

AN ANALYSIS OF RISK AND RETURN THE EQUITY INVESTMENT IN BANKING SECTOR OF INDIAN STOCK MARKET BASED ON NIFTY

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ABSTRACT

This study examines the risk and returns of the banking sector in India. Risk elements that have an effect on inventory returns encompass unsystematic danger (or diversifiable danger) and systematic danger. Unsystematic danger is particular to a portfolio and it's farcontrollable and reducible with the aid of using diversification, however systematic is because of outside elements and isn't reducible with the aid of using diversification. The systematic danger-go back trade-off withinside the inventory marketplace and the response of inventory returns to a number of systematic danger elements are very critical components withinside the discipline of finance. The data has taken as a secondary data of the companies helps to find out the returns out of risk free. Comparing to other sector the financial service sector gives the better return. The Top 5 private banks taken for this study.

Key words: risk, variables, NSE, Nifty, market place, investment.

INTRODUCTION

The improvement of monetary markets and a inventory marketplace in a rustic are a number of the maximum critical elements main to elevated funding and may be powerful elements contributing to monetary boom. Investors in inventory markets keep in mind many dangerelements while making their decisions. Risk and go back are prompted with the aid of using sure selection and non-selection variables. The selection variables are the ones onwhich buyers take selection inclusive of deciding, what the product charges are to be charged, capital shape selection, dividend coverage selection, etc. The non- selection variables are the ones which might be imposed.on buyers and on which they don't have any control. All macro-monetary variables inclusive of Gross Domestic Product (GDP) boom rate, inflation rate, unemployment rate, direct and oblique tax quotes are the non-selection variables which might be imposed at the investor both with the aid of using coverage makers or with the aid of using the macro-monetary environment. Risk and go back are for that reason critical elements in inventory marketplace investments. The danger-go back trade-off withinside the capital marketplace and the conduct of shares in reaction to danger elements have lengthy fascinated economists. Risk elements that have an effect on inventory returns encompass unsystematic danger (or diversifiable danger) and systematic danger. Unsystematic danger is particular to a portfolio and it's farcontrollable and reducible with the aid of using diversification, however systematic is because of outside elements and isn't reducible with the aid of using diversification. The systematic danger-go back trade-off withinside the inventory marketplace and the response of inventory returns to a number of systematic danger elements are very critical components withinside the discipline of finance.

A. RISK AND RETURN OF INVESTMENT

RISK is as uncertainties ensuing in destructive outcome, destructive in relation to deliberate goal or expansions. Uncertainties related to hazard detail effect the internet coins float or any commercial enterprise or investment. Under the effect of uncertainties, version in net cash flow takes place. This can be favorable in addition to negative. The viable is the negative effect is the —RISK of the commercial enterprise. It has to be two types of risk one is systematic risk and another one is unsystematic risk. Systematic risk includes Market Rate, Interest Rate and Purchasing Power Risk. Unsystematic includes Business, Financial, Internal and External Risk.

The return could be predicted with the analysis of risk. The types of return is to be determine as two. One is realized and another is expected. The realized return is calculated after the amount to be earned. The expected return is the return predict at the time of making an investment. The components of returns are Current Yield and Capital Gain. It is the method of calculating the returns.

B. IMPORTANCE OF THE STUDY

- ✚ Risk control is concerned with 3 responsibilities associated with risk viz. identification, size and control.
- ✚ Identification is the procedure of mapping the supply of risk in addition to the variables which are maximum carefully related with it.
- ✚ Identification is a hard problem and commonly is hard to quantify. Origin of risk may be from inflation, commercial enterprise cycles, authorities' policies, wars, natural calamities and technological innovation.
- ✚ In a noticeably incorporated economic world, what's going on in a single centre is liable to have repercussions in different locations as well.

