EQUITIES RISK AND RETURN OF SBI AND AXIS BANK

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***Abstract*: The primary objective of every investor who prefers to invest in the securities of different organizations on the stock market is to obtain maximum possible returns, for the investment made. Among all the portfolios that are available on the stock market, 'Equities' are given prior importance, as they possess the character of generating higher returns, than any other security. Apart from giving higher returns, possibilities of high risk do exist for equities. For the purpose of 'analyzing the performance of equities of different organizations', 'when to invest', 'what analysis is required to know the risk and return parameters', are all answered by 'Equity Analysis'. Analysis of equities helps the investors to invest in right kind of organization, basing on the equity performance, for fetching higher returns. This study pertains to the Indian Banking Sector, considering two major banks, namely, State Bank of India (SBI) and AXIS Bank, from the NIFTY Bank, a sectorial index. Banking sector is considered vital, as any country carries out its economic activities with the help of banking activities. The study is carried out for a period of 2 years, i.e. 2018 and 2019.**

***Keywords*: Banking Sector, Equity Analysis, Beta**

1. INTRODUCTION:

The term 'Equity' is one of the principal asset classes. It provides investors, a right to ownership. 'Equities' are one of the most preferred financial instruments, investors choose to invest, the reason being that, they are capable of giving high returns. Although they generate huge returns, high risk possibilities do exist.

The in depth process of analyzing different sectors and organizations with the intention to advise and give a complete picture to the investors regarding the prevailing risk and return of equity shares is known as 'Equity Analysis'.

Investors make a number of investments in different financial securities with an ultimate motive of maximizing their wealth. In this context, Equity Analysis helps the investors to invest in the right kind of securities, which are 'Equities'.

The Banking Sector is one of the fast growing and prominent sector, contributing to the growth of Indian economy. On this basis, a study is carried out to analyze the Equity Shares of State Bank of India (SBI) and AXIS Bank in the Indian Stock Market.

NEED FOR THE STUDY:

1.   The purpose of the study is to make a detailed financial analysis of equities in the Indian Stock Market. The equities possess considerable amount of risk, along with generating satisfactory returns.

2.   The study relates to the banking sector.

3.   Additionally, the study provides adequate information for the potential investors to make a rational decision regarding their investments.

OBJECTIVES OF THE STUDY:

1.   To understand the analysis of risk and return of selected banks (SBI and AXIS).

2.   To provide adequate information to investors to judge their investment decisions on the   basis of Beta.

3.   To impart knowledge to the investors with conceptual clarity of equities for investment.

RESEARCH METHODOLOGY:

Data Collection:

The data used for the study is secondary data collected from the website of NSE, equities of SBI and AXIS Bank.

The Research Methodology is carried out as follows:

STEP 1: ARTICLES AND LITERATURE REVIEWS FROM PREVIOUS STUDY:

Reviewing an article that is already existing is known as 'Literature Review'. Literature reviews and review of various articles give a brief knowledge about any particular idea or topic to bring it into actual existence. It is the starting step in order to initiate the study.

STEP 2: EQUITY ANALYSIS:

From the review of literatures, the topic 'Equity Analysis' is chosen to carry out the study. Equity Analysis is the process of analyzing the equity shares of different organizations listed on the stock market, and suggesting the investors to invest in the equities that give high returns.

STEP 3: EQUITY ANALYSIS OF SBI AND AXIS BANK:

Basing on the topic 'Equity Analysis', the study is carried out considering the data of SBI and AXIS Bank from the websites of NSE and various journals, pertaining to a time period of 2 years. The objectives of the study are:

1 . To understand the analysis of risk and return of selected banks (SBI and AXIS Bank).

2 . To provide adequate information to investors to judge their investment decisions basing on Beta values.

STEP 4: ANALYSIS OF DATA AND INTERPRETATIONS:

The data is analyzed using various statistical tools such as:

- Mean
- Standard Deviation
- Variance
- Covariance
- Correlation
- Beta

The interpretations are as follows:

1 .The Standard Deviation which indicates the risk is more in the month of October with a value of 6.44. The Mean which indicates the return, is also high in the month of October with a value of 1.1. The existence of the risk is much higher than the returns on the whole for SBI in 2018.

2 . The Returns are high in the month of February with a value of 0.46. The Standard Deviation is high in the month of October, which is 3.26 for AXIS bank in 2018.

STEP 5: FINDINGS, SUGGESTIONS AND CONCLUSIONS:

Findings

Suggestions

Conclusion

2. LITERATURE REVIEWS:

1. **R Narayanaswamy and R Thirugnansoundari (2016)** in the article **"A Report on EquityAnalysis of Telecom Sector"** of the journal **"International Journal of Engineering TechnologyScience and Research" ISSN 2394 – 3386 Volume 5, Issue 3 of March 2018** stated that:There exists a direct relation between the average rate of return and security market returns during the study period. They have advised the investors to make wise decisions before they invest in equities. The direct relation of risk and return is found in the Indian stock market, as a result.

