

Determinants of Stock Price Volatility in Commercial Banks: An Empirical Analysis of the Indian Banking Sector

Diya Merin Manoj^{*}, Satyendra Kushwaha^{}
and Urmila R Menon**

*Lead College of Management, Calicut University
Kerala, India*

Abstract: This study investigates the determinants of stock price volatility in the Indian banking sector, focusing on key financial ratios such as Earnings Per Share (EPS), Book Value Per Share (BVPS), Return on Assets (ROA), Return on Investment (ROI), and Debt-to-Equity Ratio (DER). Using panel data from 2014 to 2023 for major banks, including SBI Bank, HDFC Bank, AXIS Bank, and ICICI Bank, the study employs multiple regression analysis to analyse stock price dynamics. Results indicate that EPS and BVPS significantly and positively impact stock prices, with a 1-unit increase leading to 28.01 and 6.26-unit rises, respectively. In contrast, DER and ROA negatively affect stock prices, where a 1-unit increase in DER reduces stock price by 65.7 units, and a 1-unit rise in ROA lowers it by 269.9 units. ROA's negative impact is statistically significant ($p = 0.043$). The model explains 88.4% of stock price variations, while the remaining 11.6% is attributed to macroeconomic factors such as GDP, inflation, and government expenditure. Multicollinearity concerns exist for ROI ($VIF = 13.494$) and ROA ($VIF = 9.786$). These insights aid investors, policymakers, and banks in decision-making. Future research should incorporate macroeconomic variables to refine predictive accuracy and enhance financial stability.

Keywords: Book Value Per Share, Earnings Per Share, Financial Ratios, Indian Banking Sector, Market Performance, Stock Price Volatility

JEL Classification Number: G, E

^{*} MBA. ^{**} MBA. Corresponding author. Email: satyendra.k@lead.ac.in