



MERCHANT BANKING IN INDIA: A KEY PLAYER IN ACHIEVING THE VISION OF VIKSIT BHARAT 2047

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Abstract:

The vision of Viksit Bharat 2047 focus on India as a developed nation with an aim to develop financial markets and whole economy. An important component of this vision is the development of the financial sector. Merchant banking is responsible for increasing economic growth, infrastructure development, and financial growth. This paper explores the working of merchant banking in the respect of Vision Viksit Bharat 2047, focusing on its contributions to capital formation, infrastructure financing, mergers and acquisitions (M&A), and advisory services. Through the analysis of selected banks, the paper evaluates the current scenario, challenges, and potential strengths to enhance the effectiveness of merchant banking in achieving this national goal of viksit bharat 2047.

As India aims to become a developed nation by 2047, the efficiency and customer satisfaction within the banking sector, particularly in merchant banking, are crucial. Through a survey of 20 respondents and secondary data analysis, this paper examines the challenges, opportunities, and customer experiences related to merchant banking services, drawing insights into how these services can contribute to the realization of Vision– Viksit Bharat 2047.

Key words: *Merchant Banking, Customer Satisfaction, Viksit Bharat 2047, Banking Services*

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Introduction:

Merchant banking plays an important role in the financial sector as it is different from Commercial banking. It offers a range of services, including portfolio management, corporate advisory, loan syndication, and more. This study aims to understand the perspectives and experiences of customers regarding the services provided by selected merchant banks in Mumbai. They play a vital role in capital formation process by helping companies raise funds through equity and debt instruments.

Merchant banking is undoubtedly a skill-oriented service provided by a variety of financial organizations that ensures growth and prosperity in the corporate sector, which in turn shows itself in the country's total economic development. Merchant bankers are expected to perform a number of responsibilities, including issue management, underwriting, portfolio management, loan syndication, advising, and counselling, among others. Merchant banking is an effective combination of banking and advisory services. It advises its clients on financial, marketing, management, and regulatory issues. Consultancy



comprises jobs that offer guidance, advice, and services for a charge. It enables a businessman to start a company, raise capital, expand, improve, and restructure the business.

India is on the path to becoming a developed nation by 2047, a goal encapsulated in the Vision Viksit Bharat 2047. This vision includes a robust financial sector, where efficient banking services play a critical role. Merchant banking, which involves financial advisory, underwriting, fundraising, and other financial services to corporations, is pivotal in this context. However, the effectiveness of these services is largely determined by customer experiences and satisfaction. This paper aims to study merchant banking services through the lens of customer experiences, understanding their role in achieving Vision Viksit Bharat 2047.

This study was conducted to evaluate the feasibility and effectiveness of the research on merchant banking operations in selected banks in Mumbai. The study's primary goal was to refine data collection instruments, test research procedures, and identify potential challenges. Structured questionnaires were administered to gather quantitative data on customer satisfaction, service usage, and expectations.

Objectives of the study:

The primary objective of this study is to understand merchant banking in supporting and accelerating the goals of Vision Viksit Bharat 2047.

1. To study the merchant banking services offered to customers.
2. To understand the factors responsible that influence the selection of merchant bank.
3. To understand customer expectations and experiences.

4. To analyse the contribution of merchant banks in capital formation with help of IPOs handled by selected merchant bankers.

Research Methodology:

Research Design: This research design was used to gather detailed information on customer's views about the merchant banks and various IPO handled by them.

1. Sample Selection:

For Customers data-

- **Population:** Customers of merchant banks in Mumbai.
- **Sample Size:** 20 respondents are selected as sample for the study.
- **Sampling Technique:** Convenience sampling technique is used to collect the data.

For banks data-

- **Population:** There are total 219 merchant banks registered under SEBI.
- **Sample Size:** 10 Banks are selected as sample for the study.
- **Sampling Technique:** Deliberate sampling technique is used to collect the data.

