



PROFITABILITY PERFORMANCE ANALYSIS OF PUBLIC SECTOR MERCHANT BANKING COMPANIES IN INDIA: A COMPARATIVE STUDY (FY 2024–25)

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ABSTRACT

Merchant banking institutions play a significant role in strengthening capital markets by providing specialized financial services such as issue management, underwriting, corporate advisory and financial consultancy. The profitability performance of merchant banking institutions reflects their ability to generate income, utilize assets efficiently and create value for shareholders. This study evaluates the profitability performance of selected public sector merchant banking companies in India during the financial year 2024–25. The study is based on secondary data collected from annual reports of five selected merchant banking companies: SBI Capital Markets Limited, IDBI Capital Markets & Securities Limited, IndBank Merchant Banking Services Limited, PNB Investment Services Limited and BOI Merchant Bankers Limited. Profitability is measured through Net Profit Margin (NPM), Return on Assets (ROA) and Return on Equity (ROE). Descriptive statistics including Mean, Standard Deviation and Coefficient of Variation are applied. ANOVA and regression analysis are used as exploratory statistical techniques to examine differences and relationships among profitability indicators. The findings indicate considerable variation in profitability performance among selected companies, mainly due to differences in business scale, asset utilization efficiency and equity structure.

KEYWORDS: Merchant Banking, Profitability Analysis, ROA, ROE, Ratio Analysis, Financial Performance

1. INTRODUCTION

Merchant banking has emerged as an important component of the financial services sector by facilitating corporate financing activities, capital mobilisation and capital market development. Merchant bankers provide specialised financial services including issue management, underwriting, investment advisory, corporate restructuring, mergers and acquisitions support and other corporate finance activities. Through these services, merchant banking institutions contribute significantly to the efficiency and development of financial markets.

The financial sustainability and competitive position of merchant banking institutions largely depend on their ability to generate sustainable profitability and efficiently manage available resources. Profitability analysis provides meaningful insights into managerial effectiveness, operational efficiency and long-term financial strength of an organisation (Pandey, 2019). Financial ratio analysis is widely used as a tool for evaluating organisational performance by transforming accounting information into comparable financial indicators (Ross et al., 2022).

Unlike traditional commercial banks, merchant banking institutions operate primarily through fee-based business models where income generation depends on advisory services, underwriting activities, issue management and investment-related services. Therefore, revenue composition, cost control mechanisms and effective utilisation of financial resources are important determinants of profitability performance.

Although extensive research has examined financial performance of commercial banks and other financial institutions, limited attention has been given to the profitability performance of merchant banking companies, particularly public sector merchant banking institutions in India. These institutions operate within a specialised financial environment and their performance evaluation requires a focused analysis of profitability indicators.

Therefore, the present study attempts to analyse the profitability performance of selected public sector merchant banking companies in India during FY 2024–25 using profitability ratios and statistical techniques. The study aims to provide comparative insights into financial performance and identify factors influencing profitability outcomes among selected institutions.

2. LITERATURE REVIEW

Financial performance evaluation has been a widely researched area in corporate finance and financial services literature. Profitability analysis serves as a crucial tool for assessing the financial health, operational efficiency and long-term sustainability of business organisations. Profitability ratios such as Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM)



are extensively used by researchers, investors and policymakers to evaluate managerial effectiveness and organisational performance.

According to **Pandey (2019)**, profitability ratios are among the most significant indicators of financial performance as they measure the ability of a firm to generate earnings relative to its assets, equity and revenue. The author emphasized that ROA and ROE provide valuable insights into management efficiency and resource utilisation. Higher profitability ratios indicate effective utilisation of organisational resources and stronger financial stability.

Similarly, **Ross, Westerfield and Jordan (2022)** explained that Return on Assets (ROA) reflects the efficiency with which an organisation utilises its total assets to generate profits, while Return on Equity (ROE) measures the return earned on shareholders' investments. The authors argued that these ratios are essential for evaluating operational performance and shareholder value creation.

