



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore - 641 107

An Autonomous Institution

Accredited by NBA - AICTE and Accredited by NAAC - UGC with 'A' Grade

Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

sns
INSTITUTIONS

DEPARTMENT OF MANAGEMENT STUDIES

COURSE CODE & SUBJECT NAME : 23BAT308 - MERCHANT BANKING & FINANCIAL INSTITUTIONS

II YEAR/ III SEMESTER

UNIT 1 : ISSUE MANAGEMENT

TOPIC: Role of Merchant Banker



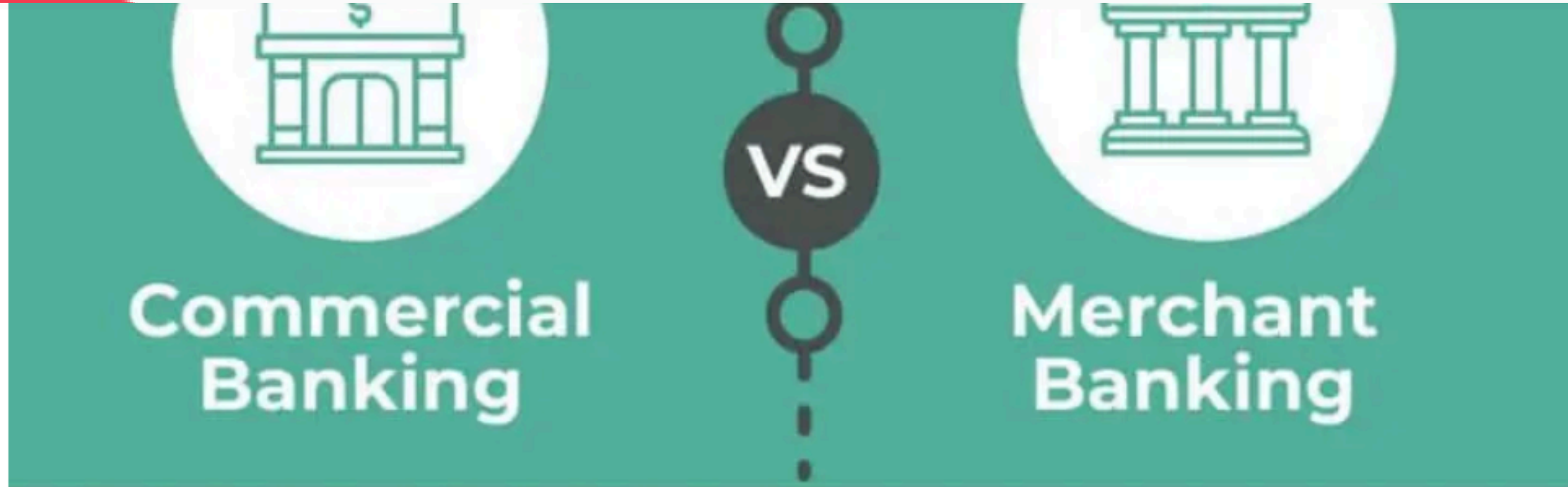
UNIT-I MERCHANT BANKING

Introduction – Merchant Banking in India – Recent Developments and Challenges ahead – merchant banking services offered by banks – NBFC'S offering merchant Banking – Legal and Regulatory Framework – Relevant Provisions of Companies Act- SEBI guidelines



ROLE OF MERCHANT BANKERS

1. Mobilization of fund
2. Promotional function
3. Financial services
4. Brokers in stock exchanges
5. Innovations
6. Revival of sick units
7. Market makers
8. Handling government consent for industrial projects
9. Corporate restructuring



#1. Definition

Commercial Banking



Commercial banking can be defined as the banking establishment which provides basic banking functions to the general public like lending of the money and accepting the deposits.

Merchant Banking



Merchant banking can be defined as the financial institution which provides a wide range of financial services to clients with high net worth and multinational corporations and they generally have a specialization in international trade.

#2. Accessibility

Commercial Banking



Commercial Banking is accessible generally to any of the people who are having basic banking needs.

Merchant Banking



Merchant Banking is accessible mainly to large companies or wealthy individuals.

