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RISK AND RETURN ANALYSIS OF SELECT PSBs

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ABSTRACT

The paper makes an attempt to find the risk and return analysis of the selected banks Canara Bank and State Bank of India during the period under consideration. Risk and return are most important concepts in analysis of valuation of assets or securities. The term risk is the variability of actual return from the expected return associated with a given asset. The greater the variability, the riskier the security is. In other words, risk is the variability of returns from those that are expected. The more certain the return from an asset, the less the variability and therefore lower the risk. The concept of return refers to the actual income received plus any change in market price of an asset / investment. In selected study the market price and income received of the State Bank of India and Canara Bank. It is observed that Canara Bank has proven the general phenomenon of higher the risk, higher the return than that of State Bank India and it can be concluded that Canara Bank's return was not only higher than that of State Bank of India but also more consistent throughout the study period. The study on the performance of banks in the stock market in India covers performance evaluation of them quoted at the Indian Stock Exchanges in stock market through risk and return analysis adopting Capital Asset Pricing Model framework. This is done on a yearly basis for better understanding and adjudging the performance of companies quoted at the Bombay Stock Exchange for the period 1995-2015.

KEYWORDS

capital asset pricing model, risk, return.

INTRODUCTION

Risk concerns the expected value of one or more results of one or more future events. Technically, the value of those results may be positive or negative. The term risk may be traced back to classical Greek rizikon (Greek ριζα, riza), meaning root, later used in Latin for "cliff". The term is used in Homer's Rhapsody M of Odyssey "Sirens, Scylla, Charybdee and the bulls of Helios (Sun)" Odysseus tried to save himself from Charybdee at the cliffs of Scylla, where his ship was destroyed by heavy seas generated by Zeus as a punishment for his crew killing before the bulls of Helios (the god of the sun), by grappling the roots of a wild fig tree.

Scenario analysis matured during Cold War confrontations between major powers, notably the United States and the Soviet Union. It became widespread in insurance circles in the 1970s when major oil tanker disasters forced a more comprehensive foresight. The scientific approach to risk entered finance in the 1980s when financial derivatives proliferated. It reached general professions in the 1990s when the power of personal computing allowed for widespread data collection and numbers crunching.

There are many formal methods used to assess or to "measure" risk, considered as one of the critical indicators important for human decision making. In statistics, risk is often mapped to the probability of some event which is seen as undesirable. Usually, the probability of that event and some assessment of its expected harm must be combined into a believable scenario an outcome, which combines the set of risk, regret and reward probabilities into an expected value for that outcome. Thus, in statistical decision theory, the risk function of an estimator $\delta(x)$ for a parameter θ , calculated from some observables x , is defined as the expectation value of the loss function L .

In Information security, a risk is written as an asset, the threats to the asset and the vulnerability that can be exploited by the threats to impact the asset - an example being: Our desktop computers (asset) can be compromised by malware (threat) entering the environment as an email attachment (vulnerability).

CAPM decomposes a portfolio's risk into systematic and specific risk. **Systematic risk** is the risk of holding the market portfolio. As the market moves, each individual asset is more or less affected. To the extent that any asset participates in such general market moves, that asset entails systematic risk. **Specific risk** is the risk which is unique to an individual asset. It represents the component of an asset's return which is uncorrelated with general market moves.

According to CAPM, the marketplace compensates investors for taking systematic risk but not for taking specific risk. This is because specific risk can be diversified away. When an investor holds the market portfolio, each individual asset in that portfolio entails specific risk, but through diversification, the investor's net exposure is just the systematic risk of the market portfolio.

Systematic risk can be measured using beta. According to CAPM, the expected return of a stock equals the risk-free rate plus the portfolio's beta multiplied by the expected excess return of the market portfolio. Specifically, let Z_s and Z_m be random variables for the simple returns of the stock and the market over some specified period. Let z_f be the known risk-free rate, also expressed as a simple return, and let β be the stock's beta. Then

$$E(Z_s) = z_f + \beta[E(Z_m) - z_f] \quad (1)$$

Where E denotes an expectation

Stated another way, the stock's excess expected return over the risk-free rate equals its beta times the market's expected excess return over the risk free rate.

For example, suppose a stock has a beta of 0.8. The market has an expected annual return of 0.12 (that is 12%) and the risk-free rate is 0.02 (2%). Then the stock has an expected one-year return of

$$E(Z_s) = .02 + .8[.12 - .02] = 0.10 \quad (2)$$

Because [1] is linear, it generalizes to portfolios. Let Z_p be a portfolio's simple return, and let β now denote the portfolio's beta. We obtain

$$E(Z_p) = z_f + \beta[E(Z_m) - z_f] \quad (3)$$

Formula [1] is the essential conclusion of CAPM. It states that a stock's or portfolio's excess expected return depends on its beta and not its volatility. Stated another way, excess return depends upon systematic risk and not on total risk.

We call CAPM a "capital asset pricing model" because, given a beta and an expected return for an asset, investors will bid its current price up or down and adjusted that expected return so that it satisfies formula [1]. Accordingly, the CAPM predicts the equilibrium price of an asset. This works because the model assumes that

all investors agree on the beta and expected return of any asset. In practice, this assumption is unreasonable, so the CAPM is largely of theoretical value. It is the most famous example of an equilibrium pricing model.

OBJECTIVES OF THE STUDY

The objective is to study examine whether the Bank scrip's are overvalued or undervalued using CAPM Model and whether the actual return from the market is equal to the CAPM return under the calculated or not i.e. whether CAPM is able to predict the stock returns in the case of selected PSBs in India.

