

A Study on Performance of Nationalised Banks in Indian Stock Market

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Abstract

The Indian security market has become one of the most dynamic and efficient security markets in Asia today. The Indian market now conforms to International Standards in terms of operating efficiency. Recently the RBI took a few important steps to make the Indian Banking Industry more robust and healthy. This includes de-regulation of saving rate, guidelines for new banking licenses and implementation of Basel norms 3. According to IBA-FICCI-IBCG report. Domestic Banking Industry is said for an exponential growth in coming years with its asset size touching 28,500 US Dollars by the turn of 2025. In the Indian Stock Market Stocks of SBI and its associated Banks are performing well and competing with private and foreign bank stocks. This study aims at analyzing risk, return relationship, and return on investment and behavior pattern of Four Banking Stocks i.e. SBI, IOB, CB and PNB from 2006 to 2011. The samples have been selected based on the performance of the Stocks, growth in the industry using convenience sampling method. Statistical tools like averages, correlation have been implied in order to find the average return pattern of behavior of stocks and risk return relationship. The study results shows that in the year 2008 due to the rapid increase in inflation rate and recession in the world economy the bank sector shares have the negative impact which affects the return of this sector. In this year all the banks have the negative return. The Canara bank had the highest negative of 63% and Punjab bank had the lowest return of 21%.this shows that Punjab bank had some stability and a growth. It was found that the Return on investment in each year the banking sector shares have shown their growth with good return. Comparing the risk and return of all these banks, it is evident that the risk of all banks are higher compare to their return. State bank and Punjab national bank had 7% of risk higher than the return, but it was less risk compared to Canara bank and IOB which had 18%.

Keywords

Banking Industry, Performance, Risk and Return, Return on Investment, Inflation.

Introduction

Stock Market in India

Indian Stock Markets are one of the oldest in Asia. Its history dates back to nearly 200 years ago. The earliest records of security dealings in India are meager and obscure. During 1830,s the Banks and Cotton pressing Business thrived and these stocks were transacted in the Stock Market.

By 1830's business on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading list was broader in 1839, there were only half a dozen brokers recognized by banks and merchants during 1840 and 1850. In Asian Continent our Stock market is the very oldest. During 1850 s, beneath the Banyan Tree in front of Town Hall our stock market started its journey, where Mumbai's present "Harriman Circle" is situated. The number of brokers increased to about 200 to 250. However, at the end of the American Civil War, in 1865, a disastrous slump began (for example, Bank of Bombay Share which had touched Rs 2850 could only be sold at Rs. 87).

This was the first boom in the stock market history. More than 250 Brokers were present. This drama was taking place in the Western part of India. The trade started in India and then spilled over to Ahmedabad Market. The stock Exchange was formed in 1875 named as "The Native share and Stock Broker Association" a voluntary and non-profitable Institution. (Which is