

A study on the Performance of Selected Bank Stocks With Reference To NSE India

Dr.P.A.Mary Auxilia, Shriveni.S, Subhiksha.R, Uvarani.P

(Department of Management Studies, Rajalakshmi Engineering College, India)

Corresponding Author: Dr.P.A.Mary Auxilia

Abstract: Banking sector is the backbone 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 analyse 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... PNB, 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 chosen only two stocks have given negative return but the other 8 stocks have outperformed the market.

Keywords: Bank stock, Nifty, Rate of return.

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I. Introduction

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks.

The stock returns is an area of study wherein many research scholars have shown immense interest for past several years. A brief review of literature will help in understanding the relevance of the content analysis in the area of stock returns. The researches in social sciences or in the field of economics depend in one way or the other on careful reading of written materials and the research work done by many research scholars on similar subjects. Considering this fact, the importance of content analysis becomes very significant.

BJJeyanthi, SJM William (2010) states that banking sector plays a very vital role in the economic development process. The health of the economy depends on the soundness of its banking system. Modern trade and commerce would not be possible without the availability of suitable banking service. The Indian banking system has undergone tremendous changes since the nationalization of major commercial banks.

T.T. Ram Mohan (2003) in his research evaluates the performance of public sector banks (PSBs) consequent to disinvestment by comparing the returns to PSB stocks with returns to the Sensex. He computed the relative returns of private sector banks with respect to the Sensex and use these to compare public and private sector bank performance.

Dr.Dhanabhakym and kavitha (2012) have studied the objectives to enlighten and establishment of public sector banks and to analyse the financial position of selected public sector banks. The study concluded that selected public sector banks have performed well on the sources of growth rate and financial efficiency during the study period.

Karan (2012) stated that Indian economy has been recording impressive growth rate since 1991. The main thrust of the financial sector reforms has been the creation of efficient and stable financial institution and development of the markets, especially the money and government securities market. In addition, fiscal correlation was undertaken and reforms in the banking and external sector were also initiated.

Kajalchaudhary and Monika Sharma (2011) in this article have tried to compare the performance of public and private banks of India and also tried to find out trends in NPA level. They have used statistical tool for projection of trend. This paper is an attempt to analyze how efficiently public and private sector banks have been managing NPA.

Koepapetya (2003) in his study on the performance of Indian Banks. During financial liberalization states that new empirical evidence of the impact of financial liberalization on the performance of Indian commercial banks. The analysis focuses on examining the behavior and determinants of banks intermediation costs and profitability during the liberalization period.

Sunil kumar (2007) has concluded that high efficiency does not stand for high effectiveness in the Indian PSB industry. A positive and strong correlation between effectiveness and performance measures has been noted. This paper is to appraise the efficiency, effectiveness, and performance of 27 public sector banks operating in India by using two stage performance evaluation model.

II. Research Methodologies

Research design: Analytical research design

Population: Stocks listed in NSE

Sample size: 10 bank stocks were selected using judgement sampling.

The data that was collected for the study is secondary data and it was collected from NSE website. The returns are computed with the help of monthly closing price of the stocks from January to December for a period of 5 years January 2014 – December 2018.

III. Analysis and Interpretation

Table 3.1 shows HDFC bank stock annual returns for 5 years.

Year	Returns %
2014	43.37
2015	8.89
2016	9.53
2017	36.23
2018	17.64

Inference: From the above table, it is clear that the returns for the year 2014 was 43.37% and the return in 2017 was 36.23% which is very high compared to the other years' returns.

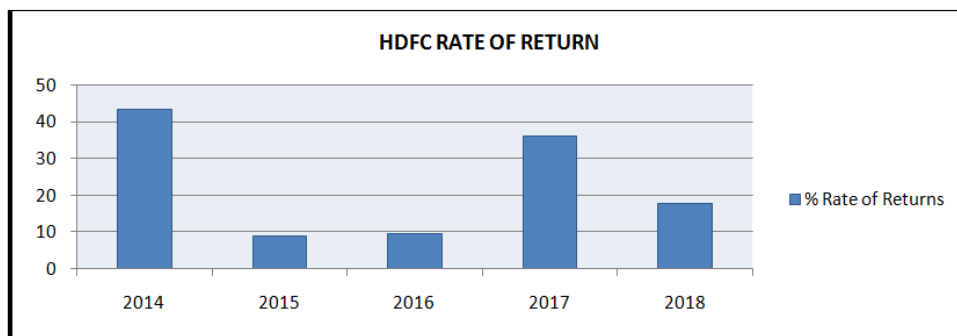


Table 3.2 shows YES BANK stock annual returns for 5 years.

