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CONTENTS

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# Applicability of William Sharpe's Single Index Model in the Indian Context: A Case Study of Banking Industry

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***Abstract***

*Bank acts as a catalyst in the mobilization of financial resources from the savers to the investors thereby playing a significant role as growth facilitator. Statement of the problem is the reforms in the banking industry started in the early 1990s have been continued till now. This is the ultimate purpose of selecting banking sector. Further, to construct the portfolio, there is a need to study the risk and return of securities. This has paved way to select ten banks through non probability sampling i.e. judgmental method and calculated risk return in order to construct portfolio.*

*Objectives of this paper are to elicit the applicability and utility of the single index model in Indian context, to construct a comer portfolio using single index model for banking sector in India, and to evaluate the performance of the portfolio thus constructed in terms of its rate of return. The exploratory research is used for the study. With the characteristics of risk and return of individual securities an optimal portfolio constructed. For this research secondary data were collected. The sample consists of 10 companies of the banking industry selected on the basis of the research objective.*

*It can be conclude that William Sharpe's Single Index Model will be applicable to the Indian banking industry in constructing a portfolio for improving the expected returns on the investment. However we cannot come to a conclusion that it is totally applicable to Indian market with just a sample on banking industry. It is suggested to the Indian investors that, they should apply Sharpe's Single Index Model to get a better returns in the secondary market for constructing a portfolio with more sectors for better diversification.*

***Keywords:*** *Portfolio, Risk, Return, Beta, BSE Sensex*