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DETERMINANTS OF FINANCIAL PERFORMANCE IN INDIAN FINANCIAL SERVICES COMPANIES: AN EMPIRICAL STUDY

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Abstract

The financial services sector plays a pivotal role in the Indian economy by enabling capital allocation, managing risks, and driving economic growth. This study investigates the key determinants of financial performance in Indian financial services companies by analyzing critical financial indicators, including profitability, liquidity, leverage, efficiency, and solvency. Using a sample of seven leading financial services firms from 2020 to 2024, the research employs descriptive statistics and one-way ANOVA to assess variations and trends in financial performance. The study evaluates financial ratios such as Gross Profit Margin, Net Profit Margin, Return on Equity, Return on Assets, Debt-to-Equity Ratio, and others to determine their impact on firm stability and growth. The findings offer empirical insights into the financial health of these firms, helping investors, policymakers, and corporate managers make informed strategic decisions. This study advances knowledge of sustainable financial management in a cutthroat corporate climate by identifying important aspects determining financial performance.

Keywords: *Finance, Ratio Analysis, Financial Services, ANOVA, Investments.*

INTRODUCTION

The financial services sector plays a critical role in the Indian economy by facilitating capital allocation, managing risks, and supporting economic growth. Understanding the determinants of financial performance in this sector is essential for investors, policymakers, and corporate managers to make informed decisions.[1] This study examines the key financial indicators profitability, liquidity, leverage, efficiency, and solvency to assess their impact on firm performance. By analyzing seven leading Indian financial services companies from 2020 to 2024, this research aims to identify patterns, variations, and trends in financial health. The study employs descriptive statistics and ANOVA to determine whether differences in financial metrics are statistically significant or merely due to random fluctuations. Through empirical analysis, the research seeks to provide insights into the factors driving financial success, enabling firms to enhance their strategies for long-term sustainability and growth in a highly competitive financial landscape.[2]

REVIEW OF THE LITERATURE

Joshi et. al. (2013). This study examines the intellectual capital (IC) performance of the Australian financial sector from 2006 to 2008 and its relationship with financial performance using the Value Added Intellectual Coefficient (VAIC) approach. The findings reveal that human capital is the primary driver of value creation, but two-thirds of financial sector companies exhibit low IC efficiency, with investment firms outperforming banks, insurance companies, and diversified financials due to higher human capital efficiency.[3]

Wani et. al. (2015). This study examines the relationship between financial risk and financial performance in Indian life insurance companies, identifying capital management risk, solvency risk, liquidity risk, volume of capital, and company size as key determinants. The findings indicate that 54.7% of the variation in financial performance can be explained by these factors, while underwriting risk shows no significant impact on ROA. The study recommends that Indian insurance companies improve capital and solvency risk management and expand their asset base to enhance competitive strength and financial performance.[4]

Weqar et. al. (2021). This study examines the impact of intellectual capital on the financial performance of knowledge-driven firms in India, using Bombay Stock Exchange's finance index (2009–2018) and the Value Added Intellectual Coefficient (VAIC™) methodology. The findings indicate that intellectual capital has an insignificant association with profitability and productivity, though capital employed efficiency positively influences profitability in the financial sector.[5]

OBJECTIVES OF THE STUDY

- To examine the key financial performance indicators such as profitability, liquidity, leverage, efficiency, and solvency in Indian financial services companies.

- To analyze the impact of financial ratios (Gross Profit Margin, Net Profit Margin, Return on Equity, Return on Assets, Debt-to-Equity, and others) on the overall financial health and stability of financial services firms.
- To investigate variations in financial performance across different financial service companies and identify whether these variations are statistically significant.

RESEARCH METHODOLOGY

Research Design:

This study adopts a quantitative and empirical research design to analyze the determinants of financial performance in Indian financial services companies. It involves the collection and statistical analysis of financial data over a five-year period (2020–2024) to assess the impact of key financial indicators on firm performance.

Data Collection:

The study relies on secondary data obtained from the financial statements of selected Indian financial services companies. The data is sourced from annual reports, financial disclosures, stock market filings, and corporate websites of the selected companies.

Sample Selection:

The study includes a sample of seven financial services companies operating in India, selected based on their market presence, availability of financial data, and industry significance.

Variables Considered:

- Profitability Indicators: Gross Profit Margin, Operating Margin, Net Profit Margin
- Return Measures: Return on Net Worth (RoNW), Return on Capital Employed (ROCE), Return on Assets (ROA)
- Leverage Ratios: Debt-to-Equity Ratio, Interest Coverage Ratio

Data Analysis Techniques:

One-way ANOVA is conducted to determine whether there are statistically significant differences in financial performance metrics across companies. A significance level of 0.05 is used to determine whether variations in financial performance are due to random fluctuations or actual firm-level differences.

