**Risk& return analysis**

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**Abstract**

The study focus on the Indian equity markets, emphasizing their pivotal role in economic development. It highlights the growth trajectory of the Indian capital market, spurred by legislative reforms and increased foreign institutional investments. Key factors influencing stock prices are outlined, including inflation, interest rates, and exchange rates. The prominence of major stock exchanges like BSE and NSE is noted, alongside the significance of indices such as the Nifty 50 in reflecting market trends and investor sentiment.

**Introduction**

Equity markets issue shares which can be traded on or off-exchange. Often referred to as the stock market, it is a vital component of a market economy. By accessing equity markets, businesses can raise capital, while investors can acquire a stake in a firm and potentially benefit from its future performance. In recent years, the Indian capital market has experienced significant growth, with a surge of investor interest in the nineties. Legislative measures like the Equity Guilt and Foreign Exchange Regulation Act have further aided the development of the capital market.

An important recent development has been the Entry of Foreign Institutional investors are participants to the primary and secondary markets for the securities. In the past several years, investments in developing countries have increased remarkably. Among the developing countries India has received considerable capital inflows in recent years. The liberalization policy of the government of India has now started fielding results and the country is poised for a big leap in the industrial and economic growth. The Economy of the country is mainly based on the development of the corporate sectors.

**Stock**

Plain and simple, stock is a share in the ownership of a company. Stock represents a claim on the company's assets and earnings. As we acquire more stock, our ownership stake in the company becomes greater. Whether shares, equity, or stock, it all means the same thing.

The importance of being a shareholder is that we are entitled to a portion of the company’s profits and have a claim on assets. Profits are sometimes paid out in the form of dividends. The more shares own, the larger the portion of the profits we get.

The securities market has two interdependent segments: the primary (new issues) market and the secondary market

**Equity Trading**

Share market in Indian started functioning in 1875. The name of the first share trading association in India was Native Share and Stock Broker's Association, which later came to be known as Bombay Stock Exchange (BSE). This association kicked of with 318 members. Indian Share Market mainly consists of two stock exchanges namely Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).

Factors Affected for the Share Prices

Share prices are affected by the following factors. The major factors are

Inflation

Interest Rates

Deflation

Exchange Rates

Gold prices and bonds

Inflation

An increase in the cost of goods and services over a period of time. Decreases the purchasing power of the dollar. It is usually measured by the consumer price index.

Interest Rates

The fee paid to a leader to borrow its money or a penalty charged for late payments usually shown as annual percentage rate.

**Deflation**

The drop in the cost of goods and services over a period of time. Usually caused by a shrinking supply of money or credit, or reduced spending by consumers or government. Boosts Purchasing power of the dollar.

**Exchange Rates:**

The price of one country's currency expressed in another country's currency. In other words, the rate at which one currency can be exchanged for another.

**Gold Prices And Bonds:**

The relationship between stock price and the prices of gold and bonds is not expressed by any well-established theory. Stocks are typically viewed as hazardous investments, whereas gold and bonds are viewed as havens for secure investments. Investors therefore prefer to choose safe instruments during times of economic crises. As a result, the price of gold and bonds rise while the price of stocks declines.

**National Stock Exchange:**

National Stock Exchange (NSE) founded although late than BSE, is currently the leading stock exchange in India in terms of total volume traded. It is also based in Mumbai but has its presence in over 1500 towns and cities. In terms of market capitalization, NSE is the second largest bourse in South Asia. National Stock Exchange got its recognition as a stock exchange in July 1993 under Securities Contracts (Regulation) Act, 1956. The products that can be traded in NSE are,

Equity or Share

Futures (both index and stock)

Options (Call and Put)

Wholesale Debt Market

Retail Debt Market

NSE leading index is Nifty 50 or popularly Nifty and is composed of 50 diversified benchmark Indian company stocks. Nifty is constructed on the basis of weighted average market capitalization method.

**NIFTY**

The term "Nifty Fifty" describes the 50 well-liked large-cap stocks that were traded on the New York Stock Exchange in the 1960s and 1970s and were largely regarded as reliable buy and hold growth stocks. The bull market of the early 1970s is credited to the fifty. Although a few are no longer in operation or otherwise useless, the majority are still reliable performers.

The nifty fifty's values declined to low levels along with the rest of the market during the extended bear market of the 1970s, which lasted until 1982. Most of these stocks underperformed the wider market averages during this time. Wal-Mart, the best-performing company on the list with a compounded annualised return of 29.65% over a 29-year period, stands out as an important exception. It is frequently used as an example of unreasonable investor expectations for growth stocks due to the underperformance of the majority of the nifty fifty list's stocks. Those that hung on until the bull market of the late 1990s, however, saw many of the stocks' prices revert to normal.

**conclusion**

the equity markets, exemplified by institutions like the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), are pivotal components of India's economic landscape. These markets facilitate capital formation for businesses and offer opportunities for investors to participate in company ownership and potential profit-sharing. The evolution of India's capital market, supported by legislative reforms and increased foreign institutional investments, underscores its significant growth trajectory since the 1990s. Factors such as inflation, interest rates, exchange rates, and commodity prices intricately influence stock prices, reflecting broader economic conditions.

The establishment and growth of the NSE, particularly through its Nifty 50 index, have solidified its role as a leading stock exchange in South Asia. This index, comprising diversified benchmark stocks, serves as a critical barometer of market performance. As India continues on its path of economic development and market liberalization, the equity markets are expected to play an increasingly vital role in fostering corporate growth and investor participate

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