ASIA PACIFIC JOURNAL OF RESEARCH

School of Commerce Studies
JAIN UNIVERSITY
Declared as Deemed-to-be University u/s 3 of the UGC Act,1956
Accredited by NAAC with Grade 'A'

2nd International Conference on

"Emerging Global Trends In Accounting, Finance & Taxation"

Organized By:
Department of Commerce

ज्ञान-विज्ञान विमुक्तये

UGC Jr.No. 45797

University Grants Commission
Approved Journal

Print - ISSN - 2320 - 5504
Online-E-ISSN - 2347 - 4793

Venue:
JGI Knowledge Campus
#44/4, District Fund Road.
Jayanagar 9th Block
Bangalore - 560069

Academic Partners

ISDC
International Skill Development Corporation

Think Ahead ACCA

www.jainuniversity.ac.in

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

APJR Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

RISK AND RETURN ANALYSIS OF SELECTED BANKING STOCKS IN NIFTY

Divya.U

Assistant professor,

Adarsh Institute of Management & Information technology

Research Scholar Mysore university

Bengaluru, Karnataka

Dr.Noor Firdoos Jahan

Professor

Marketing Department

RV Institute of Management

Bengaluru, Karnataka, India

ABSTRACT

The common investment option among investors is banking stocks because banking sector is the backbone of the economy and these stocks are actively traded in stock markets. With the potential to become the 5th largest banking industry in the world by 2020 and 3rd largest by 2025 according to KPMG-CII report, India's banking and financial sector is growing speedily. The Indian Banking industry is presently worth Rs.81 trillion (US $1.31 trillion) and banks are now employing the modern technologies like internet and mobile devices to carry out dealings and interconnect with the masses. Presently Indian banking sector comprises of 26 Public sector banks, 20 Private sector banks and 43 Foreign banks along with 61 Regional rural banks (RRB's) and more than 90,000 credit co-operatives. This sector has given very good return to the investors in India in past. But the recent financial crisis, has proved, that the banking stocks tend to be more volatile than other sector stocks. With this background we have undertaken a study on Risk and Return analysis of selected banking stocks from NIFTY. The study is conducted by taking a sample of five banking stocks listed in Nifty namely SBI, PNB, ICICI, AXIS and HDFC. The Average Return, variance, Standard deviation and Beta were computed for these stocks for a period of 5years i.e.2012-17.

Key words – Return, Risk, Beta, Variance, Standard deviation, Bank, Stock, Investor.

Introduction

Risk and return are the two faces of the investment coin. Return is the primary motivating factor behind any investment. It is the reward for undertaking investment. The return includes current return and capital return. The current return is nothing but the regular cash flow like dividend, interest etc. The capital return is the difference between buying price and selling price of investment. It can be capital appreciation or capital depreciation.

The formula used for calculating daily returns is

Daily Returns $= \frac{p_t - p_{t-1}}{p_{t-1}} * 100$

Holding period return= Dividends + $\frac{p_t - p_{t-1}}{p_{t-1}} * 100$

Average daily returns = sum of daily returns/ number of observations

Annualized returns = average daily return * number of trading days

p_t = current price, selling price

p_{t-1} = previous price, purchase price.

In investment the commitment of funds take place at present but the returns we receive in future. This feature of investment involves risk. Risk is nothing but variability in returns. It is the difference between actual return and expected return. Higher the variability in