effective advertising plan. The ban imposed by SEBI nips the marketing plan in the bud.

The Indian primary capital market is basically a retail market. It consists of innumerable small investors who take their own individual investment decisions. Whatever the system, it is this market that will bring in the funds. If these markets destabilized, the investors will look for alternative avenues to invest their funds. SEBI in its one of the first documents on "SEBI and Investor Protection, Development and Regulation of Securities Market" clearly specifies significance of regulating capital market and its future plans, for fulfilling the twin objectives viz., Development of capital market and investor protection, are explained in introductory paragraphs. It
speaks out that, "The decade of the 1980s witnessed a phenomenal growth and development of the securities market in India. For the first time the Indian securities market, demonstrated its potential not only to mobilize the savings of the household sector but also to allocate it with some degree of efficiency for industrial development. Several factors contributed to the spectacular growth of the market. The dilution of the holdings of the multinational companies at affordable prices in the latter part of the 1970s had generated considerable interest in the securities market amounts the lay savers- an interest, which was, carries well into the next decade. Several companies came in the early part of the 1980s and successfully raised large resources from the market especially through debt instruments, which further sustained investor interest. There were several changes in Government policy, which significantly influenced industry and aided the market. India was then entering the phase of liberalization and decontrol which was to accelerate and gather momentum in the 1980s.

By the end of the decade, the securities market in India came to be firmly integrated with the financial system of the country. With the corporate sector increasingly relying on the securities market for meeting their long-term requirement of funds, the securities market competed on equal terms with the Development Financial Institutions, which were the traditional-purveyors of long-term capital. The emergence of the securities market into the main stream of the financial system of the country, was thus one of the major economic processes of the 1980s- an inevitable outcome of the maturing process of the financial system. They brought about notable changes in the capital structure of the companies across industries, gave birth to new intermediaries and institutions in the securities market and created a new awareness and interest in investment opportunities in the
securities market among investors. In spite of these developments and the quantitative expansion of the market, its quality lagged far behind and there was absence of adequate professionalism and fair competition among the various players in the market. Besides, the regulatory framework then prevailing was fragmented, which made regulatory supervision and its enforcement difficult, if not ineffective.

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

Opinion Survey: Highlights

The basic question – if the current sluggishness in the capital market continues it could cause irreparable damage to the growth rate of the country’s economy?

“The Merchant Banker update oftenly organizes round table discussions by selecting panelists from a galaxy of opinion makers. In one of the round table discussions the panelists were a Merchant Banker, an industrialist, a financial institution, a register / share transfer agent and chartered accountant.
While answering the question on sluggishness in the capital market Lakshminarayanan (GM, Merchant Banking Division, IDBI) told that, "If we believe we are in a market driver economy, we will have to take it into our stride and see how well things can be brought round. I don't think any single entity today has the power to give the right direction, or enforce something role of Merchant Bankers with regard to pricing of the issues. He stated that, when the controller of capital issues was active, my friends in manufacturing sector will agree that a number of issues were priced much below what they were really valued at. The industry lost out they could have got funds at a better price. But today, you find there is no control with a certain regulatory mechanism you are free to price your issues at the level you think the market will take over priced or under priced the issues but not the Merchant Bankers and issuing companies have started valuing shares differently." Answering the same question Arun Agarwal, Chairman MCS Ltd stated that 'we have handled issues where the land was never purchased, the question of a project report did not exist. Today that piece of paper - the share certificate on which the promoter collected ten rupees — is not worth even ten paisa' while discussing about post issue utilization of funds raised through the issues, Dara. J. Kalyaniwala VP - Merchant Banking, LKP Merchant Financing Ltd put it rightly that, "where was the money utilized when it was raised? It was, I think, not utilized for capital formation purposes; in fact, it went to support the equity issues of other companies. When the stock market fell, they had no way to come out of the mess.
That is one of the main reasons why the stock markets are not picking up". The similar view was expressed by GK Kabra, chief, GK Kabra & co., chartered accountants, from the regulatory point of view is that" the Government is not coming out with the right solution to revive the market. There has to be proper control over promoters and monitoring of the usage of funds. And unless there is an active participation of the financial institutions, there will be no control.

