

# A Study on the Role of Investment Banks in the Economic Development of India

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**Abstract - A Venture Bank is a monetary mediator which has practical experience in the field of selling protections and endorsing the issuance of new value offers to raise capital assets. Speculation Banking is a unique section of banking activities that assists people or associations with bringing capital up in the essential market, where new protections are given and involve a huge job in the optional market by following up for the benefit of their clients. Speculation banks endorse new obligation and value protections for a wide range of companies and help in selling protections and work with consolidations and acquisitions for establishments and private financial backers. Speculation banking association plays out the job of a moderate among financial backer and capital market. Venture banking has become critical in Indian capital market based on such countless elements which incorporates attention to the speculation banking among financial backers and the different capacities performed by the venture banks. The Exploration paper intends to show the job of venture banks in the current situation. The current review is illustrative in nature and utilized optional information. The review shows the development, improvement, capacities and the job of venture bank in the Indian Economy.**

**Index Terms - Speculation Banks, Monetary Development, Indian Economy, Liquidity, Essential Market.**

## INTRODUCTION

A Speculation Bank is a monetary middle person which has some expertise in the field of selling protections and guaranteeing the issuance of new value offers to raise capital assets. Speculation Banking is an exceptional portion of banking tasks that assists people or associations with bringing capital up in the essential market, where new protections are given and involve a critical job in the auxiliary market by following up for their clients. They go about as middle people between security backers and financial backers and assist new firms with opening up to the world. Speculation banks give different sorts of

monetary administrations, for example, restrictive exchanging or exchanging protections for their own records, consolidations and acquisitions warning, utilized money that includes loaning cash to firms to buy resources and settle acquisitions, rebuilding that includes further developing construction of organizations to make a business more productive and assist it with creating greatest gain and new issues or Initial public offerings where these banks assist new firms with opening up to the world. Speculation banks are parted into Front office, Center office and administrative center. Every area is totally different yet assumes a significant part in making sure that the bank brings in cash, oversees hazard and moves along as expected. The association design of speculation banks is portrayed as follows:

- 1 Front Office: assumes a vital part in the speculation banking firm and is likewise depicted as the most noteworthy income producing office. It is additionally isolated by its significant exercises as Venture banking (assists its clients with raising capital from the market and guides them on consolidations and obtaining and technique detailing) Deals and Exchanging (as per which speculation bank assumes the part for the benefit of its clients and offer the protections to the financial backers through its own gamble.) Exploration (under which speculation banks audit the organizations and compose reports about their possibilities in an authoritative record to safeguard the two sides from making awful venture.
- 2 Middle Office: Incorporates depository the board which is answerable for its financing, inner controls, consistence with the principles and guidelines framed by the public authority. Interior corporate methodology which handles the association's administration and benefit technique and liquidity hazard observing to examine the company's capital streams for example keeping a

watch on the inflows and outpourings of money in order to have fair thought regarding the liquidity of the firm. It additionally incorporates item control groups.

3. Back Office: Back office services play an important role in the field of operations and Technology. They handle trade confirmation, checking dates, ensuring that right securities are being bought and the complete availability of the required software and technology. Their services are critical to the functioning and success of the investment banking firm.

#### REVIEW OF LITERATURE

1. According To Gloria Hamilton Generally investment banks collect large amount of deposits and invest in those or the sectors where the demand or capital requirement is high. As per the market condition, hopefully it gives maximum returns to their investors. The difference between those rates is the income of the investment banks. One of the profit earning sources of investment bank is foreign exchange market. The main job of investment banks is to advise corporations about funds and raising money. Some do this by selling the company's equity and others do so by offering advice about debt issues.
2. According To Mark Ky Mark He majorly focused on the investors section, he talked from the view point of investors, it is very difficult for them to compare which investment would be beneficial. Unfortunately, after the financial crisis of 2008 and the global crisis of 2009, investors are becoming more cautious towards investments, especially in high-risk financial products.
3. According To Heena Kothari She focused on the youth section for the investment. If the younger generation would start investing from today time then they will be able to save more for the future. Facts revealed in this study highlight the perception of varied age group investors who desire to invest in different avenues which give high returns and growth prospect.
4. According To Rajarajen Vanjeko the upcoming market condition shows the positive response towards the investment banking. It also shows that investor's future preferences, his major area of

