

Performance evaluation of 10 listed bank stocks & Comparison with Nifty 50

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Abstract: Stock market is an important part of the economy of country and its plays vital role in the growth of the industry and commerce of the country that ultimately affects the economy of the country to a great extent. That is reason that the government, industry and even the central banks of the country keep a close watch on the happenings of the stock market. These days raising funds by issue shares through stock market is primary source of funds for any company. Here is an attempt to know how the overall market can be affected to various listed banking stocks and data taken from NSE website which is consider as one of benchmark in Indian stock market The listed banking stocks of 5 public sector & 5 private sector banks for 5 years starting from January, 2015 to December, 2019. These stocks' risk & return has been calculated & compared with its benchmark i.e. Nifty 50. Here, we have daily and yearly returns & risk (Beta) and compared it with Nifty 50.

Key Words: Banking stocks, Performance evaluation, Risk & Return, NIFTY 50.

1. INTRODUCTION:

Stock return is the best measure to estimate the creation of value for shareholder wealth (Brealey and Myers, 1991). Stock market is always considered as a way to get money easily in Indian Scenario. But as the time passes awareness has been increased and people start considered it as medium of investment. Thus, stock markets have become attractive investment options for the common man. The investor may expect capital gains from some investments. Return may take several forms. The most important distinctive of financial assets is the size and variability of their future returns, which depends on the risk associated with the assets. Hence risk-return analysis has significance in predicting future returns of the assets, which in-turn assist in improved decision making. A lack of information generates inadequacies that result in stocks being misrepresented (over or under valued). The role of equity analysis is to provide information to the market. This analysis is valuable because it fills information gaps so that each individual investor does not need to analyse.

2. LITERATURE REVIEW:

DR. P.A. MARY AUXILIA, S. SHRIVENI, R. SUBHIKSHA, P. UVARANI Banking sector is the pillar of country's economy. This sector has given very good return to the investors in the past. But the recent financial crisis, has proved, that the bank stocks are tend to be more volatile than other stocks. This study attempts to identify the prevailing performance of both private and public sector banks. This study aims to analyses and compare the bank stocks annually and compute the overall rate of return to know the performance of each bank's stock. For this, the private banks and public banks viz Punjab National Bank, HDFC, ICICI, Axis, Yes Bank, IndusInd Bank, RBL, SBI, Bank of Baroda, Federal Banks are taken. The research has proved that of the 10 stocks selected only two stocks have given negative return but the other 8 stocks have outperformed the market.

DR. MAYUR SAVSANI, URAVI RATHOD The stock markets are contributing a huge extent in progress of the economy in India. The banking sector involves major share among other sectors in Indian stock trading scenario. The study examines the correlation between risk and return of the Sensex and banking stocks of BSE (Sensex). In this study different Sensex and banking stock indices have been used to examine the risk return trade off of Sensex with that of HDFC Bank, ICICI Bank, Axis Bank and SBI. The study is based on secondary data. The data for the analysis has taken from the BSE website over a period of 13 years from January 1, 2005 to December 31, 2017. In this analysis for testing the presence or absence of risk return trade off in the Indian equity markets and for testing hypothesis, different methods like correlation, regression, descriptive statistics and test have been discussed.

SURESH A.S, SAI PRAKASH L. Risk and Return analysis plays a very vital role in individual decision-making process. If the investor desires to earn more return investor should be in the position to accept higher risk. Banking sector is the backbone of the county's economy and this sector has contributed good returns for the investor in the past. The paper concentrates on analysing the performance of twelve nationalized banks listed in NSE in terms of return, risk and beta for the period 1st January 2016 to 31st December 2016. Sector wise portfolio returns are also calculated for the

similar period, to compare the returns created by public and private sector banks. This paper analyses the performance of banking sector taking Bank Nifty Index as benchmark. The study is based on secondary data collected from NSE. The data were collected based on the monthly prices of the banking stocks listed in Bank Nifty. The study shows that the shares of Yes bank and Federal bank have given positive returns during the study period. Whereas the return of Axis Bank, Bank of Baroda and Bank of India were negative during the same period. The beta of Bank of India, Canara Bank, Punjab National Bank, and State Bank of India, Axis Bank, ICICI Bank and Yes Bank were more than one, indicating that these stocks carry a higher market risk. The reason for choosing monthly prices is to measure the short-term fluctuations in the banking stocks due to changes in market factors.