C. OBJECTIVE OF THE STUDY

- ✚ To advantage know-how of the idea of risk return analysis
- ✚ To perceive and study the risk and return courting of decided on companies stocks from unique sector.
- ✚ To examine the connection among risk and return of the same decided on stock index at unique time period.

I. REVIEW OF LITERATURE

Inderjit Kaur (2023) evaluated the overall performance of Indian fairness mutual budget and in addition made attribution evaluation of managerial overall performance at the parameters of diversification, timing and selectivity for the length 2008-10. Based at the overall performance for 2008-10, pinnacle ten open ended boom budget had been decided on for the look at. We have evaluated the overall performance of budget the usage of Sharpe index, Treynor index and Jensen alpha. The Treynor-Mazuy version is used to check the timing and Fama.

Robin and Samuel (2022) The goal of this paper is to look at if the CAPM holds within the vehicle region in Indian Stock Market (NSE). The paper is a honest try to find solutions for the questions with the aid of using making use of CAPM - Does better beta yield better predicted

return? Is there any linearity among the inventory beta and the predicted return? For the equal objectives, the paper is that specialize in investigating the under & over valued inventory of six companies of vehicle region.

Nicole Branger, Linda Sandris Larsen (2022) had centered within the findings that there are suggested variations among ambiguity aversion with recognize to diffusion danger and soar danger. Ignoring uncertainty with recognize to leap danger causes large losses in an incomplete marketplace, while ignoring uncertainty with recognize to diffusion danger is extra intense in a whole marketplace. For a deterministic soar length, we display that the loss from marketplace incompleteness is usually growing within the degree of uncertainty aversion with recognize to 1 danger aspect and reducing within the degree of uncertainty aversion with recognize to the alternative danger aspect.

Kumar Gaurav and Pitabas Mohanty (2013) who had studied Traditional portfolio theory, count on that once the returns aren't together usually distributed, then the imply variance green portfolio does now no longer maximize the software of the investor. In addition to mean-variance, the buyers additionally want to don't forget skewness, the 1/3 second of return distributions. Using 9 years _month-to- month returns information for the NSE_sCNX nifty stocks, we try to create portfolios which maximize returns, decrease variance and maximize skewness on the equal time.

II. RESEARCH METHODOLOGY:

The study sample was used the secondary data. The top 5 companies of banking sector performance of the companies taken. The survey design used was a secondary data collection and analysis. The secondary Data was taken for the nifty points and company performed for the period of 2019 – 2023. The top companies in financial sector for the study.

To predict the risk and returns of the company for the better investment to the investors. As a result, they affect perception and expectations

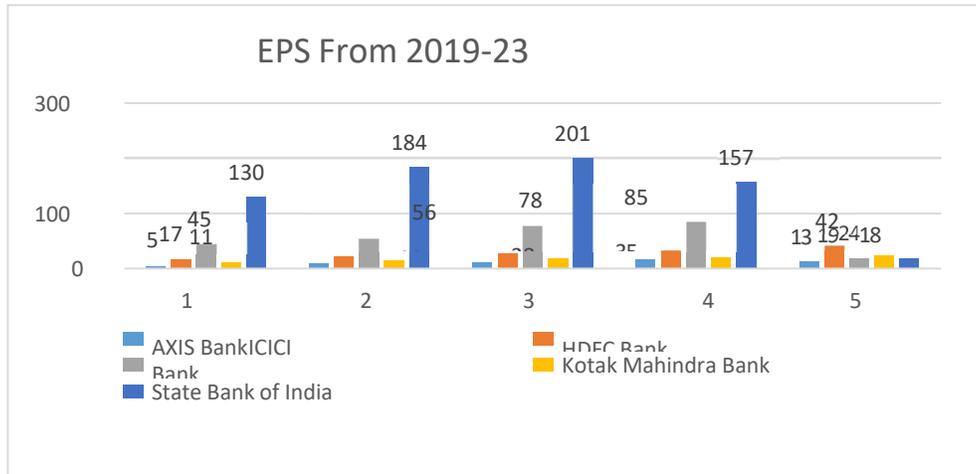
III. DATA ANALYSIS

Table: 1 Earning Per Share of Banking Sector Companies

Company	2019	2020	2021	2022	2023
AXIS Bank	5	9	12	16	13
HDFC Bank	17	22	28	35	42
ICICI Bank	45	56	78	85	19
Kotak Mahindra Bank	11	15	18	20	24
State Bank	130	184	201	157	18