study is the rural sector where huge amount of development is needed. The growth of the economy is dependent on the growth of the rural market in the country. Timely and affordable financial support helps people sustain and grow their livelihoods because Lack of financial help stunts the growth of many rural micro-enterprises and force people to migrate to urban areas in search of jobs.

#### OBJECTIVES OF THE STUDY

- To find out how speculation banks increment the assets in the country.
- To examine the different capacities performed by the venture banks.
- To comprehend the job of speculation banks in capital arrangement and financial development.

#### SIGNIFICANCE OF SPECULATION BANKS IN THE IMPROVEMENT OF THE COUNTRY

The job of venture banks in the current situation is critical. Venture banks offer important types of assistance to a country. Venture banks are basic specialists of capital arrangement and value setting. Government and huge organizations depend on speculation banks to assemble reserves. Venture banks are considered as go-betweens or agents as they add liquidity to a market. By coordinating makers with savers, monetary advancement turns out to be more proficient and business becomes quicker. Speculation banks work with business banks and assist with deciding winning business sector financing costs. A portion of the significant job of venture banks in the advancement of a nation is clarified as beneath:

1. Capital Formation and Promote Industry: Capital is one of the main parts of any business or industry. It is the existence blood of the business. Speculation banks eliminate lack of capital by invigorating reserve funds and venture. It assembles little and dispersed reserve funds of the local area and makes them accessible for interest in useful ventures.
2. GDP Growth and Investment Banking: Venture banks make immediate and aberrant interest in the financial advancement of India throughout the long term. The sum produced by venture banks

increment as years pass and give solid commitment in Gross domestic product development.

3. Create employment opportunity: Production of business opportunity is huge for an agricultural nation like India. Venture banks can assume a significant part towards work creation. As the quantity of speculation banks increment with expanded volume of business, it sets out work freedom in the country. Greater work potential open doors are made by creating capital asset for various enterprises. Development in the speculation area creates greater business which helps in the general advancement of the country.
4. Infrastructure Development: Government attempts project for the framework advancement of the country. For the execution of the undertaking reserves are required. Venture bank can produce store for framework improvement projects attempted by the Public authority which supports the advancement of the economy.
5. Technological Improvement: In the present computerized time innovation assumes critical part. Speculation banking exercises generally work with new innovation. Each significant venture bank has extensive measures of in-house programming made by the innovation specialists who are likewise liable for specialized help. Innovation has changed impressively over the most recent couple of years as more deals and exchanging work areas are following electronic exchanging.

#### ELEMENTS OF SPECULATION BANKS

1. Research Services: Speculation banks give research administrations to its clients which remembers offering guidance for trading of protections, budget report examination, monetary estimating, monetary demonstrating . Speculation banks give value research administrations as well as it turns out fixed revenue research, monetary exploration, financial examination and logical help across different resource classes, markets and client sections. Larger part of the banks have staff of exploration investigator's who concentrates on financial patterns and news, individual organization stocks and industry advancements to give success venture guidance to institutional clients and in-house gatherings.
2. Sales and Trading: This sales and trading activity in investment bank is much different. Investment banks deals with sales and trading of securities in secondary market. Investment banks are a bridge between large enterprise and the investor. Their main roles are to advise business and governments on how to meet their financial challenges and to help them procure financing from stock offerings, bonds issue or derivative products.
3. Raising capital: As a monetary delegate venture banks assists his clients for raising capital through Initial public offering and FPO with handling or private arrangements. They fundamentally help their clients for fund-raising through obligation and value contributions. As previously mentioned this incorporates raising capital through Initial public offering (Introductory Public Contributions), Private situations, or others in the interest of the client.
4. Underwriting: Investment banks provide underwriting of securities and broking related services for their clients. When an investment bank underwrites equity or any debt instrument, then investment banks ensures his clients that investors will purchase his newly issue of stocks. Investment banks plays intermediary role between his client and the investors.
5. Consolidation and Obtaining: This is one of the significant capacities which are performing by a speculation bank. Venture banks give warning with respect to consolidation and obtaining to its clients. Venture banks make different consolidation and obtaining models. Speculation financiers do accumulation or weakening investigation to examine organization. Additionally Banks really take a look at cooperative energies examination. Venture banks have their different consolidations and acquisitions area that capacity inside their corporate money offices. The significant capacity of this office is to go through statistical surveying and discover firms having abundance cash which empowers them to purchase different firms which will offer their substances because of different reasons.

