



## **Comparative study between BSE and NSE during last five year**

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### **Abstract**

Entrepreneurs needed money for long term whereas investors demanded liquidity the facility to convert their investments into cash at any given time. To light with this research paper is a comparative study of Bombay Stock Exchange and National Stock Exchange during 2013 – 2018. The health of the economy is reflected by the growth of stock market. This study can help the investors to understand the impact of important happenings on the Indian Stock exchange. This is especially relevant in the current scenario when the financial markets across the globe are getting integrated into one big market and the impact of one market on the other markets. The present study is to find out that out of these two stock exchanges which one is performing better financially on various basis. The study of the stock exchanges in countries would definitely help the future investors to take investment decisions while investing in different markets.

**Keywords:** NSE, BSE, stock exchange, performance

### **Introduction**

If you're looking to become an investor, you may be aware of stock markets, and stock exchanges, however, you may want to know what are NSE and BSE? To understand that let first understand a Stock, a stock or a share, can be considered as one part of the total parts of a company - so if you own some stocks of a company, you're a part owner. A share, therefore, has some value, and so a company raises money by issuing shares to the public.

The NSE or National Stock Exchange is the leading stock exchange of India. It is the fourth largest in the world (based on equity trading volume). Based in Mumbai and established in 1992, it was the first stock exchange in India to offer a screen-based system for trading.

The NSE was initially set up with an aim to usher in transparency to the Indian market system, and it has ended up delivering on its aim quite well. With the help of the government, the NSE successfully offers services such as trading, clearing as well as the settlement in debt and equities comprising domestic and international investors.

The BSE or the Bombay Stock Exchange is a lot older than its cousin. It was Asia's first stock exchange. With a trading speed of 6 microseconds, the BSE is the fastest stock exchange in the world.

The BSE does have some interesting history. A man named Premchand Roychand founded the Native Share and Stock Brokers Association in the 19th century. In those times, it used to function in Dalal Street under a banyan tree - where traders would gather together to buy and sell stocks. Gradually, the network expanded and the exchange was established by the name of Bombay Stock Exchange in 1875.

### **Key Differences between BSE and NSE**

The major differences between BSE and NSE are as under:

- BSE and NSE are the top securities exchange of India, where BSE is the oldest one while NSE is the youngest one.

- Globally, BSE stood in the 10th position in the list of top stock exchanges which is followed by NSE.
- NSE was the first to introduce the modernised trading system in the country in 1992 while BOLT was introduced by BSE in 1995.
- BSE's index is known by the name SENSEX (Sensitive Index) which shows 30 top trading companies. Nifty (National Fifty) is the index of NSE, displays 50 most traded companies.
- BSE started as an Association of persons in 1875, which was accredited as a stock exchange in 1957. NSE was founded in 1992, as a tax paying company, but later on, in 1993 it was recognized as a Stock Exchange.

### **Literature Review**

A literature review or narrative review is a type of review article. A literature review is a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic.

Ekta Arora (2012) tried to examine the performance of NSE and BSE in India and suggestions to improve their performance. The objective of the study was to compare the services being provided by depositories, to analyse the financial performance of NSE and BSE, to offer suggestions for improving performance of NSE and BSE in India. The data was collected from the website of NSE and India Infoline. Data for the study was collected from secondary sources like newspapers, books, journals etc. Sample was selected through convenient sampling method. Simple size was 100 companies from NSE indices and S&P CNX Nifty index was selected.

Dr. Girbal Singh Lodhi and Dr. Kaustubh Jain conducted a comparative study of Bombay Stock Exchange and National Stock Exchange during 2001-2013. The research methodology of the selected topic follows in these dimensions: articles, reports and surveys published on

Capital Markets, BSE and NSE etc. The broader objectives of the study are: To make comparative analysis of financial performances of Bombay Stock Exchange and National Stock Exchange over the period of time, To make comparative analysis of profitability of Bombay Stock Exchange and National Stock Exchange over the period of time.