Source:http://ijetsr.com/images/short_pdf/1522135745_1396-1402-oucip891_ijetsr.pdf

2. **Dr. Shyam Vashishtha and Rajesh Kumar (2011)** in the article **"A Report on Equity Analysisof Telecom Sector"** of the journal **"International Journal of Engineering Technology Science andResearch" ISSN 2394 – 3386 Volume 5, Issue 3 of March 2018** stated that: The risk of equities is measured by an analysis known as 'Equity Volatility Analysis'. The volatility analysis helps the investors to identify the rate of fluctuations (volatility) in equities. They also mentioned that, share prices are effected by many other factors, such as the decisions of the directors, shareholders, etc. and not based on equity volatility analysis alone, for making investment decisions.

Source:http://ijetsr.com/images/short_pdf/1522135745_1396-1402-oucip891_ijetsr.pdf

3. **Dr. M Muthugopalakrishnan and Mr. Akash PK (2017)** in the article **"A Report on EquityAnalysis of Telecom Sector"** of the journal **"International Journal of Engineering TechnologyScience and Research" ISSN 2394 – 3386 Volume 5, Issue 3 of March 2018** stated that:To maximize the return to investors, risk and return are considered as vital, that are measured using tools such as alpha and beta. They opined that the analysis of equities is the most important tool used by companies.

Source: http://ijetsr.com/images/short_pdf/1522135745_1396-1402-oucip891_ijetsr.pdf

4. **A Jhon William and T Vimala (2015)** in the article **"A Report on Equity Analysis of TelecomSector"** of the journal **"International Journal of Engineering Technology Science and Research"ISSN 2394 – 3386 Volume 5, Issue 3 of March 2018** stated that:The changes occurred in equity prices are due to the fluctuations that arise in the market. This is observed basing on their study related to equity share price volatility. The fluctuations arise as they are depended on the closing prices of equities. As such, due to these factors, the investors must analyze the shortcomings and should go for investing.

Source: http://ijetsr.com/images/short_pdf/1522135745_1396-1402-oucip891_ijetsr.pdf

3. DATA ANALYSIS AND INTERPRETATION

Calculation of Return:

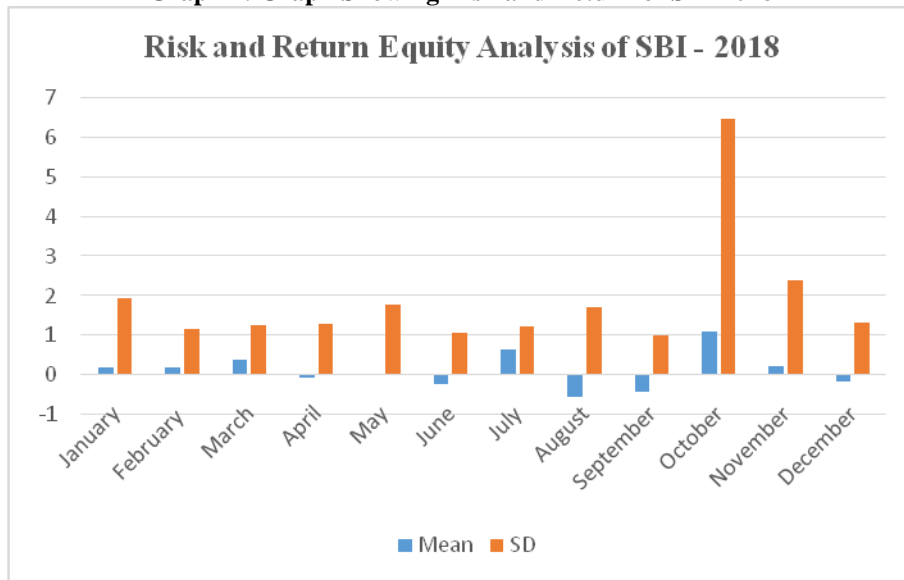**Return ($\bar{X}$) = $\sum X$ / N**

Calculation of Standard Deviation:

$$SD = \sqrt{\frac{\sum (X - \bar{X})^2}{N}}$$

Table1: Consolidated Values of Mean and Standard Deviation of SBI for 2018:

SBI 2018												
Month	January	February	March	April	May	June	July	August	September	October	November	December
Mean	0.19	0.18	0.4	-0.06	0	-0.24	0.64	-0.54	-0.42	1.1	0.23	-0.15
SD	1.94	1.17	1.26	1.3	1.76	1.07	1.22	1.71	0.99	6.44	2.4	1.31

**Graph 1: Graph Showing Risk and Return of SBI 2018**

Interpretation: The graph depicts that, the Standard Deviation which indicates the risk is more in the month of October with a value of 6.44. The Mean which indicates the return, is also high in the month of October with a value of 1.1. The existence of the risk is much higher than the returns on the whole.