"In fact there have been cases where we as Merchant Bankers have returned the cards to SEBI because we have had to advise the cardholders that they should avoid making an issue at this time. The issue will not get subscribed in spite of your best efforts and out best efforts," even if it is a good issue and at a reasonable price" stated Kalyaniwala while elaborating issues faced by the Merchant Bankers. The most important character for any intermediary in securities industry is promoters' professional ethics and the Merchant Bankers are no exception to this. A large quantum of finance companies function out of a briefcase -- they carry their rubber stamps and calculators in their brief cases. There have been nearly 600 companies in the finance sector, which have made issues; and out of these, there may be barely 60 with worthwhile credentials, and whose shares are still being quoted. The others are all fly-by-night operators. There have been other promoters who have gone to Merchant Bankers and told them,' Humko paisa banana hai, bada makaan lena hai, cileo gadi leni hai' (we want to make money, buy a bigger house and a cileo car). Such guys have come out with issues in the past and contributed actively to the rape of the capital market. And unfortunately both promoters and Merchant Bankers have achieved this rape. What we are going through today is only the post-rape pain".
Never in the history of the Indian capital markets, has he marketed for equity instruments gone through as prolonged a bad patch during the years 1995 and 1996. The market for equity issues is presently sluggish, so sluggish that a company thinks over and over again before approaching the investing public. The corporate who never gave a second thought to demanding three figure premiums for their initial public offerings (IPOs) during the early 1990s are today hesitant even to ask the public to invest further in their companies (MB update – September 1996 page 17).

SEBI also rationalized the book building norms by permitting companies to raise the entire money in the primary market through the book-building process. In such cases, bidding centers should be opened at all cities with stock exchanges. The amendments to the book-building norms include a cut in the book-runners discretionary quota for allotment has been brought down to 60 per cent. This portion could be allotted only to institutional investors. Of the remaining 40 per cent of the book-built portion, 15 per cent should be allocated to non-institutional investors applying for more than 1000 shares. The rest 25 per cent is to be allotted to small investors on a pro-rate basis.

The SEBI board was sharply divided on the issue of cutting down the allotment to institutions in a book-building issue. Bringing down the allotment to levels of 50 per cent (as was earlier decided by SEBI) would have meant bringing down the extent to which discretionary allotment can be made. Highly placed sources said that a section of the board was in fact, not keen on cutting down the current 75 per cent institutional allotment and agreed to bring it down to 60 per cent after intense debate. (Business Standard, 8th April, 2K)
The Securities and Exchange Board of India (SEBI) has further eased IPO norms for media, entertainment and telecom companies. The ceiling for minimum public offer has been brought down from 25 per cent to 10 per cent of the post-issue capital, comprising a minimum of 20 lakh shares. Further, the size of the net offer to public by such companies has been fixed at a minimum of Rs. 50 crore. This has brought the media and entertainment companies at par with the infrastructure companies. In order to further strengthen the book-building process, a 100 per cent one-stage book building has been permitted with bidding centers in all cities with stock exchanges. Further, the Issuer will have to disclose only the floor price as the indicative price since bidding in the recent past has resulted in bidding only at the upper end and has affected the proper price discovery.

SEBI has further approved amendments to the SEBI (Mutual Funds) regulations to permit investments by mutual funds in mortgage-backed securities, having a credit rating of not below the investment grade and representing investments in real estate mortgages and not directly in real estate. These provisions could be a big boost to the housing sector. The IPO norms have been relaxed further for these sectors keeping in view the low capital requirement of knowledge-based companies, the board decided to extend the relaxation under Section 19 (7) of the SCR Rules, 1957 presently available only to infotech companies. (Financial Express, 8th April, 2K)
SEBI stipulates that a company making an initial public offering needs to have shown profits for at least three years preceding the IPO, if they are to avail of the freedom to price the product.