SAMPLE AND DATA SOURCES

The sample consists of 2 Public Sector Banks quoted at the Bombay Stock Exchange over the period 1995-96 to 2014-2015.

This study uses only the secondary data collected from research work on the topic, working papers, NSE and BSE websites and directories, CMIE data base-Prowess, Capital Market's Data Base, Capital Line, balance sheets of the select banks, public enterprise survey reports and RBI bulletins. Data thus collected is tabulated, processed analyzed, and presented in an understandable manner.

RESEARCH METHODOLOGY

The research methodology for the various aspects of the study is explained here under:

Building on the Markowitz framework, Sharpe (1964), Lintner (1965) and Mossin (1966) independently developed what has come to be known as the Capital Asset Pricing Model (CAPM).

$$(R_i) = R_f + \beta_i [R_m - R_f]$$

Where, R_f = Treasury bill rate

R_m = Return from the market of individual security

β_i = Unsystematic risk / diversifiable risk of individual security

For the calculation of R_m , daily log returns are computed for the period of 1995-2010 for taking April 1st to 31st March as a period of one year.

$$((\log p_1 - \log p_0) / (\log p_0)) * 100$$

Further, daily log returns are annualized using $r_1 + r_2 + r_3 + \dots + r_n$

These annualized returns are taken as R_m and Treasury bill rate as R_f . For the purpose of calculation of β (slope of the regression line), BSE Sensex Return is taken as independent and individual security return as dependent variables. Slope can be subjected to descriptive statistics.

The risk free rate for each year is obtained by averaging the monthly T-bill rates for each year. This risk free rate therefore varies from year to year.

TABLE 1: AVERAGE DAILY RETURNS

Year	Canara Bank	SBI	B S E Sensex
1995-96	-	0.024	0.001
1996-97	-	0.008	0.000
1997-98	-	0.010	0.007
1998-99	-	-0.019	-0.002
1999-00	-	-0.002	0.014
2000-01	-	0.487	-0.015
2001-02	-	0.008	-0.002
2002-03	0.140	0.015	-0.006
2003-04	0.064	0.054	0.029
2004-05	0.027	0.006	0.007
2005-06	0.023	0.023	0.025
2006-07	-0.023	0.002	0.006
2007-08	0.013	0.027	0.008
2008-09	-0.022	-0.022	-0.020
2009-10	0.068	0.038	0.026
2010-11	0.004	0.027	0.015
2011-12	-0.004	-0.004	-0.004
2012-13	0.003	-0.013	0.000
2013-14	0.007	-0.024	-0.004
2014-15	0.009	0.025	-0.103

Source: Calculated from daily stock prices

From the analysis above table it is observed that BSE Sensex returns are varying between -0.0020 and 0.029 whereas the Canara bank returns are varying between -0.022 and 0.14 and State Bank is varying between -0.022 to 0.487 which shows that the returns generated by State Bank are more consistent and they are more than the market and the Canara Bank.

TABLE 2: AVERAGE DAILY RISK

Year	Canara Bank	SBI	B S E Sensex
1995-96	-	0.407	0.162
1996-97	-	0.533	0.215
1997-98	-	0.368	0.171
1998-99	-	0.587	0.239
1999-00	-	0.674	0.232
2000-01	-	0.001	0.257
2001-02	-	0.496	0.186
2002-03	0.951	0.269	0.126
2003-04	0.064	0.054	0.029
2004-05	0.651	0.420	0.174
2005-06	0.451	0.242	0.114
2006-07	0.580	0.330	0.187
2007-08	0.594	0.371	0.198
2008-09	0.639	0.511	0.301
2009-10	0.484	0.370	0.196
2010-11	0.113	0.484	0.370
2011-12	0.132	0.132	0.132
2012-13	0.081	0.356	0.233
2013-14	0.111	0.553	0.267
2014-15	0.085	0.468	1.860

Source: Calculated from daily stock prices

From the analysis of above table: 2 it is observed that the average daily risk of Canara Bank has varied between 0.064 to 0.951, market proxy between 0.029 to 0.370 which indicates that the market has borne less risk than the Canara bank for the said period. The State Bank of India's risk has varied between 0.001 and 0.674 indicating that the return of SBI is on a lower side compared to the Canara Bank and market proxy i.e., BSE sensex and risk is more than market proxy and less than Canara Bank for the entire study period.

TABLE 3: COMPARISON OF CANARA BANK WITH CAPM RETURNS OF SBI AND CANARA BANK AND BSE SENSEX RETURN

Year	B S E Sensex	AMR Canara Bank	AMR SBI	CAPM Canara Bank	CAPM SBI
1995-96	0.001	-	0.024	-	-5.372
1996-97	0.000	-	0.008	-	-12.603
1997-98	0.007	-	0.010	-	-7.358
1998-99	-0.002	-	-0.019	-	-7.021
1999-00	0.014	-	-0.002	-	-7.223
2000-01	-0.015	-	0.487	-	-1.932
2001-02	-0.002	-	0.008	-	5.939
2002-03	-0.006	0.140	0.015	-26.882	-0.893
2003-04	0.029	0.064	0.054	-14.029	-5.398
2004-05	0.007	0.027	0.006	-6.345	-5.115
2005-06	0.025	0.023	0.023	-3.958	-1.655
2006-07	0.006	-0.023	0.002	-7.087	-1.386
2007-08	0.008	0.013	0.027	-6.060	-2.621
2008-09	-0.020	-0.022	-0.022	-2.404	-2.980
2009-10	0.026	0.068	0.038	-3.720	-3.825
2010-11	0.168	0.370	0.157	-4.263	-4.560
2011-12	0.896	-0.830	0.724	-3.960	-5.230
2012-13	0.814	-3.288	-0.073	-5.724	-17.877
2013-14	1.755	-6.116	-0.930	-1.532	-37.276
2014-15	2.203	6.022	-25.032	-4.741	2.310