Table 2: Consolidated Values of Mean and Standard Deviation of SBI for 2019:

|												
SBI 2019												
Month	January	February	March	April	May	June	July	August	September	October	November	December
Mean	0.06	-0.8	-0.34	-0.05	0.42	-0.17	0.58	0.27	-0.83	0.32	0.06	0.2
SD	2.02	1.84	2.39	1.86	1.87	1.58	1.91	1.98	1.73	3.29	1.6	1.28

Graph 2: Graph Showing Risk and Return of SBI 2019
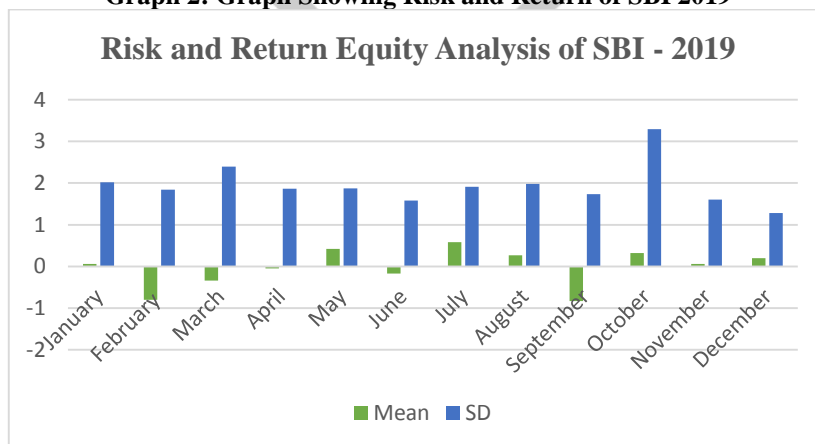
Interpretation: The graph depicts that, Mean is more in the month of July, which is 0.58. The Standard Deviation is high in the month of October, which is 3.29. On the whole, for the year 2018, the existence of risk is higher than the returns.

**Table 3: Consolidated Values of Mean and Standard Deviation of AXIS for 2018:**

Mont h	Januar y	Februar y	Marc h	Apri l	Ma y	Jun e	July	Augus t	Septembe r	Octobe r	Novembe r	December
AXIS 2018												
Mean	0.19	0.46	-0.13	0.22	0.05	0.04	0.0 3	-0.18	0.09	0.19	0.12	0.27
SD	2.1	1.98	1.42	1.58	1.6	1.35	1.4 9	1.09	1.43	3.26	1.52	1.05

Graph 3: Graph Showing Risk and Return of AXIS Bank 2018
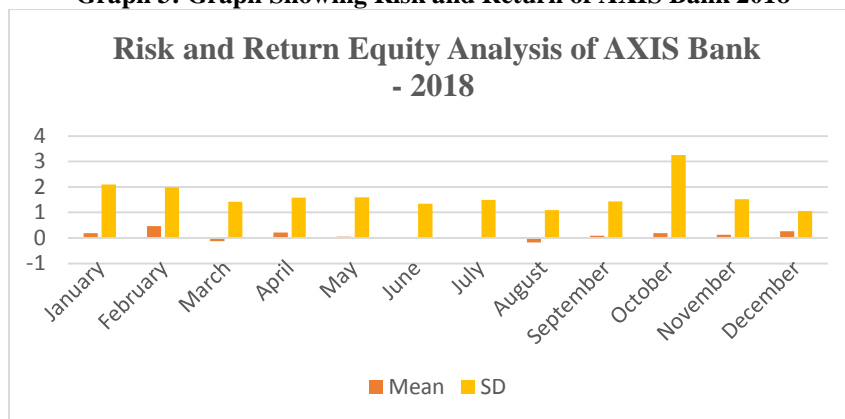
Interpretation: The graph depicts that, the returns are high in the month of February with a value of 0.46. The Standard Deviation is high in the month of October, which is 3.26. Though the risk is considerably high throughout the year, there are more number of positive returns, than negative returns.

