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A STUDY ON FLUCTUATION IN STOCK MARKET OF EQUITY SEGMENT INDEX IN NIFTY BANK

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ABSTRACT

The study delves into the dynamics of the NIFTY BANK Index, a key segment of the Indian stock market, examining its volatility, efficiency, and the factors influencing its fluctuations. It analyzes the performance of the index's constituent's banks, comparing them with other sectoral indices and benchmarks. The research utilizes both fundamental and technical analysis to assess risk and return, offering insights for investors and policy makers.

The analysis focuses on the 12 largest Indian banking stocks, evaluating their financial ratios and performance indicators such as P/E and P/B ratios, debt to equity ratios, and dividend payouts. The findings provide a comprehensive view of the financial health and market position of these banks within the index.

Recommendations for investors are based on the analysis, emphasizing diversification and a focus on companies with strong fundamentals. They study also highlights the importance of technical analysis and risk management in investment strategies. It underscores the index's significance in finance and its broader implications for the Indian banking sector.

The study's scope includes the impact of regulatory reforms, digital transformation, and the NIFTY BANK Index. It provides a historical background of the index and the banks it represents, setting the stage for the subsequent analysis.

Investors are encouraged to consider the findings when evaluating investment opportunities in the banks comprising the NIFTY BANK Index, with a recognition of the high debt to equity among the banks despite their other positive attributes.

INTRODUCTION

Since the stock market represents the performance and future potential of many economic sectors, it is an essential part of the financial system. Given that it offers financial services and intermediation to a wide range of sectors and segments, the banking industry is one of the most significant and prominent industries in the Indian stock market. This study examines the stock market fluctuations of the NIFTY Bank equity segment index using fundamental and technical analysis. The study intends to investigate the trends and patterns of the NIFTY Bank Index and the firms that make up the index in the Indian stock market. It also seeks to assess the factors that affect the index's fluctuations and how they affect the performance of the banking industry. Additionally, the study intends to analyze and contrast the NIFTY Bank Index with other sectoral indices and benchmarks in terms of volatility, efficiency, and profitability. It will do this by using fundamental and technical analysis methods to assess the risk and return of investing in the index and its companies. The study also intends to provide recommendations and methods for traders, investors, and policymakers based on its findings. Because it improves comprehension and implementation of numerous concepts and procedures of financial analysis, portfolio management, and investment decision-making, the subject is pertinent to the MBA finance program. The 12 largest and most liquid Indian banking stocks that are traded on the National Stock Exchange of India Ltd. (NSE) make up the sectoral index known as the NIFTY Bank Index. The free float market capitalization approach is utilized in the computation of the index, which was introduced on September 15, 2003. The index is a benchmark that accurately reflects the capital market performance of Indian banks to investors and market intermediaries. The market where company shares are traded is referred to as the equity segment. The size, sector, industry, and other characteristics of the enterprises determine the division of the equity segment into multiple sub-segments. The NSE's equity sector includes the NIFTY Bank Index. A stock's or index's intrinsic value can be determined through fundamental analysis, which looks at the financial and economic aspects that impact the business and its sector. Fundamental analysis evaluates the present and probable future performance and value of the company or index using a range of techniques and ratios, including price to earnings, book value, growth, profitability, dividends, and profits, assets, liabilities, and so on. Technical analysis is a

technique used to estimate future price movements of an index or stock by examining past price trends and patterns. The technical analysis determines the entry and exit points, the direction and strength of the trend, and the signals and patterns of the stock or index by using a variety of tools and indicators, including charts, Exponential Moving Average (EMA), MACD And RSI , etc.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVES:

- NIFTY Bank Index and its constituent stocks in the Indian stock market are examined for trends and patterns.
- To evaluate the risk and return of investing in the NIFTY Bank Index and its stocks using fundamental and technical analysis tools.

SECONDARY OBJECTIVES:

- Analyze the factors influencing the fluctuations in the NIFTY Bank Index and its impact on the banking sector.
- Analyzing volatility, efficiency, and profitability of the NIFTY Bank Index in comparison with other sectoral indices.

REVIEW OF LITERATURE

1. Smith, J. (2012)

Analyzed the impact of fundamental factors on Nifty Bank's stock market fluctuations, providing a foundation for subsequent studies.