Hypothesis Testing:

Null Hypothesis (H_0): There is no significant difference in financial performance indicators across Indian financial services companies over the years.

Alternative Hypothesis (H_1): There is significant difference in financial performance indicators across Indian financial services companies over the years.

DATA ANALYSIS AND DATA INTERPRETATION

Revenue of Indian Financial Services Companies

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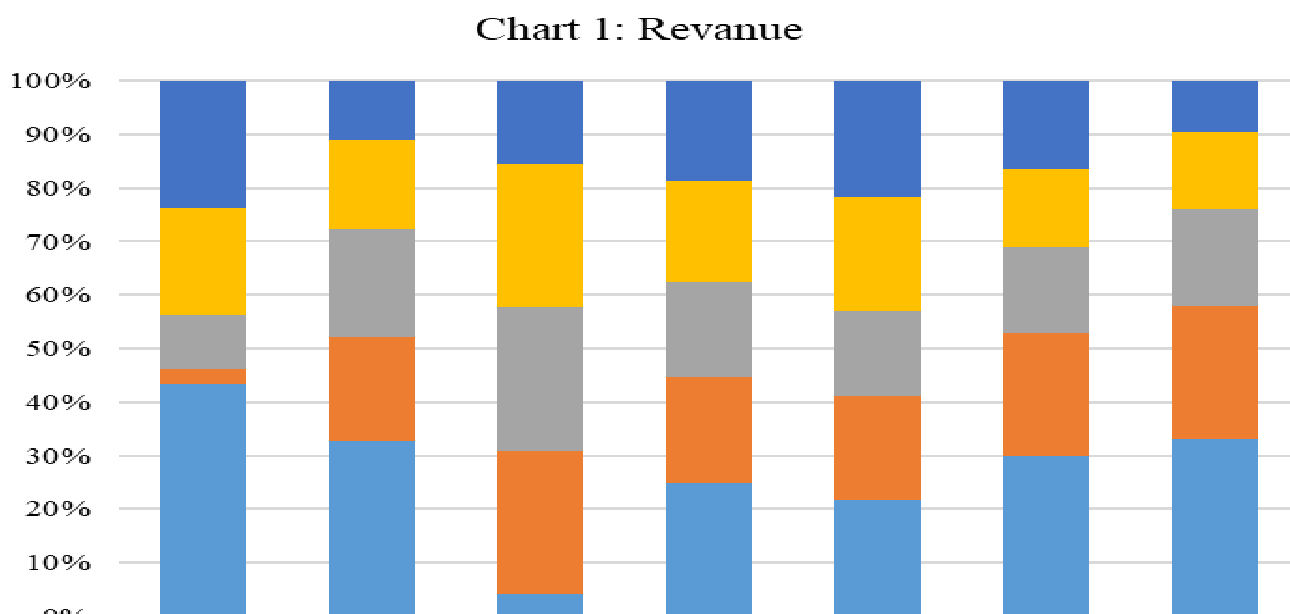
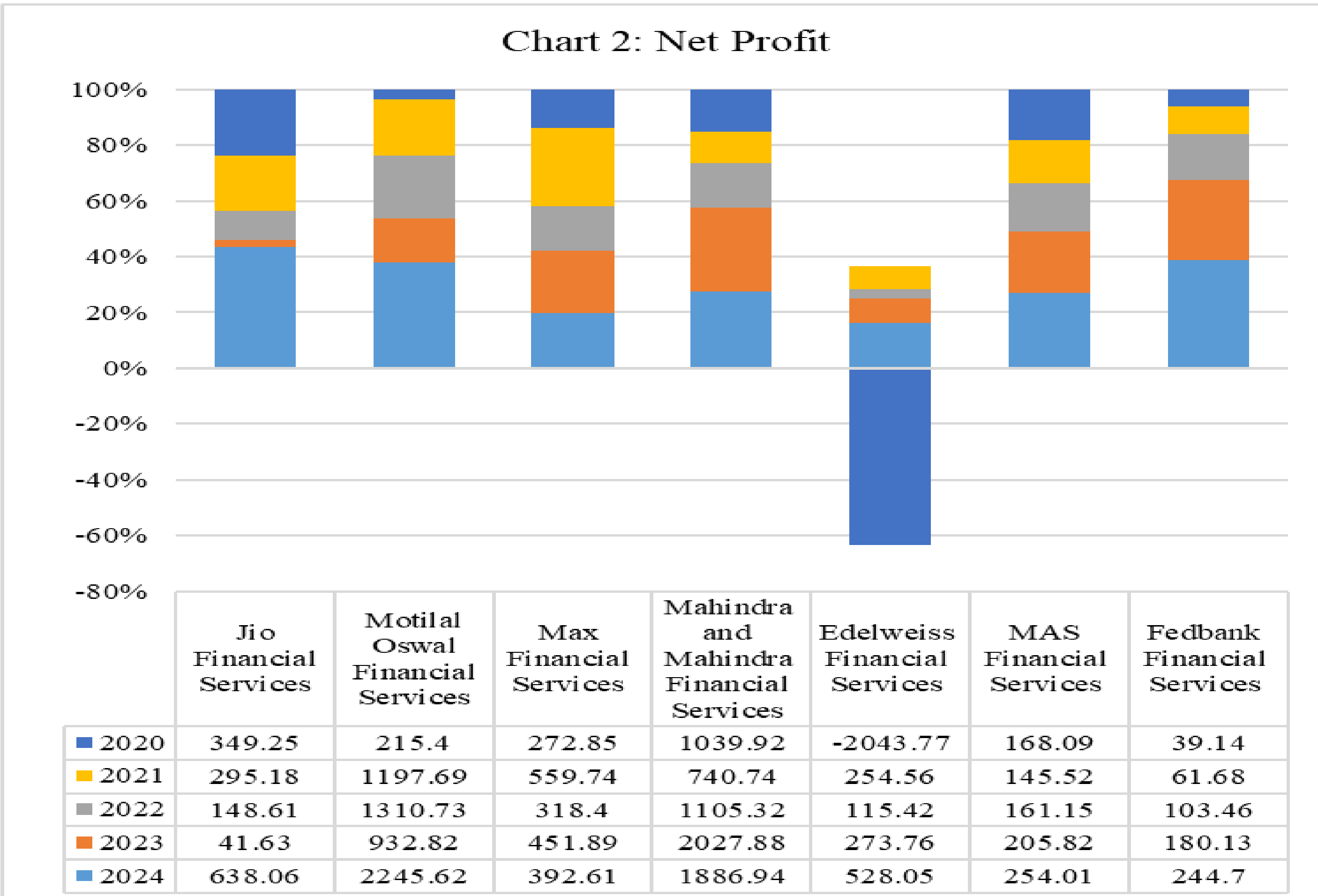


