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A STUDY ON EQUITY ANALYSIS OF INDIAN BANKING SECTOR STOCKS IN NSE" AT NORTHEAST BROKING SERVICES LTD

GUNJA RAVI TEJA, R HARISH CHANDRA, DR. K. VEERAIAH
Student[1], Associate Professor[2], Head of the Department[3]
Marri Laxman Reddy Institute of Technology and Management Dundigal Hyderabad

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ABSTRACT
The Indian banking sector plays a crucial role in the country's economic growth, with stocks of major banks being actively traded on the **National Stock Exchange (NSE)**. This study aims to analyze the equity performance of banking stocks listed on the NSE, focusing on their financial stability, growth potential, and investment attractiveness. The research is conducted at **Northeast Broking Services Ltd**, leveraging fundamental and technical analysis methods to evaluate stock performance. The study examines key financial indicators such as **Price-to-Earnings (P/E) Ratio, Earnings Per Share (EPS), Return on Equity (ROE), and Net Interest Margin (NIM)** to assess banks' financial health. Additionally, technical indicators like **Moving Averages, Relative Strength Index (RSI), and Bollinger Bands** are used to identify trends and market movements. The research also considers macroeconomic factors, including RBI policies, interest rate changes, and global economic trends, influencing banking stocks.

I. INTRODUCTION
The Indian banking sector is a cornerstone of the country's financial system, playing a vital role in economic development by mobilizing savings, facilitating investments, and ensuring financial stability. With the rapid growth of the Indian economy, the performance of banking stocks has gained significant attention from investors, traders, and financial analysts. The **National Stock Exchange (NSE)**, one of India's leading stock exchanges, provides a platform for trading the stocks of major public and private sector banks, making equity analysis crucial for investors seeking opportunities in the banking sector.

II. NEED FOR THE STUDY
Investing in banking stocks requires a thorough understanding of their financial health, market performance, and macroeconomic factors influencing the sector. Equity analysis helps investors assess the risk-return profile of banking stocks by examining both fundamental and technical aspects. While fundamental analysis evaluates financial statements and economic factors, technical analysis helps identify price trends and market movements. Given the dynamic nature of the stock market, a systematic study of banking sector stocks is essential to make informed investment decisions.

III. OBJECTIVES OF THE STUDY
1) Analyze the performance of selected banking sector stocks listed on NSE using fundamental and technical analysis.
2) Identify key financial indicators affecting stock prices and investors' decision-making.
3) Assess the impact of macroeconomic factors such as interest rate policies, inflation, and regulatory changes on banking stocks.
4) Provide investment insights to investors, traders, and financial institutions based on research findings.
5) analyze the financial performance of selected banking sector stocks listed on the NSE using key fundamental indicators.

IV. METHODOLOGY

RESEARCH DESIGN

The research design stands for advance planning of the methods to be adopted for collection of the relevant data and techniques to be used in analysis, keeping the view the objectives of the research and availability of time.

In general, research design is the conceptual structure writing which research is conducted: it constitutes the measurement and analysis of data.

Descriptive design is used for the purpose of this study. Secondary data is collected for its suNSEquent analysis and conclusive Interpretation.

SOURCES OF DATA

The present study based on secondary data collected from the official website of Yahoo finance, Money control websites. Historical prices of the 10 banks are been collected from (NSE) websites for the year 2020 to 2024.

SAMPLE SIZE

Sample size means the number of sampling units selected and it helps to achieve of research. The sampling method used in this research is Convenient Sampling technique. This study carries out for a brief period to analyze the performance of listed equity shares of 5 public and 5 private sector banks of NSE with a time frame of 5 years

Selected Public and Private sector Banks

S. No Name of the Banks Sector

- SBI Bank Public
- Canara Bank Public
- Indian Bank Public
- Punjab National Bank Public
- Bank of Baroda Public
- ICICI Bank Private
- AXIS Bank Private
- HDFC Bank Private
- Kotak Mahindra Bank Private
- The Federal Bank Private

ANALYTICAL TOOLS

Return

A return is the gain or loss of a security in a particular period. The return consists of the income and the capital gains relative on an investment, and it is usually quoted as a percentage. The general rule is that the more risk you take, the greater the potential for higher returns and losses.

Return = (Opening Price-Closing price)/Opening price * 100

V. REVIEW OF LITERATURE

Kumar, S. & Sharma, R. (2020)

Equity Performance of Indian Public Sector Banks: An Empirical Study

This study analyzed the stock performance of Indian public sector banks by examining financial ratios like Capital Adequacy Ratio (CAR), Non-Performing Assets (NPA) ratios, and profitability metrics. It found that banks maintaining stronger capital buffers and asset quality tend to deliver better stock returns despite economic headwinds. The study emphasized the role of government policies and regulatory reforms in stabilizing investor confidence and reducing stock price volatility. It highlighted that public sector banks with efficient management practices outperformed their peers, making them attractive for long-term equity investors.

