

# An Analytical Study On The Role And Growth Of Merchant Banking In India At Union Bank Of India - Yousufguda, Hyderabad.

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## ABSTRACT

The rapid evolution of India's financial landscape has elevated the prominence of merchant banking as a critical intermediary in capital formation, corporate financing, and advisory services. This study investigates the role and growth of merchant banking, with a case focus on Union Bank of India, through a structured survey of 80 respondents spanning diverse age groups, occupations, and financial backgrounds. Key metrics assessed include awareness and usage of merchant banking services, satisfaction levels, service preferences, and perceived contribution to economic development. Quantitative analysis—employing descriptive statistics and a chi-square test—reveals that while 70% of respondents are aware of merchant banking, only 40% have utilized its services. IPO support emerges as the most recognized and preferred offering, and reputation alongside service quality are identified as primary factors influencing bank selection. The chi-square statistic ( $\chi^2=31.75$ , df=1, p<0.05) confirms a significant association between awareness and positive perceptions of merchant banking's economic impact, leading to rejection of the null hypothesis. Findings indicate moderate satisfaction (55%) with existing services and underscore an awareness-usage gap. Recommendations include enhanced financial literacy initiatives, streamlined digital access, and proactive promotion of under-leveraged services. These measures aim to convert awareness into engagement, thereby reinforcing merchant banking's contribution to India's financial sector growth.

## INTRODUCTION

Merchant banking has played a significant role in shaping the financial landscape of India, especially in the context of capital market development and corporate finance. Despite significant growth, the merchant banking sector in India faces several challenges, including regulatory constraints, increased competition from investment banks, and economic fluctuations. With the rise of fintech and digital transformation in financial services, merchant banks are now adapting to new business models and leveraging technology to enhance their operations. This study aims to analyze the role and growth of merchant banking in India by examining its evolution, services, regulatory framework, challenges, and future prospects. By understanding the impact of merchant banking on economic development and capital markets, this research provides valuable insights into the strategic direction and policy improvements necessary for strengthening this sector

## NEED FOR THE STUDY

Merchant banking has become an integral part of the Indian financial system, playing a crucial role in corporate finance, investment advisory, and capital market development. As the Indian economy continues to expand, the demand for specialized financial services has grown, making it essential to study the role and growth of merchant banking in the country. With rapid economic development and globalization, Indian businesses require professional financial advisory services for fundraising, mergers and acquisitions, and risk management. Merchant banks provide these services, bridging the gap between corporate entities and capital markets. The Securities and Exchange Board of India (SEBI) regulates merchant banking activities to ensure transparency and protect investor interests. Understanding the regulatory environment is critical for assessing how policy changes impact the growth and efficiency of merchant banks. Merchant banks play a significant role in capital markets by managing public issues, underwriting securities, and facilitating foreign investments. Analyzing their contributions helps in understanding how they influence market liquidity, investor confidence, and overall financial stability.

## **OBJECTIVES OF THE STUDY**

- 1) To examine the evolution and development of merchant banking in India.
- 2) To analyze the role of merchant banks in capital market development
- 3) To assess the regulatory framework governing merchant banking in India
- 4) To identify the challenges faced by merchant banks
- 5) To explore future growth prospects and emerging trends in merchant banking -

#### SCOPE OF THE STUDY

This study examines the role, growth, and impact of merchant banking in India, focusing on its contributions to the financial sector and economic development. The research aims to provide a comprehensive analysis of merchant banking services, regulatory frameworks, challenges, and future prospects. Historical development and milestones in the merchant banking sector Factors driving the expansion of merchant banking services. Role of the Securities and Exchange Board of India (SEBI) in regulating merchant banks. Impact of government policies and financial regulations on merchant banking operations. Issue management, underwriting, mergers & acquisitions advisory, portfolio management, and venture capital financing.

#### METHODOLOGY

The study employs a structured research approach to analyze the role and growth of merchant banking in India. A combination of qualitative and quantitative research methods is used to ensure a comprehensive understanding of the subject.

#### 1. Research Design

## 3. Data Analysis Techniques

- Qualitative analysis is conducted through content analysis of regulatory policies, financial reports, and industry trends.
- Quantitative analysis is performed using financial data, market performance indicators, and statistical tools to identify growth patterns and industry trends.

## 4. Scope of Study Period

- The study focuses on the growth and performance of merchant banking in India over the past two to three decades, with special emphasis on the post-liberalization period (1991 onwards).
- The study also considers recent developments, including technological advancements and regulatory changes affecting merchant banking.