Year	Returns%
2014	90.9
2015	-15
2016	58.6
2017	33.7
2018	-42.94

Inference: From the above table, it is clear that the returns in 2014 was 90.9% and in 2015 it was -15% which is a sudden downfall and in the year 2018 it declined to -42.94% which is too low when compared to 2016 & 2017.

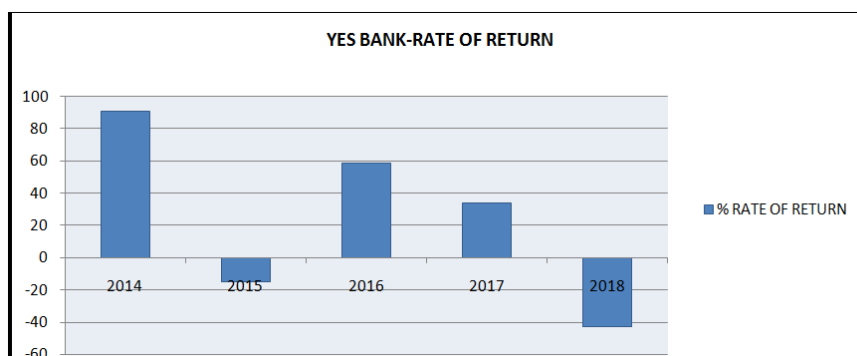


Table 3.3 shows INDUSIND BANK stock annual returns for 5 years.

Year	Returns%
2014	82.50
2015	16
2016	12.14
2017	52.80
2018	2.03

Inference : From the above table, it is clear that the returns for the year 2014 was 82.50% which is very high and in the year 2017 it was 52.80% which is considerably high when compared to 2015, 2016 & 2018 returns.

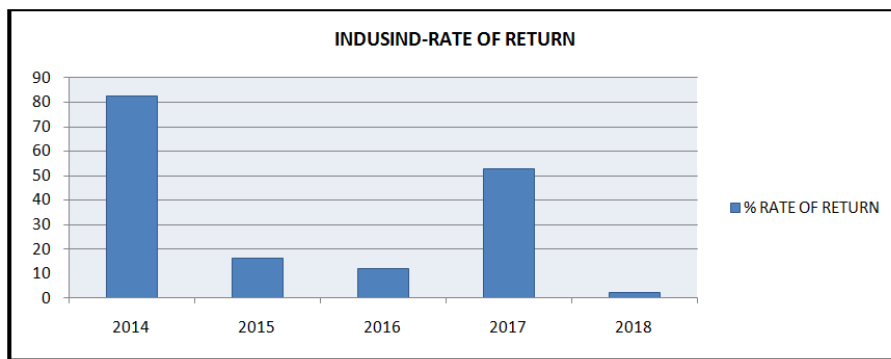


Table 3.4 Shows AXIS BANK stock annual returns for 5 years.

Year	Returns%
2014	89.2
2015	-8.3
2016	3.78
2017	19.23
2018	10.44

Inference: From the above table, it is seen that the returns for the year 2014 was 89.2% and in the year 2015 there was a sudden decrease in return to -8.3% which is very low when compared to 2016, 2017 & 2018 returns.

