DIMENSIONAL STUDY ON SHARE PRICE MOVEMENT OF BANKING SECTORS LISTED IN NSE

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ABSTRACT

Banking plays a vital role in building the economy of an individual as well as a nation. In India banking sectors have greater importance as it forms the lifetime of economic activity of rural and urban areas. So the change in stock price movements and correlation of banks will be influencing the individual as well as a nation. Further the study analyzes a group of selected banks and its market movement and correlation by using descriptive statistics and correlation analysis.

Keywords: Banking Sectors, Stock Market, NSE, Descriptive Statistics, Correlation.

I. INTRODUCTION

A stock market (**also known as an equity market or share market**), is a collection of buyers and sellers of the stock. These stocks represent ownership heed in companies. These may include public or private traded securities. Usually, large companies will list their stock on a stock exchange because it makes their shares more liquid (i.e., easy to buy and sell), which investors will like, this liquidity also attracts international investors.

The stock market plays an important role in allocation of resources, which is done both directly as a source of fund and as determinant of firm's value and borrowing capacity. There was a large swing in equity price of the share market in several countries during the 1980s and it is replenished with additional evidence that the market valuation were more variable than the earning prospects of the both public and private banks. The empirical evidence has also constructed few doubts about the market equity efficiency that is in the sense of appropriate reflect of appurtenance and reachable information.   The   secondary market in the stock exchange is a highly organized market for purchase and sale of second hand quoted of listed securities. The securities contract regulation act 1956 defines a stock exchange as " an association, organization, or not, established for the purpose of assisting, regulating, and controlling, business in buying , selling, dealing and securities. NSE matters much as important in stock market.

Banking sectors also play a vital role in share market as well as the economic development of a country. A reinforced banking industry is momentous in every country and can have a significant affect in supporting economic development through efficient financial services. After liberalization the banking industry in India has under gone major modulations. There are many investors who invest large amount of money in bank sectors of share markets. The present article examines the share price movement in the public and private sector banks in India listed in NSE.

II. REVIEW OF LITERATURE

Raman.KAgrawalla (2014)[1] made an attempt to study the extent in his study," Share price and macroeconomic variables in India". Bank nifty were covered in this stud. He applied descriptive statistics and correlation matrix for the study. It was found that the macroeconomic variables impact from the share price in market. He concludes that the share price was the highest during the study period.

Dr.P.Karthikeyan (2016)[2] examined the equity share price behavior of selected companies with reference to construction industries in NSE. He took the monthly prices of the selected companies in constructive industries listed in NSE. He applied simple moving average and trend analysis for the study. He concluded that share price behavior is not a trend in nature.

Dr.PremaChandran (2016)[3] examined the key volatility and returns of the Indian banking sectors in India. The study is based upon the stocks compromising the NSE index over a period from April 1st 2015 to 30th March 2016. The empirical study is purely secondary in nature where the daily closing prices of stocks of the 12 banks that appear in the bank index is used. The study used standard deviation and beta to investigate the volatility and returns of market share price. The empirical findings show that in share market the high risk is because the share is more volatile.   The present study re-visits the existing postulates on determination of share prices and movements of public and private banking sectors in India listed in NSE during the period 2017-2018.

III. STATEMENT OF THE PROBLME

The private and public sector banks in India represent the part of the Indian banking sector. Public banks provide moderate interest on deposits and low rate of interest on loan. The private sector banks provide higher rate of interest to the deposits and higher rate of interest for the loans provided. And so the banking sectors face few issues that is the share price keeps fluctuating and there is a movement in the stock market equity, this creates an impact on the firm's financial growth which is also been discussed here. Share market is also not favorable to investors in banking sectors because the changes are dynamic in nature.

IV. OBJECTIVES OF THE STUDY
- To analyze the share price maneuver of public and private sectors banks as listed in NSE.
- To determine the relationship between the public and private sectors banks as listed in NSE.

