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A Comparison Study on Risk and Return Analysis of selected companies with Benchmark Index in NSE.

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ABSTRACT
In the present situation where stock exchange is high volatile, it is necessary to invest consciously in the market. As we have witnessed many millennial generation investors are hoping to the market with their investment and expecting a high return from the stock market .it is very necessary to have a better understanding about the statistical tools and their measures for better decision making.
Here the study had been carried on measurement of Risk and Return of various stocks with their benchmark indices to understand the behavior of movements of the stocks with respect to market. The Sole Objective of any investor in the market is to maximize the profit and reduce the risk. In this regard the paper helps the investor to understand the snapshot of various statistical tools to be used to analysis the risk and return of the stocks.
The study had focused on collection of daily data such as Closing price of stock for the last five yearsi.e. from year 2017-2021 from the stock market. The daily return of the stock is calculated and Standard Deviation is measured for mainly three broad categories of sectors such as Auto mobile, Banking, Finance, FMCG and IT sector, which are directly representing the economic condition of the country.
Later further Studies have been carried out with the help of beta and Regression Analysis for better analysis of the Risk involved with the Indices formed compared to that of market Indices such as NIFTY AUTOMOBILE, BANK NIFTY,NIFTY FINANCE, NIFTY FMCG and NIFTY IT Service to understand how well the indices are reflecting for the data of market to make better decision for an investor. The study focused on Index performance vs. Benchmark index and various statistical tools are integrated to understand how the risk and return are different with each sector and also to mention which sector is suitable for investment in terms of Risk and Return.

KEYWORDS*: Risk and Return, Standard Deviation, Beta, Regression Analysis, Stock market volatility*.

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I. INTRODUCTION

Capital Markets are one of the most sought-aftertrading platforms for stepping into the world investments. Everyday millions of investors and traders trade in these markets to make money. All the trades in the markets are processed through an entity known as stock exchange, which runs of edge of digitalization making it simple for users.There are many stock exchanges currently in India which carry out millions and billions of trades every day. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are the two most prominent and largest exchanges in India representing the breadth of financial status of the country. Stock exchanges play a important role in the consolidation of the national economy. India is a developing economy, and in such countries, these exchanges play a principal role. They help in mobilizing the savings and ensure safety of the investment. The mobilization helps the economy in promoting the level of capital formation.

RETAIL SURGE (In mn)
Nearly 6 million new individual accounts have opened this year

	No. of retail demat accounts		
	CDSL	NSDL	Total
Jan	20.02	18.83	38.85
Feb	20.45	18.95	39.40
Mar	21.07	19.07	40.14
April	21.67	19.13	40.80
May	22.22	19.24	41.46
June	23.05	19.39	42.44
July	24.01	19.53	43.54
August	24.89	19.67	44.56

Source: CDSL, NSDL

The Indian equity market may be one of the best performers in terms of returns in global competitive environment. However, the so-called equity culture is yet to spread in the country as the number of equity investors is merely 1 per cent of the total population as many are assumed to belive the market investment is Risk Oriented. According to the data available from National Securities Depository (NSDL), the leading depository, nearly 62.8 per cent of the demat accounts are in the five states – Maharashtra, Gujarat, Delhi, Tamil Nadu and Karnataka. NSDL Managing Director C B Bhave said, "Because of the booming capital market, the number of demat accounts are also growing at a fast pace. Every month, on an average, 1 lakh demat accounts are being opened with NSDL."Some states that report higher per capita net state domestic product also top in investors per million population of the 70 million investors, 38 percent fall in the 30-40 age group; 24 percent in 20-30 and 13 percent in the 40-50 age category. The growth has been attributed to young tech-savvy users, with an age profile of 20-40, constituting 8.2 million of the 10 million user additions from 60 million to 70 million.On May 21, the market-capitalization (m-cap) of BSE-listed firms hit the $3 trillion mark, making it the eighth biggest market in the world. In rupee terms, the m-cap of BSE-listed firms is at Rs 223 lakh crore as of May 31.

The Research paper is focused on investment decisions of *millennial generation*and helps them to understand the basic essential knowledge to understand before investing in the market.

RISK:

You cannot talk around income from speculation without having speak me roughly risk as a result of reality consistency venture choices include purchasing and marketing between systems.

