Book Review

MERCHANT BANKING AND FINANCIAL SERVICES
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The recent global financial meltdown has highlighted the need to understand the importance of merchant banking and financial services sector and how it strengthens the economic development of a country. Apart from understanding the importance, there is need for effective regulations, not only in sophisticated financial markets but also in a nascent yet fast growing Indian financial system. The present book under review titled “Merchant Banking and Financial Services” addresses the contemporary issues of financial services in the wake of changing business scenario.

In the aftermath of global financial crisis, Vij and Dhawan have started the book with a good note and follow the similar pattern throughout. The book has been divided into five appropriately structured parts covering the various facets of financial services. Beginning with the overview of the subject and highlighting the changing role and importance of financial sector, the book covers various details of merchant banking and advisory services. The authors have started various chapters as good icebreakers. To fulfill the increasing capital needs of corporate, they have enlightened the role of merchant banking and regulations for merchant banking business. The pragmatic measures taken by government for bringing radical changes in the capital market such as scripless trading and the new innovations like electronic Initial Public Offer (e-IPO), amount supported by blocked amount (ASBA) have given a new impetus to the securities market. New opportunities and challenges for issue management have been highlighted well. In highly dynamic economic climate that surrounds us today, rules of the game are changing fast and traditional business models are no longer sufficient. Venture capital financing is taking stride in this regime and it helps in development of an economy through instilling entrepreneurship. Non Banking Finance Companies (NBFCs) and related financial services like mutual funds, insurance, securitization, hedge funds and leasing also play an important role in the economy. The concept of NBFC has been explicated very well along with the future challenges for them. Investment dilemma is common among Indian investors, who are wishing to participate in stock market but lacks the required competence. Mutual funds come to the rescue of such investors and help in augmenting the gross domestic product (GDP) of a country. Mutual funds, insurance, hedge funds, leasing and securitization have been elucidated well but authors fail to focus on practical aspects like what needs to be considered before buying an insurance policy, or how to invest in a hedge fund. Indian financial system is heavily dependent on banking and is considered to be the strongest pillar of any economy and management of banking services. On these lines, last part of the book focused upon asset liability management (ALM) in banks, Basel I and II accord and risk management in banks. This part has been adequately supplemented with cases and practical problems, however,
Basel III norms can also be touched upon. The chief merit of the book is its critical thinking exercise and group learning exercises at the end of each chapter. Relevant cases given at the end of various chapters further strengthen the understanding of students. Some of the often confused concepts like private equity funds (PE funds) and hedge funds have been clarified well. The ongoing topic of financial inclusion has also been touched upon in the book. This will help the teachers as well as the students to understand the various concepts and their application well. However, the book has left certain important topics like money market instruments viz. call money market, commercial papers, certificate of deposits, collateralized borrowing and lending obligation (CBLO) and repo market which are equally important and play a pivotal role in the financial system. Plastic money has altered the way people used to spend but Vij and Dhawan fail to give a detailed view on the various aspects of plastic cards. Moreover, chapter titled “Consumer Finance” needs to be revised as it covers only the aspect of plastic cards, but it fails to throw light on various modes of consumer finance like cash credit, auto loans etc. Vij and Dhawan could have made Venture Capital Financing (VCF) chapter more effective by providing links and addresses for those banks or institutions which can be a source of reference for attaining venture capital. There is dearth of literature in the book focusing on reasons for low penetration of mutual funds in India. Chapter on mergers and acquisitions could not explain the rationale of its inclusion in the book.

At last, it can be said that the book is a good attempt to bring together many important facets of merchant banking and financial services to the readers, including academicians, students and professionals for which the authors deserve appreciation. It is an immense source of conceptual understanding on the subject of financial services especially for students and academicians. The book seems to be a helpful reference guide for professionals and practicing managers as well.