Comparative Risk Returns Analysis of Bombay Stock Exchange with Banking Stock

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***Abstract* - The stock markets in India are contributing an enormous extent in progress of the economy. The banking sector engages 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 30 (Sensex). India's one of the superior stock exchange i.e. Bombay Stock Exchange (BSE). 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 15 years from January 1, 2001 to December 31, 2015. 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, descripted for the employ.**

***Index Terms* – Return, Stock market, Bombay stock exchange, risk.**

STOCK MARKET

The past 135 years, BSE has facilitated the growth of the Indian corporate sector by providing it with an efficient capital raising platform. Today, BSE is the world's number 1 exchange in the world in terms of the number of listed companies (over 4900). It is the world's 5th most active in terms of number of transaction handle through its electronic trading system. And it is in the top ten of global exchanges in terms of the market capitalization of its listed companies. The companies listed on BSE command a total market capitalization of USD Trillion 1.36 as of 31st March 2010. The BSE Index, SENSEX, is India's first and most popular Stock Market benchmark index. Exchange traded funds (ETF) on SENSEX, are listed on BSE and in Hong Kong. SENSEX, first compiled in 1986, was calculated on a "Market Capitalization-Weighted" method place, whether physical or electronic, where stocks in listed companies are bought and sold. A stock market may be a private company, a non-profit or public trade company. A stock market provides a regulated place where brokers and companies may meet to make investments on neutral ground. The stocks are listed and traded on stock exchanges which are entities of a corporation or mutual organization specialized in the business of bringing buyers and sellers of the organizations to a listing of stocks and securities together. The stock market the India is the Bombay Stock Exchange. Participants in the stock market range from small individual stock investors to large hedge fund traders, who can be based anywhere. Their orders usually end with a professional at a stock exchange, who executes the order.

BOMBAY STOCK EXCHANGE

Bombay Stock Exchange is the oldest stock exchange in Asia, today is now popularly known as the BSE was established as "The Native Share & Stockbrokers Association" in 1875. Overology of 30 component stocks representing large, well-established and financially sound companies across key sectors. SENSEX is being calculated on a free-float market capitalization methodology. The free-float market capitalization-weighted methodology is a widely followed index construction methodology on which majority of global equity indices are based; all major index providers like MSCI, FTSE, STOXX, S&P and Dow Jones uses the free float methodology.

INTRODUCTION

In the age of growing Liberalization, Privatization and globalization in the emerging economies, stocks markets play an important part and it turn as indicator reflecting the performance of the country's economic condition. Stock market is a place where buying and selling of financial securities use to take place. It is mainly due to a high degree of volatility; prices fluctuate within minutes and are determined by the demand and supply of stocks in a given time. The buyers and sellers trade on different financial securities in the stock market, which encounter to accomplish their financial objectives from their investments. Investments in stock market involve future uncertainties, which is the risk has to tolerate by all the investors for the expected returns.

Therefore, investments in stock market comprise both risk as well as returns. The investors have a lodged concerned in the stock market to accomplish higher returns. In the contemporary situation, research also are compelling extreme notice on stock market by using efficient procedures, which in turn will be advantageous for investors over their market analysis. In. Indian has two main stock markets specifically, Bombay stock Exchange (BSE) and National Stock Exchange (NSE). Indian Stock market has seen a foremost alteration afterward the employment of liberalization, where the free flow of information' were the foremost factors on different stock market indices. India is a developing economy; it has eyewitness an extreme alteration in the financial market (both capital market as well as money market) in last two decades. FIIs have also taken a acute interest in Indian stock market, consequence India prosperous enough to acquire a major segment from foreign investors in recent period. This has likewise increased the risk connected Investment in financial securities. Henceforth, numerous investors assess their speculation occasion with the assistance of various techniques to minimize their risk through suitable pronouncement. In the assessment of investment opening for investors use to measure their risk and returns connected by it. Investors usually observer ups and downs on indices to recognize the performance of the stock market.

OBJECTIVES

Objectives of the Bombay Stock Exchange (BSE) are.

1. To provide an efficient and transparent market for trading in equity, debt instruments, derivatives, and mutual funds.
2. To provide a trading platform for equities of small and medium enterprise
3. To ensure active trading and safeguard market integrity through an Electronically driven exchange.
4. To provide other services to capital market participants, like risk management, clearing, settlement, market data, and education.
5. Establishing a nationwide trading facility for all types of securities

WHAT IS BOMBAY STOCK EXCHANGE

Bombay. Stock exchange was founded by Premch and Roychand in 1875 and is currently managed by Sethurathnam Ravi, serving as the chairman. The Bombay Stock Exchange (BSE) is the first and largest .securities as India and was established in 1875 as the Native Share and Stock Brokers' Association. Based in Mumbai, India, the BSE lists close to 6,000 companies and is one of the largest exchanges in the world, along with the New York Stock Exchange (NYSE), Nasdaq, London Stock Exchange Group, Japan Exchange Group, and Shanghai Stock Exchange. The BSE has helped develop Indian. The capital market is including the retail debt market and has helped grow the Indian corporate sector. The BSE is Asia's first stock exchange and also includes an equities trading platform for small-and-medium enterprises (SME). BSE has diversified into providing other capital market services including clearing, settlement and risk management

HOW THE BOMBAY STOCK EXCHANGE WORKS?