## LIMITATIONS OF THE STUDY

- 1) The study primarily relies on secondary data, which may have limitations in terms of real-time accuracy and completeness.
- 2) Availability of financial data and regulatory changes may impact trend analysis.
- 3) If primary data collection is conducted, response bias from surveys or interviews may be a limitation.
- study relies largely on secondary data and publicly available information. Due to confidentiality policies, access to detailed internal reports and performance metrics of the Merchant Banking Division at Union Bank of India was restricted.
- 5) The scope of the study had to be limited due to time constraints, affecting the depth of primary data collection such as interviews with bank officials or clients.
- 6) The research primarily focuses on operations within India, particularly the services rendered by Union Bank's domestic branches. Overseas merchant banking activities, if any, are not deeply explored.

## **REVIEW OF LITERATURE**

1 🗆 Assessing the Influence of Cybersecurity Threats and Risks on the Adoption and Growth of Digital Banking: A Systematic Literature Review (2025)

Authors: Md. Waliullah, Md Zahin Hossain George, Md Tarek Hasan, Md Khorshed Alam, Mosa Sumaiya Khatun Munira, Noor Alam SiddiquiarXiv

*Summary:* This study systematically examines the impact of cybersecurity threats on digital banking adoption and growth, highlighting the prevalence of phishing and malware attacks. It underscores the importance of multi-factor authentication and biometric security in mitigating unauthorized access, which is crucial for merchant banks like Union Bank of India as they expand their digital services. <u>arXiv</u>

2. Trends of Investment Banking and Growth Potential in India till 2030 (2024)

Authors: Not specified

*Summary:* This paper explores emerging trends in Indian investment banking, including technological advancements, digital transformation, and the emphasis on sustainable finance. It discusses how these trends present opportunities and challenges for merchant banks, including Union Bank of India, in adapting to a rapidly evolving financial landscape. <u>IJRASET</u>

3. SEBI's Merchant Banking Reforms: Impact and Future (2025)

Author: Md.

## DATA ANALYSIS & INTERPRETATION

18. Are you satisfied with the security margin?

Satisfaction	No. of Respondents	Percentage





## Interpretation:

A strong 80% satisfaction shows positive feedback regarding bank security margin policies.

Response	No. of Respondents	Percentage
Yes	70%	70%
No	30%	30%
Total	100	100

19. Are you satisfied with timely services provided by banks?





## Interpretation:

Timely service is appreciated by 70%, reflecting operational efficiency.

Response	No. of Respondents	Percentage		
Yes	75%	75%		
No	25%	25%		
Total	100	100		

20	Do	you th	ink r	norchant	hanking	diffore	from	investment	hanking?
20.	D0	you ui	шк і	nerchant	Danking	uniters	nom	mvestment	Danking !



## Interpretation:

75% understand the difference, indicating a fair level of financial knowledge.



## 1.4 HYPOTHESIS \

H<sub>0</sub> (Null Hypothesis): Merchant banking has not significantly contributed to the development of the Indian financial sector and capital markets.

H<sub>1</sub> (Alternative Hypothesis): Merchant banking has played a significant role in the development of the Indian financial sector and capital markets.

Conclusion (Based on Interpretation Trends):

Given the high awareness, satisfaction, and perceived support for economic development reported by respondents, we reject the null hypothesis (H<sub>0</sub>) and **accept the alternative hypothesis (H<sub>1</sub>)** — indicating that **merchant banking plays a significant role** in the development of the Indian financial sector and capital markets.

1.4 Hypothesis Testing

## Hypotheses Formulated:

- Null Hypothesis (H<sub>0</sub>): Merchant banking has not significantly contributed to the development of the Indian financial sector and capital markets.
- Alternative Hypothesis (H<sub>1</sub>): Merchant banking has played a significant role in the development of the Indian financial sector and capital markets.

Test Used: Chi-Square Test of Independence

We applied the **Chi-Square Test** to assess whether there is a statistically significant association between **awareness of merchant banking services** and **perception of its contribution to financial sector growth**. Observed Data:

From Question 3 (Awareness of Merchant Banking Services) and Question 9 (Support to Economic Development), we can organize the responses as:

Awareness $\rightarrow$ \ Support to Economic Development $\downarrow$	Aware (Yes)	Not Aware (No)	Total
Agree/Strongly Agree (Support)	52	8	60
Neutral/Disagree	4	16	20
Total	56	24	80

Expected Frequencies Calculation:

Using the formula:

$$E = rac{(Row \, Total imes Column \, Total)}{Grand \, Total}$$

## **Expected Frequency (E)**

Category	Expected Frequency (E)
Aware & Support = $(60 \times 56)/80 = 42$	



Not Aware & Support = $(60 \times 24)/80 = 18$	
Aware & No Support = $(20 \times 56)/80 = 14$	
Not Aware & No Support = $(20 \times 24)/80 = 6$	

Chi-Square Test Statistic Formula:

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where O = Observed Frequency, E = Expected Frequency

Calculation:

$$\chi^2 = rac{(52-42)^2}{42} + rac{(8-18)^2}{18} + rac{(4-14)^2}{14} + rac{(16-6)^2}{6}$$
 $\chi^2 = rac{100}{42} + rac{100}{18} + rac{100}{14} + rac{100}{6} pprox 2.38 + 5.56 + 7.14 + 16.67 = \mathbf{31.75}$ 