Risk demonstrates the probability that the genuine financing impacts will defer the expected impacts. Even more especially, purchasers are by and large pressured over real effects that are substantially lower than expected results. The greater prominent results you might find, the more the possibility.

RETURN:

Return is the fundamental inspiring power that drives a rumours. It is really an acclaim for financing. Since the venture game is prepared returns (After contemplating danger), the estimation of uncovered returns is basic to evaluate how appropriately a rumours has executed. Furthermore, noteworthy returns are often utilized as a contribution for looking forward to the future (candidates).

Return = Ending return – Beginning return
Beginning return

VARIANCE AND STANDARD DEVIATION:

Probably the most generally utilized threat determine in account is the difference or root rectangular which is the typical deviation. Contrasts and in vogue deviations of chronicled come back arrangement are launched. The variety believes about all deviations, negative as large. Financial backers, be that as it may, do at this time don't see amazing deviation - an excellent reality, they pleasant. Consequently a few of specialists say that lone negative deviations must be looked at while estimating risk.

$$\mathbf{S.D} = \frac{\sum(\boldsymbol{R_i}-\boldsymbol{R})^2}{\boldsymbol{n}-\mathbf{1}}$$

STANDARD DEVIATION OF RETURN:

Hazard proposes a variable scattering. It really is ordinarily estimated with the guide of variation or change of best. The particular distinction of the probability dissemination is the amount of the squared deviations of the original come back from the expected return, weighed towards the linked possibilities. In the image,

$$\boldsymbol{\sigma} = \sum \boldsymbol{p}\mathbb{i}\left(\boldsymbol{P};-\boldsymbol{E}(\boldsymbol{R})\right)^{2}$$

EXPECTED RATE OF RETUR:

The anticipated rerun expense is the weighted basic the entirety of the yields extended by their individual options. In the picture,

$$\sum(\boldsymbol{R}) = \sum_{\boldsymbol{j}=\mathbf{1}}^{\boldsymbol{n}} \boldsymbol{R_i p_j}$$

COEFFICIENT OF CORRELATION:

Covariance and relationship are applied with the performance in this the two of them demonstrate the recognition of co - movement between the 2 factors.

RISK OF PORTFOLIO:

The return qualification and the typical deviation of return are opportunity factual measures used to degree subsidizing possibility. These realities measure the degree at which usefulness can go as the years progressed. Figuring portfolio forms might be somewhat more hard than deciding anticipated income.

The covariance tangle is a proportion of the manner in which well the 2 protections cooperate. In the event that the profits of every protection flow inside a similar course persistently the covariance might be favourable. On the off chance that the profits of the two protections could course the alternate path in succession, the covariance may be awful. On the off chance that the development yields are unbiased of each other, the covariance could be nearly to 0.

Covariance is a flat out level of the intelligent risk among protections. To look at the offices can be normalized. Isolating the covariance between two protections by the standard, worn out deviation result of each security bears the cost of a normalized degree. This degree is alluded to as the relationship percentage. This can similarly be composed as

$$rxy = \frac{\mathbf{cov}\,xy}{\sigma x \sigma y}$$

II. Literature Review:

- **Hussein Abedi Shamsabadi (2012) "Study Evaluation about Relationship Risk-Return andPerformanceStepsCompareDifferentCommercialSectorsthat"**shows,TheImportance of dating hazards upheld in numerous tests. The varieties among the listing ofcosts ofbackpedal on unmistakablehings recommendvarious degrees ofthreatforfinancial backers in the essential property. Assessing the text between benefit levels andresourcechancewillhelpbrokeragentchoosehigherandextrarightopportunityjudgements in making an interest in a dispersion of businesses. An ideal manner, theinvestigatereconsiderspriceandvaluingspeculationandexperimentalpursuittomake generally speaking execution actions assessing extraordinary task areas. To own reasonfor the evaluation, exact proof is referenced inside the extent of commercial center dangerand result.

