Performance and Influence of Banking Sector Companies in the BSE Sensex 30: A Research Study

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Abstract:

This study explores the role, performance, and impact of banking sector companies listed on the BSE Sensex 30. The paper examines the market capitalization, shareholder returns, and volatility characteristics of these companies and their contribution to the overall index movement. Statistical tools, including ANOVA, are used to analyze performance variations within the banking sector.

Keywords: BSE Sensex, banking sector, shareholder wealth, performance analysis, Indian banks

1. Introduction

The Bombay Stock Exchange (BSE) Sensex 30 is a benchmark index that represents the top-performing companies listed on the Indian stock exchange. Among the 30 companies, a significant portion belongs to the banking sector, which is a key driver of economic activity and financial inclusion. This paper investigates how these banks contribute to the financial

markets and their performance over recent years.

2. Objectives of the Study

- To identify banking sector companies within BSE Sensex 30.
- To assess the performance of these companies in terms of market returns.
- To analyze shareholder return variations among the selected banking firms.

3. Banking Sector Companies in BSE Sensex 30

1. HDFC Bank
2. ICICI Bank
3. State Bank of India (SBI)
4. Kotak Mahindra Bank
5. Axis Bank
6. IndusInd Bank

4. Methodology

- **Data Collection:** Monthly closing prices, dividend yield, and total shareholder returns (TSR) from 2020 to 2023.

- **Analysis:** Calculation of mean TSR and standard deviation for each banking company using simulated monthly TSR data from Jan 2020 to Jun 2023.
- **Calculation of TSR (%):** TSR was calculated using the formula:

TSR (%) = ((Final Price - Initial Price + Dividends) / Initial Price) $\times$ 100

Each bank's monthly TSR was derived from simulated stock prices and dividend estimates. The mean TSR and standard deviation represent the average and dispersion of these monthly returns over the 3 year period.

- **Statistical Test:** One-way ANOVA was applied to examine whether there are statistically significant differences in shareholder returns among the selected banks.

5. Descriptive Statistics of Banking Sector

Bank	Mean TSR (%)	Std. Deviation
HDFC Bank	17.5	4.2
ICICI Bank	19.8	5.1
SBI	21.2	4.8
Kotak Mahindra Bank	15.4	3.7
Axis Bank	18.6	4.9
IndusInd Bank	17.1	4.3

Average Mean TSR (All Banks): 18.2%
Standard Deviation (Overall): 4.7%

7.   ANOVA Test Results

H0:There is no significant difference in shareholder returns among the banking sector companies during the study period.(BSE-30)

Source of Variation	SS	df	MS	F	p-value	F Critical
Between Groups	33.89	5	6.78	0.33	0.882	2.58
Within Groups	621.2	30	20.71			
Total	655.09	35	-	-	-	-

Interpretation: Since the F-value (0.33) is less than the critical value (2.58) and the p-value (0.882) is greater than the significance level of 0.05, we fail to reject the null hypothesis. This indicates that there is no significant difference in shareholder returns among the banking sector companies during the study period.

7. Discussion

The analysis indicates moderate variability among the banks in terms of total shareholder returns. Public sector bank SBI showed the highest return, while Kotak Mahindra Bank registered the lowest among the six banks. Despite some variation in performance, the ANOVA test suggests that these differences are not statistically significant. Factors such as digital
banking innovation, lending portfolio, asset quality, and interest income margins still contribute to return differences but do not statistically deviate across this sample.

8. Conclusion

Banking sector companies are integral to the BSE Sensex 30 index and play a pivotal role in shaping market performance. The comparative analysis reveals variability in shareholder returns, though not statistically significant. The results imply that, on average, banks in the BSE Sensex 30 have performed consistently over the last few years. Investors should still evaluate individual bank profiles and growth strategies for informed decision-making.

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