

## A STUDY ON STOCKS AND EQUITY MARKET

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### Abstract

The stock market is a complex and dynamic system that plays a crucial role in the global economy. This paper provides a comprehensive overview of the stocks and equity markets, focusing on their structure, functioning, and key participants. It explores the various types of stocks, including common and preferred stocks, and examines the factors that influence stock prices, such as supply and demand, market sentiment, and economic indicators. Indian stock market is semi-efficient by nature and, is considered as one of the most respected stock markets, where information is quickly and widely disseminated, thereby allowing each security's price to adjust rapidly in an unbiased manner to new information so that, it reflects the nearest investment value. And mainly after the introduction of electronic trading system, the information flow has become much faster. But sometimes, in developing countries like India, sentiments play major role in price movements, or say, fluctuations, where investors find it difficult to predict the future with certainty. Some of the events affect economy as a whole, while some events are sector specific. Even in one particular sector, some companies or major market player are more sensitive to the event. So, the new investors taking exposure in the market should be well aware about the maximum potential loss, i.e. Value at risk. The paper also discusses the role of equity markets in capital formation, risk management, and corporate governance. Finally, the paper examines the impact of risk and returns in selected equity stocks, and discusses how an investor can choose from a variety of funds to suit his risk tolerance, investment horizon and objective.

**Key words:** stock market, equity, risk, return

## Introduction:

Stock markets provide an option to invest in a high risk, high return game. While the potential return is much more than 10-11 percent any of the options discussed above can generally generate, the risk is undoubtedly of the highest order. But then, the general principle of encountering greater risks and uncertainty when one seeks higher returns holds true. However, as enticing as it might appear, people generally are clueless as to how the stock market functions and in the process can endanger the hard-earned money.

The term 'Equity' is one of the principal asset classes. It provides investors, a right to ownership. 'Equities' are one of the most preferred financial instruments, investors choose to invest, the reason being that, they are capable of giving high returns. Although they generate huge returns, high risk possibilities do exist. The in depth process of analyzing different sectors and organizations with the intention to advise and give a complete picture to the investors regarding the prevailing risk and return of equity shares is known as 'Equity Analysis'. Investors make a number of investments in different financial securities with an ultimate motive of maximizing their wealth. In this context, Equity Analysis helps the investors to invest in the right kind of securities, which are 'Equities'.

Equity market is a place where stocks and shares of companies are traded. The equities that are traded in an equity market are either over the counter or at stock exchanges. Often called as stock market or share market, an equity market allows sellers and buyers to deal in equity or shares in the same platform. First things first, it is important to begin with a good understanding of what is equity market in the Indian context. Equity market, often called as stock market or share market, is a place where shares of companies or entities are traded. The market allows sellers and buyers to deal in equity or shares in the same platform. In the global context, equities are traded either over the counter or at stock exchanges. There are multiple buyers and sellers of the same equity/share. Hence, you stand a good chance to strike a nice deal at the equity market. If you want to begin online equity trading in India, you have to get a demat account. Open a demat account in simple steps.

Equities are mostly traded on the stock exchanges in India. In the Indian stock market, equities are available for trading at the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE) and the latest entrant, Metropolitan Stock Exchange of India (MSE). Shares of stock market listed companies are bought/sold.

Equity share trading is roughly in two forms - spot/cash market and futures market. These are the different types of equity market in India. The spot market or cash market is a public financial market in which stocks are traded for immediate delivery. The futures market is a place where the shares' delivery is due at a later date. With the help of an equity trading account, a trustworthy broker like Nirmal Bang and online equity trading systems, investors can utilize the Indian equity market..

### **Meaning of Stocks and Equity Market:**

The stock market, also known as the equity market, is where shares of publicly traded companies are bought and sold. It's a platform where investors can trade ownership in companies, represented by shares of stock. The value of these stocks fluctuates based on various factors like company performance, economic conditions, and investor sentiment. The equity market plays a crucial role in the economy as it provides companies with access to capital and investors with opportunities for potential returns on investment.

### **Procedure for Stocks and Equity Market:**

The Procedure for Stocks and Equity market involves several steps:

1. **Educate Yourself:** Learn about stock market, different investment strategies, and to analyse stocks.
2. **Set Financial Goals:** Determine your financial goals, whether it is long-term wealth accumulation or short-term gains.
3. **Assess Risk Tolerance:** Understand your tolerance and investment horizon. Stocks can be volatile, so it is essential to be comfortable with potential fluctuations.
4. **Create a Budget:** Assess your financial situation and allocate funds for investing in stocks.
5. **Open a brokerage Account:** Choose a reputable brokerage firm and open a brokerage account to buy and sell stocks.
6. **Research:** Conduct thorough research on companies. Analyse their financial performance, industry trends.