- **Koh Xin Rui(2014)** "The dating among danger and expected results in the Malaysian Stock exchange that CAPM" demonstrates, In most examinations, there should be a few areas that require to diapause all research documents. The variations are the no difference with this check out. The specific rules will complete as a guide for predetermination analysts who carry out concentrates on related subjects. To commence with, because of this of reality this exam utilizes low repeat it is month-to-month realities. Long phrase exploration should utilize high - repeat information that is week after seven days or constantly information longer time periods. Second while breaking down the CAPM, fate search may furthermore get mindful of various factors while in transit to impact variants in expected benefit impacts. 3rd, long - phrase examination can boost the gander finally to at the very least 10 years being an strategy to cowl more businesses also to be had records. The particular beta portfolio should be used in protracted term research as opposed to the beta of every business endeavor.
- **Gurinder Singh and Kaur Navleen (2015)** "Speculation Determination Increased Investment decision in Currency markets India" shows a combination country understanding about merchants and not brokers on Native Indian Stock Market. Persons who ending upwards brokers would physique feel shaky in the event that you lose cash inside the commercial center and the risk of contributing. You can find classifications of folks who are fit to be contributed, in any case brokers need gratifying plan, which no longer handiest disederhanakake yet in addition has a phenomenal size. Assessment motivators conceded by using the principle leader to purchasers curiously will likewise be aiding such a great deal of folks making an interest in VIPs for advertisements situated due to reality its effect developing people. Lucidity is legitimate must be conceded to them through various techniques among Business and Investment. But, the matter of SIP (Systematic Investment decision Plan) will be the incredible decision for a pair with low benefits.
- **Roni Bhowmik(2020)** "Unpredictability and Currency markets Analysis Bali" suggests, compositions with writing as an task. This paper provides a complete writing that fundamentally has some expertise in the see of stock substitute results and unpredictability the use of efficient examination techniques in numerous money related business areas all throughout the complete world. This particular determine is decided by a lso are - look for school of most present and convenient writing on unpredictability and commercial center results.

- **Bedanta Bora(2021) "Hazard and Return Relationship A great Empirical Study BusinessBSEinIndia"**demonstrates,venturesinsidethestockcommercialcenterhitadangerthat high level. The genuine go back that a financial backer gets from a content maylikewise vary from that of the claimed return and the chance is communicated as much asthe assortment of the return. Thus it is essential to perceive this is of the rate of return andtherecognitionofdangerconcerned.Thisspecificpaperattempttochoosetherelationship between protections results and commercial centre returns and seems at betasense of balance for 30 BSE Sensex gatherings. Illustrative insights, a pair of relationshipexplorationand betaexamination mightbedone.

RESEARCH METHODOLOGY:
We have used the *Descriptive research* methods that depict the characteristics of the variables under study. This methodology focuses on how the variable are influenced and detail analysis made .It mainly focus on observational study of the variables using statistical tool

NEED OF THE STUDY:
In the risk and return field, it is the common knowledge of comparison between various investment avenues i.e. the Bench Mark Index NITFYBANKis compared with other Banks to assess the performance and also to measure the risk of investment. Every investor should be aware of minimizing the risk and maximize the return, hence we are focus on providing a descriptive study on factors to consider for investment.

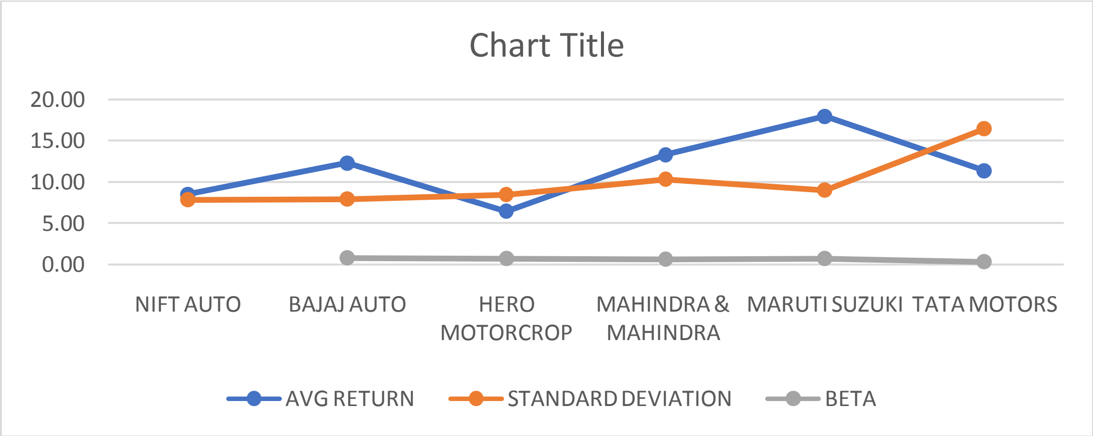
OBEJECTIVEOFTHESTUDY:
- ➢ To evaluate the performance of stocks of various sectors.
- ➢ To measure the level of risk and return involved in selected Sectoral Indices.
- ➢ To analyse the performance of Stocks with Benchmark indices for assessing the risk and return.
- ➢ To measure the Statistical variation of Stocks and Indices with help Regression Analysis.

