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A Study On Comparative Analysis Of Bse And Nse With Special Reference To Risk And Return: Evidence From Banking Stocks

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ABSTRACT:

The Indian stock market plays a crucial role in the nation's economic development, with the banking sector serving as a key component of financial stability and growth. This study conducts a comprehensive risk-return analysis of banking stocks listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) over a 10-year period, from January 2014 to December 2024. The primary objective is to assess the volatility and performance of top-performing banking stocks, providing investors with valuable insights into market behavior and investment decision-making.The research employs financial metrics such as beta, standard deviation, correlation, and covariance to evaluate stock price fluctuations and risk levels. It also compares the NSE and BSE in terms of market liquidity, trading volumes, and investment opportunities. Additionally, the study highlights the regulatory influence of the Securities and Exchange Board of India (SEBI) in ensuring market transparency and investor protection.Through this analysis, investors can gain a deeper understanding of the risk-return trade-off associated with banking stocks, enabling them to optimize their portfolios and make well-informed financial decisions. The findings will serve as a guide for policymakers, financial analysts, and investors in navigating the complexities of the Indian stock market, particularly within the banking sector

Keywords:

NSE, BSE, Risk, Returns, Stock Exchanges, Sensex , Index .

INTRODUCTION:

The stock market acts as a measure of the country's economic well-being, greatly affecting economic patterns and serving as a sign of general market activity. The phrase "stock exchange" includes multiple markets and sectors where actions such as the buying, selling, and issuance of shares by private companies take place frequently. In India, most stock trading takes place through two primary exchanges: the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). When a business intends to gather funds via an Initial Public Offering (IPO), it first registers its shares in the primary market, where they are made available to the public. Following the first sale in the primary market, these newly created securities are subsequently exchanged among investors in the secondary market at current market prices or prices agreed upon by buyers and sellers. The body responsible for supervising these transactions and maintaining market integrity is the Securities and Exchange Board of India (SEBI).

REVIEW OF LITERATURE:

K. O. Emenike and W. U. Ani (2014) – Volatility of Stock Returns in the Banking Sector in Nigeria's banking sector, analyzing well-capitalized banks listed on the Nigerian Stock Exchange. Using the ARMA-GARCH model**,** the research highlights how stock return volatility in banking stocks tends to cluster, showing persistent fluctuations over time .This study aligns with your research as it analyzes banking stocks' risk and return patterns over a period of time**,** similar to how your project evaluates banking stocks on the NSE and BSE. The use of volatility clustering is crucial in understanding stock price movements, which can be applied to Indian banking stocks for assessing investment risks.

H. Ramya Kalyani and Y. Aysha Fathima (2021) – Risk and Return Analysis of Banking Stocks on NSE and BSE.This study directly relates to your research as it evaluates the risk and return of banking stocks on NSE and BSE over an extended period**.** The focus on beta analysis, stock volatility, and market performance comparisons makes it highly applicable to your project. It provides a solid foundation for understanding stock market trends and investor decision-making in the banking sector**.**

PROBLEM STATEMENT:

The banking sector is a crucial component of the Indian financial system, significantly influencing stock market performance. However, investors face challenges in determining which banking stocks yield the best returns while minimizing risk. This study aims to analyze the risk-return characteristics of top banking stocks listed on the NSE and BSE, focusing on volatility, market trends, and investment stability. By evaluating stock price fluctuations and financial indicators, this research provides insights to help investors make informed decisions based on their risk tolerance and market conditions.

Objectives of the Study:

1. To investigate the correlation between risk and return of the top-performing banking stocks listed on the Sensex and Nifty indices of the BSE and NSE.
2. To analyze the level of risk associated with the top-performing banking stocks on the Indian stock market.
3. To examine the stability of beta coefficients in relation to Sensex and Nifty for banking stocks.
4. To determine which banking stocks provide the best investment opportunities based on risk-return analysis.
5. To compare the liquidity, volatility, and financial performance of banking stocks on the NSE and BSE.

Research Gap:

The research gap identified in this project is the limited comparison of risk and return for banks listed on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), particularly in light of recent developments such as digital banking transformations, regulatory changes, and the effects of the COVID-19 pandemic. While many existing studies have focused on individual banks or specific time periods, there is a need for more comprehensive research that takes into account the broader economic factors, investor behavior, and global market trends that affect the risk and return profiles of banks. Additionally, many previous studies have used traditional financial analysis without incorporating behavioral factors or macroeconomic conditions that influence investment decisions in the Indian banking sector.