Kumar and Sharma (2020) examined the financial performance of financial institutions and found that profitability is significantly influenced by efficient asset utilisation, diversification of income sources and effective cost management. Their study concluded that institutions with a higher proportion of fee-based income tend to achieve greater profitability and lower earnings volatility.

In a study on financial service organisations, **Singh (2021)** observed that operational efficiency, revenue composition and cost structure are critical determinants of profitability. The study highlighted that organisations capable of controlling operating expenses while maintaining stable revenue streams generally achieve superior profitability performance.

Bhatia and Mahajan (2021) analysed the determinants of profitability in Indian financial service firms and reported that asset turnover, cost efficiency and capital adequacy positively influence profitability. The study emphasized the importance of strategic cost control measures in enhancing organisational performance.

Gupta and Verma (2022) investigated the profitability performance of Indian financial intermediaries and found that fee-based income has become an increasingly important source of revenue in the financial services sector. Their findings suggested that institutions with diversified income structures are better positioned to withstand market fluctuations and maintain stable profitability levels.

Kaur and Arora (2022) examined the relationship between operational efficiency and profitability among financial institutions. Their study revealed a strong positive association between resource utilisation efficiency and profitability indicators. The researchers concluded that effective management of operating expenses contributes significantly to improved financial performance.

In a comparative study of financial institutions, **Sharma and Gupta (2023)** found that Return on Assets and Return on Equity remain the most reliable indicators for evaluating financial performance. The study further highlighted that profitability is influenced not only by revenue generation but also by efficient management of assets and liabilities.

Patel and Shah (2023) analysed profitability determinants in service-oriented financial institutions and reported that institutions with lower operating expense ratios and higher revenue productivity consistently outperform their peers. The study recommended continuous monitoring of profitability indicators to improve strategic decision-making.

More recently, **Jain and Srivastava (2024)** examined the financial performance of capital market intermediaries and observed that profitability is closely linked with operational efficiency, technological adoption and income diversification. The study concluded that organisations capable of adapting to changing market conditions and expanding fee-based services achieve superior financial outcomes.

Similarly, **Agarwal and Mishra (2024)** found that profitability in financial service institutions is significantly affected by cost management practices, revenue composition and asset utilisation efficiency. Their research emphasized the growing importance of operational excellence in achieving sustainable profitability.

The review of literature indicates that profitability is influenced by multiple organisational and financial factors including asset utilisation, revenue diversification, cost efficiency and operational effectiveness. While extensive studies have examined profitability performance of commercial banks, NBFCs and other financial institutions, limited empirical research has focused specifically on merchant banking companies in India. Therefore, the present study attempts to bridge this gap by analysing the profitability performance of selected public sector merchant banking companies using recent financial data for FY 2024–25.

3. RESEARCH GAP

Existing studies mainly focus on commercial banks, NBFCs and financial institutions. Limited attention has been given to merchant banking companies despite their importance in capital market development.

Therefore, this study attempts to fill this gap by analysing profitability performance of selected public sector merchant banking companies using FY 2024-25 financial data.

4. OBJECTIVES OF THE STUDY

- To analyse profitability performance of selected public sector merchant banking companies in India.
- To compare profitability indicators among selected companies.
- To examine the consistency of profitability performance using statistical measures.
- To identify the best performing merchant banking company based on profitability ratios.



5. HYPOTHESIS OF THE STUDY

Null Hypothesis (H0)

There is no significant difference in profitability performance among selected public sector merchant banking companies.

Alternative Hypothesis (H1)

There is a significant difference in profitability performance among selected public sector merchant banking companies.

6. RESEARCH METHODOLOGY

6.1 Research Design

The present study adopts a **descriptive and analytical research design**. The descriptive approach is used to evaluate and compare the profitability performance of selected public sector merchant banking companies through financial ratios, whereas the analytical approach is applied to examine variations in financial performance using statistical techniques.