V. LIMITATIONS OF THE STUDY
- This study is limited only to some selected stocks of public and private banking sectors under NSE.
- The study is based on the secondary data taken from the market capitalization.
- The study covered a period of one year.

VI. HYPOTHESIS
- **HO$_1$:** The share price of public and private banks listed in NSE are not normally distributed.
- **HO$_2$:** There is a no relationship between   public and private bank sectors listed in NSE.

VII. RESEARCH DESIGN
A. Data Used
The data used in for the study is purely secondary in nature where the daily closing of the NIFTY index and daily closing prices of stock of the 6 banks that appear in the bank index is used. The daily closing prices have been collected from the official website of National Stock Exchange for a period of one year from April 1st 2017 to 30th March 2018.

B. Methods of Sampling
Public and Private banking companies are selected for the study. The selection is mostly based on trade in NSE. **Top three Public and Private sectors banks Under market capitalization are:**

S.No	Bank Name	Last Price	% Change	52 week high	52 week low	Market Capitalization (Rs.Cr)
1	**State Bank of India**	**260.95**	**0.31**	**351.50**	**232.00**	**232,887.11**

2	Bank of Baroda	120.95	0.67	206.60	109.60	31,997.52
3	Punjab National Bank	75.50	0.33	231.60	72.35	20,842.33
4	HDFC	2190.10	0.20	2219.05	1685.00	578,899.21
5	Kotak Mahindra Bank	1333.45	1.24	1424.00	962.30	254,173.16
6	ICICI	266.00	1.84	365.65	256.00	171,096.29

C. Tools of Analysis

Tools used in this study are Descriptive and Correlation. The analyses the result, the descriptive statistics is used to check the normality level of share price of different banking sectors in India under NSE . Correlation is used to determine relationship between Public and Private sectors banks in India.

Table:1
Descriptive statistics of share price movement in Banking Sectors

S.No	Summaryof statistics	Share price of Banking Sectors					
		SBI	BOB	PNB	HDFC	KMB	ICICI
1	Mean	289.5	160.72	152.79	1763.92	1001.99	296.94
2	Median	289.7	163.37	152.30	1802.52	1003.97	295.92
3	Minimum	337.5	131.55	93.15	2005.70	1120.95	362.30
4	Maximum	234.8	195.75	213.60	1432.35	873.10	244.23
5	Standard Deviation	23.2	15.96	25.33	131.54	53.33	23.14
6	Skewness	-0.10	-0.06	-0.436	-0.86	-0.33	0.13
7	Kurtosis	2.36	1.985	3.10	3.014	3.01	3.31
8	Jarque-Bera	4.55	10.72	7.92	30.96	4.58	1.76
9	Probability	0.10	0.004	0.01	0.00	0.10	0.41
10	No. of Observation	246	246	246	246	246	246

Inference

Above the Table1 represents the descriptive statistics of share price movement for the period of 1st April 2017 to 31st march 2018. It explains that there is highest mean value of share price of 1763.72 in HDFC bank. 1001.99 is the next highest mean value of share price of Kotak Mahindra bank. The ICICI bank mean value is 296.94. As In comparison the public sectors mean value is less than private sectors banks. The mean value of state bank of India is 289.5. The bank of Baroda mean value is lesser than SBI as it is 160.72. and 152.79 is Punjab national bank mean value. And its standard deviation is (23.2) SBI, (15.96) BOB, (25.33) PNB, (131.54) HDFC, (53.33)KMB and (23.14) ICICI which imply that there is low degree of variability due to less deviation. It means that the mean value is distributed normally.

The Bank of Baroda, PNB and HDFC banks the p-value of JarqueBera (J-B) test statistics is (0.00) is significant at 5 percent level of BOB, PNB and HDFC banks are normally distributed in share price movement. The H0 null hypothesis is rejected. The p-value of JarqueBera (J-B) test of statistics of SBI (0.10), KMB (0.10) and ICICI (0.41) is not significant at 5 percent level and the probability is not normally distributed in share price movement. The H0 null hypothesis is accepted.