Bansi Rajikant Shah (2012) [3] conducted a research to compare these two most prominent stock exchanges of India that which one beats the other. The major objective of the study was to make comparative analysis of financial performances of Bombay Stock Exchange and National Stock Exchange over the period of time & to make comparative analysis of profitability of Bombay Stock Exchange and National Stock Exchange over the period of time. The study was done in empirical nature. As the statistical tools have been used to analyse the financial data it was also a quantitative study. In this study all the Indian stock exchanges were the census. This study was based on secondary data, referred the books, newspapers, journals, articles, reports and surveys published on capital markets. In this study it was concluded that the financial position of BSE and NSE from 2000-'01 to 2009-'10 was quite satisfactory. In the most of the cases the trends are more stable in BSE than NSE. In BSE and NSE both most of the items of balance sheet and profit and loss account show favourable trends.

Nitin Sethi & Sonia Gupta conducted the study with the objective of to measure the nature of correlation of Nifty and Sensex. This research paper was an attempt to consider the moving trend of Nifty and Sensex are correlated or not. The research design of the paper was causal in nature. Data was collected from different journals, magazines, and internet sites. Though the number of study conducted in the area was limited. The nature of data collection was secondary in nature. Data was analyzed through Karl Pearson's Correlation Coefficient Method. In order to find out the correlation of Nifty and Sensex, data collected was summarize averagely. Data collected was monitored on daily basis for twenty-four months. Nifty and Sensex were taken into consideration and their day-to-day data was collected and averaged for twenty-four months. The data analysis proves that there was positive correlation between Nifty & Sensex. In the data analysis, the result found that both Nifty and Sensex are moving on same direction either on bullish trend or in bearish trend. It shows that there was positive relation between Nifty and Sensex movement.

R. Rajesh Ramkumar, M. Selvam, M. Raja, K. Lingaraja and V. Vasanth conducted a study to test the efficiency of two major stock exchanges, namely BSE and NSE sectoral indices by using daily share price returns. This study measured the random distribution and weak form efficiency in BSE and NSE sectoral indices. The main objectives of this study are to examine the randomness of price returns of BSE and NSE sectoral indices and to evaluate the market efficiency in BSE and NSE sectoral indices. The study was mainly based on secondary data, i.e., daily returns of BSE and NSE sectoral indices. The detail regarding sample indices were collected from NSE official website [www.bseindia.com](http://www.bseindia.com) and [www.nseindiacom](http://www.nseindiacom) while daily returns of sample indices were collected from prowest corporate database published by CMIE. The analysis consisted of descriptive statistics, runs and autocorrelation test. The runs test indicated that the market did not follow

random distribution.

Dr. K. Kanaka Raju conducted the study with the objective to test whether there was any significant difference from ratio of market capitalization to GDP of BSE to NSE, turnover ratio of BSE to turnover ratio of NSE, traded value ratio of BSE to traded value ratio of NSE and also know the relationship between market capitalization to GDP of BSE to NSE, turnover ratio of BSE to turnover ratio of NSE, traded value ratio of BSE to traded value ratio of NSE, along with a suitable suggestions to strengthen Indian security market system. The data collected from the secondary sources of SEBI Hand Book of 2015 and the period of study confined to the 2010-11 to 2014-15. SPSS 16.0 Version was used to analyze the data. The paired sample statistics, paired sample correlation and paired sample tests applied to derive the results.

Dwivedi sunny Dmello Bosco conducted a study with the purpose of comparing the effect of the change in indices of Bombay stock exchange (BSE) and National stock exchange (NSE) which are the two nationalized stock exchange of India on various sectors of India. Researcher done the study with the objectives to show that what the effect was on oil and gas indices when there was the change in the nifty and USD/INR indices, and to find out whether the average returns in both the indices(Oil and gas and I.T) are same or not. Data obtained for this study was in two ways primary and secondary. Primary data comprises information obtained by the Researcher from various respondents through personal discussions with employees and officials of Angel Broking Company. Secondary data comprises information obtained from reports, files. And some important documents maintained by NSE. The limitation for this study was that it was restricted with only selected sectors in financial sector and the study based on the past data, which may not guarantee to the future of the market.

