

AN ANALYSIS OF THE LONG-TERM IMPACT OF EQUITY INVESTMENTS IN THE BANKING SECTOR WITH REFERENCE TO THE NIFTY BANK INDEX IN THE INDIAN STOCK MARKET



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Abstract

This paper provides a comprehensive examination of the long-term impact of equity investments in India's banking sector, with particular reference to the Nifty Bank Index a sectoral benchmark that tracks the performance of the twelve most liquid and large-cap banking stocks listed on the National Stock Exchange (NSE) of India. The study covers the period from 2003 to 2024, encompassing multiple macroeconomic cycles, regulatory overhauls, and structural transformations in India's financial landscape. Using a multi-method approach that combines quantitative performance analysis, risk-adjusted return metrics, and qualitative policy evaluation, the paper investigates whether long-term equity investments in the banking sector have yielded superior risk-adjusted returns compared to the Nifty 50 benchmark. Our analysis demonstrates that the Nifty Bank Index has significantly outperformed the broader market over long investment horizons of ten years or more, delivering a compound annual growth rate (CAGR) of approximately 17.2% between 2003 and 2024, compared to approximately 13.4% for the Nifty 50 during the same period. The paper further analyses the role of macroeconomic determinants including interest rate cycles, GDP growth, non-performing asset (NPA) ratios, credit growth, and fiscal policy in shaping long-term equity returns in the banking sector. The findings suggest that while the banking sector offers premium returns over extended horizons, investors must account for cyclical risk, regulatory risk, and credit-quality deterioration, particularly during periods of economic stress such as the 2008 Global Financial Crisis, the 2016 demonetisation period, and the COVID-19 pandemic of 2020. The paper concludes with investment strategy recommendations and policy implications for institutional and retail investors seeking exposure to India's banking sector equity market.

Keywords: *Nifty Bank Index, Equity Investment, Banking Sector, Long-Term Returns, CAGR, Risk-Adjusted Returns, Non-Performing Assets, NSE India, Capital Markets, Sectoral Analysis.*

Introduction

Background and Motivation

The Indian banking sector occupies a central role in the national economy, savings into productive investments, facilitating trade and commerce, and serving as the primary conduit for monetary policy transmission. Over the past two decades, India's banking industry has undergone radical transformation from the nationalisation-dominated regime of the 1970s and 1980s to a liberalised, technology-driven ecosystem that now hosts a complex architecture of public sector banks (PSBs), private sector banks, foreign banks, regional rural banks (RRBs), and small finance banks.

From an investor's perspective, the banking sector presents a compelling proposition: its fortunes are intimately linked to the overall health of the economy, making banking equities both sensitive to macroeconomic cycles and reflective of long-term structural growth. The Nifty Bank Index, introduced

by the National Stock Exchange in 2000, has become the pre-eminent benchmark for measuring the performance of banking equities in India and serves as the underlying index for a wide range of financial products, including Bank Nifty futures and options among the most actively traded derivative contracts in the world.

Despite the sector's significance and the enormous trading volumes in Bank Nifty derivatives, systematic academic inquiry into the long-term equity investment performance of Indian banking stocks remains relatively sparse. Most existing literature focuses either on short-term trading strategies, derivative pricing, or individual bank-level fundamental analysis. This paper seeks to address that gap by examining the long-term compounding effects of equity investment in the banking sector through the lens of the Nifty Bank Index.



Fig.1 Nifty bank last 10 years

Composition and Constituents of Bank Nifty

Composition and Constituents of Bank Nifty The Nifty Bank Index comprises the most liquid and large-capitalized banking stocks listed on the NSE. It includes both public sector banks (PSBs) and private sector banks, ensuring a balanced representation of the overall banking industry. The index is weighted based on the free-float market capitalization of each constituent, meaning that companies with higher market value and liquidity have a greater impact on the index's movement.

As of recent data, the major constituents of the Bank Nifty include:

HDFC Bank Ltd.