Source: Calculated from daily stock prices

From the analysis of above Table: 3, and Figure 1 below where the annual daily average return of SBI, Canara Bank and BSE Sensex with that of the CAPM returns of the SBI and Canara Bank. It is observed that the returns obtained from the model are negative which have ranged from -1.532 to -26.882 for Canara Bank and for SBI was at -0.893 to 2.310. This shows that the banks have generated more returns compared to the CAPM model returns other than the periods 2006-07, 2008-09 for Canara bank which was reported at -0.023 and -0.022. The State Bank of India has reported Annual average negative returns for the period of 1998-99, 1999-00 and 2008-09 at the rate of -0.019, -0.002 and -0.022. This shows that the shares of SBI and Canara Bank were over priced during the study period compared to the CAPM model returns.

FIGURE 1: COMPARISON OF CANARA BANK WITH CAPM RETURNS OF SBI AND CANARA BANK AND BSE SENSEX RETURN

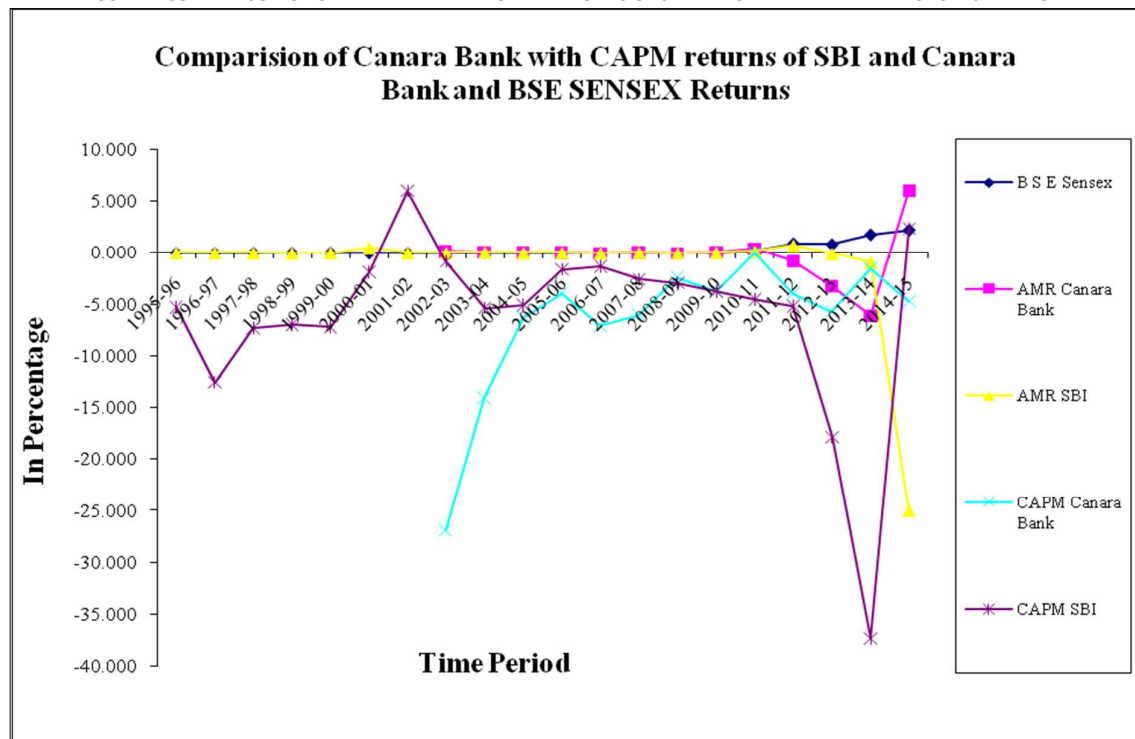


TABLE 4: ANNUAL HOLDING PERIOD RETURNS

Annual Return	B S E Sensex	Canara Bank	SBI
1995-96	0.215		5.626
1996-97	0.034		1.966
1997-98	1.829		2.440
1998-99	-0.417		-4.650
1999-00	3.539		-0.545
2000-01	-3.838		0.206
2001-02	-0.425		2.047
2002-03	-1.578	9.393	3.828
2003-04	7.320	16.157	13.651
2004-05	1.757	6.891	1.483
2005-06	6.119	5.518	5.877
2006-07	1.611	-5.393	0.503
2007-08	1.927	3.164	6.849
2008-09	-4.957	-5.310	-5.327
2009-10	6.284	16.602	9.310
2010-11	1.072	6.937	3.716
2011-12	-1.107	-1.107	-1.107
2012-13	0.814	-3.288	-0.072
2013-14	1.754	-6.116	-0.930
2014-15	2.203	6.022	-25.032

Source: Calculated from daily stock prices

From the analysis of above table 4, it is observed that the BSE sensex annual return varied between -4.957 to 7.320, whereas Canara bank between -5.393 and 16.602. Further it is observed that SBI's return was varying between -25.032 to 13.651. It can be concluded that Canara bank's return was the highest and more consistent throughout the study period without much inconsistencies. SBI has shown highest negative return in the year 2014-15 during the period of study under consideration because of the impact of increase in loss assets.