Given existing realities though, there are few Internet ventures which have any tangible revenue streams – which effectively makes it impossible for them to show any kind of profits. At best, the system allows dot.coms to go public with an issue at par. "SEBI has declared that it will consider revising these norms for Internet ventures which have accredited VCs who have invested in them" clarifies Rashesh Shah of Edelweiss Capital. It however, remains unclear as to how the watchdog plans to identify these 'accredited VCs. There are other equally pertinent questions that are still unclear. Should a VC, for instance, be vested with the authority to declare company’s fit for an IPO along with the freedom to price the offering?

Interestingly, while some dot.coms are awaiting SEBI's verdict on the issue, others have reportedly taken to rewriting accounting rules to allow themselves the flexibility to go public - especially in the case of second and third run portals. "Companies are resorting to all sorts of gimmicks at this point," says an industry observer. The modus operandi is pretty simple. They own companies on the book, which have been in existence for over four years. A little bit of juggling around with the laws and some book entries later, an IPO looks a distinct and very real possibility. In some sense, the situation is reminiscent of the IPO boom in 1994 that later went on to blow the bottom out of the primary markets for a long, long time. (Financial Express, 7th April, 2K)
On February 3, 2000, the SEBI issued 11B orders to 8 companies and 74 directors prohibiting them from entering into the capital market for a period of 5 years. With these orders the SEBI has so far issued 11B orders to 57 companies and 216 directors prohibiting them from associating in respect with capital market activities, not to deal in securities, not to access the capital market, and not to be associated with any of the intermediaries in the capital market for a period of 5 years. Department of Company Affairs has also initiated action in terms of the provisions of the Companies Act, 1956 against these companies. Prosecution for non-filing of information by companies, prosecution under Section 209 A of the Companies Act in respect of 54 companies. Further action by the Department of company Affairs in terms of the provisions of the Company Act, 1956 is in progress.

In addition to the joint action by SEBI and Department of Company Affairs, it has been decided to refer these cases to respective State Governments also for action where cheating or fraud is observed. It maybe stated here that these penal actions for which the State Governments are being approached both by the SEBI and Department of Company Affairs, is in addition to the penal action taken / proposed to be initiated by the Department of Company Affairs. This was done because in the Coordination and Monitoring Committee comprising SEBI and Department of Company Affairs officials it was felt that fraud and cheating are the offences under the Indian Penal Code and could have been dealt only by the Police Authorities of the respective State Governments. Besides, punishment under the offences has to be more severe. The SEBI has sought information from the investors on vanishing companies. The SEBI has also issued public notice inviting information from the investors also. The companies referred by the investors are
under scrutiny and action in terms of the provisions of the SEBI Act and the Companies Act, 1986, would be initiated once the identification process is completed.

New Rules For The New Economy

- 10% of post-issue capital or at least 20 lakh shares to be offered to public by media, entertainment and telecom companies
- Minimum net offer size fixed at Rs.50 cr.
- 100% one-stage book building permitted with bidding centers at all cities with exchanges.
- Only floor price required to be disclosed in case of book-building
- Online display of bids on real-time basis made mandatory
- Book-runners' discretionary quota reduced to 60% from 75%, 25% to be set aside for small investors
- Investment by mutual funds in mortgage-backed securities

OPINIONS AND REMARKS: BY INDUSTRY PROFESSIONALS:

Industry Professionals' observations, opinions and remarks about the Merchant Banking Industry in particular and Capital Market in general are much relevance to quote. A few among them have been quoted here to understand the significance and responsibilities of Merchant Bankers better.

"There are many companies that haven't yet woken up to the reality that to be competitive; you
have to be customer focussed. If they don’t care they will to the way of dinosaur” - Martin Sorrell, CEP. WPP group P/C., in Business Standard. “As long as there is a corporate sector that needs to raise capital, there will be a need for Merchant Bankers” - R. Sankaran, Chairman, Ind Global Financial Trust Ltd., in The Economic Times. “All the reforms in the world will not help unless we reform corporate ethics.” - Lord Swaraj Paul, London-based, N R I Industrialist, in Business Standard. “The investor is more matured now. He is no longer the one who will invest in an issue on the advice of his sub-broker.” - G.C. Garg Lloyds Finance, in Business Standard. “Unless the small investor comes back, the market will not improve”. - Mehta, D.R. “Only quality paper is likely to enter the market” - Mehta, D.R, Chairman. SEBI. (Interviewed by Shirish Nadkarni, Merchant Banker April, 1997). “If we, as regulators, cannot prevent manipulation, what is the use of our being aroused”. - Mehta, D.R, Chairman. SEBI. (Interviewed by Shirish Nadkarni, Merchant Banker April 1997). “Till such time as the IPO market stabilizes, I think Merchant Bankers should turn their attention to fee-based advisory services and Mergers/ Acquisitions.” - D.K. Goswami, president Ashok Leyland Investment services Ltd.