2. Patel, A. (2014)

Investigated the correlation between technical indicators and Nifty Bank index movements, contributing insights into technical analysis.

3. Rajesh (2019)

It analyzed the risk and returns of selected stocks in the NSE NIFTY Bank index using mean, standard deviation, beta, and correlation. He found that the average returns of the selected banks' stocks were negative, except for ICICI Bank. He also found that all bank stocks had high fluctuations in their prices.

4. Gupta and Jain (2018)

It studied the relationship between Bank Nifty and volatility on the Indian stock market during the financial year 2016–17. They used the India VIX as a measure of volatility and applied regression analysis to test the relationship. They found that there was a negative and significant relationship between Bank Nifty and volatility.

5. Subramanyam and Kalyan (2016)

It compared the performance of NSE NIFTY Bank stocks with NSE NIFTY 50 stocks using the Sharpe ratio, Treynor ratio, and Jensen's alpha. They found that NSE NIFTY Bank stocks had higher risk-adjusted returns than NSE NIFTY 50 stocks.

RESEARCH METHODOLOGY

A. RESEARCH DESIGN

The study will employ a descriptive research design to analyze the fluctuations in the NIFTY Bank Index using fundamental and technical analysis. The fundamental analysis will involve examining macroeconomic indicators, industry-specific factors, and company fundamentals to assess their impact on market fluctuations. The technical analysis will focus on price movements, chart patterns, and technical indicators to identify trends and potential trading opportunities

B. DATA COLLECTION METHODS

The study will employ both quantitative and qualitative research methods. Quantitative methods will involve statistical analysis of historical data on the NIFTY Bank Index, macroeconomic indicators, and company fundamentals. Qualitative methods will include industry reports analysis, expert opinions, and case studies to gain insights into the factors influencing market fluctuations. Two ways to collect data for this study are the following.

QUANTITATIVE:

It collect numbers like the index's price and volume. It get this data from financial websites and databases. This will help us see patterns and trends.

QUALITATIVE:

- It collect words and descriptions.
- It get this data from news articles, company reports.
- It is use computer software to organize and analyze the data.
- By using both quantitative and qualitative data, we can get a full picture of the fluctuations in the Nifty Bank's equity segment index.

DATA ANALYSIS AND FINDINGS

A. PRESENTATION OF DATA:

FUNDAMENTAL ANALYSIS OF THE INDEX STOCKS:

1. P/E Ratio
2. P/B Ratio
3. Debt to equity ratio
4. Current Ratio
5. Dividend Payout %
6. Share Holdings Pattern
7. NPA %
8. Dividend Per Share
9. Reserves

TECHNICAL ANALYSIS OF THE INDEX STOCKS:

1. Relative Strength Index (RSI)
2. Moving average convergence divergence (MACD)
3. Exponential Moving Average (EMA)
4. 52 weeks high / 52 weeks low

FINDINGS

1. HDFC BANK:

FUNDAMENTAL OUTCOMES:

- 1. PE RATIO (5 YEARS):**
 - Compare to historical PE Ratio now it is traded at 18.91 which is low.
- 2. PB RATIO (5 YEARS):**
 - Compare to historical PB Ratio now it is traded at 2.52 which is average.
- 3. CURRENT RATIO (5 YEARS):**
 - Compare to other banks its current ratio is at average of 3.38 which is good.
- 4. DIVIDEND PAYOUT % (5 YEARS):**
 - Compare to other banks offerings to their shareholder it offers good dividend payout % within the range of 18% - 23% in last five years from 2019-2023.
- 5. NPA % (5 YEARS):**
 - Compare to other banks its NPA% is at the lowest in these year from 2019-2023 which is at the range of 0.39-0.27.
- 6. DIVIDEND PER SHARE (5 YEARS):**
 - It offers Dividend Per Share to its equity shareholders within the range of Rs.7.50 – Rs.19 for the period between 2019 – 2023.
- 7. RESERVES (5 YEARS):**
 - Its Reserves are increasing for the period of 2019 – 2024 within the range of Rs.1,53,128 cr. – Rs. 2,88,880 cr.
- 8. DEBT TO EQUITY RATIO (1 YEAR):**
 - Its Debt to equity ratio currently traded at 7.39 it is currently high.
- 9. SHAREHOLDING PATTERN (5 YEAR):**
 - In its current shareholding pattern data released , the promoters had no stakes in the company and its shareholding pattern range from 26.14 % - 0 % (2019-2023).

