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**RAJHAUNS**

A TEXTBOOK OF

# ECONOMICS

**BANKING & FINANCIAL  
SERVICES**

**SEMESTER V**

**B. Com**



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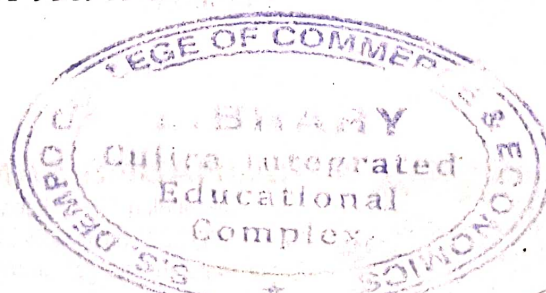
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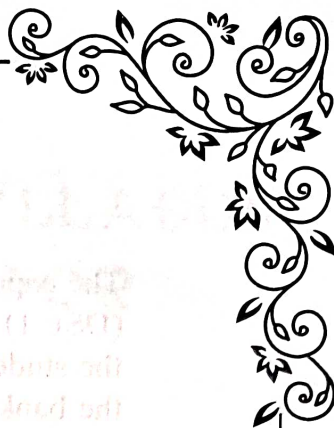
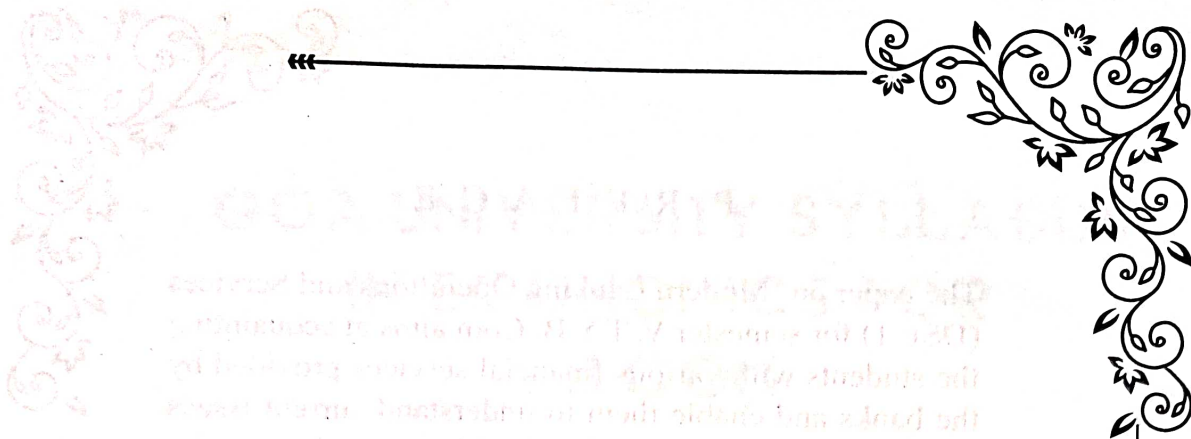
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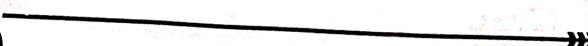
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## UNIT 1

# An Overview of Banking & Financial Services

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### Introduction

Services which are provided by financial institutions like banks and non-bank financial intermediaries that cover a broader aspect of money or managing finance, credits, debits, merchant banking, leasing, factoring mutual funds, Bancassurance, consumer finance, stock brokerage, investment funds, etc., are called financial services. This chapter discusses the various financial services and its benefits to the people, institutions, industries and economy.

### Merchant Banking

**Meaning of Merchant Banking:** The dictionary meaning of "Merchant Bank" refers to an organization that undertakes corporate services and advises such clients on issues like corporate mergers / services of funded and non-funded nature and also investment services. The organization may be a bank, corporate body, firm or proprietary concerns.

The term merchant banking is used differently in different countries and there is no precise definition of it. They are also known as Accepting and Issuing houses in the UK and as Investment Banks in the US.

Merchant Banking may be defined as "an institution which covers a wide range of activities such as management of customer services, portfolio management, credit syndication, acceptance credit counseling, insurance, etc".

Securities and Exchange Board of India (SEBI) defines a merchant banker as "any person who is engaged in the business of issue management either by making arrangement regarding selling, buying or subscribing to securities as manager, consultant, advisor or rendering corporate advisory services in relation to such issue management."

A merchant bank is a company that deals with international finance, business loans for companies and underwriting. MBs are said to be at the centre of capital market operations, especially the new issues market.

These banks are experts in international trade, which makes them specialists in dealing with multinational corporations. A merchant bank (MB) may perform some of the same services as an investment bank, but it does not provide regular banking services to the general public. MBs offer a package of financial services and finance for a fee, but provide more of the former.