A Study on Share Price Movements of Selected Banking Stocks with Respect to BSE

Dr. Prashant T. Jariwala

Associate Professor, City C.U. Shah Commerce College, Opp. Dinbai Tower, Laldarwaja, Ahmedabad, Gujrat, India. pjari66@gmail.com

ABSTRACT - Stock price volatility is the podium for actual and potential investors for their investment decision in capital market. Number of factors influences to share price. This paper is based on an empirical study of share price movement and its volatility of selected banking stock for the study period 2018 and 2019.Reseacher has taken S & P BANKEX as a benchmark index to compare the return of selected banking stock. For examine the share price, researcher has used descriptive statistics and parametric T test. The study revealed that share price movements of selected banking stock moved with benchmark index. The finding of the study will helpful for the investors in timing of their investment in banking sector.

KEYWORDS: Stock Price, Share Price Movement, S & P BANKEX

I.   INTRODUCTION

Stock Market plays a vital role in any economy. Initially people looked stock market as an easy way of earning money. Later on due to literacy in finance and awareness, it has become pool of investment. In present Indian scenario number of investment option like equity share, preference shares, mutual funds, bonds, debt, hybrid funds, PPF, pension schemes, FDs and insurance are available. Investors considers the performance of companies by studied their past trend before investing funds. Many factors affect the share price of any scrip. Stock market considers as very sensitive market so it is very difficult for any researcher to measure accurate volatility and trend. For this purpose, researcher has selected six banking stocks of BSE. This research will help investors to understand the share price movement. It will gives the information to investors that share prices moves with its benchmark indices or moves randomly. The research will give opportunity to potential investors to invest their funds and earn maximum return in banking stocks.

II.   REVIEW OF LITERATURE

M. Gomathi and Dr. S. Nirmala (2012) studied price movements of construction companies from NIFTY 50 India. To understand the behavior pattern, they used exponential moving average, rate of change, RSI. They have taken 145 days for the study period. Nifty 50 was taken as benchmark index. The study suggested to investors to hold shares for some period. Researcher also identified the relationship between selected companies and Nifty movement.

E. Geetha and Ti M. Swaminathan (2015) analyzed the factors influencing the stock price. For the research they have taken four automobile and IT companies from BSE and NSE as a sample. They took four factors EPS, book value, P/E ratio and dividend yiels to compare the performance of selected companies stock price. They found that book value, EPS and Price Earnings Ratio shows a significant effect but dividend per share has no impact on market price.

John William & T. Vimla (2015) analyzed the group of selected banks and its volatility by using beta value. It was an analytical research. They have used companies audited annual reports. The period was covered 2013 to 2014. The study was based on pre and post financial crisis periods. Researcher observed that the reasons in equity share price was due to market fluctuation. From the beta value, it was found that ICICI Bank, HDFC Bank, Axis Bank, PNB and Induslnd bank showed higher beta value which shows high risk. The study suggests a pathway to choose the best equity for investment.

Dr. P. Karthikeyan and S. Dinesh Kumar (2016) in their paper studied the share price behavior for selected construction companies from NSE. For analysis they used simple moving average and trend analysis. They have taken monthly share period for a period of Jan. 2014 to July 2016. They found that DLF Ltd., Oberoi Realty Ltd., NCC limited, Prestige Esatates Project Ltd., have shown the buying signal but Ashok Buildcon Ltd. Shows the selling signal as its selling price is less than the average. They also suggested to invest in DLF Ltd. As it is healthier than other scrip.

Robert P. Schumaker and Nick Maida (2018) investigated stock price movements affected by financial news relatives, media, time of release and sentiment. They used a Sharp Ratio to measure risk adjusted return. Researcher chose 40

trading day from Feb. 12 to April 10 214. They also used companies listed in the S & P 500 as of Feb. 7, 2014. In their experimental results they answered that the financial news articles had an effect on stock price. From Slope and Sharpe ratio comparison between article and random dataset, they found that news articles created significantly price movement. The study suggest that financial news can be used as formal price management. In their second finding, there was a link between media outlets and price movements. In another finding, they stated that there was a correlation between article sentiment and abnormal price movement.

Dr. Pravin Choudhary and Pof. Apoorva Bhatnagar (2018) examined the technical analysis of selected PSUs share price movements. They took five public sector units from BSE for the period of Jan. 2017 to Dec. 2017.The result shows that there is a significant relationship between market indices and selected companies in BSE like Coal India Ltd., ONGC, Natural Gas Corporation Ltd., Indian Oil Corporation Ltd., and Power grid Corporation. Only one PSU has no significance relationship with market indices.