“Out of the 700 Merchant Bankers, the ones who regularly handle IPOs are not more than 50-100”. - N.K.Parikh, M.D. Mafatlal Finance Ltd. “If we mean do something to reduce the number of incompetent Merchant Bankers, the good ones will still be able to do some good work in this bad market”. - Milind s. Desai. V.P. Birla Global Finance Ltd. - The Merchant Banker update (opinion line) April 1997. “The credit of innovating debt instruments goes to the Merchant Bankers but the credit of selling then would go to the advertising agencies” - - S.M. Singhvi, President, Sobhagya Advertising. (The Merchant Banker update (opinion line) April 1997.

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For every fall from virtue there is a seducer. Millions can be offered only when billions can be made. But with the economy opening up, and decision-making becoming transparent, the motivation and the opportunity for systemic corruption would greatly diminish. - Mukesh Ambani, Vice Chairman, Reliance Industries, in The Economic Times. Only the ones with the ability to recover money or confiscate the car keys of defaulters are going to survive. - A.R. Barwe, Managing Director, SBI Capital Markets, in The Economic Times. If everyone becomes completely risk averse, how can business or entrepreneurship thrive? - P. Chidambaram, Finance Minister, in The Economic Times. Investment is an act of faith. It takes very little time to destroy investor confidence. - Manmohan Singh, former Finance Minister, on Home TV. Top quality management (TQM) without top quality people (TQP) does not work as processes do not work unless people work. Replace TQM with TQP and any organization can have dynamic results. - Shiv Khera, Founder, Qualified Learning Systems Inc., USA, in the Financial Express. The regulator (SEBI) has to ensure that it plays the role of the regulator and does not end up putting unwanted controls in the market. At the same time, it will be unwise to expect the regulator to change the mood in the market - R. Venkatasubramanian, Vice President, Kotak Securities, in Business Standard.

MERCHANT BANKER – INTERNATIONAL EXPERIENCE: STORY OF SOLOMON BROTHERS

Salomon Brothers at one time considered being the world's most powerful Merchant Banker. It was not just an investment house, but an institution with a distinct culture. But the train of events in mid-eighties set in motion the decline of the financial empire – though few could discern it. The frenetic
activity in the trading floors, where billions of dollars were transacted, with traders vibes exceeded only by their gluttony, where fat men paid themselves astonishing pay packets, was the corporate America’s envy. And yet all the glitter and the flamboyance of the CEO. John Gutfreund, who paid himself 3.1 million dollars in 1986 – more than any other Wall Street CEO –, failed to stem the rot that was setting in.

Coming events cast their shadow before. No wonder, the firm got into deep trouble in August 1991, due to an unauthorized trading of Treasury bonds. Martín Maye (reviewed in the October, 1995 issue of the Merchant Banker Update) recounts the events leading to the crackdown in Nightmare on Wall Street. But that was much later. In the present work Michael Lewis, who worked for the firm which he left in 1986 takes a breathtaking overview of the empire that was Salomon Brothers’ – or more exactly John Gutfreund’s – in a style which is at once lively interspersed with and hilarity as well as authentic, incisive and yet balanced, though at times irreverent. For it is not just an account of his own achievements or failures, but his own perceptions of the crumbling financial empire. And perceptions, which are both, sharp and clear making a pointed case for the preservation of the essential culture of the institution.