Research Methodology:

The research focuses on eight banking stocks, with four from the NSE and four from the BSE. These stocks were selected based on their turnover values and market performance over a 10-year period. The data for this study comes from secondary sources, including the year-end closing stock prices from the NSE and BSE. Financial information and analysis were gathered from sources like www.Investing.com and www.moneycontrol.com, relevant books, and journals. The study covers the period from January 2014 to December 2024, analyzing a total of 10 years of stock price data for the selected banking stocksThe study uses various statistical tools to calculate risk and return, including:Mean/average return to measure the central tendency of stock returns.Standard deviation to assess the volatility or risk of stocks.Beta coefficient to measure a stock's volatility relative to the market.Correlation and covariance to analyze relationships between stock returns and the market.

SAMPLE SIZE

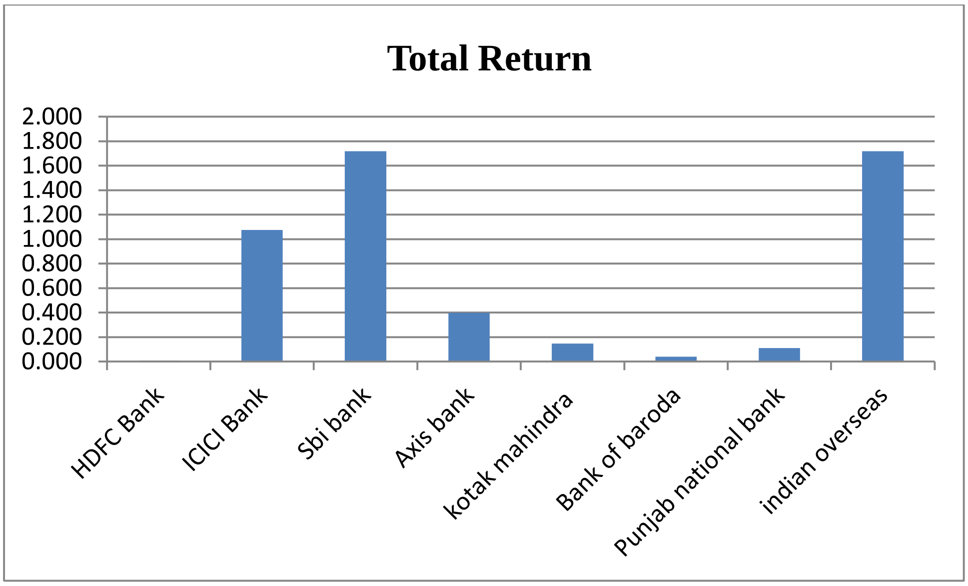
S.NO	TOP LEADING BANK	TYPE	MARKET CAPITALIZATION
1.	HDFC Bank	Private	12.70 Trillion
2.	ICICI Bank	Private	8.73 Trillion
3.	SBI BANK	Public	7.09 Trillion
4.	Axis Bank	Private	3.64 Trillion
5.	Kotak Mahindra BANK	Private	3.58 Trillion
6.	Bank of Baroda BANK	Public	1.29 Trillion
7.	Punjab National Bank	Public	1.21 Trillion
8.	Indian Overseas Bank	Public	1.05 Trillion

Data Analysis:

Showing the Returns and risk variations of Banking Stocks Listed in BSE &NSE:

Company	Total Return	Mean	Standard deviation	Beta
BSE				
HDFC Bank	0.008	0.001	0.0286	0.061
ICICI Bank	1.075	0.098	0.114	-0.290
Sbi bank	1.720	0.156	0.0235	0.006
Axis bank	0.398	0.036	0.304	0.109
NSE				
kotak Mahindra	0.147	0.013	0.0175	1.012
Bank of Baroda	0.039	0.004	0.0333	1.131
Punjab National Bank	0.111	0.010	0.473	0.660
Indian Overseas	1.720	0.156	0.385	1.196

Relationship to risk and returns analysis:



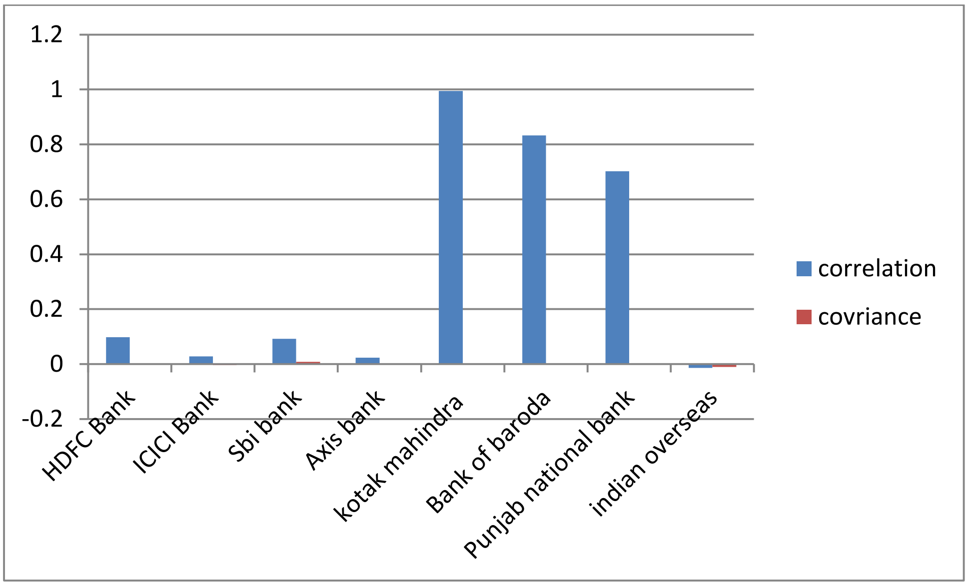
INTREPRETATION:

It has observed from the above table during the study period, from Jan 2014 to Dec 2024, all the Stocks showed positive average daily returns. The above table clearly indicates that SBI Bank of Bombay Stock Exchange (BSE) and Indian Overseas Bank of National Stock Exchange (NSE) were top performers which have higher returns, when compared to all other companies but Indian Overseas Bank have relatively high beta as well, which shows the company was involved with high risks which in turn gave good returns and SBI Bank which has low risk level and it is preferable to invest and the company's stock is volatile because it has a beta of 1.196 and 0.006. HDFC Bank of BSE would be the Second option for an investor who wants lower risk with good returns, has comparatively less volatility. Axis Bank of BSE have positive returns as well as high beta level of 0.109, so the investor should be careful while investing in this security. The HDFC bank and Axis Bank has Beta value within the value 1, and also provides positive returns. While the Lowest returns would be HDFC Bank and SBI Bank in BSE and NSE with high levels of Risk involved with 1.720 and 0.006 of beta level, so it is not preferable for an investor to choose these companies as the investment would definitely give them low returns and they are highly volatile stocks.

Showing the correlation and covariance of the selected eight Bankingstocks Listed in BSE & NSE:

Company	Correlation	Covariance
HDFC Bank	0.0974	0.001
ICICI Bank	0.0278	-0.003
SBI bank	0.0919	0.008
Axis bank	0.0232	0.0004
kotak mahindra	0.995	0.0003
Bank of baroda	0.833	0.001
Punjab national bank	0.702	0.001
Indian Overseas	-0.014	-0.011

Relationship of risk and returns analysis



Interpretation:

The correlation and the covariance of these companies are calculated in comparison with the market returns. SBI Bank returns had a very strong correlation with the NSE Returns with a covariance of 0.008. Kotak Mahindra Bank and Axis Bank had a very strong correlation with the National Stock Exchange (NSE) returns with a covariance of 0.004 & 0.03. Out of these banks, all other banks had moderately high correlation with the market returns.

Findings:

1. Axis Bank and Indian Overseas Bank provided the highest average returns over the 10-year period, while HDFC Bank, ICICI Bank, and SBI showed more moderate, stable performance.
2. Punjab National Bank and Bank of Baroda showed lower, sometimes negative, returns compared to other banking stocks.
3. Axis Bank and Indian Overseas Bank had the highest standard deviation, indicating high volatility and risk in their stock prices.
4. HDFC Bank and ICICI Bank had moderate risk levels, implying they are relatively stable investments.
5. SBI, Kotak Mahindra Bank, Punjab National Bank, and Bank of Baroda exhibited lower risk levels, making them safer options but with lower returns.
6. Axis Bank and ICICI Bank had a beta greater than 1, indicating higher volatility than the overall market, while HDFC Bank, SBI, and Kotak Mahindra Bank had a beta closer to 1, implying their movements were largely aligned with the market.

Conclusion:

This research provides a comprehensive analysis of the risk-return profiles of selected banking stocks on the NSE and BSE from 2014 to 2024. The study reveals that stocks like Axis Bank and Indian Overseas Bank offer higher returns but come with greater risk and volatility, while HDFC Bank and SBI present safer, more stable investment options. Diversification of banking stocks, combined with careful monitoring of macroeconomic factors, is recommended to balance risk and optimize returns. Investors can benefit from blending both high-risk and low-risk stocks in their portfolios for long-term gains. Overall, the study offers critical insights into strategic investment in the Indian banking sector.

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