TABLE 5: ANNUAL HOLDING PERIOD RISK

Annual Risk	B S E Sensex	Canara Bank	SBI
1995-96	0.163		0.549
1996-97	0.215		0.533
1997-98	0.171		0.368
1998-99	0.239		0.587
1999-00	0.232		0.674
2000-01	0.257		0.478
2001-02	0.186		0.497
2002-03	0.126	0.951	0.269
2003-04	0.160	0.788	0.355
2004-05	0.174	0.651	0.420
2005-06	0.114	0.450	0.241
2006-07	0.187	0.580	0.330
2007-08	0.198	0.594	0.371
2008-09	0.301	0.640	0.512
2009-10	0.196	0.484	0.370
2010-11	0.113	0.344	0.242
2011-12	0.132	0.381	0.292
2012-13	0.081	0.356	0.233
2013-14	0.111	0.553	0.267
2014-15	0.085	0.468	1.860

Source: Calculated from daily stock prices

The table 5 represents Annual holding period risk of BSE Sensex, Canara bank and SBI for the period of 1995-96 to 2014-15. It is observed from the analysis that the BSE Sensex varied between 0.081 to 0.301. The Canara bank between 0.344 and 0.951 while State Bank of India varied in between 0.233 to 1.860. From the above tables 5.4 and 5.5 it can be concluded that the general phenomenon of higher the risk, higher the return holds well in case of Canara bank.

TABLE 6: MEAN HALF YEARLY RETURNS

Time Period	B S E Sensex	Canara Bank	SBI
1995-96 -I	0.002		0.025
1995-96 -II	-0.006		0.013
1996-97 -I	-0.005		0.000
1996-97 -II	0.006		0.015
1997-98 -I	0.026		0.008
1997-98 -II	0.001		0.025
1998-99 -I	-0.025		-0.051
1998-99 -II	0.026		0.033
1999-00 -I	0.029		0.023
1999-00 -II	0.012		-0.014
2000-01 -I	-0.013		-0.015
2000-01 -II	-0.014		0.023
2001-02 -I	-0.025		-0.028
2001-02 -II	0.024		0.040
2002-03 -I	-0.015		-0.002
2002-03 -II	0.004	0.140	0.024
2003-04 -I	0.035	0.085	0.067
2003-04 -II	0.019	0.029	0.037
2004-05 -I	0.218	0.744	0.492
2004-05 -II	0.111	0.546	0.331
2005-06 -I	0.024	0.018	0.041
2005-06 -II	0.114	0.451	0.241
2006-07 -I	0.006	0.008	0.004
2006-07 -II	0.213	0.674	0.332
2007-08 -I	0.129	0.495	0.317
2007-08 -II	0.245	0.677	0.409
2008-09 -I	0.231	0.583	0.455
2008-09 -II	0.363	0.697	0.573
2009-10 I	0.249	0.573	0.458
2009-10 II	0.116	0.535	0.245
2010-11 I	0.011	0.045	0.044
2010-11 II	-0.002	0.010	-0.015
2011-12 I	-0.014	-0.044	-0.038
2011-12 II	0.005	0.010	0.010
2012-13 I	0.006	-0.012	0.007
2012-13 II	0.000	-0.015	-0.008
2013-14 I	0.002	-0.075	-0.026
2013-14 II	0.012	0.027	0.019
2014-15 I	0.014	0.042	0.026
2014-15 II	0.004	0.008	-0.235

Source: Calculated from daily stock prices

Table 6 represents the half yearly average daily return of BSE Sensex, Canara bank and SBI. The feature which can be observed from analysis here is that if there is decline in the return, this return is being continued at least for the next half year also. For instance, Canara bank's return declined from 0.744 to 0.546 in 2004-

05 during first half year to the second half year of 2004-05 and consequently in the next half on 2005-06. The same declining trend has been observed in the case of SBI also and in the second half of 2014-15 SBI has shown a negative return.

TABLE 7: HALF YEARLY HOLDING PERIOD RETURN

Sum	B S E Sensex	Canara Bank	SBI
1995-96 –I	0.649		4.026
1995-96-II	-0.435		1.600
1996-97 – I	-0.458		1.237
1996-97 – II	0.492		0.729
1997-98-I	1.836		0.330
1997-98-II	-0.008		2.110
1998-99 –I	-2.745		-6.098
1998-99 -II	2.329		1.448
1999-00 –I	2.933		0.678
1999-00 -II	0.606		-1.223
2000-01 –I	-2.336		-2.294
2000-01 -II	-1.502		2.500
2001-02 –I	-3.053		-3.599
2001-02 -II	2.628		5.646
2002-03 -I	-1.823		0.871
2002-03 -II	0.244	9.393	2.957
2003-04 -I	4.630	12.421	8.868
2003-04 -II	2.690	3.736	4.783
2004-05 -I	0.016	1.735	-3.947
2004-05 -II	1.741	5.156	5.430
2005-06 -I	3.204	2.801	5.388
2005-06 -II	6.119	5.518	5.877
2006-07 -I	1.087	1.375	0.946
2006-07 -II	1.611	-5.393	0.503
2007-08 -I	2.920	6.711	9.407
2007-08 -II	-0.994	-3.547	-2.558
2008-09 -I	-2.017	-3.099	-1.059
2008-09 -II	-2.939	-2.211	-4.268
2009-10 I	6.039	12.389	9.987
2009-10 II	0.245	4.213	-0.677
2010-11 I	1.147	5.346	5.287
2010-11 II	-0.512	1.164	-1.986
2011-12 I	-1.829	-5.801	-4.721
2011-12 II	0.964	1.865	2.167
2012-13 I	0.659	-1.387	0.438
2012-13II	-0.015	-1.996	-1.304
2013-14 I	0.190	-10.406	-3.683
2013-14 II	1.185	2.237	1.969
2014-15 I	1.649	4.215	3.083
2014-15 II	0.614	0.979	-27.83