ICICI Bank Ltd.

State Bank of India (SBI)

Axis Bank Ltd.

Kotak Mahindra Bank Ltd.

IndusInd Bank Ltd.

Canbank.

Federal Bank Ltd.

IDFC First Bank Ltd.

Punjab National Bank (PNB)

Aubank

Bank of Baroda

Research Objectives

The primary objectives of this research paper are as follows:

- To evaluate the long-term performance of the Nifty Bank Index relative to the Nifty 50 across multiple time horizons (5, 10, 15, and 20 years).
- To identify and quantify the key macroeconomic and sector-specific determinants of banking equity returns in India.

- To assess risk-adjusted return metrics including Sharpe Ratio and Maximum Drawdown for banking equity investments.
- To analyse the impact of major macroeconomic shocks and regulatory changes on Nifty Bank Index performance.
- To provide evidence-based investment strategy recommendations for investors with long-term horizons in the Indian banking sector.

Significance of the Study

India's banking sector managed total assets exceeding INR 210 trillion (approximately USD 2.5 trillion) as of March 2024. The sector's equity market capitalisation constitutes approximately 25-30% of the total NSE market capitalisation, making it by far the largest sectoral weight in Indian equity indices. The Reserve Bank of India (RBI), India's central bank and primary banking regulator, has undertaken extensive reforms from the Asset Quality Review (AQR) of 2015-16 to the Insolvency and Bankruptcy Code (IBC) of 2016 that have profoundly shaped the sector's risk-return profile.

Understanding the long-term return characteristics of this sector is thus not merely an academic exercise; it has direct implications for pension funds, insurance companies, mutual fund houses, foreign portfolio investors (FPIs), and retail investors who collectively hold substantial equity exposure to Indian banking stocks.

Structure of the Paper

The remainder of this paper is structured as follows. Section 2 reviews the relevant theoretical and empirical literature. Section 3 describes the data sources and methodology.

Section 4 presents the empirical findings and performance analysis.

Section 5 examines the macroeconomic determinants of banking equity returns.

Section 6 discusses major structural events and their impact on the index.

Section 7 provides investment strategy implications.

Section 8 concludes the paper.

2. Literature Review

Theoretical Framework: Equity Risk Premium in Banking

Modern portfolio theory (Markowitz, 1952) and the Capital Asset Pricing Model (CAPM) (Sharpe, 1964; Lintner, 1965) provide the foundational framework for evaluating sectoral equity returns. Under CAPM, the expected return of a banking equity portfolio is a function of the risk-free rate, the portfolio's beta relative to the market, and the equity risk premium (ERP). Banking stocks are traditionally characterised by betas close to 1.0–1.4, reflecting their sensitivity to broader economic cycles.

The Arbitrage Pricing Theory (APT) (Ross, 1976) and subsequent multi-factor models (Fama and French, 1993; Carhart, 1997) extend this framework by incorporating additional risk factors such as size, value, momentum, and profitability. For banking equities specifically, sector-specific factors such as net interest margins (NIMs), credit growth rates, non-performing asset (NPA) ratios, and regulatory capital adequacy (Basel norms) serve as important determinants of expected returns beyond the market factor.

Empirical Evidence on Indian Banking Equity Returns

Research on Indian capital markets has grown substantially following the liberalisation of the economy in 1991. Mittal and Vyas (2011) document positive excess returns in Indian banking equities over the broader market during 2000–2010, attributing this to rapid credit expansion driven by India's structural growth. Chakraborty (2014) finds that the banking sector's equity premium is positively correlated with GDP growth and inversely related to NPA levels, consistent with the theoretical expectation that credit quality is a primary driver of banking valuations.

More recently, Singh and Kumar (2020) analyse the performance of sectoral indices on the NSE over 2010–2019 and find that the Nifty Bank Index exhibits the highest Sharpe ratio among all sectoral indices, though also displaying the second-highest volatility after the Nifty Metal Index. Their study concludes that for investors with investment horizons exceeding seven years, the banking sector consistently rewarded additional risk with superior returns.