### **Need for Present Study**

The BSE and NSE are considered to be the benchmark market of Indian stock market. Therefore, both the markets are of utmost importance to all the stakeholders. The present study attempts to compare the two major markets of Indian Stock market. The Rationale behind the present study is to offer a better view of the two markets by comparing them at different parameters.

### **Research Methodology**

In the present study, an attempt has been made to analyse the performance of NSE and BSE in India by comparing the different variables like no. of company listed, market capitalization, turnover, price earning ration, dividend yield, daily price movement, etc. The basic objective behind the study is to develop comparative study between two major stock exchanges in India and understand the relationship between them. It also serves the purpose to help the investor to understand about the functioning of BSE and NSE.

This study is based on secondary data. For the analysis research has collected data of five years from 2012-13 to 2017-18. It covers the evaluation and comparison of financial performance (profitability) of NSE and BSE for five years. The data is been selected yearly, monthly and daily to analyse it accurately. Monthly data is taken of 2017-18. This period covers the major fluctuations in the Indian capital and financial markets as well as Indian economics. The data is collected from [nseindia.com](http://nseindia.com), [bseindia.com](http://bseindia.com) and

moneycontrol.com.

**Important Terminology**

**What is market capitalisation?**

Market capitalization refers to the total dollar market value of a company's outstanding shares. Commonly referred to as "market cap," it is calculated by multiplying a company's shares outstanding by the current market price of one share.

**What is market turnover?**

Share turnover is a measure of stock liquidity calculated by dividing the total number of shares traded over a period by the average number of shares outstanding for the period. The higher the share turnover, the more liquid the share of the company.

**What is P/E ratio?**

The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

**What is P/B ratio?**

Companies use the price-to-book ratio to compare a firm's market to book value by dividing price per share by book value per share. Some people know it as the price-equity ratio.

**What is Dividend Yield?**

The dividend yield or dividend-price ratio of a share is the dividend per share, divided by the price per share. It is also a company's total annual dividend payments divided by its market capitalization, assuming the number of shares is constant. It is often

**Where to Invest BSE or NSE?**

In case of liquidity, NSE is a clear winner, since volumes traded in NSE are much higher compared with BSE. Thus, intraday traders generally prefer NSE. On the other hand, BSE could be a good option for long-term investors who do not buy and/or sell shares on a regular basis. However, for intraday traders who trade on leverage, low volumes on BSE could be a problem. For instance, volume of HDFC shares traded on the NSE on May 05, 2017 was 23 lakhs whereas it was only 1.32 lakhs on the BSE for HDFC.

In case of NSE, the benchmark index is Nifty, which is made of major 50 stocks listed on it. In case of the BSE, the benchmark index is the Sensex, which is made of major 30 stocks listed on it. These indices are reviewed periodically and the stocks that do not satisfy the laid down criteria are replaced.

**Mechanism of Sensex**

The BSE SENSEX (also known as the S&P Bombay Stock Exchange Sensitive Index or simply the SENSEX) is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange. The 30 component companies which are some of the largest and most actively traded Stocks, are representative of various industrial sectors of the Indian economy. Published since 1 January 1986, the S&P BSE SENSEX is regarded as the pulse of the domestic stock markets in India. The base value of the SENSEX was taken as 100 on 1 April 1979 and its base year as 1978-79.

**Why only 30 Companies in Sensex?**

It is an index or portfolio of top 30 companies in India. It is not that only 30 companies are traded in SENSEX. Index is barometer; ideally no shares will be traded in index. So if you are having bunch of stock then you can also form an index and give some name to the bunch of stocks. Similarly BSE taken top 30 companies of different sectors and formed a portfolio called SENSEX. Likewise Nifty selected 50 companies in its index.

SENSEX is calculated based on Floating market capitalization method. So if these top 30 companies is completely choice made by BSE and its board member.