Source: Calculated from daily stock prices

Table 7 represents the Holding period return for every 6 months for study period 1995-96 to 2014-15. It is observed from the analysis that the returns have increased as the holding period has increased compared to half yearly daily return. The rate of fluctuations in the returns has drastically reduced and there is a reversal of the trend that the decrease is being followed for consecutive half yearly. Example: Canara bank in 2004-05 first half was 1.735 and second half year was 5.156 and followed by a decrease to 2.801. On analysis it has been found that Canara Bank has shown highest holding period return of 12.421 during the first half of 2003-04 and lowest return in the first half of 2013-14 -10.406. While SBI has also shown the same trend however reported in 2014-15 second half a negative holding period return of 27.83 and highest holding returns in the first half of 2003-04 being 8.868. The remaining period they are showing a fluctuating trend throughout the study period.

TABLE 8: DAILY AVERAGE QUARTERLY RETURN

Daily Average	B S E Sensex	Canara Bank	SBI
1995-96 I	-0.013		-0.001
1995-96 II	0.022		0.062
1995-96 III	-0.031		-0.051
1995-96 IV	0.019		0.080
1996-97 I	0.024		0.056
1996-97 II	-0.030		-0.048
1996-97 III	-0.008		-0.032
1996-97 IV	0.009		0.039
1997-98 I	0.039		0.066
1997-98 II	-0.021		-0.066
1997-98 III	-0.023		-0.006
1997-98 IV	0.010		0.038
1998-99 I	-0.044		-0.093
1998-99 II	-0.005		-0.007
1998-99 III	0.007		-0.114
1998-99 IV	0.039		0.095
1999-00 I	0.035		0.078

1999-00 II	0.024		-0.042
1999-00 III	0.015		0.024
1999-00 IV	-0.018		-0.076
2000-01 I	0.003		0.046
2000-01 II	-2.101		-5.118
2000-01 III	-0.009		0.033
2000-01 IV	-0.021		-0.008
2001-02 I	-0.008		0.033
2001-02 II	-0.033		-0.089
2001-02 III	0.037		0.021
2001-02 IV	0.012		0.050
2002-03 I	-0.015		0.010
2002-03 II	-0.019		-0.014
2002-03 III	0.029	0.053	0.062
2002-03 IV	-1.219	9.439	-1.118
2003-04 I	0.030	0.085	0.094
2003-04 II	0.041	0.080	0.040
2003-04 III	0.046	0.035	0.043
2003-04 IV	-0.014	0.012	0.018
2004-05 I	-0.036	-0.079	-0.094
2004-05 II	0.025	0.069	0.013
2004-05 III	0.025	0.103	0.079
2004-05 IV	-0.005	-0.037	0.003
2005-06 I	0.015	0.008	0.006
2005-06 II	0.031	0.019	0.068
2005-06 III	0.012	0.003	-0.013
2005-06 IV	0.031	0.033	0.015
2006-07 I	-0.016	-0.088	-0.076
2006-07 II	0.027	0.096	0.074
2006-07 III	0.022	-0.006	0.049
2006-07 IV	-0.012	-0.121	-0.059
2007-08 I	0.026	0.120	0.118
2007-08 II	0.026	0.002	0.046
2007-08 III	0.022	0.045	0.047
2007-08 IV	-0.045	-0.161	-0.090
2008-09 I	-0.028	-0.081	-0.093
2008-09 II	-0.010	0.018	0.071
2008-09 III	-0.048	0.011	-0.032
2008-09 IV	-0.004	-0.054	-0.054
2009-10 I	0.063	0.155	0.103
2009-10 II	0.026	0.050	0.048
2009-10 III	0.006	0.061	0.014
2009-10 IV	-0.002	0.004	-0.022
2010-11 I	0.002	0.024	0.021
2010-11 II	0.020	0.065	0.066
2010-11 III	0.003	0.031	-0.027
2010-11 IV	-0.009	-0.012	-0.003
2011-12 I	-0.005	-0.045	-0.028
2011-12 II	-0.022	-0.042	-0.047
2011-12 III	-0.011	-0.055	-0.036
2011-12 IV	0.019	0.070	0.054
2012-13 I	0.000	-0.036	0.007
2012-13 - II	0.012	0.012	0.008
2012-13 - III	0.006	0.038	0.014
2012-13 - IV	-0.005	-0.067	-0.029
2013-14 I	0.005	-0.016	-0.012
2013-14 II	0.014	0.073	0.020
2013-14 III	0.009	-0.018	0.018
2014-15 I	0.021	0.161	0.073
2014-15 II	0.007	-0.073	-0.019
2014-15 III	0.005	0.072	-0.440
2014-15 IV	0.003	-0.053	-0.044

Source: Calculated from daily stock prices

From the table 8 where daily average quarterly return is given, it is observed from the analysis that the returns in the consecutive quarters have same trends as that of the early quarters. It is also observed that the returns are lower than that of half yearly returns.