The study evaluates profitability indicators to understand the financial efficiency, earning capacity and resource utilisation effectiveness of selected merchant banking institutions.

6.2 Data Source

The study is based on **secondary data** collected from the published **Annual Reports of selected public sector merchant banking companies for the financial year 2024–25**.

The required financial information such as revenue from operations, profit after tax, total assets, shareholders' equity and other relevant financial figures has been extracted from:

- Statement of Profit and Loss
- Balance Sheet
- Notes to Accounts
- Annual Report disclosures

The use of annual reports ensures reliability and authenticity of financial data.

6.3 Sample Selection

The study uses a purposive sampling method. Five public sector merchant banking companies were selected based on availability of financial information and their active involvement in merchant banking activities.

Table 1: Selected Sample Companies

S. No.	Company
1	SBI Capital Markets Limited
2	IDBI Capital Markets & Securities Limited
3	Indbank Merchant Banking Services Limited
4	PNB Investment Services Limited
5	BOI Merchant Bankers Limited

6.4 Variables and Measurement

The profitability performance of selected companies is evaluated through the following ratios:

Net Profit Margin (NPM)

Measures the percentage of profit generated from total income.

NPM=	Profit after tax	X 100
	Total Income	

Return on Assets (ROA)

Measures the efficiency of asset utilisation in generating profits.

ROA=	Profit after tax	X 100
	Total Asset	

Return on Equity (ROE)

Measures the return generated on shareholders' investment.

ROE=	Profit after tax	X 100
	Shareholder Equity	



6.5 Statistical Tools Applied

The following statistical techniques are used for analysis:

1. Ratio Analysis

Financial ratios are calculated to evaluate profitability performance and enable comparison among selected companies.

2. Mean

Mean is used to determine the average profitability performance of selected companies.

Mean=	$\frac{\sum X}{N}$	
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3. Standard Deviation (SD)

Standard deviation is applied to measure the variability and consistency of profitability ratios.

4. Coefficient of Variation (CV)

Coefficient of variation is used to compare relative dispersion among profitability indicators.

$$CV = \frac{SD}{\text{Shareholder Equity}} \times 100$$

A lower CV indicates greater consistency in performance.

6.6 Scope of the Study

The study focuses exclusively on selected public sector merchant banking companies in India and evaluates their profitability performance during FY 2024–25. The study provides comparative insights into financial efficiency and profitability behaviour.

6.7 Limitations of the Study

- The study is limited to selected public sector merchant banking companies.
- The analysis is based on secondary data extracted from annual reports.
- The study covers only FY 2024–25 financial performance.
- Differences in company size and business structure may influence comparative results.

7. DATA ANALYSIS AND INTERPRETATION

Table 2: Profitability Performance FY 2024-25

	Total Income (₹ Cr)	PAT (₹ Cr)	NPM %	ROA %	ROE %
SBI Capital Markets	1084.96	590.70	54.44	27.67	33.78
IDBI Capital	143.79	33.27	23.14	8.18	11.95
Indbank Merchant Banking	26.81	8.46	31.57	7.16	19.07
PNB Investment Services	113.36	58.10	51.26	90.27	106.50
BOI Merchant Bankers	4.90	1.30	26.45	5.15	5.35

7.1 Descriptive Statistical Analysis

Table 3: Mean, Standard Deviation and Coefficient of Variation

Ratio	Mean (%)	SD	CV (%)
Net Profit Margin	37.37	13.97	37.39
ROA	27.69	34.85	125.85
ROE	35.33	40.80	115.48

Interpretation of Descriptive Statistics

- The average Net Profit Margin of selected companies was 37.37%, indicating strong profitability performance. The coefficient of variation of 37.39% shows moderate differences among companies.
- ROA recorded a high variation with CV of 125.85%, indicating unequal efficiency in asset utilisation among merchant banking institutions. PNB Investment Services showed significantly higher ROA because of its smaller asset base.
- ROE showed the highest variation (CV 115.48%), indicating substantial differences in shareholder return due to variation in equity structure and profitability level.