The firm employed more than 900 persons who were hostages to their producers in taking risks. It recruited potential investment bankers who were administered liberal doses of snobbery to preserve and asset their identity, as distinct from commercial bankers, and treated to an intensive training programme which was once described in an article in the New York Times as “Boot camp for Top MBAs”. They were ever subjected to ragging by senior traders for whom they worked as errand boys mainly to fetch food and abused in the most foul language, and yet to hold their breath
while waiting for their bonus: "Like priests, payment in the Salomon empire followed in a time
honoured pattern. The money always came as an after thought and in a knot you had to
disentangle." The corporate culture demanded that it was an hour to work for the firm that
mattered and not the money.

Decline of Salomon Brothers:
The plain fact was that a combination of market forces and gross mismanagement had thrown
Salomon brothers into deep trouble. At times it was as if we had no management at all. No one
put a stop to infighting; none gave us a sense of direction; no one put a halt to our rapid growth; no
one wanted to make the hard decisions that businessmen, like generals, have to make. It was the
only major firm on Wall Street in the early 1980s with no system for allocation of costs. The office
of the Chairman was divisive with conflicting team spirits and "catty animosities". Then Drexel had
emerged with Michael Milken's "junk bonds" and Salomon had to reckon them a force. But the
direction was lacking.

The author quit in 1986 but could see the writings on the wall loud and clear that a crisis was
ahead. And it came in 1991 with a thud, though the book, authored in 1989, had clearly seen the
shape of things to come. So prophetic could be the author of this best seller whose relevance in
the present day context can scarcely be over estimated.
MAJOR FINDINGS & OBSERVATIONS:

The major findings and observations of the study are briefed below:

The present study is an attempt to appraise the performance evaluation of the select Merchant Banking firms taking in to consideration various activities performed by them. In fact, sluggishness in the primary issue capital market made most of the category - I Merchant Bankers withdraws from the activities. Only a few firms continuously sustain the pressure and maintaining the record in their activities. This could be possible due to efficient management and providing diversified services along with the banking facilities. The major observations and opinions expressed by the various professionals are briefly shown in the following lines. The regulatory issues related to Merchant Banking are oftenly changing. These changes have significant impact on the functioning on the performance of the Merchant Bankers.

The Securities and Exchange Board of India has given up one of its primary responsibilities, that of vetting of offer documents. While this will avoid giving a wrong impression that the regulatory body approves of the project that has been vetted, it will also put the onus of disclosure completely on the Merchant Banker. Though SEBI has made the Merchant Bankers accountable through mandatory financial participation in the project, the new regulation is feared to further erode investor confidence in the bourses.
In accordance with the Melagam Committee recommendation, the Department of Company Affairs has made it mandatory for companies to disclose the end use of the funds raised through the capital market but not used for the specific project. For this purpose, the balance sheet has also been modified to include a separate item, under the heading “Balance of unutilized monies raised by issue”. The arrangement will indicate the form in which the unutilized funds have been invested or lent out by the companies.

SEBI has given its permission to FIIs to invest 100 percent of their dedicated debt funds in debt securities of any maturity, subject to an overall cap of $1 billion to $1.5 billion. The FIIs willing to take this investment route will be required to register separately with SEBI as 100 per cent debt funds and will be allowed to invest only in companies that are listed or would be listed. SEBI will also impose individual ceilings on these funds subject to the track record of the FIIs or their fund-managing experience. However, no limit exists on investment in debt securities of any particular Issuer.

Following the Dave Committee recommendations for reviving the Over-the-Counter Exchange of India, SEBI has made several concessions: Trading of equity shares of unlisted companies has been allowed on OTCEI: companies of any size can be listed on the Exchange (upper limit of Rs.25 crores as capital has been removed): companies (including bought-out deals) not satisfying the three-year dividend track record or not appraised or funded by any financial institution have been allowed listing, provided they satisfy the listing criteria of the Exchange. SEBI also proposes a T+5 settlement system for OTCEI. However, such companies will be required to remain listed for a minimum of three years.
Financial Institutions (FIs) have been directed by the Finance Ministry to underwrite public issues whose proceeds are to be channeled to projects vetted by them. They have also been directed to pick up the shares of these issues, in case a devolvement is clearly visible. The directive has, however, displeased the FIs which fear that locking up funds in projects and underwriting issues will cut into their own profits.