DR. PREMA CHANDRAN This paper is a humble attempt to measure the volatility of the Bank index stocks and compare it with that of the volatility of NIFTY. Stock markets in general are considered volatile and volatility plays a key role in measuring the risk-return trade-offs. While there are so many factors that make the stock market volatile, one is very curious to understand if the volatility of the stock market in India is in line with the volatility of the different sectors in India, in this case the banking sector. Approximating volatility enables the pricing of securities and, understanding stock market volatility or individual stock price volatility enables good decisions on the part of investors. Investors who are risk-averse would not be happy to invest in a highly fluctuating stock, whereas those with a thirst for riskiness would happily invest in a highly volatile market. Volatility is basically a measure of variability or dispersion from the mean values. In this study standard deviation and individual beta values have been calculated to get an idea of the volatility

MUSTAFA HASSAN, MOHAMMAD ADAM Several financial performance parameters are used such as financial ratios analysis which is used to measure the financial position for the bank and on broader range statistical tools also have been used for analysis purpose of several variables which would affect the banking system in general in order to know whether these variables are significantly correlated with the financial performance for the bank. The findings of the study show the positive behaviour of the financial position for Erbil Bank and some of their financial factor's variables influence the financial performance for the bank. Then, it was found that the overall financial performance of Erbil Bank is improving in terms of liquidity ratios, assets quality ratios or credit performance, profitability ratios (NPM, ROA, and ROE).

A.R. JAYARAMAN, M.R. SRINIVASAN This paper evaluates the performance of the banks in India using cost, revenue and profit models of DEA and comes out with a comprehensive efficiency index for banks, by combing the efficiency scores of various DEA models, using the Shannon entropy. In general, the banks comprised in this study are sound in terms of total assets, manpower, branch network etc., and they have been ranked based on their performance, which depends on optimal utilization of select variables. In order to measure the degree of agreement among rankings of banks based on three different models, namely cost, revenue and profit model, Kendall's coefficient of concordance have been used. The study observes that Shannon-DEA approach provides a comprehensive efficiency index for banks and a reasonable way of ranking.

GULIN VARDAR The research is for the investigation of the factors of the bank efficiency and their relationship with the stock performances is vital in terms of understanding the intrinsic evaluation of the banks' stocks normally. Evaluating the performance of banks and thus, assessing their efficiency in maximizing shareholder wealth have significance for computing the cost of capital since more efficient banks are expected to raise capital at a lesser cost. The impact of banking efficiency on the bank stock return has vital implications for regulators and policy makers since it is important for regulators, especially in developing countries, to create an environment which enhances the efficiency and stability in the banking systems.

T. SOUJANYA This project mainly focuses on equity analysis of selected banks. The risk, return and beta (market risk) of the stocks are calculated for a period of one year, using statistical methods, which helps in predicting future returns of the assets and assists in better decision making. Using CAPM model, the expected return of the individual security is calculated which helps to know whether the security is fairly priced, over-priced or underpriced. A lack of information creates inefficiencies that result in stocks being misrepresented (over or under valued). The role of equity analysis is to provide information to the market. This analysis is valued because it fills information gaps so that each individual investor does not need to analyze every stock thereby making the markets more efficient.

CHRISTOS IOANNIDIS, PHILIP MOLYNEUX, FOTIOS PASIOURAS This paper examines the relationship between bank efficiency change and stock price returns. They first estimated the cost and profit efficiency of a sample of Asian and Latin American listed banks over the period 2000-2006 while controlling for cross-country differences such as regulations and the macroeconomic environment. They had then regressed the annual efficiency changes on stock returns. The results indicated a positive and robust relationship between profit efficiency changes and stock returns. However, they found no indication that cost efficiency changes are reflected in stock returns. They also found that profit efficiency better explains bank stock returns compared to traditional accounting profits measures (ROE). Overall, it was concluded that profit efficiency measures include useful information for shareholders wishing to explain bank stock return.

Dr. PALLAVI SINGH This research paper is on Indian market and is addressing the relevant issues to take on the multifarious challenges of globalization. Banks that employ IT solutions are perceived to be ‘futuristic’ and proactive players capable of meeting the multifarious requirements of the large customer’s base. Private Banks have been fast on the uptake and are reorienting their strategies using the internet as a medium The Internet has begun as the new and challenging frontier of marketing with the conventional physical world tenets being just as applicable like in any other marketing medium.

3. RESEARCH OBJECTIVE:

- To study the movement of 10 banking stocks namely below with its benchmark i.e. Nifty.
Private Sector Banks: HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Axis Bank, Yes bank.
Public Sector Banks: SBI, Bank of Baroda, Punjab National Bank, Canara Bank, Union Bank.
- To analyse risk return characteristics of securities.
- To understand the concept of equity analysis.

3.1. RESEARCH DESIGN:

- Descriptive research is used in this study in order to determine movement of 10 listed banking stocks with comprise Nifty.