7. Diversify Your Portfolio: Spread Your investments Across different sectors and industries to reduce risk.

8. Monitor Your Investments: Keep track your investments regularly and stay updated that could impact your investments.

### **Review of literature**

Aashir Gurung and Sanyam Chaturvedi(2022) aimed at ascertaining the behaviour of share returns. They analysed the equity share fluctuations in India Selected Industry. It also measures the strength of the trend and the money involved in investing in the stocks. Simple moving average model is applied for selected companies which would give the investor a sell signal or buy signal

P. Kavya et. al(2021) in their paper, we have made an extensive analysis on various stocks. First, we have performed Stock Volatility Analysis on 1000 stock dataset of NYSE. The main contributions in this paper include the development of a dictionary-based sentiment analysis model for the financial sector, and the evaluation of the model for scaling the effects of news sentiments on stocks for other markets. By using only the news sentiments, we have achieved a good accuracy of 70.59% in predicting the trends in short-term stock price movement.

John, E. (2019), has analysed how macro-economic variables affect the stock market performance in Nigeria with four macroeconomic variables – money supply, interest rate, exchange rate, and inflation rate as independent variables and market capitalization as the dependent variable. It was found that money supply and interest rates are the two factors influencing the stock market performance in Nigeria as they exhibit a significant effect on stock market performance, whereas exchange rate and inflation rate indicate a weak performance of the stock market.

Patell, Mitesh et.al. (2016) examined the market return and trading volume reaction of Indian capital market in the context of stock split announcement from January 2016 to July 2016. The study uses market model and volume ratio as the method and result of study shows that Indian stock market is efficient during stock split announcement so investors cannot get abnormal return, but the event has negative impact on stock return. Besides that,

study also shows that trading volume in Indian stock market does not affected by stock split announcement.

### **Need for Stocks and Equity Market:**

This Study helps the investor to choose the best avenue for his requirements to invest his money based on his interests and parameters. The basic parameters of the investor are risk, liquidity, returns, entry/exit barriers and tax benefits to provide the investors the maximum yield for a given given level of risk or ensure minimum risk.

### **Objectives of the study:**

- To facilitating investments in shares of company.
- To study the Investment opportunities in equity market.
- To study the Risk & Return of selected investments of investors.
- To compare the risk and returns of selected investments.
- To find the market potential of selected investments.

### **Research methodology**

#### **Sources of data:**

Stock market data collection. To create a financial and stock market data feed, information is gathered from various sources. These sources include stock market research firms, news aggregators, stock exchanges themselves, public records, brokers and specialized online services.

#### **Primary Data:**

- This primary data collected from the personal interaction with authorized members of B.N.RATHI securities limited.

#### **Secondary Data:**

- The data was collected from the official website, B.N.RATHI securities limited and from published books and journals.

## Data Tools:

BNRSL also offers analytical tools and screeners that will help self-initiated clients do their own research. Powerful screeners and comparison tools help clients pick the right investment product.