2. Data Collection:

Primary Data: Structured questionnaires were used to collect data from respondents with electronic mode i.e. by email and personal visit wherever required.

Secondary Data: The relevant literature, reports, and banking data on banks website was analysed to understand the broader context and trends in merchant banking.

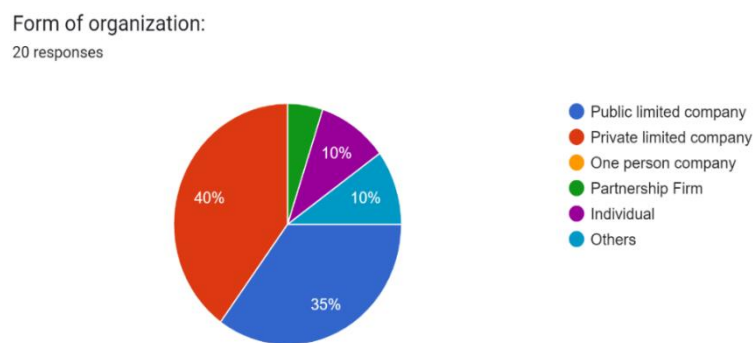


Findings:

1. To study the merchant banking services used by customers.

- i. Firstly the customers of merchant banks can be public limited company, private limited company, one Person Company, sole proprietor, partnership firm, limited liability partnership as well as Individuals.

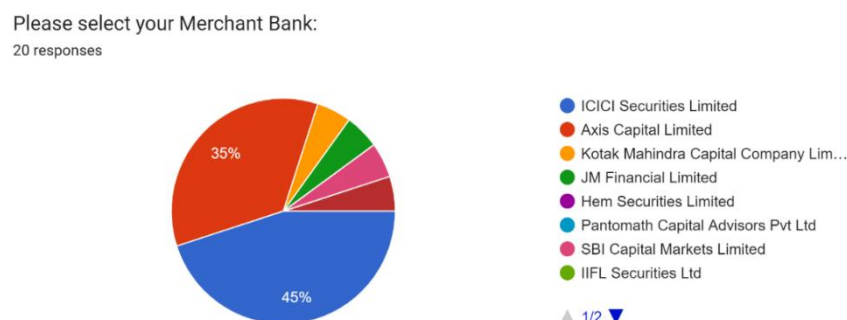
Fig. 1.1



From the above Fig. 1.1, we can observe that majority of the respondents in this study are private limited companies and it is around 40% of the respondents whereas 35% of respondents are public limited companies. Here, there are equal percentage of respondents of 10% each as individuals and others. There is least percentage of partnership firm as respondent.

- ii. In Mumbai there are 219 Merchant banks which constitute the universe for the study. Out of them 10 Merchant banks are selected as sample for the study. These selected merchant banks are those who had maximum number of IPOs issued by them in last ten years. Purposive/ Judgmental sampling method is used for the research study.

Fig. 1.2



From the above figure 1.2, we can see that total 10 banks were taken for the study out of which respondents were from six banks they were ICICI Securities Limited, Axis Capital Limited, Kotak Mahindra Capital Company Limited, JM Financial Limited, SBI Capital Markets Limited, and IIFL Securities Ltd. The major respondents of around 45% were from ICICI Securities Limited this means maximum respondents use services of ICICI Securities Limited. Following ICICI Securities Limited then Axis Capital Limited with 35% of the respondents. Remaining 20 % has respondents from Kotak Mahindra Capital Company Limited, JM Financial Limited, SBI Capital Markets Limited, and IIFL Securities Ltd comprising 5% each.



- iii. Merchant banker gives various services some of the most common merchant banking services include, fundraising, financial advisory, lending, underwriting, corporate portfolio management, international trade advisory, mergers and acquisitions, and asset sale, management advisory and other. This question was asked to find the respondents are using which particular merchant banking service.