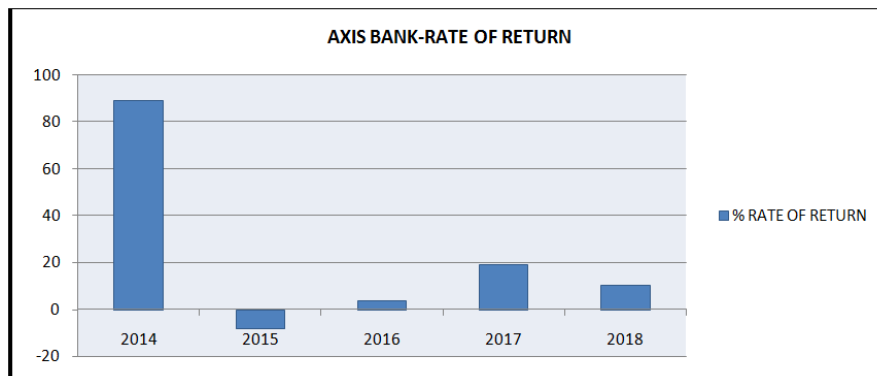


Table 3.5 Shows PUNJAB NATIONAL BANK stock annual returns for 5 years.

Year	Returns%
2014	70.06
2015	-52.7
2016	-69
2017	47.4
2018	-57.9

Inference: From the above table, it is seen that the returns for the year 2014 was 70.06% which was very high when compared to 2015, 2016 & 2018 where the returns are -52.7% , -69% and -57.9% which is very low and in the year 2017 it was 47.4% which is certainly good.

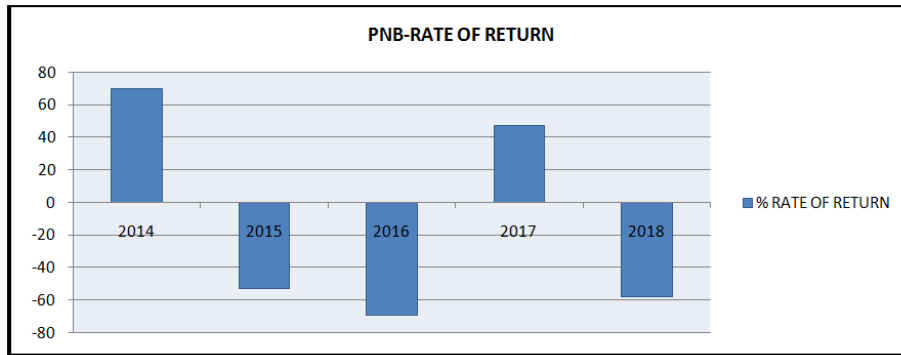


Table 3.6 Shows RATNAKAR BANK LIMITED stock annual returns for 5 years.

Year	Returns%
2014	16.21
2015	16.52
2016	16.67
2017	20.22
2018	52.2

Inference: From the above table, it is clear that the returns for the year 2018 was 52.2% which was very high when compared to 2014, 2015, 2016 & 2017 returns.

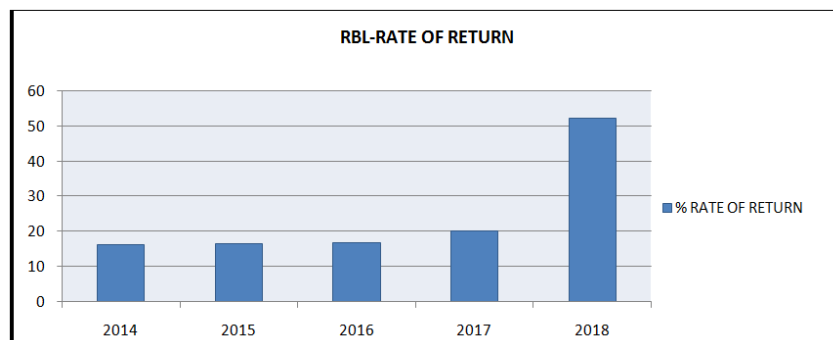


Table 3.7 shows ICICI BANK stock annual returns for 5 years.

Year	Returns%
2014	60.16
2015	-22.20
2016	-1.46
2017	21.15
2018	14.56

Inference: From the above table, it is clear that the returns for the year 2014 was 60.16% which is very high and during 2015 & 2016 there is a sudden downfall to -22.20% & -1.46% which is very low when compared to the other year's returns.