The analysis of the activities of the selected nine Merchant Banking firms during the study period found that most of the firms were concentrated on floating the public issues rather than rights issues. The underwriting activity is secondary for most of the firms. It is also found that there is no direct correlation between number of issues in each activity to size and value of the issues.

The operational performance of the Merchant Bankers found satisfactory. However, the rate of growth in this aspect is not up to level of satisfaction. The professional approach should be adopted by these Merchant Bankers to excel in their performance.

The comparative financial performance of the selected sample of Merchant Bankers shows that, these firms not following a systematic way of handling the issues. The probable reason could be handling the multiple activities at a time. It is to be noted here that, Merchant Banking activities particularly handled by commercial banks, foreign banks, and foreign firms are having different attitudes as compared to the firms exclusively handling Merchant Banking activities. For some institutions Merchant Banking activity is secondary in the overall business activities. However, it is found in the study that most of the firms having sound financial health and maintaining it too.
It is necessary to adopt best practices of corporate governance for all the market intermediaries including Merchant Bankers. Effective implementation Corporate Governance is the only solution for most of the problems of corporate sector in specific and for capital market intermediaries in particular. Some solutions suggested by the professionals to improve corporate governance in India are

- The board should retain full and effective control over the company and monitor executive management. The idea: the board has an important overall control function and should not be confined to policy making alone.

- No single individual should have unfettered powers of decision making. Where the chairman is also the chief executive, it is essential that there is a strong and independent element on the board, with a recognized senior member. Thus the board should include non-executive directors of high caliber in sufficient numbers.

- The board should have formal schedule of matters specifically reserved to it for decision making to ensure that the direction and control of the company is firmly in its hands.

The world is still learning the best way and the best extent of regulations of financial services. In the freer economies the initial attempt was to deregulate financial services – make all markets including foreign markets accessible to all. But the world is learning the lesson that complete deregulation of financial services may bring about calamities which break the borne of investor confidence.
Merchant Banking in India is understood to be synonymous with issue management, though globally this word is taken to mean everything in financial services. Certain issues need compulsorily to be ‘managed’. This requirement seems to be reasonable as it ensures that certain issues which involve public interest are handled by recognized professional bodies who will not only assisting marketing of the issue but who will also ensure compliance of the necessary rules. All the public issues, and rights issues by listed companies exceeding value of Rs. 50 lakh need to be managed by authorized Merchant Bankers on one hand, the regulation makes it obligatory for all Public issues and most Rights issues to be managed, on the other hand it ensures that the manager i.e., the Merchant Banker is within the discipline of the Regulator.

CONTRIBUTION TO KNOWLEDGE:

The Indian business scenario is undergoing, a dramatic metamorphosis, in view of the economic reforms. Investment opportunities have expanded, competition (both domestic and international) has heightened, financing options have widened, and above all dependence on capital market has increased. As a result, no participant can afford to be inward looking. The multinational entry and the foreign capital inflow into this country are changing the scenario further. Hence, the study assumes further significance under the current / changing scenario of the Indian Securities Industry. The study is likely to be found useful from several angles and, therefore, its justification is derived from wider considerations, both academic and practical in terms of national relevance. Its importance notwithstanding, the area remains largely an unexplored field in India, as far as an in-depth academic enquiry is concerned. The present study hopefully attempts to fill a serious gap in this important area of capital structure practices with focus on Merchant Banking Services. The
importance of the present study, however, is not merely academic. The present study, *de facto*, covers the early stages of financial reforms, probably for the first time with a larger coverage. Hence, it would be of considerable relevance to the national economy at the present stage of liberation and changing securities industry environment. The study, *inter alia*, would also be helpful to regulatory authorities like Securities Exchange Board Of India (SEBI). Apart from regulatory authorities, it would also be of interest to Development Banks, Commercial Banks, Investment Community, Researchers, and Corporate in general.

The present study, we hope will serve as a source of literature in the field of Merchant Banking. It may help the Professionals in the industry to have better understanding on the impact of Merchant Banking activities in the securities industry and also it may help the academicians and the researchers who study in this area.