Please tick the Merchant Banking service used by you:
20 responses

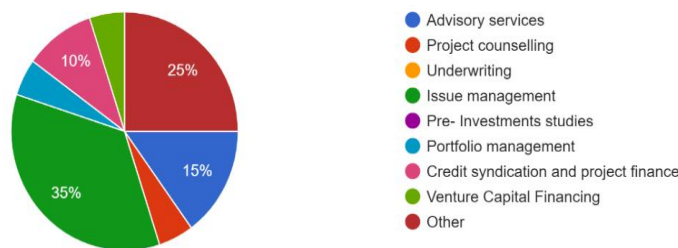


Fig. 1.4

The above figure 1.4, shows various merchant banking services like fundraising, financial advisory, lending, underwriting, corporate portfolio management, international trade advisory, mergers and acquisitions, and asset sale, management advisory and other. It is observed that there is variations in services used by the respondents, most of the respondents are using Issue management service it comprises of 35% of the respondents. Followed by other services of 25% and 15% of the respondents are using advisory services of merchant banks. 10% of the respondents are using loan syndication and project finance service and remaining 15% are project counselling, venture capital and portfolio management of 5% each.

2. To understand the factors responsible that influence the selection of merchant bank.

- i. Merchant banking is also facing competition in today's growing economy as there are total 219 merchant banks. Now there comes a questions to customers how they choose their merchant banks or which banks they choose for them. It depends on various factors such as Professional standards, Analytical skills, Customer Service, High level of integrity, Relationship building, branch proximity, reputation. Customers choose the banks on certain factors which influence them to choose the merchant bank.

What factors influenced your choice of merchant bank?
20 responses

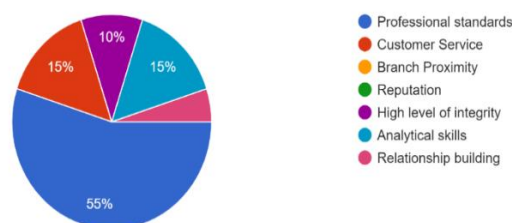


Fig. 1.7

The above figure 1.7, shows different factors on which the choice of selecting merchant banks depend. It is observed that majority of the respondents select merchant banks on the basis of their professional services



which consist of 55% of the total respondents. On the basis of customer services and analytical skills respondents are 15% each. Only 10% of the respondents prefer the bank integrity as a factor while choosing the merchant bank.

3. To understand customer expectations and experiences.

- i. Merchant banking services are given by merchant bankers to its customers and customers can rate the services availed by them by choosing certain criteria such as poor, average, good and excellent. This rating is based on customer's services, financial advice, transaction speed, transparency, service efficiency and fee structure.

Rate the Merchant banking services availed by you :

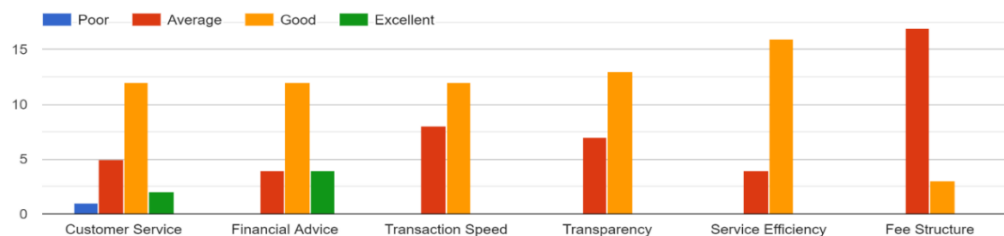


Fig. 1.8

It is observed that maximum respondents are rating their merchant banking services as good services, customers services, financial advice, transaction speed, transparency, service efficiency and fee structure.

- ii. There were few questions related to the expectations of customers such as Customers should feel safe with the merchant banks while dealing with the personal/ sensitive data, There should be quick revert for the customers query/ problem, Merchant banks should give special attention to specific needs of clients, Information regarding notices, pamphlets, and statements should be available on website/ email, Merchant banks should be located in metropolitan cities only, Customers loyalty should be kept in mind while finding new investors for them and expectations were obtained on Likert scale of 5 points.