## Degrees of Freedom (df):

$$df = (r-1)(c-1) = (2-1)(2-1) = 1$$

Chi-Square Critical Value (at  $\alpha = 0.05$ ):

From the chi-square distribution table, at **df** = 1, **critical value** = 3.841

Conclusion:

 $\label{eq:last_linear} $$ \calculated 2=31.75 > \chi^2_{\text{critical}} = 31.75 > \chi^2_{\text{critical}} = 3.841 \chi^2_{\text{$ 

RejecttheNullHypothesis(H\_o)Accept the Alternative Hypothesis (H1)

Inference:

There is a **statistically significant relationship** between awareness of merchant banking and the perception that it supports economic development. This confirms that **merchant banking plays a significant role in the development of the Indian financial sector and capital markets**.

## FINDINGS

- a. 70% of respondents are aware of merchant banking services, indicating increasing financial literacy among the public.
- b. Although awareness is high, only 40% have used merchant banking services at Union Bank of India, showing a significant gap between awareness and actual utilization.
- c. The majority of respondents (35%) fall in the 26–35 age group, suggesting that



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- d. Salaried individuals (40%) and businesspersons (30%) form the majority of users, implying that income earners and entrepreneurs are key client groups for merchant banks.
- e. IPO services are the most familiar (50%), whereas services like portfolio management are less known (15%), indicating uneven awareness across services.
- f. 40% rated the growth of merchant banking as "Good" and 15% as "Excellent", showing a moderately optimistic view of the sector's expansion.
- g. 40% choose merchant banks based on reputation, and 30% based on service quality, highlighting trust and service excellence as critical selection criteria.
- h. A total of 75% (25% strongly agree, 50% agree) believe merchant banking supports business and economic development, affirming its role in financial sector advancement.
   SUGGESTIONS
- Banks should conduct seminars, webinars, and financial literacy campaigns to educate the public—especially students and small entrepreneurs—about various merchant banking services beyond just IPOs.
- Since many are aware but few use the services, banks like Union Bank of India should focus on converting awareness into actual engagement through targeted promotions and personalized outreach.
- Merchant banking services should be made more accessible through digital platforms,
- Banks should actively promote lesser-known services such as project financing, corporate advisory, and portfolio management to broaden client engagement.
- Focus on faster processing, professional communication, and customer follow-up to enhance
- Internal training for bank employees can help them better explain and cross-sell merchant banking services to existing and potential customers.

## CONCLUSION

This study set out to examine the role and growth of merchant banking in India, with a particular focus on Union Bank of India's offerings. Through a structured questionnaire administered to 80 respondents, we assessed awareness, usage patterns, service perceptions, and perceived economic impact. Key insights reveal that while 70% of participants are aware of merchant banking, only 40% have engaged its services—highlighting an awareness-usage gap. Young professionals (26–35 years) and salaried/business individuals dominate the user base, with IPO support emerging as the most recognized and preferred service. The chi-square test confirmed a statistically significant association between awareness and positive perceptions of economic contribution  $(\chi^2=31.75, df=1, p<0.05)$ , leading us to reject the null hypothesis and affirm that merchant banking plays a substantial role in India's financial sector development. Respondents rated growth as "Good" or better (55%) and expressed overall satisfaction (55%), yet underscored the need for improved service quality and broader promotion of lesser-known offerings. In sum, merchant banking in India is on a growth trajectory, bolstered by strong reputation and service quality factors. To capitalize on this momentum, banks should intensify educational outreach, streamline digital access, and highlight success stories across diverse services—thereby converting awareness into meaningful engagement and further strengthening their contribution to economic growth.



## **BIBILOGRAPHY:**

D Books

- 1. "Merchant Banking and Financial Services" Dr. S. Gurusamy
- o A comprehensive guide on the functions, role, and regulatory framework of merchant banking in India.
- 2. "Financial Services in India: Concept and Application" Rajesh Kothari
- o Covers a wide range of financial services including merchant banking with case studies.
- 3. "Merchant Banking and Financial Services" M.Y. Khan
- A textbook widely used in finance courses with deep insights into the evolution and operations of merchant banking in India.

## Websites

1. Union Bank of India Official Website

https://www.unionbankofindia.co.in

- o Check sections like "Investor Relations" or "Corporate Banking" for merchant banking services offered.
- 2. SEBI (Securities and Exchange Board of India)

https://www.sebi.gov.in

Journals and Research Articles

- 1. Journal of Banking and Finance Elsevier
- o International journal with studies on merchant banking and investment banking services.
- 2. Indian Journal of Finance Associated Management Consultants Pvt. Ltd.
- o Covers research papers on merchant banking, financial markets, and service trends in Indian banks.