TECHNICAL OUTCOMES:

10. RSI (1 YEAR):

- It is at the oversold zone of 37.75, it is good time for accumulating this stock at the right price.

11. MACD (1 YEAR):

- It gives the signal of upper side of blue line with red line is cross over and histogram divergence is above the base line.

12. EMA (1 YEAR):

- It is Below its EMA 9 Average from historical of 9 days in current time.

13. 52 WEEK HIGH / LOW (1 YEAR):

- Its 52 week high is Rs.1,757.5 and 52 week high is Rs.1,363.55.

Overall considering all the above fundamental and technical analysis an investor can go for the investment.

2. ICICI BANK:**FUNDAMENTAL OUTCOMES:****1) PE RATIO (5 YEARS):**

- Compare to historical PE Ratio now it is traded at 18.81 which is low.

2) PB RATIO (5 YEARS):

- Compare to historical PB Ratio now it is traded at 3.32 which is high.

3) CURRENT RATIO (5 YEARS):

- Compare to other banks its current ratio is at average of 2.20 which is good.

4) DIVIDEND PAYOUT % (5 YEARS):

- Compare to other banks offerings to their shareholder it offers good dividend payout % within the range of 15% - 16% in last five years from 2019-2023.

5) NPA % (5 YEARS):

- Compare to other banks its NPA% is at the lowest in these year from 2019-2023 which is at the range of 2.29-0.51.

6) DIVIDEND PER SHARE (5 YEARS):

- It offers Dividend Per Share to its equity shareholders within the range of Rs.1 – Rs.8 for the period between 2019 – 2023.

7) RESERVES (5 YEARS):

- Its Reserves are increasing for the period of 2019 – 2024 within the range of Rs.1,12,964 cr. – Rs. 2,13,101 cr.

8) DEBT TO EQUITY RATIO (1 YEAR):

- Its Debt to equity ratio currently traded at 6.53 it is currently high.

9) SHAREHOLDING PATTERN (5 YEAR):

- In its current shareholding pattern data released , the promoters had no stakes in the company and its shareholding pattern range from 0% - 0% (2019-2023).

TECHNICAL OUTCOMES:**10) RSI (1 YEAR):**

- It is at the overbought zone of 59.25, it is good time for accumulating this stock buy on dips.

11) MACD (1 YEAR):

- It gives the signal of upper side of blue line with red line is cross over and histogram divergence is above the base line.

12) EMA (1 YEAR):

- Currently It is above its EMA 9 Average from historical of 9 days.

13) 52 WEEK HIGH / LOW (1 YEAR):

- Its 52 week high is Rs.1,113.55 and 52 week high is Rs.810.30.

Overall considering all the above fundamental and technical analysis an investor can go for the investment.

3. SBI:**FUNDAMENTAL OUTCOMES:****1. PE RATIO (5 YEARS):**

- Compare to historical PE Ratio now it is traded at 11.72 which is low.

2. PB RATIO (5 YEARS):

- Compare to historical PB Ratio now it is traded at 1.96 which is low.

3. CURRENT RATIO (5 YEARS):

- Compare to other banks its current ratio is at average of 2.52 which is good.

4. DIVIDEND PAYOUT % (5 YEARS):

- Compare to other banks offerings to their shareholder it offers good dividend payout % within the range of 0% - 18% in last five years from 2019-2023.
- 5. NPA % (5 YEARS):**
 - Compare to other banks its NPA% is at the lowest in these year from 2019-2023 which is at the range of 3.01-0.67.
- 6. DIVIDEND PER SHARE (5 YEARS):**
 - It offers Dividend Per Share to its equity shareholders within the range of Rs.4 – Rs.11.30 for the period between 2019 – 2023.
- 7. RESERVES (5 YEARS):**
 - Its Reserves are increasing for the period of 2019 – 2024 within the range of Rs.2,33,603 cr. – Rs. 3,58,039 cr.
- 8. DEBT TO EQUITY RATIO (1 YEAR):**
 - Its Debt to equity ratio currently traded at 13.9 it is currently high.
- 9. SHAREHOLDING PATTERN (5 YEAR):**
 - In its current shareholding pattern data released , the promoters had no stakes in the company and its shareholding pattern range from 57.63 % - 57.49 % (2019-2023).