Please select your Expectation of quality services:

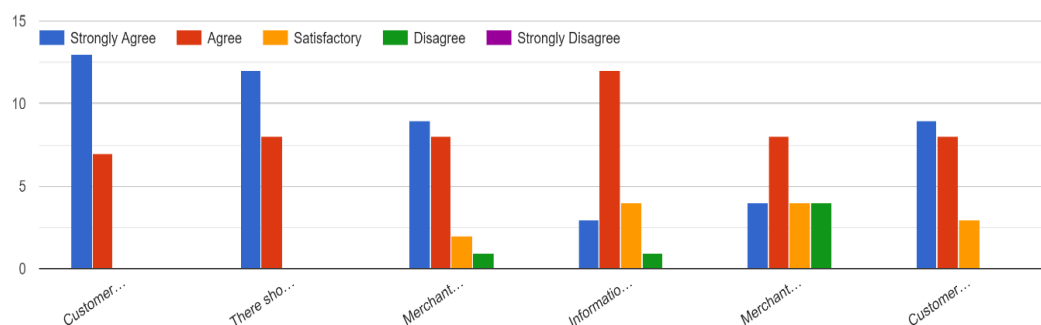


Fig. 1.9

From the above figure 1.9, it is observed that majority of the respondents strongly agreed that Customers should feel safe with the merchant banks while dealing with the personal/ sensitive data. Average customers



agreed that there should be quick revert for the customers query/ problem and Merchant banks should give special attention to specific needs of clients, Information regarding notices, pamphlets, and statements should be available on website/ email. Few of them agreed that Merchant banks should be located in metropolitan cities only and Customers loyalty should be kept in mind while finding new investors for them.

4. To analyse the contribution of merchant banks in capital formation with help of IPOs handled by selected merchant bankers.

i. List of IPO handles

Table 1: List of IPOs handled by merchant bankers in last five years

Name of company	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Aryaman Financial Services Limited	4	6	6	8	2	26
Axis Capital Limited	5	33	13	14	13	78
Edelweiss Financial Services Ltd	5	10	4	0	0	19
Hem Securities Limited	4	6	11	20	19	60
ICICI Securities Limited	9	31	13	20	19	92
IIFL Securities Ltd	2	23	12	15	9	61
JM Financial Limited	5	21	12	19	11	68
Kotak Mahindra Capital Company Limited	7	20	12	12	5	56
Pantomath Capital Advisors Pvt Ltd	0	2	1	7	2	12
SBI Capital Markets Limited	5	15	4	8	12	44