TABLE 9: AVERAGE DAILY QUARTERLY RISK

Daily Risk	B S E Sensex	Canara Bank	SBI
1995-96 I	0.157		0.362
1995-96 II	0.117		0.278
1995-96 III	0.160		0.501
1995-96 IV	0.200		0.458
1996-97 I	0.166		0.472
1996-97 II	0.171		0.434
1996-97 III	0.215		0.478
1996-97 IV	0.276		0.680
1997-98 I	0.132		0.350
1997-98 II	0.209		0.536
1997-98 III	0.174		0.422
1997-98 IV	0.202		0.372
1998-99 I	0.285		0.517
1998-99 II	0.218		0.521
1998-99 III	0.202		0.548
1998-99 IV	0.217		0.720
1999-00 I	0.283		0.834
1999-00 II	0.164		0.466
1999-00 III	0.209		0.552
1999-00 IV	0.242		0.782
2000-01 I	0.346		0.531
2000-01 II	0.227		0.384
2000-01 III	0.190		0.421
2000-01 IV	0.252		0.551
2001-02 I	0.199		0.436
2001-02 II	0.220		0.506
2001-02 III	0.165		0.436
2001-02 IV	0.154		0.579
2002-03 I	0.156		0.256
2002-03 II	0.120		0.209
2002-03 III	0.106	0.553	0.256
2002-03 IV	0.110	0.986	0.312
2003-04 I	0.129	0.949	0.279
2003-04 II	0.166	0.713	0.375
2003-04 III	0.147	0.608	0.280
2003-04 IV	0.193	0.880	0.459
2004-05 I	0.291	0.952	0.624
2004-05 II	0.105	0.470	0.312
2004-05 III	0.089	0.489	0.319
2004-05 IV	0.129	0.598	0.342
2005-06 I	0.107	0.343	0.224
2005-06 II	0.111	0.362	0.226
2005-06 III	0.137	0.505	0.293
2005-06 IV	0.101	0.572	0.207
2006-07 I	0.283	0.769	0.382
2006-07 II	0.143	0.492	0.269
2006-07 III	0.110	0.460	0.294
2006-07 IV	0.168	0.557	0.356
2007-08 I	0.101	0.541	0.305
2007-08 II	0.153	0.444	0.328
2007-08 III	0.194	0.494	0.399
2007-08 IV	0.287	0.814	0.411
2008-09 I	0.173	0.461	0.323
2008-09 II	0.272	0.694	0.524
2008-09 III	0.435	0.713	0.670
2008-09 IV	0.275	0.686	0.459
2009-10 I	0.311	0.654	0.565
2009-10 II	0.181	0.487	0.348
2009-10 III	0.130	0.453	0.288
2009-10 IV	0.101	0.287	0.187
2010-11 I	0.124	0.281	0.227
2010-11 II	0.071	0.248	0.203
2010-11 III	0.109	0.416	0.269
2010-11 IV	0.138	0.413	0.264
2011-12 I	0.107	0.268	0.253
2011-12 II	0.144	0.337	0.252
2011-12 III	0.153	0.395	0.334
2011-12 IV	0.119	0.491	0.320
2012-13 I	0.103	0.337	0.278
2012-13 II	0.083	0.393	0.252

2012-13 III	0.066	0.325	0.200
2012-13 IV	0.070	0.365	0.195
2013-14 I	0.114	0.431	0.245
2013-14 II	0.153	0.710	0.340
2013-14 III	0.093	0.575	0.248
2013-14 IV	0.074	0.431	0.220
2014-15 I	0.089	0.658	0.298
2014-15 II	0.078	0.404	0.220
2014-15 III	0.076	0.378	3.807
2014-15 IV	0.099	0.355	0.363

Source: Calculated from daily stock prices

From analysis of the table 9 where quarterly risk is given it is observed that the risk in the quarterly is more when compared to the half yearly and the risk bearing capacity of the individual is not spread over a period of time in case of daily risk. The common phenomena of higher the returns, higher the risk cannot be ruled out, when all the quarters are taken into account.

TABLE 10: QUARTERLY HOLDING PERIOD RETURN

Daily Return	B S E Sensex	Canara Bank	SBI
1995-96 I	-0.253		1.086
1995-96 II	0.903		2.940
1995-96 III	-1.425		-2.520
1995-96 IV	1.147		5.039
1996-97 I	1.372		3.328
1996-97 II	-1.986		-3.009
1996-97 III	-0.593		-2.792
1996-97 IV	1.085		3.520
1997-98 I	2.873		3.907
1997-98 II	-1.036		-3.577
1997-98 III	-0.772		-0.604
1997-98 IV	0.764		2.715
1998-99 I	-2.181		-5.172
1998-99 II	-0.565		-0.926
1998-99 III	-0.173		-4.582
1998-99 IV	2.502		6.031
1999-00 I	1.254		2.137
1999-00 II	1.679		-1.458
1999-00 III	0.595		0.657
1999-00 IV	0.011		-1.880
2000-01 I	-0.574		2.295
2000-01 II	-1.762		-4.589
2000-01 III	-0.342		1.649
2000-01 IV	-1.160		0.850
2001-02 I	-0.500		1.844
2001-02 II	-2.553		-5.443
2001-02 III	1.863		2.041
2001-02 IV	0.765		3.605
2002-03 I	-0.817		1.683
2002-03 II	-1.006		-0.812
2002-03 III	1.508	0.266	3.749
2002-03 IV	-1.264	9.127	-0.792
2003-04 I	2.080	6.898	6.143
2003-04 II	2.549	5.523	2.725
2003-04 III	3.181	2.319	2.864
2003-04 IV	-0.491	1.417	1.919
2004-05 I	-1.767	-3.394	-5.349
2004-05 II	1.783	5.129	1.401
2004-05 III	1.927	6.159	5.290
2004-05 IV	-0.186	-1.003	0.140
2005-06 I	1.165	0.997	0.581
2005-06 II	2.039	1.804	4.807
2005-06 III	0.936	0.743	-0.468
2005-06 IV	1.979	1.975	0.957
2006-07 I	-0.634	-5.045	-4.199
2006-07 II	1.722	6.421	5.145
2006-07 III	1.076	-0.440	2.757
2006-07 IV	-0.552	-6.329	-3.199
2007-08 I	1.200	6.093	6.072
2007-08 II	1.720	0.617	3.335
2007-08 III	1.636	3.171	2.593
2007-08 IV	-2.630	-6.718	-5.150
2008-09 I	-1.559	-4.373	-5.021
2008-09 II	-0.458	1.274	3.962
2008-09 III	-3.030	0.049	-1.657
2008-09 IV	0.091	-2.260	-2.611