TECHNICAL OUTCOMES:

- 10. RSI (1 YEAR):**
 - It is at the overbought zone of 64.25, it is good time for accumulating this stock buy on dips.
- 11. MACD (1 YEAR):**
 - It gives the signal of upper side of blue line with red line is cross over in lower side and histogram divergence is below the base line.
- 12. EMA (1 YEAR):**
 - Currently It is Below its EMA 9 Average from historical of 9 days.
- 13. 52 WEEK HIGH / LOW (1 YEAR):**
 - Its 52 week high is Rs.793.40 and 52 week low is Rs.501.55.

Overall considering all the above fundamental and technical analysis an investor can go for the investment.

4. AXIS BANK:**FUNDAMENTAL OUTCOMES:**

- 1) PE RATIO (5 YEARS):**
 - Compare to historical PE Ratio now it is traded at 27.65 which is high.
- 2) PB RATIO (5 YEARS):**
 - Compare to historical PB Ratio now it is traded at 2.32 which is average.
- 3) CURRENT RATIO (5 YEARS):**
 - Compare to other banks its current ratio is at average of 2.84 which is good.
- 4) DIVIDEND PAYOUT % (5 YEARS):**
 - Compare to other banks offerings to their shareholder it offers average dividend payout % within the range of 5% - 3% in last five years from 2019-2023.
- 5) NPA % (5 YEARS):**
 - Compare to other banks its NPA% is at the lowest in these year from 2019-2023 which is at the range of 2.06-0.39.
- 6) DIVIDEND PER SHARE (5 YEARS):**
 - It offers Dividend Per Share to its equity shareholders within the range of Rs.1 – Rs.1 for the period between 2019 – 2023.
- 7) RESERVES (5 YEARS):**
 - Its Reserves are increasing for the period of 2019 – 2024 within the range of Rs.67,288 cr. – Rs. 1,29,166 cr.
- 8) DEBT TO EQUITY RATIO (1 YEAR):**
 - Its Debt to equity ratio currently traded at 8.88 it is currently high.
- 9) SHAREHOLDING PATTERN (5 YEAR):**
 - In its current shareholding pattern data released , the promoters had no stakes in the company and its shareholding pattern range from 16.00 % - 8.20 % (2019-2023).

TECHNICAL OUTCOMES:

- 10) RSI (1 YEAR):**
 - It is at the oversold zone of 49, it is good time for accumulating this stock at the right price.
- 11) MACD (1 YEAR):**
 - It gives the signal of upper side of blue line with red line is cross over and histogram divergence is above the base line.
- 12) EMA (1 YEAR):**
 - Currently It is Below its EMA 9 Average from historical of 9 days.

13) 52 WEEK HIGH / LOW (1 YEAR):

- Its 52 week high is Rs.1,151.85 and 52 week high is Rs.814.30.

Overall considering all the above fundamental and technical analysis an investor can go for the investment.

5. PUNJAB NATIONAL BANK:**FUNDAMENTAL OUTCOMES:****1. PE RATIO (5 YEARS):**

- Compare to historical PE Ratio now it is traded at 21 which is high.

2. PB RATIO (5 YEARS):

- Compare to historical PB Ratio now it is traded at 1.39 which is low.

3. CURRENT RATIO (5 YEARS):

- Compare to other banks its current ratio is at average of 6.82 which is good.

4. DIVIDEND PAYOUT % (5 YEARS):

- Compare to other banks offerings to their shareholder it offers good dividend payout % within the range of 0% - 21% in last five years from 2019-2023.

5. NPA % (5 YEARS):

- Compare to other banks its NPA% is at the lowest in these year from 2019-2023 which is at the range of 6.56-2.72.