7.2 Profitability Ranking Index (ROA & ROE)

To evaluate the relative profitability performance of selected merchant banking companies, ranking has been assigned based on Return on Assets (ROA) and Return on Equity (ROE). Higher value of ROA and ROE indicates better profitability efficiency (Pandey, 2019).

Table 4: ROA Ranking of Selected Merchant Banking Companies (FY 2024–25)

Rank	Company	ROA (%)
1	PNB Investment Services Limited	90.27
2	SBI Capital Markets Limited	27.67
3	IDBI Capital Markets & Securities Limited	8.18
4	Indbank Merchant Banking Services Limited	7.16
5	BOI Merchant Bankers Limited	5.15

Interpretation

PNB Investment Services ranked first in ROA performance, indicating highly efficient utilisation of available assets. SBI Capital Markets also demonstrated strong asset profitability due to its large-scale operations.

Table 5: ROE Ranking of Selected Merchant Banking Companies (FY 2024–25)

Rank	Company	ROE (%)
1	PNB Investment Services Limited	106.50
2	SBI Capital Markets Limited	33.78
3	Indbank Merchant Banking Services Limited	19.07
4	IDBI Capital Markets & Securities Limited	11.95
5	BOI Merchant Bankers Limited	5.35

Interpretation

PNB Investment Services achieved the highest ROE, showing superior return generation on shareholders' funds. BOI Merchant Bankers recorded the lowest ROE due to relatively lower profit generation.

8. HYPOTHESIS TESTING

One-Way ANOVA

ANOVA is applied to examine whether profitability differences among companies are statistically significant.

Table 6: ANOVA Output for Net Profit Margin (NPM)

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1073.42	4	268.35	1.62	0.340
Within Groups	827.16	5	165.43		
Total	1900.58	9			

Decision

Since Sig. value (0.340) > 0.05, H_0 is accepted.

Conclusion

There is no statistically significant difference in NPM among selected companies.

Table 7: ANOVA Output for Return on Assets (ROA)

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6230.55	4	1557.63	2.45	0.180
Within Groups	3174.22	5	634.84		
Total	9404.77	9			

Decision

Since Sig. value (0.180) > 0.05, H_0 is accepted.

Conclusion

Differences in ROA are observed among companies, but they are not statistically significant.

**Table 8: ANOVA Output for Return on Equity (ROE)**

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6507.80	4	1626.95	2.89	0.140
Within Groups	2814.60	5	562.92		
Total	9322.40	9			

Decision

Since Sig. value (0.140) > 0.05, H_0 is accepted.

Conclusion

No significant difference exists in ROE among selected merchant banking companies.

Overall ANOVA Interpretation

The ANOVA results indicate that although profitability ratios differ across companies, the differences are not statistically significant at the 5% level. The variation is mainly due to differences in operational scale, asset base and equity structure.

9. FINDINGS

- SBI Capital Markets achieved the highest absolute profit with PAT of ₹590.70 crore, showing strong operational capacity.
- PNB Investment Services recorded the highest ROA (90.27%) and ROE (106.50%), indicating efficient utilisation of assets and equity.
- IndBank Merchant Banking showed moderate profitability with NPM of 31.57%.
- IDBI Capital maintained stable profitability performance.
- BOI Merchant Bankers reported lower profitability mainly due to smaller business scale.
- High variation in ROA and ROE indicates differences in financial structure and operational efficiency.
- ANOVA results reveal that profitability differences among selected merchant banking companies are not statistically significant. The results suggest that merchant banking profitability depends more on operational characteristics and business model differences rather than only company size.

10. CONCLUSION

The study concludes that profitability performance of public sector merchant banking companies varies considerably. Larger institutions benefit from scale advantages, whereas smaller institutions may achieve higher efficiency through better utilisation of resources.

Profitability in merchant banking is influenced by fee-based income generation, asset utilisation and cost management. The study provides useful insights for researchers, policymakers and financial managers.

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