Financial transactions in BSE are done online through an electronic trading system.

Market orders can be directly placed in BSE online, without the requirement of external specialists through direct market access. Due to the absence of such limit orders, focus is shifted from buyers/sellers to the total value of transactions in a day. Trading in the Bombay stock market shares has to be done through a brokerage agency, against a stipulated charge. However, direct investment access is given to certain preferential investors making large transactions in the BSE stock market. BOLT-Bombay Online trading platform is used by this stock exchange for efficient trading.

Research Methodology:- The methodology used for the implementation of the assigned project is based on secondary data and with the help of custom. Research design for the descriptive study is of exploratory type and the forms is given to discover the possible measure by detailed analysis this report also based on descriptive research because it provides the detailed knowledge about the BSE and NSE and its listing procedure. Secondary data .has been in the research, d at a collection from various magazines, newspaper, web sites and other source. Research design: descriptive type and analytical type Data collection method: secondary data collect method.

DATA ANALYSIS

Table-1 summarizes the statistical results of daily stock market returns of different stock indices from January 2001 to December 2015 by the help of descriptive statistics.

Particula r	Sensex	HDFC	ICICI	AXICS	SBI
MEAN	0.0505	0.0420	0.0151	0.0612	0.0032
Standard deviation	1.4994	3.3206	3.7998	3.9219	4.3973
kurtosis	8.80825	1454.5359	840.7088	767.9197	1938.1517
skewness	-0.1366	-30.0456	-19.9302	-18.508	-37.3454
range	27.7992	152.2855	180.7593	179.8395	246.6704
Minimum	-11.8092	-160.3947	-160.0471	-61.3146	-228.2321
Maximum	15.9900	21.8908	20.7122	18.5249	18.4383

It has observed from above during the study period i.e. from January 2001 to December 2015,all indices showed positive average daily returns. The average daily returns recorded highest of 0.0612 in case of AXIS Bank, whereas it found lowest of 0.0037 in the case of SBI. The average daily return of Sensex is found to be 0.0505, which is more as compare to HDFC Bank, ICICI Bank and SBI, while Sensex average return is less than that of AXIS Bank

Therefore, from the above clearly suggest that average daily return of Sensex is higher than that of all Banking stock returns except AXIS Bank over the study period. On the contrary, the standard deviation of Sensex is lowermost associate to all Banking stock returns. The standation of SBI stock return is uppermost for the mention period.

All the stock returns are observed to be leptokurtic (peaked) by nature i.e. it is lowest in case of Sensex and more peaked in case of SBI.

Analysis of Beta with Reference to Sensex Beta (market risk) of all sample banking stocks with reference to Sensex found out as discussed below.

Table 2

Particular	HDFC	ICICI	AXIS	SBI
BETA	0.0012	-0.0043	0.0322	0.0043
RANK	3	1	4	2

The above table displays that ICICI Bank is greatest defensive stock i.e. it is negatively sensitive to variations happening to Sensex. However, AXIS bank is greatest sensitive stock, its' return existence 0.0322 which specifies 1% variation in Sensex will give 0.0322% change in AXIS bank return and formerly next to it are HDFC Bank and SBI. Analysis Return per Standard Deviation

An indicates the position of different banking stocks' returns with the relation to standard deviation. Here it can observe that AXIS Bank has performed better (less risky), than other banks throughout the study period, whereas SBI bank has to improve in the measure of return per standard deviation for the reducing the risk

Table 3: Return Per Standard Deviation Daily Stock Market Returns

Particular	HDFC	ICICI	AXIS	SBI
Standard deviation	0.0127	0.0040	0.0156	0.0008
Rank	2	3	1	4

CONCLUSION

In this study, the Sensex returns and Banking stock returns have been used to find out the comparative risk return analysis between Sensex returns with that of sample banking stock returns. More specifically, to examine the correlation four major Banking stock market indexes& returns, (the HDFC Bank, the ICICI Bank, the AXIS Bank and the SBI), with BSE Sensex index return, during the period January 2001 to December 2015. Results obtained from the correlation analysis reveals that Sensex returns is high correlation with AXIS Bank returns and negative correlation between ICICI Bank returns. On the other hand, from descriptive analysis it can found that Sensex returns as well as all the stock returns positive average daily returns except ICICI Bank return for the selected period. The Sensex generated high returns, as compared to all other stock apart from AXIS Bank return. SBI return shows the highest volatility during the period whereas; it is lowest in Sensex return. In the case of t test and the p-value, it can conclude that returns of different stock returns that there is no significant difference between and banking stock returns. It is clear from the above that the Null Hypothesis (H0), there is no significant difference between returns of Sensex and banking stock returns is accepted. In the case of market risk ICICI bank is greatest defensive stock, whereas AXIS Bank is greatest sensitive stock, which highly varies with Sensex return. All the banking stocks change in similar trend of Sensex since the values of beta are positive except ICICI Bank, which has negative beta. The regression analysis study indicates that, the association among Sensex returns and banking stock returns by suggesting that statistically insignificant associations among Sensex returns and on the banking.