6. DIVIDEND PER SHARE (5 YEARS):

- It offers Dividend Per Share to its equity shareholders within the range of Rs.0.64 – Rs.0.65 for the period between 2019 – 2023.

7. RESERVES (5 YEARS):

- Its Reserves are increasing for the period of 2019 – 2024 within the range of Rs.45,164 cr. – Rs. 1,00,678 cr.

8. DEBT TO EQUITY RATIO (1 YEAR):

- Its Debt to equity ratio currently traded at 13.20 it is currently high.

9. SHAREHOLDING PATTERN (5 YEAR):

- In its current shareholding pattern data released , the promoters had no stakes in the company and its shareholding pattern range from 83.19 % - 73.15 % (2019-2023).

TECHNICAL OUTCOMES:**10. RSI (1 YEAR):**

- It is at the overbought zone of 53.77 with double top bottom pattern, it is good time for accumulating this stock buy on dips.

11. MACD (1 YEAR):

- It gives the signal of lower side of blue line with red line is cross over in down side and histogram divergence is below the base line.

12. EMA (1 YEAR):

- Currently It is Below its EMA 9 Average from historical of 9 days.

13. 52 WEEK HIGH / LOW (1 YEAR):

- Its 52 week high is Rs.132.95 and 52 week high is Rs.44.40.

Overall considering all the above fundamental and technical analysis an investor can go for the investment.

RECOMMENDATIONS**A. RECOMMENDATIONS TO INVESTORS:****Long-Term Perspective:**

1. Diversify your portfolio across different sectors and asset classes to mitigate risk.
2. Focus on companies with strong fundamentals, robust governance, and sustainable growth prospects.
3. Invest in companies with a track record of consistent dividend payouts and increasing reserves.
4. Monitor macroeconomic factors and industry trends to identify potential opportunities.
5. Adopt a disciplined investment approach and avoid impulsive buying or selling decisions.

Short-Term Perspective:

1. Utilize technical analysis indicators like RSI, MACD, and EMA to identify potential entry and exit points.

2. Consider investing in companies with low PE and PB ratios for potential value appreciation.
3. Evaluate the current ratio and debt-to-equity ratio to assess a company's financial health.
4. Monitor the NPA levels and shareholding patterns for insights into risk management and ownership structure.
5. Implement risk management strategies, such as stop-loss orders and position sizing, to protect your capital.

Fundamental Analysis:

1. Analyze the company's financials, including revenue, profitability, and cash flow.
2. Evaluate the company's competitive advantage and market position.
3. Assess the management's competence and track record.
4. Consider the company's growth prospects and potential for expansion.
5. Evaluate the industry dynamics and potential disruptions.

Technical Analysis:

1. Study the price charts and identify support and resistance levels.
2. Utilize momentum indicators like RSI and MACD to gauge market sentiment.
3. Incorporate moving averages to identify trend directions and potential reversals.
4. Identify chart patterns, such as double tops and bottoms, for potential trading signals.
5. Combine technical analysis with fundamental analysis for a comprehensive investment strategy.

Risk Management:

1. Diversify your portfolio across different sectors and asset classes.
2. Implement stop-loss orders to limit potential losses.
3. Avoid over-leveraging and maintain adequate liquidity.
4. Regularly review and rebalance your portfolio.
5. Stay informed about market developments and adjust your strategies accordingly.

CONCLUSION

In conclusion the study on fluctuation in stock market of equity segment index in NIFTY BANK. Through fundamental and technical analysis reveals comparing of the above all the 12 banks. In fundamental analysis, it gives importance to PE Ratio(1 year), PB Ratio(1 year), Debt to equity ratio(1 year), Current ratio(1 year), Dividend Payout %(5 years), Shareholding Pattern(5 years), NPA %(5 years), Dividend Per Share(5 years) And Reserves (5 years). In technical analysis, it gives importance to RSI(1 year), MACD(1 year) And 52 week high and low. Here 5 banks were good for investment purpose from the above fundamental analysis and technical analysis. Those 5 banks name are HDFC Bank, ICICI Bank, SBI, AXIS Bank And Punjab National Bank. By implementing these above recommendations to the investors can earn in surplus amount of profit.

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