Source: websites of each bank

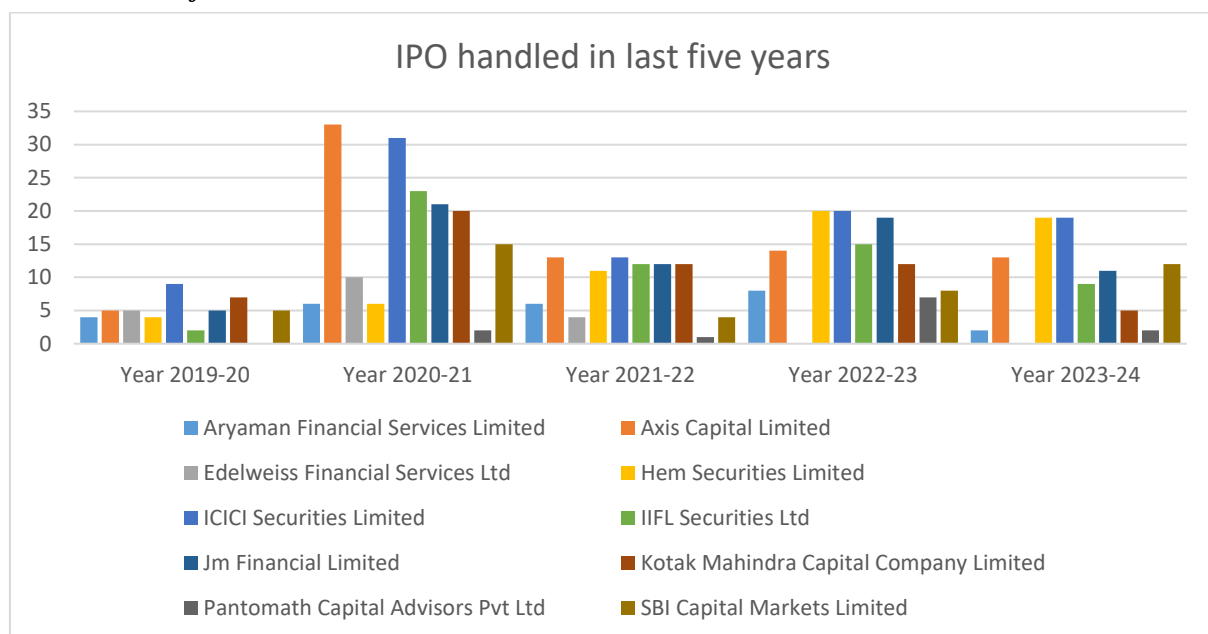


Fig. 1.10

From the above Fig. 1.10 and Table 1, it represents the last five years data of IPO handled by selected banks for the study. It is observed that ICICI Securities Limited has maximum number of IPOs i.e. 90 handled by them and Axis Capital Limited has 78 followed JM Financial Limited with 68, by IIFL Securities Ltd with 61, and Hem Securities Limited with 60. Others are also contributing in increasing IPOs in nation. The more IPOs are launched there will be more capital formation in the country and it will eventually lead for development of nation and it will take steps towards vision Viksit Bharat 2047.



Limitations of the study:

- Only few merchant banks were selected for the study.
- Customers were often busy, limiting the time available for in-depth interviews.
- Some customers were reluctant to share sensitive information related to their financial transactions.

Challenges of merchant banker:

- 1) **Complex Regulations:** Merchant bankers must navigate a complex web of regulations and compliance requirements, given by SEBI. Every merchant bank has to follow those regulations laid down by SEBI.
- 2) **Economic Fluctuations:** Market conditions can be unpredictable, and economic downturns can lead to reduced deal flow and profitability. This will eventually effect the economy as a whole.
- 3) **Risk Management:** Managing the risks associated with volatile markets, such as currency fluctuations and interest rate changes, is a constant challenge. Merchant banks has to manage risk as it depend on market.
- 4) **Evolving Needs:** Clients' needs are constantly evolving, requiring merchant bankers to adapt their services to meet new demands.
- 5) **Relationship Management:** Building and maintaining strong client relationships is essential but can be challenging, particularly in a competitive environment. As there are so many options for the customers they can easily switch to another merchant bank if they are not managed properly.

Conclusion:

Merchant banking in India has become one of the most important factors in the economic development of the country. This is particularly important when one considers the Vision of Viksit Bharat 2047. As one of

the targets for the year 2047 is to see India as a developed country, the importance of Merchant Banks in creation of capital restructuring, mergers and acquisitions, and fostering of entrepreneurship cannot be ignored also it helps in IPO process.

These institutions function as mediator between enterprises and shareholders; therefore enabling businesses of all dimensions to have access to capital, and also ensures that resources are efficiently distributed among the various sectors. This experience in underwriting, financial consultancy, and corporate reorganization has made the Indian industry grow, innovate and compete in the global arena.

To summarize, in the year 2047 when India will be celebrating its centenary of independence, merchant banking will definitely try to enhance the development of the economy seeking self-reliance. Development challenges and developmental opportunities will engage merchant banks, governments, and the private sector during next few years.

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