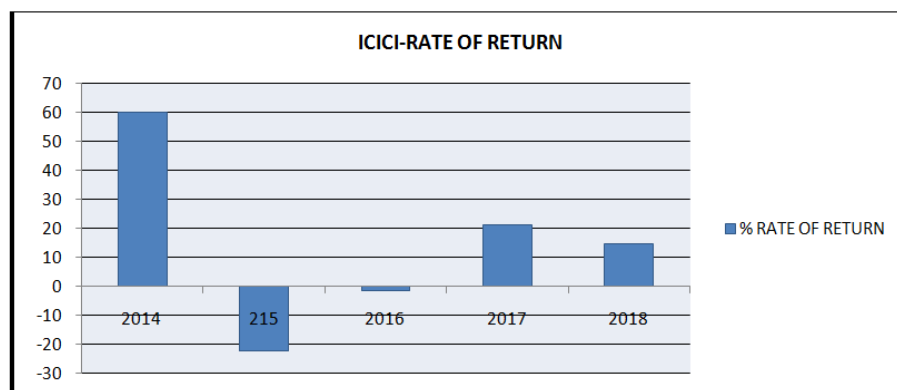


Table 3.8 shows FEDERAL BANK stock annual returns for 5 years.

Year	Returns%
2014	71.14
2015	-60.75
2016	21.77
2017	64.26
2018	-22.35

Inference: From the above table, it is seen that the returns in 2014 was 71.14% and in 2017 it was 64.26% which is very high and during the year 2015 & 2018 it shows a decreasing trend (i.e.,) -60.75% and -22.35% respectively.

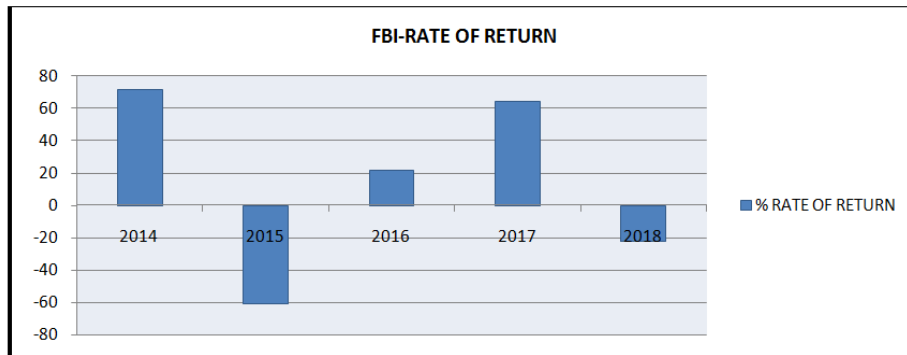


Table 3.9 shows BANK OF BARODA stock annual returns for 5 years.

Year	Returns%
2014	64.69
2015	-18.03
2016	1.60
2017	12.55
2018	-33.77

Inference: From the above table, it is clear that the returns for the year 2014 was 64.69% which is certainly good when compare to 2015 & 2018 was -18.03% and -33.77 & which is a sudden downfall.

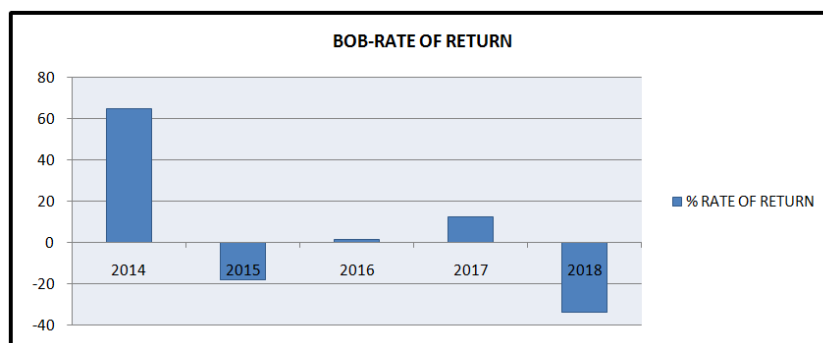


Table 3.10 shows STATE BANK OF INDIA stock annual returns for 5 years.

Year	Returns%
2014	81.07
2015	-20.31
2016	12.22
2017	28.38
2018	-6.61

Inference: From the above table, it is clear that the returns for the year 2014 was 81.07% which is very high when comparing with 2016 & 2017 returns and during 2015 & 2018, the returns witness a sudden downfall of -20.31% and -6.61%.