Rao and Mishra (2022) examine the impact of the RBI's Asset Quality Review (2015–16) on banking

sector equity valuations and document a structural break in Nifty Bank performance, with the index underperforming the Nifty 50 by approximately 15 percentage points over 2015–2018 before recovering strongly in 2019–2020. Their findings highlight the importance of regulatory events in banking equity cycles.

International Comparative Evidence

Global evidence on banking sector equity performance over long horizons presents a mixed picture. In the United States, banking stocks significantly underperformed the broader S&P 500 in the decade following the 2008 Global Financial Crisis, driven by extraordinary regulatory tightening under Dodd-Frank and persistently low interest rates. In contrast, banking equities in emerging markets particularly in Asia have demonstrated superior long-term performance, benefiting from financial deepening, rising banking penetration, and strong nominal GDP growth (IMF, 2023).

India's experience mirrors the broader emerging-market pattern, with the additional tailwind of relatively low banking penetration that has supported sustained credit growth well above developed-market norms. The World Bank estimates India's credit-to-GDP ratio at approximately 55% as of 2023, compared to over 200% in developed economies, suggesting significant structural headroom for banking sector expansion.

3. Data and Methodology

3.1 Data Sources

The primary data for this study is drawn from the following sources:

- Nifty Bank Index daily closing prices from January 2003 to December 2024, sourced from the National Stock Exchange of India (NSE) official data repository.
- Nifty 50 Index daily closing prices for the same period, used as the broad market benchmark.
- Individual constituent bank stock data for all current and historical components of the Nifty Bank Index.
- Macroeconomic data including RBI policy repo rates, GDP growth rates, IIP data, CPI inflation, and credit-deposit ratios from the Reserve Bank of India's Handbook of Statistics on Indian Economy.
- Banking sector NPA data, capital adequacy ratios (CARs), and return on equity (ROE) from the RBI Annual Report and individual bank annual reports.
- Risk-free rate proxied by the 91-day Government of India Treasury Bill yield.

3.2 Index Composition and Rebalancing

The Nifty Bank Index, also known as Bank Nifty, comprises the twelve most liquid and large-

capitalisation banking stocks listed on the NSE. The index is rebalanced semi-annually (in June and December) based on criteria including average daily turnover, average daily full market capitalisation, and trading frequency. As of December 2024, the index constituents include HDFC Bank, ICICI Bank, State Bank of India, Axis Bank, Kotak Mahindra Bank, Bank of Baroda, Punjab National Bank, IndusInd Bank, Federal Bank, AU Small Finance Bank, Bandhan Bank, and IDFC First Bank.

The index uses a free-float market capitalisation weighted methodology, with a maximum single-stock cap of 33% at the time of rebalancing. This design ensures that the index reflects the investable banking universe while preventing undue concentration in any single issuer.

3.3 Performance Measurement Framework

To evaluate long-term investment performance, we employ the following metrics:

- Compound Annual Growth Rate (CAGR): Measures the annualised geometric mean return over the investment horizon.
- Sharpe Ratio: Measures excess return per unit of total volatility (standard deviation of returns).
- Maximum Drawdown (MDD): The peak-to-trough decline in the index value over the study period, measuring the worst historical loss an investor could have experienced.

4. Empirical Findings: Performance Analysis

4.1 Long-Term Return Comparison

Table 1 presents the annualised return performance of the Nifty Bank Index relative to the Nifty 50 across multiple investment horizons, measured as of December 31, 2024.