Table 4: Consolidated Values of Mean and Standard Deviation of AXIS for 2019:

Mont h	Januar y	Februar y	Marc h	Apri l	Ma y	Jun e	July	Augus t	Septembe r	Octobe r	Novembe r	December
AXIS 2019												
Mean	0.24	-0.59	-0.17	0.1	0.25	-0.3	0.3 5	0.8	-0.3	-0.2	0.37	-0.03
SD	1.48	1.86	1.68	2.98	1.41	1.19	1.7 8	1.82	1.71	2.87	1.7	1.59

Graph 4: Graph Showing Risk and Return of AXIS Bank 2019
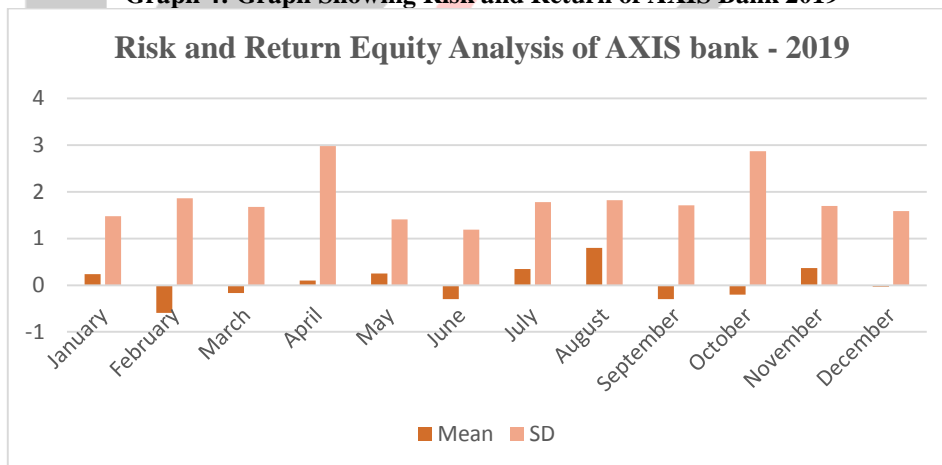
Interpretation: The graph depicts that, returns are high in the month of July with a value of 0.35. The risk is high in the month of October, which is 2.87. On the whole, the risk is prevailing more than the returns.

4. HYPOTHESIS TESTING:

Correlation between SBI and AXIS for the year 2018	
Mean Correlation	0.42242956
SD Correlation	0.943536827

Correlation between SBI and AXIS for the year 2019	
Mean Correlation	0.056020564
SD Correlation	0.895494089

Ho1: There is no correlation between the average share prices of SBI and AXIS

		SBI Bank	AXIS Bank
SBI Bank	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.000
	N	5	5
AXIS Bank	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.000	
	N	5	5

Interpretation: The above table revealed that the correlation of the average share prices between the SBI, and AXIS Bank at the significance level (2-tailed) of 0.000 the correlation value is 1.0000. It is concluded that person correlation value less than the 0.05. Hence there is no correlation between the average share prices of SBI, and AXIS Bank.

Ho3: Ho1: There is no correlation between the beta values of SBI and AXIS

		SBI Bank	AXIS Bank
SBI Bank	Pearson Correlation	1	.895
	Sig. (2-tailed)		.056
	N	5	5
AXIS Bank	Pearson Correlation	.895	1
	Sig. (2-tailed)	.056	
	N	5	5

Interpretation: The above table revealed that the correlation of beta values between the SBI, and AXIS at the significance level (2-tailed) of 0.056 the person correlation value is 0.895, It is concluded that person correlation value greater than the 0.05. Hence there is a correlation between the average share prices of SBI and AXIS Bank. It shows that the correlation between SBI and AXIS Bank there is a positive correlation.

5. SUGGESTIONS AND CONCLUSIONS

It is suggested to the investors to prefer investment in equities having returns, with low or moderate risk. Equities generating high returns, with high risk are also considered better, to the extent of interest of investors. The Beta is the indicator of volatility of stocks. It measures the fluctuations in securities. From this study, it is observed that, the equities of SBI are much volatile and riskier, than that of AXIS bank equities. The Return on Equity from SBI is much lower, compared to AXIS. The fluctuation of the stocks clearly indicate that, SBI equities are bearing more risk. AXIS generates good amount of returns, though there is existence of risk in a considerable amount. Hence, it is suggested to the investors to invest in AXIS Bank equities.

Every investor's objective is to obtain greater returns, with minimum risk. Equity Analysis is one such analysis, which acts as a supporting tool to the investors before they make up their mind to invest in any of the organization's equities. It gives the information required by the investors to put forward their investment options and to make a wise investment decision. Based on the data used and analysis carried out for this study, the performance of AXIS Bank is considered superior to SBI. The performance of each and every organization's stocks keep on changing based on the market conditions and many other factors such as political, economical, social factors which impacts the stock market. Hence, the investors must analyze all the crucial factors which may have a direct bearing on the market and it is hoped that, this study fulfills the investor requirements.

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