III. DATA ANALSIS AND INTERPRITATION:

Table: 01 Calculation of Average return, Standard deviation, Beta and Regression analysis of Auto mobile sector,

SL.NO	STOCK NAME	AVG RETURN	STANDARD DEVIATION	BETA
1	NIFT AUTO	8.52	7.89	
2	BAJAJ AUTO	12.31	7.98	0.82
3	HERO MOTORCROP	6.47	8.49	0.76
4	MAHINDRA & MAHINDRA	13.33	10.37	0.66
5	MARUTI SUZUKI	17.99	9.036	0.74
6	TATA MOTORS	11.38	16.45	0.37

MARKET AVEREGE RETURN, S.D & BETA ON AUTO MOBILE SECTOR.



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.98902
R Square	0.978162
Adjusted R Square	0.976139
Standard Error	1.218444
Observations	60

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*Avg F value*
Regression	5	3590.81	718.1621	483.7396	1.58E-43	0.316
Residual	54	80.16865	1.484605			
Total	59	3670.979				

	Coefficients	*Standard Error*	*t Stat*	***P-value***	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.30737	0.160584	-1.91409	**0.060914**	-0.62932	0.014579	-0.62932	0.014579
BAJAJ AUTO	0.125211	0.033683	3.71734	**0.00048**	0.057681	0.192741	0.057681	0.192741
HERO MOTOR CROP	0.112945	0.032633	3.461037	**0.001059**	0.047519	0.17837	0.047519	0.17837
M & M	0.238395	0.024436	9.756098	**1.63E-13**	0.189405	0.287386	0.189405	0.287386
MARUTI SUZUKI	0.289238	0.027101	10.67244	**6.49E-15**	0.234903	0.343574	0.234903	0.343574
TATA MOTORS	0.136523	0.013187	10.35305	**1.97E-14**	0.110085	0.162961	0.110085	0.162961

Interpretation :from the table it is understood that Maruti Suzuki had the highest returns for the year 2016 – 2021 when compared to all over companies, which shows the company was involved with low risk which in turn gave good returns and the company stock is volatile because it has a beta 0.74,

Interpretation: The regression as a whole is extremely significant under the F-test and most of the coefficient are significantly different from zero under the t-test. The adjusted R-Square for the model is reasonably high at the almost 0.97.

Table: 02 Calculation of Average return, Standard deviation, Beta and Regression analysis of Banking sector,

SL.NO	**STOCK NAME**	**AVG RETURN**	**STANDERAD DEVATION**	**BETA**
1	NIFTY BANK	19.09	7.93	
2	AXIS BANK	17.27	10.06	**0.67**
3	HDFC BANK	20.20	7.62	**0.84**
4	ICICI BANK	25.99	9.11	**0.75**
5	INDUSLNSD BANK	18.34	14.86	**0.48**
6	SBI BANK	21.39	11.40	**0.57**

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.976781
R Square	0.954101
Adjusted R Square	0.949851
Standard Error	1.776954
Observations	60

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*Avg F value*
Regression	5	3544.364	708.8729	224.4999	7.8E-35	1.55
Residual	54	170.5084	3.157564			
Total	59	3714.873				