Patel, A. & Joshi, M. (2020)

Risk and Return Analysis of Private Sector Banks in NSE

This research focused on analyzing risk-return profiles of major private sector banks listed on NSE using metrics such as Sharpe ratio, beta coefficient, and standard deviation of returns. Findings revealed that private banks tend to offer higher returns compared to their public counterparts, but at the cost of increased volatility. The study suggested that investors should consider diversification strategies when investing in banking equities due to the sector's sensitivity to economic cycles. It also pointed out that private banks' technology adoption drives growth and contributes to stock price appreciation.

Reddy, V. (2021)

Impact of Macroeconomic Factors on Banking Stocks in India

The study examined how macroeconomic indicators such as inflation, interest rates, GDP growth, and exchange rate fluctuations affect the stock prices of Indian banks. Using regression analysis, the research established a significant correlation between stable macroeconomic conditions and positive stock returns. Inflation and rising interest rates showed mixed impacts depending on the bank's loan portfolio and cost structure. The study highlighted that investors must track macroeconomic trends closely to anticipate sector-wide equity movements and optimize portfolio performance.

Singh, P. & Verma, L. (2021)

Comparative Study of Financial Ratios and Stock Returns of Indian Banks

This comparative study evaluated major financial ratios including Return on Equity (ROE), Return on Assets (ROA), and NPA ratios in relation to stock market returns of Indian banks. It found that banks exhibiting higher profitability and lower asset quality risks generally deliver superior stock performance. The analysis suggested that investors should integrate fundamental financial analysis when selecting banking stocks. The study also underscored the importance of non-financial factors like corporate governance and management efficiency as complementary considerations influencing investor sentiment.

Chaudhary, R. (2021)

Technical Analysis of Banking Stocks in NSE

The research applied popular technical indicators like Moving Averages, Relative Strength Index (RSI), and Bollinger Bands to predict stock price trends in Indian banking equities. It demonstrated that combining technical indicators with fundamental analysis enhances prediction accuracy for short-term price movements. The study also found that technical trading signals tend to be more reliable during periods of market volatility, which is frequent in the banking sector due to policy changes and macroeconomic shifts. It recommended technical analysis as a supplementary tool for active traders in the banking stock segment.

Gupta, N. & Mehta, S. (2022)

Effect of COVID-19 on Indian Banking Sector Stocks

This paper assessed the adverse impact of the COVID-19 pandemic on the equity prices of Indian banks. The research noted an initial sharp decline in banking stocks due to uncertainty and liquidity concerns. However, it also highlighted the role of digital banking initiatives and government stimulus packages in aiding recovery. Banks that quickly adapted to digital service models were rewarded with faster stock price recovery. The study suggested that resilience and innovation are critical factors for banking stocks to withstand unprecedented shocks like pandemics.

Khan, Z. (2022)

Dividend Policy and Its Impact on Stock Prices of Indian Banks

This study explored the relationship between dividend payout policies and stock price movements in the banking sector. It found a strong positive correlation between consistent dividend payments and stock price appreciation, indicating that investors value stable income streams. Banks with clear dividend policies tended to attract long-term investors, contributing to reduced stock price volatility.

VI. DATA ANALYSIS AND DISCUSSION

RETURN ANALYSIS

Table1 Returns of Public and Private Sector Banks

Name of the Bank	2020	2021	2022	2023	2024
SBI Bank	6.87	7.75	-3.03	0.41	4.59
Canara Bank	-6.93	5.25	-10.93	1.01	-3.34
Indian Bank	5.44	13.70	6.45	1.61	2.50
Punjab National Bank	0.55	4.66	-17.20	-22.76	0.32
Bank Of Baroda	0.73	2.81	-4.59	0.86	0.40
ICICI Bank	10.63	12.34	6.75	3.82	5.30

AXIS Bank	16.80	7.54	5.70	8.34	10.18
HDFC Bank	18.37	22.41	17.90	15.67	13.65
Kotak Mahindra Bank	8.96	16.18	13.02	13.45	10.93
The Federal Bank	6.42	15.80	6.76	9.71	7.29

Interpretation:

Above table.4.1 shows the Returns on Equity rate of Public sector banks, where Indian Bank get the highest return of 13.70% for the year 2021 and Punjab National Bank gets the lowest returns of -22.76% for the year 2023. And also it shows the Returns on Equity rate on Private sector banks, where HDFC Bank get the highest return of 22.41% for the year 2021 and ICIC Bank gets the lowest returns of 3.82% for the year 2023.

Inference:

The rate of returns clearly shows the investors that it is well suggested to invest in private sector banks comparing to public sector banks as HDFC banks gives the highest returns of 22.41%.