**Sample Size:** 2 company / 100 investors

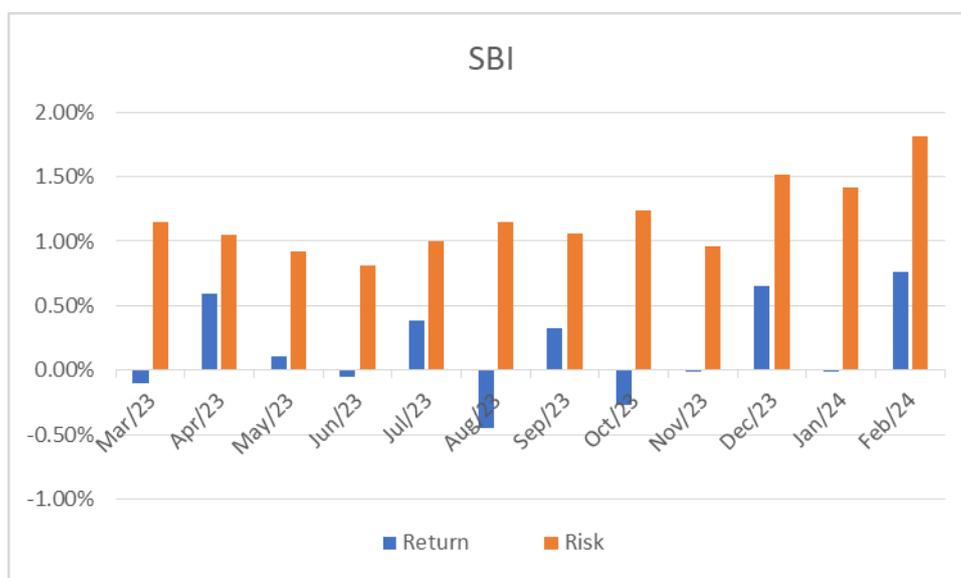
**Sample Type :**

- SBI
- WIPRO

## Data Analysis and Interpretation

### Consolidated Values of Mean and Standard Deviation of SBI

Month & Year	SBI	
	Return	Risk
Mar/23	-0.11	1.15
Apr/23	0.59	1.05
May/23	0.10	0.92
Jun/23	-0.05	0.81
Jul/23	0.38	1.00
Aug/23	-0.45	1.15
Sep/23	0.33	1.05
Oct/23	-0.28	1.24
Nov/23	0.00	0.96
Dec/23	0.66	1.52
Jan/24	0.00	1.41
Feb/24	0.76	1.82

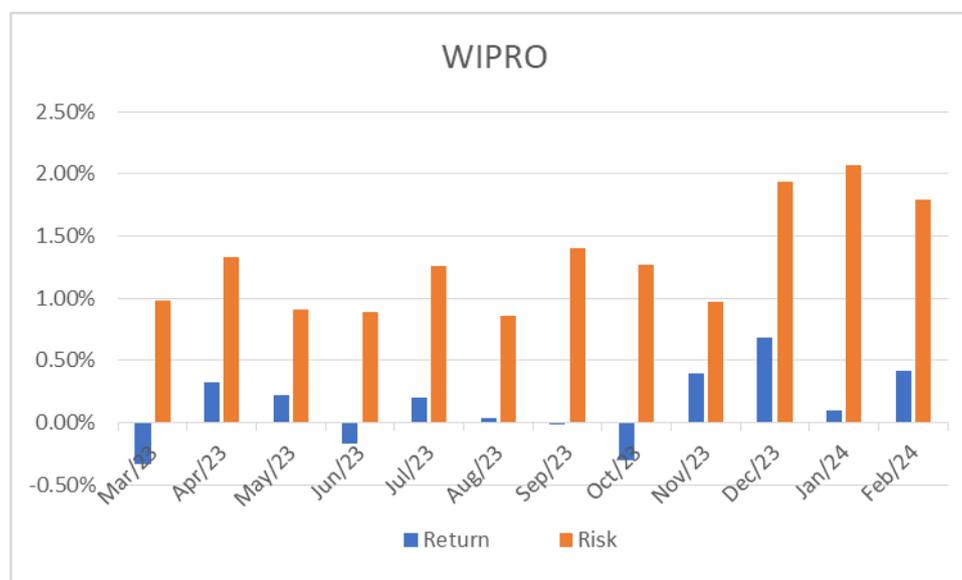


### Interpretation:

The graph depicts that, the Standard Deviation which indicates the risk is more in the month of February 2024 with a value of 1.84. The Mean which indicates the return, is also high in the month of February with a value of 0.76. The existence of the risk is much higher than the returns on the whole.

#### Consolidated Values of Mean and Standard Deviation of Wipro

Month & Year	WIPRO	
	Return	Risk
Mar/23	-0.33	0.98
Apr/23	0.32	1.33
May/23	0.22	0.91
Jun/23	-0.17	0.88
Jul/23	0.20	1.26
Aug/23	0.04	0.86
Sep/23	-0.02	1.40
Oct/23	-0.30	1.27
Nov/23	0.40	0.97
Dec/23	0.68	1.94
Jan/24	0.10	2.07
Feb/24	0.42	1.80



### Interpretation;

The graph depicts that, the returns are high in the month of December with a value of 0.68. The Standard Deviation is high in the month of January, which is 2.07. Though the risk is

considerably high throughout the year, there are more number of positive returns than negative returns.

### **Findings**

The SBI has given good returns with risk

WIPRO has given low return with high risk

### **Suggestions**

The investor should consider the securities with maximum returns and minimum risk.

Do not rely only on technical analysis

Holding two or more securities reduce the unsystematic risk

### **Conclusion**

Every investor's objective is to obtain greater returns, with minimum risk. Equity Analysis is one such analysis, which acts as a supporting tool to the investors before they make up their mind to invest in any of the organization's equities. It gives the information required by the investors to put forward their investment options and to make a wise investment decision. Based on the data used and analysis carried out for this study, the performance of WIPRO is considered superior to SBI. The performance of each and every organization's stocks keep on changing based on the market conditions and many other factors such as political, economical, social factors which impacts the stock market. Hence, the investors must analyze all the crucial factors which may have a direct bearing on the market and it is hoped that, this study fulfills the investor requirements

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