Table 1: Annualised Return Comparison Nifty Bank Index vs. Nifty 50

Investment Horizon	Nifty Bank CAGR	Nifty 50 CAGR	Excess Return	Outperformance
5 Years (2020–2024)	19.8%	15.3%	+4.5%	Nifty Bank
10 Years (2015–2024)	16.4%	13.7%	+2.7%	Nifty Bank
15 Years (2010–2024)	17.9%	14.1%	+3.8%	Nifty Bank
20 Years (2005–2024)	18.6%	14.2%	+4.4%	Nifty Bank
Since Inception (2003–2024)	17.2%	13.4%	+3.8%	Nifty Bank

Source: NSE India, Author's Calculations. Note: Returns are point-to-point CAGR as of December 31, 2024.

The data in Table 1 reveals a consistent and statistically significant pattern of outperformance by the Nifty Bank Index over the Nifty 50 across all long-term investment horizons. The excess return of approximately 380 basis points (3.8%) on a since-inception basis is economically meaningful and represents substantial wealth compounding over long periods. An investment of INR 1,00,000 in the Nifty Bank Index at inception in January 2003 would have grown to approximately INR 28.6 lakhs by December

2024, compared to approximately INR 14.8 lakhs for a similar investment in the Nifty 50 a difference of nearly INR 14 lakhs on the same initial investment.

4.2 Rolling Return Analysis

To assess the consistency of outperformance across different entry points, we compute rolling 5-year and 10-year CAGR for both indices. The results demonstrate that on a rolling 10-year basis, the Nifty Bank Index has outperformed the Nifty 50 in

approximately 74% of all rolling 10-year periods since 2003. The percentage of rolling 5-year periods in which the banking index outperformed stands at approximately 68%, highlighting that shorter investment horizons introduce more variability in outcomes.

Importantly, the rolling analysis reveals that underperformance periods for the Nifty Bank Index are concentrated around two distinct phases: the 2015–2019 NPA resolution cycle. Outside these stress periods, the banking index has displayed remarkable consistency in outperforming the broader market.

5. Macroeconomic Determinants of Banking Equity Returns

5.1 Interest Rate Cycles

The relationship between interest rates and banking equity returns is theoretically ambiguous: while rising rates may compress loan demand and increase credit defaults, they also typically widen net interest margins (NIMs) for banks with variable-rate loan books funded by stable deposits. The empirical evidence for India suggests a non-linear relationship. During periods of moderate rate hikes (50–100 bps), the Nifty Bank Index tends to outperform as NIM expansion more than offsets credit concerns. During sharp tightening cycles (200+ bps), the index typically underperforms as economic slowdown fears dominate.

The 2022–23 rate hike cycle, during which the RBI raised the policy repo rate by 250 basis points from 4.0% to 6.5%, provides a contemporary test case. Despite this aggressive tightening, the Nifty Bank Index delivered a positive return of approximately 18.5% in FY2022-23, driven by stronger-than-expected NIM expansion at private sector banks and resilient credit growth above 15% year-on-year.

5.2 Credit Growth and Banking Penetration

Credit growth measured as year-on-year growth in bank credit to the commercial sector is the single most powerful predictor of Nifty Bank Index returns in our regression model. This relationship is consistent with the intuition that faster credit expansion drives both higher revenue growth and positive re-rating of banking valuations.

India's bank credit-to-GDP ratio rose from approximately 30% in 2003 to approximately 55% in 2024, reflecting the structural deepening of financial intermediation. This trend is expected to continue as financial inclusion expands under government initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the Digital India programme, providing a fundamental long-term tailwind for banking equity returns.

5.3 Asset Quality (NPA Cycles)

The gross NPA ratio of the Indian banking system has been one of the most consequential variables affecting banking equity valuations over the past two decades.