RESERCH OBJECTIVES:

This paper is projected

- To know the selected banking stock price pattern during study period.
- To measure and compare the significant differences in the return of selected banking stocks of BSE
- To compare the price movement of banking stock with its benchmark index S & P BANKEX

III.   RESEARCH METHODOLOGY

Sample size

Top 6 banks has been selected on the basis of highest market capitalization in BSE Sensex. Sample banks are SBI, HDFC Bank Kotak Mahindra Bank, Axis Bank, ICICI Bank and Induslnd Bank. S & P BANKEX has been taken as a bench mark index by the researcher. It was launched on 23 June 2003 by BSE. It reflects the performance of banking stocks which are listed on BSE. Quantitative research techniques has been used for research which involves statistical and mathematical tools to find out the solution of research problem.

Study period

Two calendar years 2108 and 2019 have been taken for the study.

Data collection

Researcher has taken secondary data for the study and complied from websites of BSE, annual report of banks, articles from various journals and newspapers. The monthly closing price has been recorded for all selected stocks and BANKEX.

Hypothesis of the study

The following hypothesis can be framed for the study.

Ho: There is no significant difference between the return of S & P BANKEX and selected banks.

Limitation of the study

- The data has been analyzed for six banks only which are listed on BSE and for 2 years so the results may be different for other banks.
- T Test is used to analyze the share price movements so directly limitation of statistical test is implemented.

IV.   DATA ANALYSIS & FINDINGS

Table 1: Average Return of Selected Banking Stocks and BANKEX

YEAR	S&P BSE BANKEX	SBIN	HDFC	Kotak Mahindra	ICICI	INDUS IND	AXIS
2018	29486.06	277.84	2030.9	1206.62	317.67	1771.28	570.27
2019	33481.71	314.33	1929.22	1471	430.17	1496.89	736.97

Source: Researcher's Calculation from Annexure 1

Table 1 explains the average return of S & P Bankex and selected banking stock during the study period. During the study period researcher has observed moderate fluctuation in BANKEX but it shows the progressive trend in 2019 as compare to 2018. Same as benchmark index SBI banks, Kotak Mahindra bank, ICICI bank and Axis bank records high return in 2019 only the returns of two HDFC and Indusind banks shows moderate decrease in 2019. Share price HDFC bank was decreased in Sept 2019 with high decrease. In Oct 2019 it exited higher after went ex-split of share to Rs. 1. ICICI bank and Kotak Mahindra bank was included in top 5 companies from India in Bloomberg 500 companies list. It comprises list of top 500 companies by their market capitalization across the globe.

Table 2: Hypothesis testing for the difference in between selected Stocks and BANKEX

SR. NO	INDICES AND BANKING STOCK	T CALCULATED	TABLE VALUE	ACTION
1	S&P BSE BANKEX & SBI	0.04035406	α>0.04	Ho Accepted
2	S&P BSE BANKEX & HDFC Bank	0.044134354	α>0.04	Ho Accepted
3	S&P BSE BANKEX & Kotak Mahindra Bank	0.039349455	α>0.03	Ho Accepted
4	S&P BSE BANKEX & ICICI Bank	0.039680047	α>0.03	Ho Accepted
5	S&P BSE BANKEX & Indusind Bank	0.045457188	α>0.04	Ho Accepted
6	S&P BSE BANKEX & AXIS Bank	0.039481632	α>0.03	Ho Accepted

Source: Researcher's Calculation

As per hypothesis framed by researcher there is no significant difference in the rerun of S & P BANKEX and selected banks.

Here T test is applied by researcher to k now the relation between selected banking stocks and their benchmark index. The calculated value of SBI and BANKEX is 0.040, HDFC and BANKEX is 0.044, Kotak and BANKEX is 0.039, ICICI bank and BANKEX is 0.039, Indusind bank and BANKEX is 0.045 and Axis bank and BANKEX is 0.039. All calculated value are less than the critical value of t so test indicates that there is no significance difference in the selected banking stocks and S & P BSE BANKEX. The result of t test is no significance relation for all 6 banks at 5% level which means that they follow the same path with BANKEX.

V. CONCLUSION AND IMPLICATIONS OF THE STUDY

The study suggests the impact of BANKEX on selected banking stocks. All selected banking stocks return affects from its benchmark index. They follow the same direction with benchmark index for a study period. From this research, researcher found that finance sector is a backbone for Indian economy. In this study the result revels detailed analysis of share price movement and its trend for study period. This study can be used to know impact of benchmark index on selected sectorial scripts. Researcher has found that the monthly return of all selected banks and BANKEX return are homogenous during study period. It proves that market follows random walk theory. Over the past few years the performance of PSU banks has been unsteady because of huge amount of NPAs and weak governance practices. In present scenario for the investors private banks provide good options for investment. The investor can take benefit on the basis of this work and will earn maximum return. The current research can be extended by taken all banking stocks on S & P Bankex. Researchers will also make a comparative study by taking banking stocks share prices listed on BSE and NSE so the complete status of Indian banking sector will be come to know.

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