**What Companies are shown in the Sensex?**

- Companies that are representative of the Indian Economy - When we say companies that represent the Indian economy we are talking about companies that have very high market capitalisations and are in one way or the other affected by the country's economic conditions. Thus Companies that have the highest market capitalisation in the stock exchange are traded on the Sensex.
- Since BSE was an old institution and Sensex was formed at a time when Indian stock markets lacked depth, 30 companies were enough to represent the economy. But as the markets have grown so have the number of indices. We thus now have Nifty which represents 50 stocks. In addition to Nifty we have several other indices which cater to various

**Mechanism of Nifty**

It includes 50 of the approximately 1600 companies listed on the NSE, captures approximately 65% of its float-adjusted market capitalization and is a true reflection of the Indian stock market. The NIFTY 50 covers major sectors of the Indian economy and offers investment managers exposure to the Indian market in one efficient portfolio.

**NSE Nifty Approaches**

The NIFTY 50 is computed using a float-adjusted, market capitalization weighted methodology, wherein the level of the index reflects the total market value of all the stocks in the index relative to a particular base period. The methodology also takes into account constituent changes in the index and corporate actions such as stock splits, rights issuance, etc., without affecting the index value.

**Data analysis and interpretation**

For this research there many parameters used to measure the difference between BSE and NSE. The data collected here are from 2013 to 2018 it means for 5 years. The analysis has been done from secondary data and the comparison has been show for BSE and NSE below.

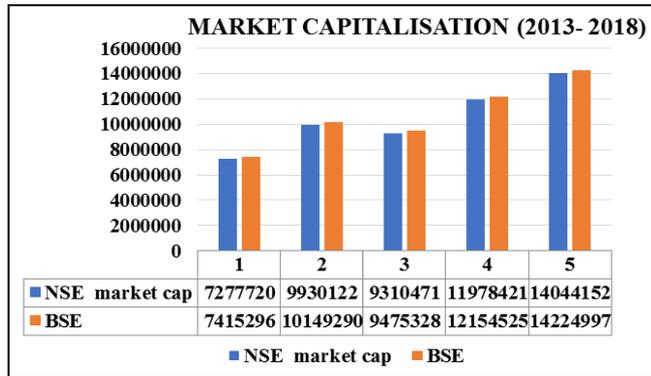
**1. Number of Companies Listed**

**Table 1:** No. of companies listed in BSE and NSE

Year	BSE	NSE
2013-2014	5336	1688
2014-2015	5624	1733
2015-2016	5911	1808
2016-2017	5985	1817
2017-2018	5828	1931

BSE has nearly 6000 companies listed, while NSE has nearly 2000 companies listed.

**2. Market Capitalisation**



**Fig 1:** Market Capitalization

In terms of market capitalisation, BSE ranks the 10<sup>th</sup> in the world whereas NSE ranks 11<sup>th</sup>. It can be seen in the graph that both has nearly the same market capitalisation but BSE has more than NSE. BSE has raised capital by issuing its shares, which are traded on the NSE too.

**3. Market Turnover (March 2013 – April 2018)**

**Table 2:** Market Turnover last five year

Year	BSE	NSE
2013-2014	521664.2	2808488
2014-2015	854844.29	4329655
2015-2016	740088.59	4236983
2016-2017	998260.58	5055913
2017-2018	1082968.21	7234826

From the above table it can be seen that average turnover of last five year in BSE is 8.40 lakhs while in NSE 4733 lakhs.

**4. Historical Data of BSE and NSE by Their Main Index**

**Table 3:** Last five year daily open, close, high and low price of two indices

Year	Open	High	Low	Close	open	high	Low	Close
	NSE – NIFTY				BSE – SENSEX			
2013	5937.65	6415.25	5118.85	6304	19513.45	21483.74	17448.71	21170.68
2014	6323.8	8626.95	5933.3	8282.7	21222.19	28822.37	19963.12	27499.42
2015	8272.8	9119.2	7539.5	7946.35	27485.77	30024.74	24833.54	26117.54
2016	7938.45	8969.7	6825.8	8185.8	26101.5	29077.28	22494.61	26626.46
2017	8210.1	10552.4	8133.8	10530.7	26711.15	34137.97	26447.06	34056.83
2018	10531.7	11760.2	9951.9	10754	34059.99	38989.65	32483.84	35742.07

