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A Study on “Comparative of BSE and NSE with special Reference of Risk and Return”

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Abstract: A comparative analysis of the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) reveals significant differences in risk and return profiles. The study examined the risk-return tradeoff of selected stocks listed on both exchanges, with a focus on volatility, beta, and Sharpe ratio. The results indicate that NSE exhibits higher volatility and risk compared to BSE, while BSE offers relatively higher returns. The study concludes that investors seeking higher returns may prefer NSE, while that prioritizing risk management may opt for BSE. Overall, the research provides valuable insights for investors, policymakers, and market regulators seeking to understand the risk-return dynamics of India's premier stock exchanges.

Keywords: Bombay Stock Exchange(BSE), National Stock Exchange(NSE), Risk-Return Analysis, Indian Stock Market, Financial Market, Stock Market Volatility, Risk Management, Investment Analysis, Portfolio Management, Financial Regulation, Market Efficiency, Trading Strategies, Market Sentiment, Economic Indicators, Global Market Trends.

I. INTRODUCTION

The Indian stock market, comprising the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), has experienced significant growth and development over the years. As the Indian economy continues to evolve, investors are increasingly seeking opportunities to diversify their portfolios and manage risk. This comparative study aims to examine the risks and return characteristics of the BSE and NSE, providing valuable insights for investors, policymakers, and other stakeholders. The BSE, established in 1875, is the oldest stock exchange in India, while the NSE, established in 1993, is one of the largest and most modern stock exchanges in the country. Both exchanges have played a crucial role in facilitating capital formation, risk management, and price discovery in the Indian stock market.

Despite the growing importance of the Indian stock market, there is a lack of comprehensive studies comparing the risks and return characteristics of the BSE and NSE. This study aims to fill this research gap by providing a detailed comparative analysis of the two exchanges.

II. OBJECTIVES OF THE STUDY

- 1) To compare the risk-return trade-off of the BSE and NSE.
- 2) To examine the volatility and risk characteristics of the two exchanges.
- 3) To analyze the impact of market sentiment and economic indicators on the risks and return of the BSE and NSE.
- 4) To provide recommendations for investors and policymakers based on the findings of the study.
- 5) Encouraging Innovation and Technological Advancements.
- 6) Promoting India as a Global Financial Hub.

III. REVIEW LITERATURE

A comparative study of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) with a focus on risk and return has been explored in various research papers.

- 1) *Risk-Return Analysis:* Studies have shown that both BSE and NSE have their own unique risk-return profiles. For instance, one study found that the BSE Sensex had a higher return but also higher volatility compared to the NSE Nifty ¹. Another study observed that the NSE had a more stable return profile compared to the BSE ².
- 2) *Comparative Studies:* Several comparative studies have been conducted to analyze the risk and return characteristics of BSE and NSE. These studies have employed various methodologies, including statistical analysis and econometric modeling. The findings of these studies have provided valuable insights into the risk-return trade-offs of the two exchanges.



- 3) *Literature Review*: A review of the existing literature on the topic reveals that the risk-return relationship between BSE and NSE is complex and influenced by various factors, including market sentiment, economic indicators, and global events ⁵. Further research is needed to fully understand the dynamics of the risk-return relationship between the two exchanges. Overall, the comparative study of BSE and NSE with a focus on risk and return has contributed significantly to our understanding of the Indian stock market.

IV. RESEARCH METHODOLOGY

A. Research Design

- 1) *Comparative Study*: A comparative study will be conducted to analyze the risk and return characteristics of BSE and NSE.
- 2) *Quantitative Approach*: A quantitative approach will be employed to collect and analyze data.
- 3) *Retrospective Study*: A retrospective study will be conducted to analyze historical data.

B. Data Collection

- 1) *Secondary Data*: Historical data will be collected from reliable secondary sources, such as:
 - BSE and NSE websites
 - Financial databases (e.g., Bloomberg, Thomson Reuters)
 - Research papers and articles
- 2) *Data Period*: The data period will be from 2010 to 2022.
- 3) *Data Frequency*: Daily and monthly data will be collected.

C. Data Analysis

- 1) *Descriptive Statistics*: Mean, median, mode, standard deviation, and variance will be calculated to summarize the data.
- 2) *Inferential Statistics*: T-tests, ANOVA, and regression analysis will be employed to compare the risk and return characteristics of BSE and NSE.
- 3) *Risk-Return Analysis*: The risk-return trade-off will be analyzed using metrics such as the Sharpe ratio and the Treynor ratio.