2009-10 I	4.301	8.722	6.895
2009-10 II	1.738	3.667	3.093
2009-10 III	0.205	3.372	0.453
2009-10 IV	0.040	0.841	-1.130
2010-11 I	-0.130	1.141	0.978
2010-11 II	1.417	4.177	4.517
2010-11 III	0.020	1.936	-1.812
2010-11 IV	-0.527	-0.499	0.178
2011-12 I	-0.447	-3.137	-1.739
2011-12 II	-1.365	-3.131	-3.128
2011-12 III	-0.264	-2.598	-1.290
2011-12 IV	0.909	3.516	2.750
2012-13 I	-0.095	-2.170	-0.047
2012-13 II	0.756	0.485	0.336
2012-13 III	0.296	2.135	0.498
2012-13 IV	-0.461	-4.973	-2.144
2013-14 I	0.191	-1.933	-1.178
2013-14 II	-0.037	-9.069	-2.755
2012-13 III	0.625	3.342	0.850
2013-14 IV	0.695	-0.398	1.294
2014-15 I	1.187	8.788	4.279
2014-15 II	0.297	-4.470	-1.268
2014-15 III	0.449	4.249	-25.132
2014-15 IV	0.027	-3.276	-2.890

Source: Calculated from daily stock prices

From analysis of the table 10 where quarterly holding period return is given it is observed that the BSE sensex varied between -3.030 and 4.301. While Canara bank is varying between -9.069 to 9.127 in the quarters second of 2013-14 and fourth quarter of 2012-13 and SBI was varying between -25.132 (2014-15 third quarter) and 6.895 (2009-10 first quarter). The best performer is Canara bank when compared to SBI in quarterly holding period return since it is showing highest quarterly holding period returns during the study period.

TABLE 11: DAILY HALF YEARLY RISK

Time period	B S E Sensex	Canara Bank	SBI
1995-96 -I	0.140		0.326
1995-96-II	0.183		0.478
1996-97 - I	0.170		0.451
1996-97 - II	0.255		0.606
1997-98-I	0.153		0.336
1997-98-II	0.188		0.396
1998-99 -I	0.250		0.518
1998-99 -II	0.208		0.638
1999-00 -I	0.228		0.669
1999-00 -II	0.237		0.684
2000-01 -I	0.291		0.463
2000-01 -II	0.221		0.487
2001-02 -I	0.209		0.474
2001-02 -II	0.159		0.510
2002-03 -I	0.139		0.232
2002-03 -II	0.110	0.951	0.286
2003-04 -I	0.148	0.830	0.330
2003-04 -II	0.172	0.751	0.381
2004-05 -I	-0.002	0.009	-0.033
2004-05 -II	0.013	0.042	0.041
2005-06 -I	0.109	0.353	0.230
2005-06 -II	0.024	0.020	0.022
2006-07 -I	0.223	0.646	0.337
2006-07 -II	0.005	-0.022	0.001
2007-08 -I	0.027	0.063	0.083
2007-08 -II	-0.008	-0.031	-0.017
2008-09 -I	-0.016	-0.020	-0.010
2008-09 -II	-0.026	-0.018	-0.039
2009-10 I	0.048	0.104	0.081
2009-10 II	0.002	0.038	-0.006
2010-11-I	0.101	0.264	0.216
2010-11-II	0.123	0.412	0.265
2011-12-I	0.127	0.303	0.251
2011-12-II	0.136	0.447	0.327
2012-13-I	0.093	0.364	0.263
2012-13-II	0.068	0.352	0.198
2013-14-I	0.134	0.596	0.297
2013-14 -II	0.083	0.506	0.232
2014- 15 -I	0.083	0.552	0.263
2014- 15 -II	0.088	0.368	2.643

Source: Calculated from daily stock prices

From analysis of the table 11 where half yearly risk is given it is observed that BSE sensex varied between -0.002 and 0.291 while Canara bank varied between -0.018 to 0.951 and SBI was varying between -0.006 and 2.643. The analysis of the above table reveals that the risk of Canara bank is the highest when compared to that of SBI.