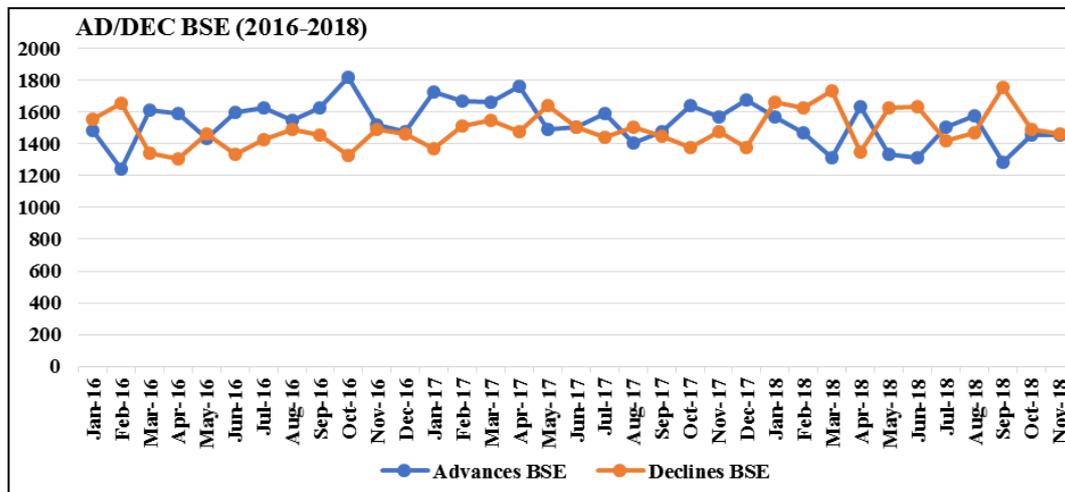
The above table suggested that yearly average open, high, low and closing price. Average changes in NSE - NIFTY and BSE SENSEX is around 12.22% and 11.93% respectively during last five year.

**5. Advance Decline Ratio**

The data for advance decline ratio is taken for Jan-2016 to Nov-2018.

The advance decline ratio compares the number of stocks that closed higher against the number of stocks that closed

lower than their previous day’s closing price. Advance decline ratio greater than 1 denotes more stocks in the index have shown positive movement whereas advance decline ratio less than 1 implies more stock had negative movement in the index. The graph shows that BSE from Jan 2016 to Nov 2018 showed 23 months out of 35 month ratio was more than 1 and in NSE it was only 8 months out of 35 months it was more than 1. It shows that BSE has shown an good result in this 2 year.



**Fig 2a:** Advanced and Decline Ratio of BSE

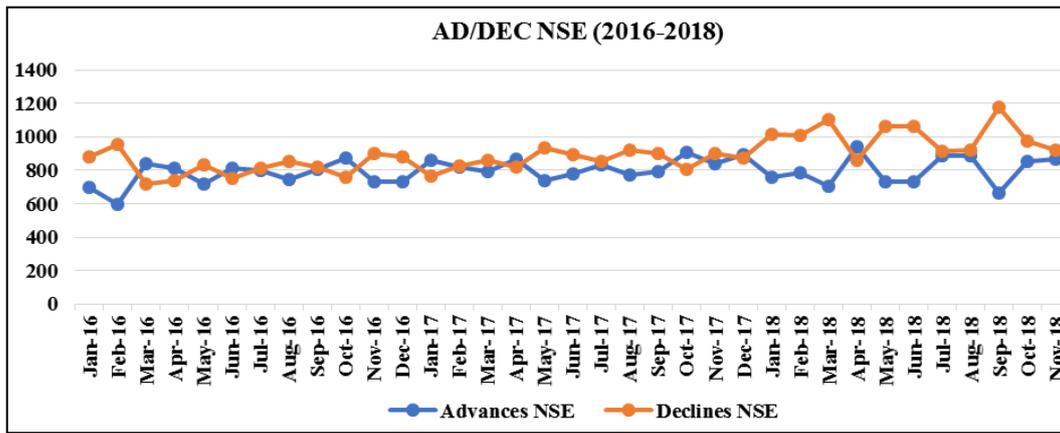


Fig 2b: Advanced and Decline Ratio of NSE

6. P/E Ratio, P/B Ratio, Dividend Yield

Table 4: P/E Ratio, P/B Ratio and Dividend Yield of BSE and NSE during last five year