	Jio Financial Services	Motilal Oswal Financial Services	Max Financial Services	Mahindra and Mahindra Financial Services	Edelweiss Financial Services	MAS Financial Services	Fedbank Financial Services
2020	349.25	2357.55	18239.98	11882.95	9513.31	709.65	449.42
2021	295.18	3625.6	31273.9	12111.17	9357.36	626.98	691.83
2022	148.61	4296.83	31181.14	11317.57	6911.4	690.17	869.32
2023	41.63	4177.12	31412.67	12699.53	8481.04	987.83	1178.8
2024	638.06	7067.77	4576.23	15796.85	9499.56	1279.16	1577.21

The revenue analysis of seven financial service companies from 2020 to 2024 reveals significant growth disparities. Max Financial Services consistently led with the highest revenue, increasing from ₹18,239.98 crores in 2020 to ₹45,762.3 crores in 2024, reflecting strong market performance. Motilal Oswal Financial Services and Mahindra and Mahindra Financial Services also showed steady revenue growth, from ₹2,357.55 crores and ₹11,882.95 crores in 2020 to ₹7,067.77 crores and ₹15,796.85 crores in 2024, respectively. Jio Financial Services, despite an initial decline from ₹349.25 crores in 2020 to ₹41.63 crores in 2023, rebounded sharply to ₹638.06 crores in 2024, indicating a potential recovery phase. Conversely, Edelweiss Financial Services' revenue remained relatively stable, fluctuating around ₹9,500 crores. Smaller players like MAS Financial Services and Fedbank Financial Services showed moderate but consistent growth, reaching ₹1,279.16 crores and ₹1,577.21 crores in 2024, respectively. These trends suggest that while some firms have experienced rapid expansion, others face challenges in sustaining long-term revenue growth.[6,7]