6. Hazard: The board Hazard the executives is a ceaselessly continuous interaction which implies breaking down the market hazard and credit hazard that a speculation bank or its client takes onto their monetary record during exchange or exchange. It helps on drawing certain lines on how much capital that they can exchange request to forestall terrible exchanges having an adverse consequence.

6. Unfamiliar cash income assumes a significant part for a country. It mirrors the country's by and large monetary strength. Speculation banking plays by implication in the unfamiliar money income as they help to upgrade trade through their venture exercises.

CONCLUSION

The job of banks in the financial advancement is to eliminate the lack of capital by animating reserve funds and speculation. A sound financial framework activates the little and dispersed reserve funds of the local area and makes them accessible for interest in useful associations. With the possibility to turn into the fifth biggest financial industry on the planet by 2020 and third biggest by 2025, India's banking and monetary area is growing quickly. Speculation Banking assists people or associations with raising capital and give monetary consultancy administrations to them. Venture banking is the most intricate monetary systems on the planet. Bank of America, Barclay's capital, Citigroup Speculation banking, Deutsche bank, JP Morgan, Goldman Sachs are probably the biggest venture banks in India. Speculation Banks are basic specialists of capital arrangement and value setting. Speculation banks impacts the pace of monetary development since it is a part of total interest and all the more significantly impacts the useful limit of the economy. Venture brokers produced the charges from 24 Initial public offerings in which organizations brought 30,850.8 crore up in complete as per information from the last plans documented by organizations with SEBI. From the examination of the different capacities performed by the speculation banks as well as its job in the financial improvement obviously demonstrates that the job of venture banks in the monetary advancement of the nation is critical.

TOP 10 FINANCIAL INSTITUTIONS OF INDIA

Rank	Company Name	#of Deals	Amount \$M
1	Ernst & Young	39	16,746
2	JM Financial	13	7,881
3	Kotak Mahindra Capital	8	7,866
4	Avendus	9	5,913
5	PwC	13	5,633
6	Arpwood Capital	3	5,383
7	Deloitte	3	1,822
8	Goldman Sachs	3	1,544
9	ICICI Securities	2	1,219
10	Morgan Stanley	3	1,025

Source: The Venture Intelligence League Tables

ROLE OF SPECULATION BANKS IN FINANCIAL TURN OF EVENTS

1. At the point when the organization holds its Initial public offering venture banks will purchase all or quite a bit of that organization's portion straight by going about as a delegate and along these lines sell the offers into the public market making prompt liquidity.
2. Encourage organizations and Legislatures on the best way to address their monetary difficulties and to assist them with acquiring financing from stock contribution, bond issues or subordinate items.
3. Assists with deciding how to value these instruments by using different monetary models.
4. Venture banks go about as brokers between an organization that needs to give new protections and the public who purchase the protections.
5. Speculation banks like JP Morgan and Goldman Sachs oversee gigantic portfolios for benefits subsidizes establishment and insurance agencies through their administration division. Their monetary specialists help with choosing the right blend of stocks, obligation instruments, and land to accomplish their clients' exceptional objectives.

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