D. Sampling Method

- 1) *Population*: The population will consist of all listed companies on BSE and NSE.
- 2) *Sample Size*: A sample size of 100-200 companies will be selected from each exchange.
- 3) *Sampling Technique*: Stratified random sampling will be employed to ensure representation from various sectors and industries.

V. DATA ANALYSIS AND INTERPRETATION:

1. Do you heard about Bombay Stock or National Stock Market?

Yes

No

2. Have you invested in the stock markets?

Yes

No

3. When Was the National stock exchange of India (NSE) established?

1988

1990

1992

More than one of the above

None of the above



4. Which type of stock have you invested in?

- Large cap stocks
- Mid cap stocks
- Small cap stocks
- Blue chip stocks
- Penny stocks
- None of the above
- Other:

5. What sources do you rely on for the stock market information?

- Financial news websites
- Television channels
- Brokers/ financial advisors
- Social media
- Word of mouth

6. How Much Risk are you willing to take with your stock market investment?

- Very Low risk
- Low risk
- Moderate risk
- High risk

7. Stock Exchange Helps in

- Providing liquidity to existing securities
- Contributing to economic growth
- Pricing of securities
- All of the above

8. Bombay Stock Exchange became the first stock exchange in India to launch commodity derivatives contract in gold and

- Diamond
- Silver
- Platinum
- Equity
- None of the above

9. Do u feel in investing in stock market is profitable or not?

- Yes
- No

10. How frequently do you monitor the stock market?

- Daily
- Weekly
- Monthly
- Rarely

VI. FINDINGS

Comparative Risk Return Analysis: A study published on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) analyzed the risk-return trade-off between the two exchanges.



- 1) Risk and Return Analysis of Banking Stocks: Another study focused on the risk and return analysis of banking stocks listed on the BSE and NSE, providing insights into the risk-return profile of the banking sector.
- 2) Comparative Analysis of BSE and NSE: A research paper presented a comparative analysis of the BSE and NSE, examining the risk and return characteristics of the two exchanges.
- 3) Risk and Return of Selected Companies: A study analyzed the risk and return of selected companies listed on both the BSE and NSE, providing insights into the risk-return profile of these companies.
- 4) Comprehensive Comparative Analysis: A research paper aimed to conduct a comprehensive comparative analysis of the NSE and BSE, focusing on risk and return.

VII. SUGGESTIONS

- 1) Use advanced statistical techniques: Employ techniques like GARCH, EGARCH, or APARCH to model volatility and risk.
- 2) Incorporate machine learning algorithms: Utilize machine learning algorithms like neural networks or decision trees to predict risk and return.
- 3) Conduct a robustness check: Perform sensitivity analysis to test the robustness of the findings.
- 4) Use high-frequency data: Collect intraday data to capture market microstructure and high-frequency dynamics.
- 5) Incorporate alternative data sources: Utilize alternative data sources like social media, news sentiment, or economic indicators to capture broader market trends.
- 6) Consider sector-specific analysis: Analyze risk and return at the sector level to provide more nuanced insights.
- 7) Apply behavioral finance theories: Incorporate behavioral finance theories like prospect theory or loss aversion to understand investor behavior.
- 8) Examine the impact of market sentiment: Investigate how market sentiment affects risk and return on BSE and NSE.
- 9) Investigate the role of liquidity: Analyze the impact of liquidity on risk and return on both exchanges.
- 10) Provide actionable insights: Offer actionable recommendations for investors, policymakers, and other stakeholders.
- 11) Conduct a comparative analysis of trading strategies: Evaluate the performance of different trading strategies on BSE and NSE.
- 12) Investigate the impact of regulatory changes: Analyze the impact of regulatory changes on risk and return on both exchanges.

VIII. CONCLUSION

The comparative study of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) with a focus on risks and return has provided valuable insights into the Indian stock market. The study has analyzed the risk-return trade-off, volatility, and performance of the two exchanges.

Therefore, after by studying and comparing both the Bombay stock exchange and National Stock exchange, we can conclude that both BSE and NSE are the pillars of Indian Stock Market. As a whole stock market is sometimes highly volatile and has lot of fluctuations. It depends upon the investors how he can make use of this to get the money which he has put in the market. Risk and returns analysis are very essential, because it helps to calculate future predictable returns and risk of the stock. From this study, during the period Jan 2010 to Jan 2021 with the selected stocks it is clear that investment in City union bank, Kotak Mahindra and HDFC has higher returns with moderately high risk also. While compared to other banks have high risk with low returns in variations. An investor should be in a position to analyses the various investment options available to him and thus minimize the risk and maximize the returns.

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