Net Profit of Indian Financial Services Companies



The net profit analysis of seven financial service companies from 2020 to 2024 highlights varied financial performance trends. Motilal Oswal Financial Services showed a substantial increase in net profit, rising from ₹215.4 crores in 2020 to ₹2,245.62 crores in 2024, indicating strong financial growth. Similarly, Mahindra and Mahindra Financial Services exhibited an overall upward trend, with net profit growing from ₹1,039.92 crores in 2020 to ₹1,886.94 crores in 2024, despite fluctuations. In contrast, Edelweiss Financial Services faced severe financial challenges in 2020, reporting a net loss of ₹-2,043.77 crores, but managed to recover, reaching ₹528.05 crores in 2024. Max Financial Services' net profit remained relatively stable, fluctuating between ₹272.85 crores in 2020 and ₹392.61 crores in 2024. Jio Financial Services showed an irregular pattern, declining initially but rebounding to ₹638.06 crores in 2024. Smaller firms like MAS Financial Services and Fedbank Financial Services demonstrated steady, moderate growth, with net profits rising to ₹254.01 crores and ₹244.7 crores in 2024, respectively. These findings indicate strong financial recovery and expansion for some firms, while others struggle with fluctuations and market challenges.[8,9]

Gross Profit Margin

Null Hypothesis (H_0): There is no significant difference in the gross profit margins among the financial service companies over the years.

Table 1: Gross Profit Margin (%)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	85.19	118.52	119.01	77.45	92.08
Motilal Oswal Financial Services	58.41	45.4	49.85	55.78	34.75
Max Financial Services	0.99	1.81	1.34	1.91	2.48
Mahindra and Mahindra Financial Services	61.82	64.07	53.48	50.56	59.69
Edelweiss Financial Services	35.26	34.96	47.25	45.31	27
MAS Financial Services	77.44	77.98	80.73	77.11	74.6
Fedbank Financial Services	66.25	65.52	60.22	60.33	61.48

Source: www.moneycontrol.com

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The gross profit margin analysis of seven financial service companies from 2020 to 2024 reveals distinct trends in profitability. Jio Financial Services exhibited the highest volatility, peaking at 119.01% in 2022 before dropping to 85.19% in 2024, indicating fluctuations in cost management. Motilal Oswal Financial Services showed a notable improvement, rising from 34.75% in 2020 to 58.41% in 2024, reflecting better financial efficiency. Max Financial Services maintained consistently low gross profit margins, declining from 2.48% in 2020 to 0.99% in 2024, suggesting limited profitability. Mahindra and Mahindra Financial Services displayed stability, with margins fluctuating between 50.56% in 2021 and 64.07% in 2023, before slightly decreasing to 61.82% in 2024. Edelweiss Financial Services experienced an overall improvement, increasing from 27% in 2020 to 35.26% in 2024, despite a peak of 47.25% in 2022. MAS Financial Services maintained strong margins, staying above 74%, while Fedbank Financial Services showed steady growth, reaching 66.25% in 2024. These trends indicate that while some firms strengthened their profitability, others faced challenges in maintaining consistent margins.[8,9]

Table 2: ANOVA on Gross Profit Margin

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	374.44	4	93.61	0.09	0.98	2.69
Within Groups	30095.08	30	1003.17			
Total	30469.52	34				

The ANOVA test results indicate that the F-value (0.09) is significantly lower than the F-critical value (2.69), and the P-value (0.98) is much higher than the standard significance level of 0.05. These results provide strong statistical evidence to fail to reject the null hypothesis (H_0), meaning there is no significant difference in gross profit margins among the financial service companies over the years.

Operating Margin

Null Hypothesis (H_0): There is no significant difference in the operating margins among the financial service companies over the years.

Table 3: Operating Margin (%)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	83.26	118.52	119.01	77.45	92.08
Motilal Oswal Financial Services	57.24	44	48.73	54.47	33.07
Max Financial Services	0.98	1.79	1.32	1.89	2.42
Mahindra and Mahindra Financial Services	60.08	62.29	52.14	49.32	58.45
Edelweiss Financial Services	33.93	33.33	45.06	42.53	24.55
MAS Financial Services	77.11	77.71	80.43	76.7	74.2
Fedbank Financial Services	63.88	61.97	56	56.38	57.2

Source: www.moneycontrol.com

The Operating Margin (%) data across financial service companies from 2020 to 2024 demonstrates varying profitability trends. Jio Financial Services shows a volatile pattern, with a peak of 119.01% in 2022, followed by a decline to 83.26% in 2024. Motilal Oswal Financial Services exhibits a moderate fluctuation, reaching a low of 33.07% in 2020 and increasing to 57.24% in 2024. Max Financial Services consistently maintains the lowest operating margins, ranging from 0.98% in 2024 to 2.42% in 2020, indicating minimal profitability. Mahindra and Mahindra Financial Services has stable margins, fluctuating between 49.32% (2021) and 62.29% (2023). Edelweiss Financial Services shows an overall increase from 24.55% in 2020 to 33.93% in 2024, reflecting gradual improvement. MAS Financial Services remains the most stable, maintaining margins above 74% across all years, peaking at 80.43% in 2022. Fedbank Financial Services also shows consistency, with margins ranging from 56% (2022) to 63.88% (2024).[10,11]