TABLE 12: HPR FIVE YEARS RETURN

HPR	B S E Sensex	Canara Bank	SBI
1995-2000	5.200		4.837
2000-2005	3.236	32.440	21.215
2005-2010	10.984	14.581	17.213
2010-2015	4.502	-1.057	-26.117

Source: Calculated from daily stock prices

TABLE 13: STANDARD DEVIATION FIVE YEARS

STDEV	B S E Sensex	Canara Bank	SBI
1995-2000	0.206		0.528
2000-2005	0.186	0.752	0.412
2005-2010	0.208	0.554	0.374
2010-2015	0.106	0.428	0.853

Source: Calculated from daily stock prices

From the analysis of tables 12 and 13 it is observed that Sensex 5 years yearly return was highest in 2005-2010 and it has the highest risk of 0.208 compared to the last three 5 years i.e., 1995-2000, 2000-2005 and 2010-2015. In case of Canara bank the common phenomenon of higher risk higher return is applicable the risk in 2000-2005 is 0.752 and the return is highest at 32.440 while it reported negative return during the five year 2010-2015 wherein the deviation being the lowest for the same period. The exception to the rule is that of SBI it reported highest risk of 0.853 with a lowest negative return at 26.117 percent during 2010-15. Whereas in the other three 5 years period/ terms the common phenomenon of higher the risk, greater the return holds valid.

TABLE 14: AVERAGE DAILY FIVE YEARS RETURNS

Average	B S E Sensex	Canara Bank	SBI
1995-2000	0.008		0.007
2000-2005	0.005	0.113	0.033
2005-2010	0.018	0.023	0.028
2010-2015	0.004	-0.001	-0.021

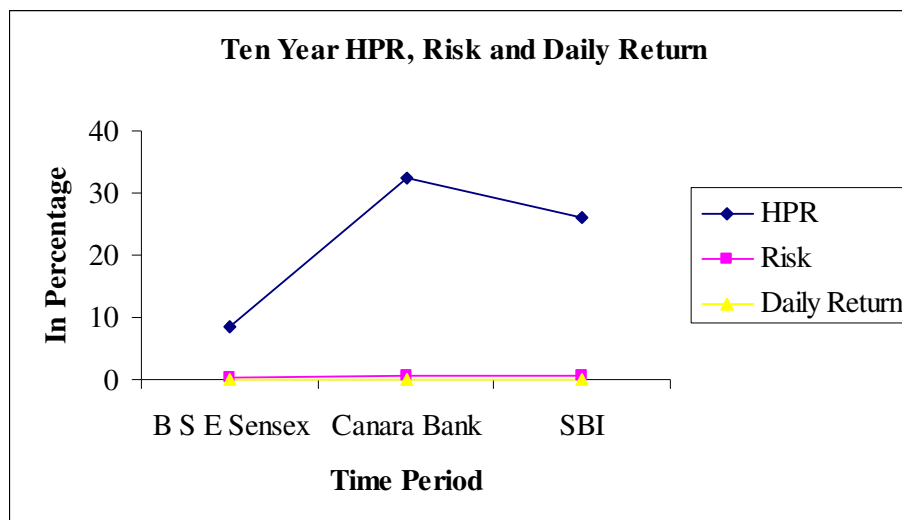
Source: Calculated from daily stock prices

The Average daily returns for 5 years is represented in table 14 which is showing that during the period 1995-2000 the market was yielding good returns whereas SBI was not yielding good returns. The phase of 2000-2005 and 2005-2010 was good for both Canara bank and SBI in terms of Average daily 5 year returns, while the five year period of 2010-2015 has found to be yielding a negative return in case of both Canara bank and SBI.

TABLE 15: TEN YEARS

Year (1995-2005)	B S E Sensex	Canara Bank	SBI
HPR	8.436	32.440	26.052
STDEV	0.196	0.752	0.472
Average Daily Return	0.007	0.113	0.021
Year (2005- 2015)	B S E Sensex	Canara Bank	SBI
HPR	15.722	13.886	-8.541
STDEV	0.165	0.495	0.660
Average Daily Return	0.006	0.005	-0.004

Source: Calculated from daily stock prices

FIGURE 2: TEN YEAR HPR, RISK AND DAILY RETURN

From the analysis of table 15 and figure 2 it is observed that Average daily return and Average daily risk are touching the X axis and they are lying between 0.006 and 0.752. The 10 year holding period for Canara bank was highest at 32.440. It yielded better than SBI and total market. During the period 2005-2015 SBI performance as to the returns to the holding period has found to be negative.

TABLE 16: COMPLETE STUDY PERIOD (1995-2015)

Particulars	B S E Sensex	Canara Bank	SBI
SUM	24.158	46.326	17.021
STDEV	0.005	0.015	0.003
AVG.	0.181	0.552	0.574

Source: Calculated from daily stock prices

From the table 16 it is observed that the Canara bank yield was the highest at 46.326 and the risk was also highest at 0.015.

CONCLUSIONS

It can be concluded that Canara bank follows the common phenomenon that higher the risk higher the return. Canara Bank's return was not only higher than that of SBI but also more consistent throughout the study period. The other observation made from the analysis which is very important is that the equity shares are not for speculation but for investment in the long run holds good.

LIMITATIONS

1. Complete and comprehensive data is not assured, as it is collected from secondary sources as defined in the sample and data sources.
2. It is assumed that various effects of multiplicity of factors or triggers affecting stock prices are embedded in the return and risk aggregates and their movements. In spite of this an attempt is made to study the return's yearly averages.
3. The sample for the study is a mixed sample of institutions, which vary in their fundamentals and may be at different stages in their life cycle, size or profitability.
4. Application of log transformation of the return would return positive skewness of the return distribution. Such transformation will control the real distribution pattern and the chances of observing the real behavior of the investors is less.
5. In the case of Canara bank the data were available from November, 2002 only and hence analysis was carried out only for that period i.e., 2002 to 2015.

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