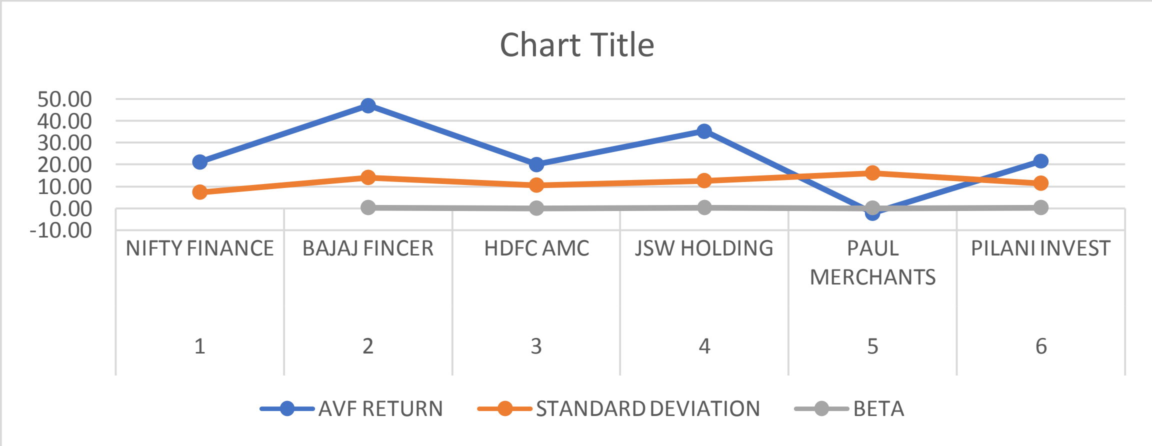
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.211123	0.239058	0.883148	0.381071	-0.26816	0.69040493
AXIS	0.157427	0.039332	4.002497	0.000193	0.07857	0.23628259
HDFC	0.100384	0.051185	1.961195	0.055021	-0.00224	0.20300426
ICICI	0.187475	0.04642	4.038693	0.000171	0.094409	0.28054164
INDUSLND	0.207315	0.028631	7.240916	1.67E-09	0.149913	0.26471631
SBI	0.14661	0.031729	4.620636	2.42E-05	0.082996	0.21022357

Interpretation: from the table it is understood that ICICI Bank had the highest returns for the year 2016 – 2021 when compared to all over companies, which shows the company was involved with low risk which in turn gave good returns and the company stock is volatile because it has a beta 0.75

Interpretation: The regression as a whole is extremely significant under the F-test and most of the coefficient are significantly different from zero under the t-test. The adjusted R-Square for the model is reasonably high at the almost 0.95.

Table: 03 Calculation of Average return, Standard deviation, Beta and Regression analysis of Finance sector,

SL.No	STOCK NAME	AVF RETURN	STANDARD DEVIATION	BETA
1	NIFTY FINANCE	21.21	7.27	
2	BAJAJ FINCER	47.01	13.98	**0.40**
3	HDFC AMC	20.03	10.57	**0.04**
4	JSW HOLDING	35.21	12.57	**0.35**
5	PAUL MERCHANTS	-2.15	16.19	**0.20**
6	PILANI INVEST	21.68	11.34	**0.37**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.530344
R Square	0.281265
Adjusted R Square	0.166268
Standard Error	4.103623
Observations	30

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*Avg F value*
Regression	4	164.7487	41.18717	2.445835	0.072752	0.01455
Residual	25	420.993	16.83972			
Total	29	585.7417				

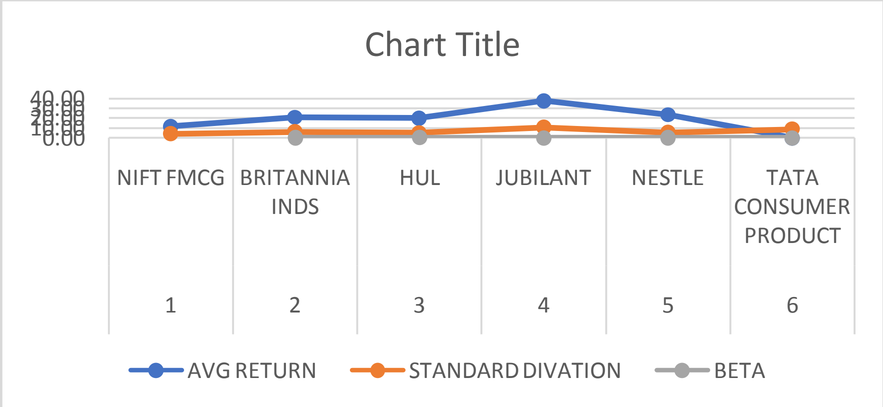
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.560886	0.88821	0.631479	0.53346	-1.26842	2.390189
BAJAJ FINCER	0.161182	0.08468	1.903426	0.068559	-0.01322	0.335583
HDFC AMC	0.065357	0.073548	0.888631	0.382672	-0.08612	0.216833
JSW HOLDING	-0.00419	0.099254	-0.04222	0.966661	-0.20861	0.200227
PAUL MERCHANTS	0.087704	0.062872	1.394977	0.175294	-0.04178	0.217191