Table 4: ANOVA on Operating Margin

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	389.42	4	97.35	0.10	0.98	2.69
Within Groups	30076.23	30	1002.54			
Total	30465.65	34				

The ANOVA results for operating margins indicate that the F-value (0.10) is significantly lower than the critical F-value (2.69), and the p-value (0.98) is much higher than the typical significance level of 0.05. This suggests that there is no statistically significant difference in the operating margins among the financial service companies over the years. Consequently, we fail to reject the null hypothesis (H_0), confirming that variations in operating margins across different companies are not significantly different from each other and may be due to random fluctuations rather than inherent operational differences.

Net Profit Margin

Null Hypothesis (H_0): There is no significant difference in the net profit margin among the financial service companies over the years.

Table 5: Net Profit Margin (%)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	59.94	75.06	113.07	41.68	65.83
Motilal Oswal Financial Services	34.6	22.33	30.5	33.03	9.13
Max Financial Services	0.84	1.43	1.02	1.78	1.49
Mahindra and Mahindra Financial Services	11.94	15.96	9.76	6.11	8.75
Edelweiss Financial Services	5.55	3.22	1.66	2.72	-21.48
MAS Financial Services	19.85	20.83	23.34	23.21	23.68
Fedbank Financial Services	15.51	15.28	11.9	8.91	8.7

Source: www.moneycontrol.com

The net profit margin analysis across financial service companies from 2020 to 2024 reveals significant variations. Jio Financial Services demonstrated the highest net profit margin, peaking at 113.07% in 2022, before declining to 59.94% in 2024. Motilal Oswal Financial Services exhibited moderate fluctuations, reaching 34.6% in 2024 from a low of 9.13% in 2020. Max Financial Services consistently reported minimal profit margins, averaging around 1% across all years. Mahindra and Mahindra Financial Services saw a gradual increase, improving from 6.11% in 2021 to 15.96% in 2023, but dropping to 11.94% in 2024. Edelweiss Financial Services showed unstable performance, with a negative margin of -21.48% in 2020, recovering to 5.55% in 2024. MAS Financial Services maintained a relatively stable margin, hovering between 19.85% and 23.68%. Fedbank Financial Services displayed slow but steady growth, reaching 15.51% in 2024 from 8.7% in 2020. This analysis suggests that while some companies have shown resilience and growth, others continue to struggle with profitability.[11,12]

Table 6: ANOVA on Net Profit Margin

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	759.91	4	189.98	0.27	0.90	2.69
Within Groups	21207.43	30	706.91			
Total	21967.34	34				

The ANOVA test on net profit margin indicates that the F-value (0.27) is significantly lower than the critical F-value (2.69), and the P-value (0.90) is much higher than 0.05, suggesting that there is no statistically significant difference in net profit margins among the financial service companies over the years. This result supports the null hypothesis (H_0), implying that variations in net profit margins across firms are likely due to random fluctuations rather than meaningful differences. The high within-group variance (21,207.43) compared to the between-group variance (759.91) further reinforces this conclusion, indicating that company-specific or external factors may have influenced profitability trends rather than systemic differences among firms.

Return on Networth / Equity

Null Hypothesis (H_0): There is no significant difference in the return on networth / equity among the financial service companies over the years.

Table 7: Return on Networth / Equity (%)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	1.56	0.17	7.54	5.97	11.87
Motilal Oswal Financial Services	27.95	14.9	23.08	28.1	5.94
Max Financial Services	8.79	10.75	6.43	12.72	6.75

Mahindra and Mahindra Financial Services	9.69	11.16	6.72	4.9	8.98
Edelweiss Financial Services	8.83	5.1	2.88	4.03	-33.37
MAS Financial Services	14.08	13.38	12.09	12.23	16.96
Fedbank Financial Services	10.82	13.4	8.96	7.39	5.66

Source: www.moneycontrol.com

The return on net worth or equity (%) across financial service companies from 2020 to 2024 reflects varying levels of financial efficiency and profitability. Jio Financial Services showed extreme fluctuations, peaking at 11.87% in 2020, dropping to 0.17% in 2023, and recovering slightly to 1.56% in 2024, indicating inconsistent returns for shareholders. Motilal Oswal Financial Services demonstrated strong growth, increasing from 5.94% in 2020 to 27.95% in 2024, suggesting improved profitability and capital efficiency. Max Financial Services exhibited moderate fluctuations, with RoNW ranging between 6.43% in 2022 and 12.72% in 2021, stabilizing at 8.79% in 2024. Mahindra and Mahindra Financial Services remained relatively stable, fluctuating between 4.9% (2021) and 11.16% (2023), while Edelweiss Financial Services showed a significant recovery from a negative -33.37% in 2020 to 8.83% in 2024, indicating an improving financial position. MAS Financial Services maintained steady returns, ranging from 12.09% (2022) to 16.96% (2020), while Fedbank Financial Services showed gradual improvement, increasing from 5.66% in 2020 to 13.4% in 2023, before slightly declining to 10.82% in 2024.[8]