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Figure: 1



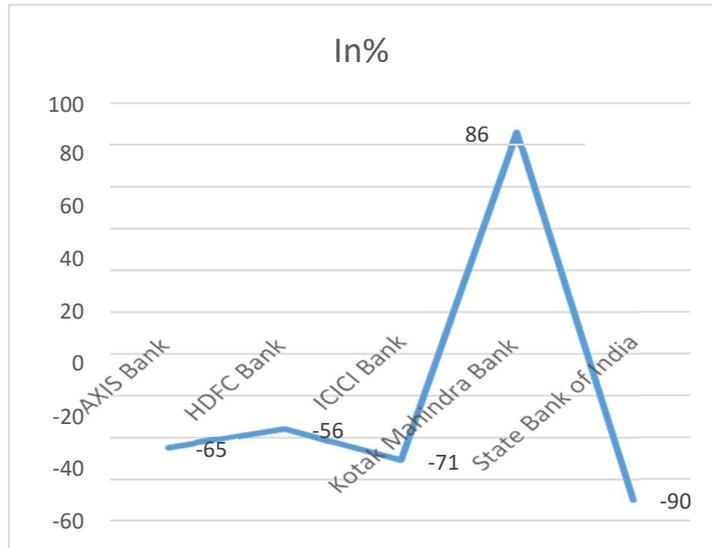
Interpretation:

The EPS of AXIS bank has been fluctuating; however it has been an average of ` .12 for the study period. It isgets minimum value of EPS among all other financial institutions in the financial service . HDFC EPS is valued and gets average of ` .28. ICICI EPS ` .56.

Table: 2 **Compound Return of Banking**

Financial Sector	Compound Return	In%
AXIS Bank	68509	-65
HDFC Bank	83442	-56
ICICI Bank	58489	-71
Kotak Mahindra Bank	2448	86
State Bank of India	39883	-90

Figure: 2



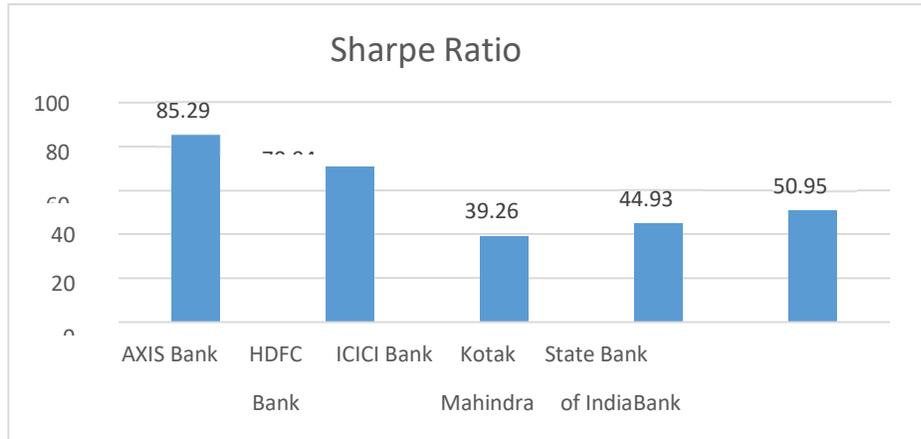
Interpretation:

The result shows that the compound return of all the companies becomes negative except Kotak Mahindra Bank.