3.2. SAMPLING DESIGN:

- Population: Companies listed on NSE India
- Sample: Stock of 10 bank
- Sampling Method: Convenience Sampling Method
- Sampling Period: 5 Years (i.e.2015 to 2019)

4. DATA COLLECTION:

Secondary data is data collected from studies, surveys, or experimentations that have been done by other persons or for other study. Here we have taken the last 5-year data of share price. That includes...

- Daily opening and closing price of share from January-2015 to December-2019 of 10 listed bank.

4. DATA ANALYSIS TOOLS:

- T-test : (Hypothesis)
HO: There is no significant difference between a particular bank’s return and Nifty return.
H1: There is significant difference between a particular bank’s return and Nifty return.
- Microsoft excel-2019

5. DATA ANALYSIS AND INTERPRETATION:

Year	Nifty return	Public sector banks’ return					Private sector banks’ return				
		SBI	BOB	PNB	Canara	Union	ICICI	HDFC	Axis	Kotak	Yes
2015	-4.07	-28.52	-85.54	-47.32	-48.15	-38.36	-25.82	13.66	-10.72	-42.79	-6.05
2016	2.79	9.83	-3.55	-1.83	10.32	-17.93	-2.93	10.78	0.01	-1.04	57.89
2017	28.74	27.22	7.89	48.27	37.32	14.93	24.63	56.41	25.95	41.33	-72.47
2018	4.09	-3.65	-26.44	-53.99	-23.74	-40.72	16.06	14.41	9.62	25.66	-41.84
2019	11.53	11.40	-17.36	-19.36	-21.37	-37.94	48.15	-40.78	20.21	34.70	-74.52

- SBI moves same with Nifty ups and downs. Except in year 2018 SBI's gross NPAs rose to 10.69 per cent as against 9.97 per cent a year ago. In value, increased to Rs 212840 crore from Rs 188068 crore. So that was a reason due to that SBI stock was falling down against Nifty.
- When Nifty is going upwards still the BOB stock is falling downwards in certain years. NPA have shown negative trend in 2018 and have reduced by Rs 23,860 crore so in that year stock was reduced and nifty was going upwards. After complete merger with Vijya and Dena bank there will be chances for the positive return, because the merger will save Rs. 9500 crore.
- There was some movement in return of PNB Bank stocks with Nifty. In year 2018 reason for major falls in PNB return was Rs.13700 crore fraud done by Nirav Modi. In 2019, PNB plunges 11% on over Rs. 3800 crore fraud done by BPSL and suffer loss of Rs. 4750 crore in last quarter. The amalgamation of Oriental bank of commerce

and United Bank of India into PNB increased collectively business of Rs.18 lakh crore, which may affect the return in near future.

- Canara bank stock return is also declining although there is upward movement in Nifty. In 2019 net loss of Rs. 551.53 crore mainly driven by provision for bad loans but return is in positive compare to past year because gross NPA reduced to 39224.12 from 47468.47 (in 2018). Post-merger of syndicate bank, Canara bank turn over will be Rs. 15 (5:10) Lakh crore.
- Union bank have adverse relation with Nifty return except year 2017. Reason for negative return in 2018 bank's total business from overseas operations slipped to Rs. 30829 crore from Rs. 36062 crore. Bank has reported net loss to Rs. 3978.37 crore in 2019 from Rs. 2947.45 crore earlier. The losses may be reduced after amalgamation of Andhra bank and Corporation bank into Union bank.
- ICICI Bank stocks also moves according to movement of Nifty. Reason for increase in 2019 is Net NPA decreased by 51% from Rs.22086 crore to Rs. 10916 crore. Also increase in core operating profit by 24% to Rs. 6533 crore from Rs. 5285 crore compare to year 2018.
- Being largest Pvt. bank in India by its market capitalization, HDFC bank has positive relation with the India's one of the benchmark i.e. Nifty. In 2019 bank has reported a 21% rise in gross NPA and provisions jumped 60.4% to Rs. 26.14 billion, due to stress in bank's agri portfolio and loan growth slowed to 17.1% from 24.5% as advances to the vehicle loan segment moderated.
- Axis bank has same ups and downs if it compare with Nifty. Compare to year 2017 return falls down in 2018 because the bank has posted its worst quarterly earnings, declaring a loss of Rs.2189 crore. Bank has reported a profit of Rs. Rs.4677 crore in 2019, against Rs.276 crore in 2018.
- Kotak Mahindra bank has also positive relation with Nifty same ups & downs in return. In 2019 there is 18.46% increase in income to Rs. 45979.11 crore from Rs. 38813.31 crore (in 2018). So there is also increase in return to 34.70% from 25.66%.
- There is continues high negative return in last 3 preceding years if it's compare with Nifty except 2016. In 2017 RBI judges its gross NPA at Rs. 8378.8 crore for yes bank against the declared gross NPA at Rs. 2018 crore. Thus, there was a divergence of Rs. 6355 crore or 3 times the reported amount. In recent time we have seen yes bank crisis due to which there is huge ups and down in its stock price but after announcement of Rs.12000 crore investment done by various major private banks and major individual investors, the situation become very stable and have potential of positive return in near future.