Table 8: ANOVA on Return on Networth / Equity

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	310.80	4	77.70	0.80	0.53	2.69
Within Groups	2901.48	30	96.72			
Total	3212.28	34				

The ANOVA results for return on net worth (RoNW) or equity indicate that the F-value (0.80) is lower than the critical F-value (2.69), and the P-value (0.53) is much higher than the significance level of 0.05. These findings suggest that there is no statistically significant difference in RoNW among the financial service companies over the years. As a result, we fail to reject the null hypothesis (H_0), indicating that the observed variations in return on equity are likely due to random fluctuations rather than fundamental differences in financial performance.

Return on Capital Employed (ROCE)

Null Hypothesis (H_0): There is no significant difference in the return on capital employed among the financial service companies over the years.

Table 9: ROCE (%)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	2.17	0.2	7.93	11.09	13.95
Motilal Oswal Financial Services	22.57	13.32	20.52	23.64	12.7
Max Financial Services	7.93	10.59	7.75	0.6	0.59
Mahindra and Mahindra Financial Services	15.29	14	11.58	12.21	15.53
Edelweiss Financial Services	20.77	18.38	8.65	12.55	6.79
MAS Financial Services	53.6	31.47	29.16	29.18	45.19
Fedbank Financial Services	43.22	51.46	41.1	45.83	35.44

Source: www.moneycontrol.com

The Return on Capital Employed (ROCE) (%) data from 2020 to 2024 highlights varying levels of operational efficiency and profitability across financial service companies. Jio Financial Services experienced a sharp decline from 13.95% in 2020 to 0.2% in 2023, before slightly recovering to 2.17% in 2024, indicating inconsistent capital efficiency. Motilal Oswal Financial Services demonstrated stable performance, fluctuating between 12.7% (2020) and 23.64% (2021), settling at 22.57% in 2024. Max Financial Services maintained low but steady returns, ranging between 0.59% (2020) and 10.59% (2023). Mahindra and Mahindra Financial Services exhibited moderate consistency, peaking at 15.53% in 2020 and maintaining values around 12-15% in subsequent years. Edelweiss Financial Services showed an upward trend, increasing from 6.79% in 2020 to 20.77% in 2024, suggesting improved capital utilization. MAS Financial Services reported the highest volatility, with ROCE peaking at 53.6% in 2024, after a dip to 29.16% in 2022. Fedbank Financial Services also displayed strong and stable returns, reaching a high of

51.46% in 2023 before slightly declining to 43.22% in 2024.[9]

Table 10: ANOVA on ROCE

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	135.53	4	33.88	0.13	0.97	2.69
Within Groups	7605.99	30	253.53			
Total	7741.52	34				

The ANOVA results for return on capital employed (ROCE) indicate that the F-value (0.13) is much lower than the critical F-value (2.69), and the P-value (0.97) is significantly higher than the standard significance level of 0.05. These findings suggest that there is no statistically significant difference in ROCE among the financial service companies over the years. As a result, we fail to reject the null hypothesis (H_0), implying that the observed variations in ROCE across firms are likely due to random fluctuations rather than inherent differences in capital efficiency.

Return On Assets

Null Hypothesis (H_0): There is no significant difference in the return on assets among the financial service companies over the years.

Table 11: Return On Assets (%)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	1.56	0.12	7.54	5.97	4.8
Motilal Oswal Financial Services	7.66	4.04	7.73	8.82	1.81
Max Financial Services	0.2	0.28	0.21	0.43	0.19
Mahindra and Mahindra Financial Services	1.56	1.97	1.35	0.9	1.31
Edelweiss Financial Services	0.98	0.78	0.43	0.57	-3.76
MAS Financial Services	2.62	2.53	2.52	2.65	3.47
Fedbank Financial Services	2.19	1.98	1.57	1.12	0.95