Table: 3 Sharpe Ratio of Banking Service Sector

Companies	Sharpe Ratio
AXIS Bank	85.29
HDFC Bank	70.94
ICICI Bank	39.26
Kotak Mahindra Bank	44.93
State Bank of India	50.95

Figure: 3



Interpretation:

The table and chart represent the sharpe ratio of all companies. The Sharpe Ratios of companies has been positive and it gives the good rate of return with predicted risks.

Hypothesis:

Statistical analysis of Skewness and Kurtosis

Year	N	Min	Max	Mean	SD	Skewness	Kurtosis
2018-19	5	170	2765	1371	1143.990	.313	- 2.556
2019-20	5	34	2096	817	777.247	1.390	2.498
2020-21	5	37	2072	886.4	754.170	.998	1.678
2021-22	5	41	1918	946.8	692.683	.235	.541
2022-23	5	59	1313	595.8	541.011	.619	-2184

Figure: 4

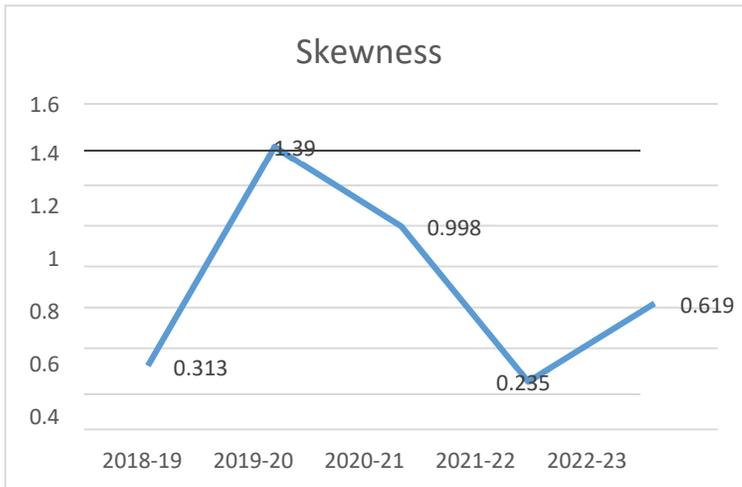
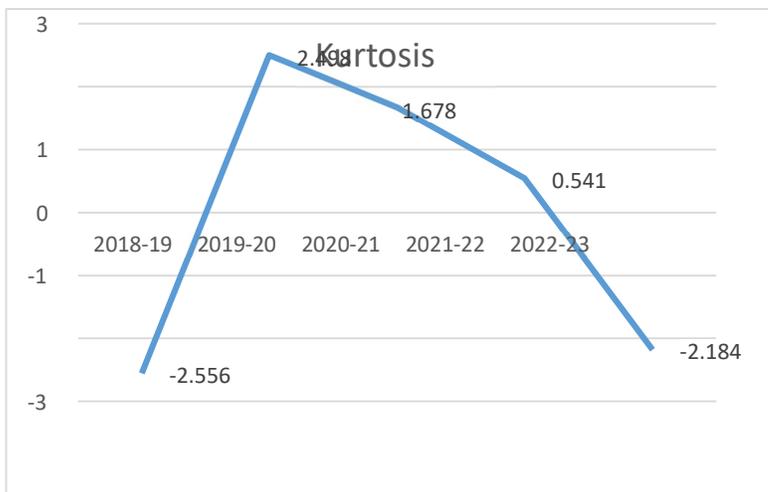


Figure: 5



Interpretation:

The above desk explains Financial provider quarter evaluation yr wise. From the above desk are calculated suggest, general deviation, skewness and Kurtosis. As for Financial provider quarter's proportion expenses withinside the yr of 2018-2019, suggest price is 1371.00, and general deviation is 1143.990. The Financial provider quarter receives a fine skewness of 0.313. kurtosis price distribution fluctuates negatively at -2.556. Regarding Financial provider quarter's proportion expenses withinside the year of 2019-2020, suggest price is 817.00, and general deviation is 777.247. The Financial offerings quarter's fine skewness is 1.390. kurtosis price is 2.468. in regards to Financial provider quarter's proportion expenses withinside the yr of 2021-22, suggest price is 886.40, and general deviation is 754.170. The Financial offerings quarter's fine skewness is 0.998. kurtosis price is 1.678. Concerning Financial provider quarter's proportion expenses withinside the yr of 2022-2023, suggest price is 946.80, and general

deviation is 692.683. The Financial offerings quarter receives a fine skewness of 0.235. kurtosis price 0.541. As for Financial provider quarter's proportion expenses within the yr of 2022-2023, suggest price is 595.80, and general deviation is

541.011. The Financial offerings quarter's fine skewness is 0.619. kurtosis price is poor at -2.184.

Calculation of Rate of Return Return:

The returns for the various stocks selected for the study are used to compute the market performance of the stock on the basis of the following formulae

$R_j = (P_t - P_{t-1}) / P_{t-1}$ Where R_j is the Rate of stock return, P_t , P_{t-1} is the Share price in the beginning and at the end for the time period t and $t-1$ respectively.

Sector : Financial Services

Rate of Return of Axis Bank = $560 - 281 / 281 = 0.99$ Rate of Return of HDFC Bank = $1023 - 2346 / 2346 =$

-0.56

Rate of Return of ICICI Bank = $316 - 1116 / 1116 = -0.72$

Rate of Return of Mahindra = $657 - 229 / 229 = 1.87$

Rate of Return of SBI = $268 - 2765 / 2765 = -0.90$

IV. FINDINGS AND SUGGESTION

Among the ones decided on sectors, Automobile quarter receives the very best go back within the lengthy run. Automobile quarter funding offers a excessive fee of go back for long time funding. Hence it's miles recommended that long time investment on this quarter might provide most go back. □ It is usually recommended to the buyers that rather than maintaining long time funding time horizon, their time horizon ought to depend upon their targets and sort of Investment street. Instead of creating incorrect selections concerning funding, it's miles really useful that buyers ought to take the assist of economic planner. □ It is usually recommended to keep away from making an investment on the ultimate movement via way of means of planning funding from the beginning of the economic year. □ Investors might also additionally spend money on Bosch organisation percentage in vehicle quarter to get excessive fee of return. Now a days the returns on diverse investments are primarily based totally on marketplace scenario, so it's miles really useful for the buyers that they ought to preserve on upgrading themselves with new hints and modifications in phrases and situations they ought to be aware about now no longer most effective the funding avenues in which they have got invested however additionally of average funding avenues so that they are able to make vital diversification for maintaining their portfolio profitable. □ It is usually recommended to the buyers to choose suitable funding street that is suitable for them at the same time as making funding. The financial carrier quarter's findings screen that the non-public banks, mainly Kodak Mahindra bank's percentage offers most go back. This consequence proves that non-public bank's percentage marketplace boom in percentage fees ensures predicted go back. So it's miles recommended that buyers might also additionally make investments their cash in non-public quarter banks to get most return.

V. CONCLUSION

The goal of maximizing return may be pursued most effectively on the price of including chance. While choosing the company for investment, the investor has to do not forget each the return ability and the chance involved. The empirical proof indicates that generally there may be an excessive correlation among chance and return. In the latest past, the marketplace has reached superb heights because of growth of commercial enterprise and lots extra of globalization, and the expanded percent of Foreign Direct Investment has a direct impact at the call for and delivery of the stocks of a specific company. In this manner the index of the inventory marketplace has reached the maximum. With the growth within the marketplace there are numerous traders who're inclined to take extra chance. Financial area is booming and the want for Risk-Return Analysis is growing. Also due to very complicated inventory marketplace behaviours it has come to be obligatory to manipulate portfolio which will lessen the chance even as maximizing the returns. Taking into attention the investor's chance go back requirements, portfolio have to be built and reviewed regularly.

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