Table:2
Correlation between the Public and Private sectors banks in India

SUMMARY		SBI	PNB	BOB	HDFC	KMB	ICICI
SBI	Pearson Correlation	1	.885**	.715**	.034	-.151*	.468**
	Sig. (2-tailed)		.000	.000	.597	.018	.000
	N	246	246	246	246	246	246
PNB	Pearson Correlation	.885**	1	.721**	-.051	-.249**	.283**

	Sig. (2-tailed)	.000		.000	.427	.000	.000
	N	246	246	246	246	246	246
BOB	Pearson Correlation	.715**	.721**	1	-.518**	-.557**	-.057
	Sig. (2-tailed)	.000	.000		.000	.000	.373
	N	246	246	246	246	246	246
HDFC	Pearson Correlation	.034	-.051	-.518**	1	.912**	.749**
	Sig. (2-tailed)	.597	.427	.000		.000	.000
	N	246	246	246	246	246	246
KMB	Pearson Correlation	-.151*	-.249**	-.557**	.912**	1	.628**
	Sig. (2-tailed)	.018	.000	.000	.000		.000
	N	246	246	246	246	246	246
ICICI	Pearson Correlation	.468**	.283**	-.057	.749**	.628**	1
	Sig. (2-tailed)	.000	.000	.373	.000	.000	
	N	246	246	246	246	246	246

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Inference

The correlation of statistics between the daily stock closing price of individual banks with the NSE is presented in table2. From the table it is very clear that all the banks have positively correlated with the Public and Private Banks. SBI is positively correlated with PNB(.885),BOB(.715) and ICICI(.463) at the significant level 0.01. KMB (-.051) is negatively correlated with SBI but is significant at the level of 0.05, but it has the least correlation of (.034) with SBI.

PNB is significant and it is highly correlated with SBI (.885). BOB (.721) and ICICI (.283) they are significant at the next stage with level of 0.01. KMB is negatively correlated with PNB, but it is significant at the level of 0.05. HDFC bank is negatively correlated and it is not in the significant level.

BOB is positively correlated with SBI (.715), PNB (.721) and it is significant at the 0.01 level. HDFC (-.518), KMB (-.557) is negatively correlated with BOB but is is significant at the level of 0.01. ICICI bank also negatively correlated with BOB and it is not significant at level.

HDFC bank is positively correlated with KMB (.912), ICICI (.749) and it is significant at the 0.01 level. BOB (-.518) it is negatively correlated with HDFC bank but it is significant at the 0.01 level. SBI (.034) is not significant at level of 0.05 and 0.01 and it has least correlation with HDFC bank. PNB is negatively correlated with HDFC bank and is not significant at any level.

SBI (.468), PNB (.283), HDFC (.749) and KMB (.628) is positively correlated with ICICI bank and it has significant at the level 0.01 but BOB (-.057) it is negatively correlated and is not significant at the any level.

VIII. SUGGESTION

- The investors in the equity have to find that the draw backs of market fluctuation over a period of time, which will strengthen their investment decision.
- From the study, the selected three public and private sector banks correlate eventually but if they correlate even better then the banks performance will be also better.
- Compared to other banks ICICI bank correlate more with other banks, so it is suggested that public can make their investments in ICICI bank.

IX.CONCLUSION

Banking in India has been vast functioning enterprise even when the rest of the world facing turmoil of depression. The reign of financial period made some notifiable alteration in the banking sector of the economy. The alterations were both favorable and unfavorable to the sector. Such sectors work for the development of economy on all phases. Thus, the earning capacity of each and every bank is to be made visible in order to make investors attain market knowledge. The study is such an attempt, to examine the movement of selected public and private banking sectors listed in NSE for providing valuable information to investors to succeed.

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