Interpretation: from the table it is understood that Bajaj Fincer had the highest returns for the year 2016 – 2021 when compared to all over companies, which shows the company was involved with low risk which in turn gave good returns and the company stock is volatile because it has a beta 0.40,
Interpretation: The regression as a whole is extremely significant under the F-test and most of the coefficient are significantly different from zero under the t-test. The adjusted R-Square for the model is reasonably high at the almost 0.28,

Table: 04 Calculation of Average return, Standard deviation, Beta and Regression analysis of FMCG sector,

SL.NO	**STOCK NAME**	**AVG RETURN**	**STANDARD DIVATION**	**BETA**
1	NIFT FMCG	11.93	4.14	
2	BRITANNIA INDS	21.31	6.47	0.35
3	HUL	20.40	5.19	0.47
4	JUBILANT	38.07	10.98	0.14
5	NESTLE	23.88	5.73	0.34
6	TATA CONSUMER PRODUCT	37..44	9.11	0.15

MARKET AVEREGE RETURN, S.D & BETA ON FMCG SECTOR.



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.719863
R Square	0.518203
Adjusted R Square	0.473592
Standard Error	3.007001
Observations	60

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*Avg F value*
Regression	5	525.1653	105.0331	11.61606	1.21E-07	0.242
Residual	54	488.2709	9.042054			
Total	59	1013.436				

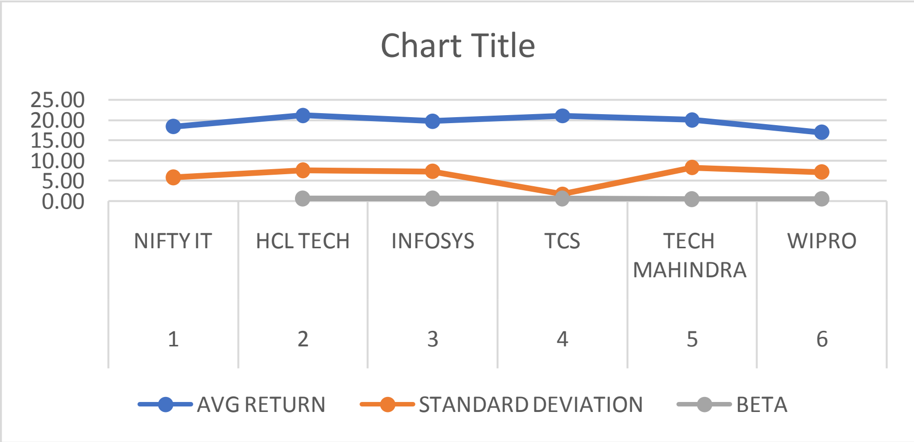
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	-0.27227	0.430106	-0.63302	0.52939	-1.13458	0.590043215
BRITSNNIA INDS	0.20766	0.072397	2.868361	0.005875	0.062513	0.352807085
HUL	0.323655	0.086958	3.721994	0.000473	0.149316	0.497994751
JUBILNT	0.018652	0.044036	0.42356	0.673569	-0.06964	0.106939428
NESTLE	0.097155	0.081035	1.198923	0.235793	-0.06531	0.259621046
TATA CONSUMER	0.030339	0.050078	0.60584	0.547159	-0.07006	0.130738942

Interpretation: from the table it is understood that Jubilant food had the highest returns for the year 2016 – 2021 when compared to all over companies, which shows the company was involved with low risk which in turn gave good returns and the company stock is volatile because it has a beta 0.14,

Interpretation: The regression as a whole is extremely significant under the F-test and most of the coefficient are significantly different from zero under the t-test. The adjusted R-Square for the model is reasonably high at the almost 0.51.