Source: www.moneycontrol.com

The Return on Assets (ROA) (%) data from 2020 to 2024 highlights the efficiency of financial service companies in generating profits from their total assets. Jio Financial Services exhibited high volatility, peaking at 7.54% in 2022, followed by a sharp decline to 0.12% in 2023, before recovering slightly to 1.56% in 2024. Motilal Oswal Financial Services showed steady growth, increasing from 1.81% in 2020 to 7.66% in 2024, indicating improved asset utilization. Max Financial Services consistently recorded the lowest ROA, ranging between 0.19% (2020) and 0.43% (2021), suggesting minimal returns from assets. Mahindra and Mahindra Financial Services maintained stable but low returns, fluctuating between 0.9% (2021) and 1.97% (2023). Edelweiss Financial Services showed a significant recovery from a negative -3.76% in 2020 to 0.98% in 2024, indicating improved financial stability. MAS Financial Services maintained a relatively stable ROA, ranging between 2.52% (2022) and 3.47% (2020), demonstrating consistent asset efficiency. Fedbank Financial Services showed gradual improvement, increasing from 0.95% in 2020 to 2.19% in 2024.[10]

Table 12: ANOVA on Return on Assets

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	17.10	4	4.27	0.59	0.67	2.69
Within Groups	217.44	30	7.25			
Total	234.54	34				

The ANOVA results for return on assets (ROA) indicate that the F-value (0.59) is lower than the critical F-value (2.69), and the P-value (0.67) is much higher than the standard significance level of 0.05. These findings suggest that there is no statistically significant difference in ROA among the financial service companies over the years. As a result, we fail to reject the null hypothesis (H_0), implying that the observed variations in ROA across firms are likely due to random fluctuations rather than fundamental differences in asset utilization efficiency.

Debt to Equity

Null Hypothesis (H_0): There is no significant difference in the debt to equity among the financial service companies over the years.

Table 13: Debt to Equity (x)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services		0.04			1.25
Motilal Oswal Financial Services	1.58	1.64	1.08	1.28	1.5
Max Financial Services	0.13	0.15			
Mahindra and Mahindra Financial Services	4.93	4.39	3.68	4.13	5.48
Edelweiss Financial Services	4.25	3.22	3.47	4.32	5.98
MAS Financial Services	4.17	4.04	3.37	2.98	2.83
Fedbank Financial Services	3.63	5.31	4.35	5.19	4.67

Source: www.moneycontrol.com

The Debt-to-Equity (D/E) Ratio, which measures a company's financial leverage by comparing total debt to shareholders' equity, exhibits varying trends among financial service firms from 2020 to 2024. Jio Financial Services reported a D/E ratio of 1.25 in 2020, but no data was available for subsequent years except for 0.04 in 2024, indicating a possible reduction in debt reliance. Motilal Oswal Financial Services maintained moderate leverage, fluctuating between 1.08 (2022) and 1.64 (2023), suggesting a balanced approach to debt financing. Max Financial Services maintained an extremely low debt-to-equity ratio, at 0.13 (2024) and 0.15 (2023), indicating a strong equity-based capital structure with minimal reliance on debt. Mahindra and Mahindra Financial Services showed higher leverage, peaking at 5.48 in 2020, with a gradual decrease to 4.39 in 2023 and 4.93 in 2024, suggesting controlled debt usage[9]. Edelweiss Financial Services also displayed a declining trend from 5.98 in 2020 to 3.22 in 2023, but slightly increased to 4.25 in 2024, reflecting a shifting debt strategy. MAS Financial Services maintained a stable but high debt ratio, ranging from 2.83 (2020) to 4.17 (2024), suggesting consistent reliance on debt financing. Fedbank Financial Services experienced fluctuations, reaching a peak of 5.31 in 2023, before declining to 3.63 in 2024, indicating efforts to reduce financial leverage.

Table 14: ANOVA on Debt to Equity

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	3.68	4	0.92	0.28	0.89	2.78
Within Groups	79.77	24	3.32			
Total	83.44	28				

The ANOVA results for the Debt-to-Equity (D/E) Ratio indicate that the F-value (0.28) is much lower than the critical F-value (2.78), and the P-value (0.89) is significantly higher than the standard significance level of 0.05. These findings suggest that there is no statistically significant difference in debt-to-equity ratios among the financial service companies over the years. As a result, we fail to reject the null hypothesis (H_0), implying that the observed variations in financial leverage across firms are likely due to random fluctuations rather than fundamental differences in capital structure strategies.

Interest Coverage Ratios

Null Hypothesis (H_0): There is no significant difference in the interest coverage ratios among the financial service companies over the years.