6. T-Test: (Two-Sample Assuming Equal Variances)

- Observations : 05
- df (degree of freedom) : 08
- t critical / tabulated value : 2.30600413 (Same for the all)

Banks	Calculated value	Banks	Calculated value
SBI	-0.49250	Axis	0.04558
BOB	-1.95788	ICICI	0.24795
PNB	-1.22072	HDFC	0.13889
Canara	-1.11637	Kotak	0.18033
Union	-2.72706	Yes	-1.42263
All 5 Public banks	-1.19870	All 5 Private Banks	0.27214

As all calculated values are less than tabulated value (2.30600) so for all banks HO is accepted that means there is no significant difference between a particular bank's return and Nifty return. Here we also used combine t-test for all 5 private and 5 public banks in that also HO is accepted that means there is no significant difference between a public and private sector banks' stock return and Nifty return.

7. LIMITATIONS:

Data collection may not be a representation of the entire population.

- The time period of the research was limited only to 5 years.
- The study is restricted only to Nifty as a market benchmark.
- Performance of stock market depends on many factors. One of the most important factors is the time.

Following are some factors:

- Global shift in banking
- Taxation policy of country

- Regulations of RBI & SEBI
- Government of policy

8. FINDINGS:

- From above research, SBI stock has same fluctuation in compare to nifty except 2018.
- Stock of PNB has inverse relation with nifty in the majority year i.e. 2016, 2018 and 2019.
- Similarly stock of BOB has adverse relation with nifty in the majority years except 2017.
- The Canara Bank's stock shows minute but negative impact to nifty's movement.
- Same as PNB and BOB, Union bank has also negative relation with nifty's movement except 2017.
- Since 2016 Axis bank has positive relation with the ups & downs movement of nifty.
- Being a largest private sector bank, HDFC stock price have positive effect of ups and down of nifty.
- Nifty's movement on ICICI bank's stock has also seen well from 2017.
- Same as ICICI bank, Kotak Mahindra Bank having positive relation with nifty.
- From last 3 preceding years Yes bank have a very high negative return irrespective with nifty movement.
- Generally public sector banks have a negative relation in compare to nifty.
- Whereas Private sector banks have a positive relation with movement of nifty.
- From year 2016 to 2019, majority public sector bank has given negative returns.

8.1. Findings for the particular year 2015: (Why it is bad for all?):

- ✓ Year 2015 is bad year for banking sector, loan growth for 25 banks including private and public sector players, stood at 10.7%. It is the slowest in two decades.
- ✓ On of that, these banks nearly doubled their gross non-performing assets (NPAs) to Rs. 2.43 lakh crore over that last fiscal. In that year public sector bank index has fallen 37% in that year and lost 11.6% per year for the past five years.
- ✓ In that year 2015, out of 24 public sector banks shares only one PSB reported gains. On the other hand among private sector banks out of 16 banks only 4 banks' share rose.

8.2. Findings for the particular year 2017: (Why it is good for all?):

- ✓ On November 8, 2016 the day our honorable PM Modi announced demonetization.
- ✓ This decision had made a vital effect on banking system in coming years.
- ✓ Denominations as part a move to stem and boost Casa ratios of banking industries.
- ✓ This government decision has given various benefits to the banking sector which helps to improve their stock performance, which includes,
 - Increase in deposits
 - Increase in lending growth
 - Fall in cost of funds
 - Give push to digital banking
 - Demand for govt. bonds
 - Cashless economy
 - Increase use in digital transaction platforms.
- ✓ Hence 2017 was very good year for the all private and public sector banks due to that govt. decision and also in that year Nifty was performed well.

9. CONCLUSION:

- Particularly capital market in India is a very robust market and has undergone drastic changes in the last two or more decades.
- Here we examined that the banking sector has given good return in past. But due to recent financial crisis it has proved that bank stocks are tend to be more volatile than other stocks if it's compared with Nifty.
- RBI had made various strict provisions, rules and regulation against non-performing assets which helps to improve overall financial position of the banks and also helps contribute good returns to investors in upcoming years.
- The analysis concluded that public and private sector banks have also affected by the ups and downs to Nifty.
- Based on study conducted on the private and public sector banks all banks are affected by the systematic risk which can be predicted which includes govt. and RBI rules and regulations.
- Estimating price volatility or performance of particular stock with the overall market i.e. Nifty or Sensex helps investors to take good decision against stock market's volatility.
- If investor wants to earn high return than they should go for Private sector banking stocks.

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