Table: 05 Calculation of Average return, Standard deviation, Beta and Regression analysis of ITsector,

SL.NO	**STOCK NAME**	**AVG RETURN**	**STANDARD DEVIATION**	**BETA**
1	NIFTY IT	18.40	5.88	
2	HCL TECHNOLOGY	21.17	7.60	**0.65**
3	INFOSYS	19.73	7.39	**0.68**
4	TATA CONCONSUTTANCY SERVICES	21.08	1.76	**0.69**
5	TECH MAHINDRA	20.03	8.30	**0.48**
6	WIPRO	17.02	7.26	**0.57**



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.988859
R Square	0.977841
Adjusted R Square	0.97579
Standard Error	0.915671
Observations	60

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*Avg value*	*sig*
Regression	5	1998.018	399.6036	476.596	2.34E-43	0.468	
Residual	54	45.27649	0.838454				
Total	59	2043.295					

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.1213	0.123179	-0.98473	0.329147	-0.36826	0.125661	-0.36826	0.125661
HCL TECH	0.184805	0.023996	7.701579	3E-10	0.136697	0.232914	0.136697	0.232914
INFOSYS	0.302994	0.022364	13.54818	5.21E-19	0.258157	0.347832	0.258157	0.347832
TCS	0.268481	0.023622	11.36563	6.07E-16	0.221121	0.31584	0.221121	0.31584
MAHINDRA TECH	0.142493	0.017336	8.219743	4.37E-11	0.107738	0.177249	0.107738	0.177249
WIPRO	0.085245	0.021851	3.901253	0.000267	0.041437	0.129052	0.041437	0.129052

Interpretation:from the table it is understood thatTCS had the highest returns for the year 2016 – 2021 when compared to all over companies, which shows the company was involved with low risk which in turn gave good returns and the company stock is volatile because it has a beta 0.97,
Interpretation: The regression as a whole is extremely significant under the F-test and most of the coefficient are significantly different from zero under the t-test. The adjusted R-Square for the model is reasonably high at the almost 0.65,

IV. CONCLUSION

An Investor when makes a decision of investing in the market, should consider the basic understanding of Risk and Return .The study main focused on evaluating the Risk and Return of Selected stocks in comparison with their Benchmark Indices. The study measures the relationship between risk and return analysis of selected

5 sectors listed in NSE. From the Selected 25 Stocks,we have observed that Bajaj FinServ is providing the best return of all the stocks with XIRR= 47.01% followed by Jubilant by Approx XIRR= 38%. In the comparison of Indices Return, NIFTY BANK and NIFTY FINANCE had Out formed compared to that of AUTOMOBILE, FMCG and IT Sector giving the best return for total consideration of 5year duration of time.

The Standard Deviation is measurement of Volatility of the Stock, More the SD implies more the risk and investor is advised to choose the stock based on minimum Standard Deviation. TCS is providing minimum SD of (1.76) followed by FMCH Stock HUL (5.17) and NASTLE (5.96) and so on.

The Beta (β) indicates the volatility of the stock in comparison to the market. The Investor would chose the ($\beta = 1$) indicating the fluctuation of market is reflected same on the stock. More the ($\beta > 1$) Indicates the stock is more volatile in the market, hence the investor should be avoiding those stocks with High Volatile. Among the selected 25 companies, the systematic risk of HDFC Bank was the highest during the study period. Hence it indicates that the Risk and Returns from HDFC Bank are higher compared to any stock in the given study with a standard deviation of (0.84). All the selected stocks are having Beta ($\beta < 1$). Hence the picked stocks from the market are efficient in terms of Risk and Return.

The Regression Analysis is carried out for better analysis of the Risk involved with the Indices formed compared to that of market Indices such as NIFTY AUTO MOBILE, BANK NIFTY,NIFTY FINANCE, NIFTY FMCG and NIFTY IT Service. They help to to infer causal relationships between the independent (Market) and dependent variables (Stocks) .They are usually Carried to Understand the trend in the stock prices, forecast the prices, evaluate risks in their respective domain. When all the sectors are regressed with their stock ,the Auto mobile sector emerged with highest R- Square regression value 0.97, which indicated that the company would provide highest return and low risk together compared to that of any other sectors, the investors are advised to accept the stock whose R Value is more than 92% which indicates the stock performance is better for investment, The Auto mobile (0.97) & Banking sectors (0.95)& IT Sector have outperformed in the Regression test analysis giving the information that the Stocks are good for Investment in Terms Risk and Return.

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