Year	PE Ratios		PB Ratios		Dividend Yield	
	BSE	NSE	BSE	NSE	BSE	NSE
2013-2014	17.38	17.68	2.78	2.96	1.5	1.47
2014-2015	18.73	21.1	2.94	3.5	1.29	1.29
2015-2016	20.18	21.78	2.85	3.28	1.39	1.46
2016-2017	20.62	22.69	2.84	3.29	1.43	1.3
2017-2018	23.78	25.46	3.05	3.52	1.22	1.1

100.69	108.71	14.46	16.55	6.83	6.62
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As per the table 4, it can be conclude that P/E ratio of NSE (108.71) is higher than BSE (100.69) during last five year. Higher the P/E ratio means higher the investors are willing to buy the stock in that market. Here we can see those investors are willing to buy NSE than BSE.

The BSE (14.46) and NSE (16.55) have the lower P/B ratio so the lower the value of the P/B ratio the better will be the value of that market. Hence, we can say that BSE has the higher value than NSE.

The pay-out ratio is important because it tells investors how much of the company's profits are being given back to shareholders. In case of BSE (6.83) and NSE (6.62) dividend payout, it can be interpret that in terms of performance for investor BSE is more favourable than NSE.

Findings and Recommendations

1. Number of companies listed in BSE is more than number of companies listed in NSE.
2. While talking about BSE and NSE for market capitalisation both has shown great result is recent times. There is not much difference between both as BSE stands at 10<sup>th</sup> position in the world and NSE at 11<sup>th</sup> in terms of market capitalisation.
3. If it can say about market turnover than NSE is far away from BSE. BSE is age old stock exchange and NSE is very Young comparatively, but since NSE came late it started with all the modernized facilities from the very beginning. That enabled NSE to reach through the deep corners of the country and even had global reach. In the initial stage of NSE's existence's didn't have similar facilities and wasn't accessible from many locations except a few large cities. BSE was short of closed door club of a few whereas NSE had a democratic presence and feel. All this lead to NSE

4. reaching out to people faster than BSE could.
4. Historical data of both the market is measurable because both has same functioning you can see the little difference in price in both the market. There are many companies which are listed in both the markets so similar type of fluctuations can be seen. Both the market has shown great results in recent times.
5. As BSE has higher number of listed company that then NSE it can be visible that the fluctuation in BSE is more than NSE.
6. In terms of profit earnings ratio NSE has the lead because the volume traded in NSE is more than BSE. Higher the P/B ratio lowers the value of market so NSE has lower value than BSE. NSE and BSE have gradually decreased to pay dividend to companies.

Conclusion

Hence after studying and comparing both the Bombay stock exchange and National stock exchanges, we can conclude that both BSE and NSE are the pillars of Indian stock market. As nervous system is important for the functioning of the body, similarly they are the nervous system of the Indian economy. They are not the rivals; they should try to be complementary to each other. If both go hand in hand than it will result in rapid growth and up liftmen of the nation. Though they function differently and rules, norms and procedures of both the stock exchanges are different they are the main source in the up liftmen of the nation's growth. The growth of the nation entirely depends on these two factors. Finally it can be concluded that BSE and NSE are the icons of Indian capital market. BSE is the icon of stability, consistent and constant growth in terms of financial performance while NSE is the icon of rapid growth and taking a lead in implementing innovations. NSE was incorporated only before twenty years and today it has overtaken the BSE which ruled monopolistically on Indian capital market over a century. This shows the efficiency and effectiveness of the performance of the management of NSE. BSE and NSE are not rivals; both of them are the pillars of Indian economy. Both must be try to be complimentary to each other. If both will go hand in hand than it will result in rapid growth and upliftment of the nation.

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