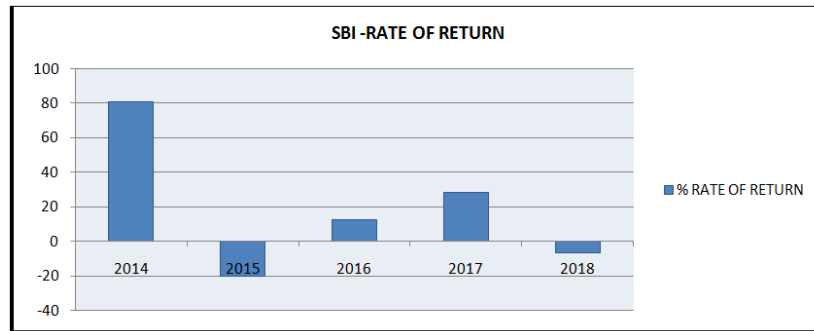
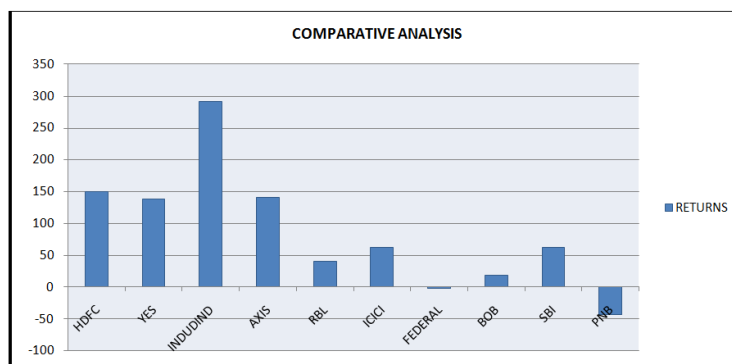


Table 3.11 shows COMPARATIVE ANALYSIS of overall returns of all the 10 bank stocks which were discussed above.

Banks	Returns%
HDFC	149.6
YES BANK	137.9
INDUSIND BANK	291.4
AXIS BANK	141.4
RBL	40.62
ICICI BANK	61.92
FEDERAL BANK	-2.2
BANK OF BARODA	18.65
STATE BANK OF INDIA	62.49
PNB	-43.7

Inference: From the above table, it is clear that the returns of FEDERAL BANK and PNB are not doing well in the overall returns where the returns are -2.2% and -43.7% when compared .to the other banks overall returns. The comparative analysis shows that Federal bank and PNB banks performance is less compared to all the other banks. IndusInd bank has performed extraordinary with return of 291%.



IV. Findings

- The study shows that the rate of return for HDFC bank has been highest in 2014 and lowest in 2015.
- The rate of return of YES bank has been negative in the year 2015 & 2018.
- PNB banks yearly returns show that in the year 2015, 2016 & 2018 the returns are negative.
- INDUSIND BANK has performed well in 2014 compared to 2018
- Axis bank has performed well, the 5 year study shows that the rate of return has been very less in the year 2015 only.
- There is a gradual increase in the return of RATNAKAR BANK LIMITED from the year 2014 with 16.21% to 52.2% in the year 2018.
- ICICI BANK returns declines in 2015 and in 2016 later the bank has given high returns.
- The analysis shows that the overall rate of return of every bank has declined in the year 2018 when compared to previous years.
- Nifty value for the year 2018 has decreased from 11027 to 10862. The overall return of the banks have also decreased showing that the selected bank stocks move in tandem with nifty.
- 5 years overall returns prove that federal bank and PNB banks return are less when compared to all other banks.

- IndusInd has given high return of 291% in 5 years followed by HDFC 149.6%, axis bank 141.4%, YES bank 137.9% respectively.

V. Conclusion

This research has proved that bank stocks are attractive for investments as they have given very high returns when held for long term of 5 years. Portfolio managers can invest a part of the funds in bank stocks as long term investment. The capital appreciation of banks stocks has been high with high profits. Retail investors can also invest in bank stocks as the study shows that the risk associated with investing in bank stocks is less. The research has proved that of the 10 stocks chosen only two stocks have given negative return but the other 8 stocks have outperformed the market. So, it can be concluded that the bank stocks listed in nifty has performed well in the last 5 years.

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