Table 15: Interest Coverage Ratios (X)

Company/Year	2024	2023	2022	2021	2020
Jio Financial Services	52.93			2.07	2.52
Motilal Oswal Financial Services	4.07	3.18	4.48	4.59	1.58
Max Financial Services	10.58	15.2	16.91	2219.91	1566.77
Mahindra and Mahindra Financial Services	1.4	1.6	1.37	1.15	1.29
Edelweiss Financial Services	1.2	1.15	1.09	1.04	0.49
MAS Financial Services	1.53	1.55	1.65	1.69	1.78
Fedbank Financial Services	1.54	1.64	1.51	1.33	1.37

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Source: www.moneycontrol.com

The Interest Coverage Ratio (ICR) measures a company's ability to meet its interest obligations from earnings, reflecting financial stability and risk. The data from 2020 to 2024 reveals significant variations across financial service firms. Jio Financial Services displayed a sharp increase in 2024, reaching 52.93, compared to 2.52 (2020) and 2.07 (2021), suggesting a dramatic improvement in interest payment capacity. Motilal Oswal Financial Services maintained a stable and improving ICR, increasing from 1.58 in 2020 to 4.07 in 2024, indicating better earnings relative to interest expenses. Max Financial Services showed extreme fluctuations, reaching 2,219.91 in 2021 and 1,566.77 in 2020, before stabilizing at 10.58 in 2024, suggesting a shift in financial leverage. Mahindra and Mahindra Financial Services maintained a low but steady ICR, ranging between 1.15 (2021) and 1.6 (2023), reflecting moderate debt-servicing ability. Edelweiss Financial Services exhibited weaker coverage, with values remaining below 1.2 across all years, though improving from 0.49 in 2020 to 1.2 in 2024, indicating financial recovery. MAS Financial Services and Fedbank Financial Services displayed stable and moderate interest coverage, consistently fluctuating around 1.5 to 1.78, suggesting relatively balanced debt management.[11,12]

Table 16: ANOVA on Interest Coverage Ratio

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	598728.73	4	149682.18	0.66	0.62	2.71
Within Groups	6319048.61	28	225680.31			
Total	6917777.34	32				

The ANOVA results for the Interest Coverage Ratio (ICR) indicate that the F-value (0.66) is lower than the critical F-value (2.71), and the P-value (0.62) is significantly higher than the standard significance level of 0.05. These findings suggest that there is no statistically significant difference in interest coverage ratios among the financial service companies over the years. As a result, we fail to reject the null hypothesis (H_0), implying that variations in interest coverage across firms are likely due to random fluctuations rather than fundamental differences in financial stability or debt-servicing capacity.

FINDINGS AND SUGGESTIONS

Findings:

- Gross Profit Margin, Operating Margin, and Net Profit Margin varied across companies, with Jio Financial Services showing the highest margins but significant fluctuations.
- Return on Net Worth (RoNW), Return on Capital Employed (ROCE), and Return on Assets (ROA) exhibited high variability.
- Motilal Oswal Financial Services and MAS Financial Services consistently showed strong returns, while Max Financial Services and Edelweiss Financial Services had lower returns.
- Debt-to-Equity Ratios were stable across firms, with Mahindra and Mahindra Financial Services and Edelweiss Financial Services having higher leverage.
- Interest Coverage Ratios showed high variability, with Max Financial Services experiencing extreme peaks, while Edelweiss Financial Services and Mahindra and Mahindra Financial Services had consistently low ratios.

Suggestions:

- Firms with volatile profit margins, such as Jio Financial Services, should implement cost control measures and diversify revenue streams to maintain consistent profitability.
- Edelweiss Financial Services and Max Financial Services should enhance operational efficiencies to improve their profit margins.
- Companies with lower ROCE and ROA, such as Max Financial Services, should improve asset utilization and explore higher-yielding investments to enhance returns.
- Jio Financial Services should investigate the reasons for its declining RoNW and ROA and take corrective actions.
- Mahindra and Mahindra Financial Services and Edelweiss Financial Services, which have high Debt-to-Equity Ratios, should optimize their debt structures to avoid excessive leverage risks.
- Firms should focus on reducing debt reliance while maintaining financial flexibility.
- Companies with low interest coverage ratios, like Edelweiss Financial Services and Mahindra and Mahindra Financial Services, should improve earnings stability to ensure they can meet interest obligations comfortably.
- Exploring cost-cutting measures and revenue growth strategies can help firms improve interest coverage.

CONCLUSION

The financial performance of these companies exhibits some variations, but most differences are not statistically significant, except

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for Asset Turnover Ratio. This suggests that market conditions, industry-wide trends, and regulatory frameworks largely shape financial performance. Firms should focus on stabilizing profitability, improving asset efficiency, managing liquidity, and optimizing leverage strategies to achieve sustainable growth and financial stability.

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