#3. Earnings

Commercial Banking



The primary earnings of commercial banks are in the form of interest received on various loans issued. In addition to it, other earnings include fees received on various services like ATM, checking account, etc.

Merchant Banking

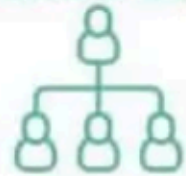


The primary earning in case of the merchant banking is through fees that are paid for the advisory services given by them.



#4. Economic Effect

Commercial Banking



The main impact of commercial banking is on the economy of the local area where it is providing its services.

Merchant Banking



The main impact of merchant banking is on large corporations, to whom it is providing its services, thereby impacting prices in the stock market and national economy.

#5. Risk Exposure

Commercial Banking

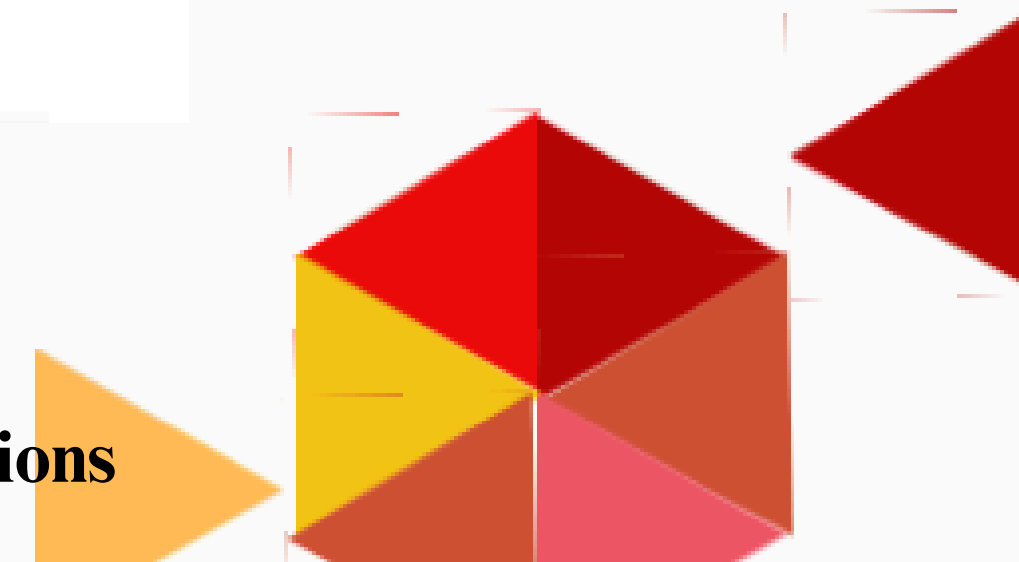


The risk exposure is less when compared with merchant banking.

Merchant Banking



The risk exposure is more when compared with commercial banking.



#6. Nature of the loan extended

Commercial Banking



Nature of the loan given by the commercial bank is more Debt-related.

Merchant Banking



Nature of the loan given by the merchant bank is more equity-related.

#7. Role

Commercial Banking



As a Financier.

Merchant Banking



As a financial advisor.



Non-Banking Financial Company (NBFC)

NBFC stands for Non-Banking Financial Corporations. As per Section 451(c) of the RBI Act, a Non-Banking Company that carries the business of a financial institution is called a Non-Banking Financial Corporation or NBFC.



Mahindra



Muthoot Finance

7



POWER FINANCE CORPORATION LTD.



SHRIRAM
Finance



What is a NBFC?

A Non-Banking Financial Corporation (NBFC) is a company that is registered under the Companies Act, 1956 and is involved in the lending business, hire-purchase, leasing, insurance business, receiving deposits in some cases, chit funds, stocks, and shares acquisition, etc.

Types of NBFCs

The NBFCs can be categorized under two broad heads:

1. On the nature of their activity
2. On the basis of deposits



On the nature of their activity:

1. Asset Finance Company
2. Loan Company
3. Mortgage Guarantee Company
4. Investment Company
5. Core Investment Company
6. Infrastructure Finance Company
7. Micro Finance Company
8. Housing Finance Company

On the basis of deposits:

1. Deposit accepting Non-Banking Financial Corporations
2. Non-deposit accepting Non-Banking Financial Corporations



THANK YOU.....