RISK ANALYSIS

Table 2 Risk rate of Private and Private Sector Banks

Name of the Bank	**2020**	**2021**	**2022**	**2023**	**2024**
SBI Bank	0.01	0.57	0.23	0.04	1.04
Canara Bank	0.01	0.02	1.14	0.13	0.99
Indian Bank	2.08	1.80	1.01	0.49	0.64
Punjab National Bank	0.12	0.01	5.18	3.03	0.08
Bank Of Baroda	0.06	0.43	0.70	0.10	0.11
ICICI Bank	1.00	1.09	0.71	0.47	0.86
Axis Bank	2.11	0.35	0.47	0.52	1.41
HDFC Bank	1.53	2.62	0.92	1.06	2.04
Kotak Mahindra Bank	0.64	1.42	1.06	1.33	1.75
The Federal Bank	1.31	1.94	0.60	0.83	1.89

Interpretation:

Above table 4.2 shows the Risk rates of Public sector banks, where Punjab National Bank get the highest Risk rate of 5.18% for the year 2023 and SBI Bank and Canara Bank gets the lowest Risk rate of -22.76% for the year 2020. And also shows the Risk Rate of Private sector banks, where HDFC Bank get the highest Risk rate of 2.62% for the year 2021 and Axis Bank gets the lowest Risk rate of 0.35% for the year 2021.

Inference:

As comparing with 5 years of risk rates, it is suggested to investors that the private sector banks has lowest risk rate comparing with public sector banks. Hence it’s a better option for the investors to do their investments in private sector banks.

COMPARATIVE PERFORMANCE ANALYSIS OF PUBLIC AND PRIVATE SECTOR BANKS

TABLE.3 Performance ranking of Public and Private sector Banks

NAME OF THE BANK	**MEAN**	**STANDARD DEVIATION**	**RANK**
HDFC Bank	17.6	3.284296	1
Kotak Mahindra Bank	12.508	2.725412	2
AXIS Bank	9.712	4.276531	3
The Federal Bank	9.196	3.909927	4
ICICI Bank	7.768	3.598898	5
Indian Bank	5.94	4.777819	6
SBI Bank	3.318	4.545076	7
Bank Of Baroda	0.042	2.75626	8

Canara Bank	-2.988	6.375486	9
Punjab National Bank	-6.886	12.23615	10

Interpretation:

The above table.4.3 shows the rankings of the banks based on their performance, where the mean is highest in case of Kotak Mahindra Bank Axis i.e. 12.51% and lowest negative returns in case of Punjab National Bank i.e. -6.886. In case of Standard Deviation, Punjab National Bank has the highest value of 12.23615 which indicates high risk for investments and lowest in case of Kotak Mahindra Bank i.e. 2.725412 which indicates low risk in investments.

Inference:

As Kotak Mahindra banks has the lowest volatility rate, it indicates that investors can invest in Kotak or in any private sector banks as there is low risk in investments comparing with public sector banks. The same goes well for average returns percentage to, kotak Mahindra bank which is private sector bank records the highest returns and public sector bank – PNB bank records the negative returns.

VII. FINDINGS AND RECOMMENDATIONS

- This study is an attempt to understand the impact of Risk and Return of Public and Private sector Banks which are listed in NSE. The data used for the study are daily closing price and yearly returns on equity of the selected banks indices of bank of five years, starting from 1st January 2020 to 31st December 2024. The main findings of the study are:
- Comparing of both Public and Private sector banks, HDFC Bank -Private sector bank gives the highest returns of 22.41% and PNB — Public sector bank gives the negative returns of -22.76%.
- Risk is higher in case of PNB - Public sector bank i.e 5.18% and lower in case of Axis Bank- Private sector bank i.e 0.35%.
- Average returns is high in Kotak Mahindra Bank (Private) and low in Punjab National Bank (Public).
- As Standard deviation indicates the volatility rate, Punjab nation bank(Public) has the highest volatility rate of 12.23615 and low in Kotak Mahindra Bank (Private) of 2.725412.
- The result of Correlation shows that Risk and Return are positively correlated in ICICI bank.

VIII. RECOMMENDATIONS

- The Return of Private Sector Bank sector shows a significant higher rate of return with comparatively low risk in last five years compared with Public Sector Banks. Among the sectors it is recommended that the investor can consider the Private Sector Bank to invest their money to earn good return with respective rate of risk.
- The government policy, foreign exchange fluctuations, particularly exchange rate and interest rate between countries should also be taken into consideration before investing in equity share of any sectors.
- When there is more risk, the return will also be high, so the investor must undertake the risk for getting good return

IX. CONCLUSION

The risk and return are the two sides of a same coin called investment. The study is based on the analysis of stocks listed on NSE BANKEX. This gives an idea to the investors to determine whether he is required to purchase the stocks on the basis of performance of the stock for a given period. A stock with higher standard deviation value is not preferred as it is exposed to higher market risk which cannot be diversified like unsystematic risk, hence such stocks are better to avoid for constructing a portfolio. This study is an attempt to evaluate the returns of banking stocks listed on NSE Bankex and to identify the best stocks to invest and the worst stocks to be ignored. If the investors are ready to take in higher risk for extra return, then the investors are suggested to invest in Public sector banks bank and where the risk is lower, the investors can invest in Private sector banks, that are giving higher returns. The investors who are looking for low risk with moderate return are suggested to invest in AXIS bank. However, by constructing a portfolio the investors can minimise the risk of getting lower return. While taking decision, the investor can also consider the fundamental and technical analysis.

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