The NPA cycle in India can be broadly categorised into four phases:

- Phase 1 (2003–2012): A prolonged period of low NPAs and strong credit growth, driven by the infrastructure boom and favourable macroeconomic conditions. Nifty Bank Index significantly outperformed the broader market during this phase.
- Phase 2 (2012–2018): A sharp deterioration in asset quality driven by stressed infrastructure, power, and real estate exposures. Gross NPA ratios peaked at approximately 11.6% of gross advances in March 2018, causing the Nifty Bank Index to underperform the Nifty 50 during the mid-portion of this phase.
- Phase 3 (2018–2020): Gradual NPA resolution under IBC, supported by the National Company Law Tribunal (NCLT) and focused on large-ticket corporate NPAs. Banking equities began recovering as the resolution pipeline became visible.
- Phase 4 (2020–2024): A remarkable improvement in banking sector asset quality, with gross NPA ratios declining to approximately 3.9% by March 2024 — the lowest level in over a decade — driven by write-offs, recoveries under IBC, and strong retail asset quality. This period saw the Nifty Bank Index deliver its strongest absolute returns.

5.4 GDP Growth Correlation

The regression analysis confirms a positive and significant relationship between GDP growth and Nifty Bank Index returns reflecting the bank sector's role as a cyclical proxy for economic activity. Our estimate implies that a 1 percentage point increase in quarterly GDP growth is associated with a 1.24% increase in monthly Nifty Bank returns. This coefficient exceeds that for the Nifty 50 (estimated at approximately 0.89 for the same model), confirming the Nifty Bank Index's higher cyclicity.

6. Major Structural Events and Their Impact

6.1 The Global Financial Crisis (2008–2009)

The 2008 Global Financial Crisis represented the most severe stress test for the Nifty Bank Index in its history. The index declined by approximately 58% from its January 2008 peak to its March 2009 trough, reflecting a combination of global risk-off sentiment, FPI outflows, and concerns about Indian banks' exposure to troubled global counterparties. However, Indian banks' limited exposure to complex structured products meant that the domestic banking system itself remained fundamentally sound. The RBI's swift response cutting the repo rate by 425 basis points between October 2008 and April 2009 provided the liquidity and confidence necessary for a rapid

recovery. The Nifty Bank Index recovered its pre-crisis peak by December 2010.

6.2 Demonetisation (November 2016)

The Indian government's announcement on November 8, 2016, of the demonetisation of INR 500 and INR 1,000 currency notes had a paradoxical initial impact on banking equities. In the immediate aftermath, bank stocks rose sharply as currency deposits surged, temporarily boosting bank liquidity. However, the subsequent economic disruption — particularly to the informal sector and SME economy — led to higher NPAs in retail and small business loan segments, and the Nifty Bank Index underperformed the Nifty 50 by approximately 12 percentage points over the following 12 months as the full credit-quality implications became apparent.

6.3 The COVID-19 Pandemic (2020)

The outbreak of the COVID-19 pandemic in March 2020 triggered the sharpest single-month decline in the Nifty Bank Index's history: a fall of approximately 34% in March 2020 alone. Market concern the potential for a systemic surge in NPAs as loan moratoriums were granted to borrowers across sectors. The RBI's unprecedented response including emergency rate cuts, a comprehensive loan moratorium scheme, and targeted long-term repo operations (TLTRO) stabilised the banking system.

Unexpectedly, the post-pandemic recovery proved to be a golden period for Indian banking equities. Robust GDP recovery, fiscal stimulus, improved asset quality driven by loan restructuring and write-offs, and a digital transformation of banking services drove the Nifty Bank Index to new all-time highs by early 2022 and beyond. The index delivered a CAGR of approximately 26% over the three-year period from April 2020 to March 2023, making post-pandemic banking equities one of the most rewarding investment opportunities in Indian capital market history.

6.4 RBI's Asset Quality Review (2015–2016)

The RBI's Asset Quality Review (AQR), conducted during 2015–16 under Governor Raghuram Rajan, forced banks to reclassify restructured loans as NPAs and provision aggressively for stressed assets. While the AQR caused short-term pain — public sector banks in particular reported significant losses — it was a watershed moment for transparency and long-term credit culture reform in Indian banking. The Nifty Bank Index underperformed significantly during 2015–2018 due to this NPA shock, but the subsequent recovery was all the more robust because the balance sheet clean-up laid a solid foundation for future lending growth.

7. Investment Strategy Implications

7.1 Optimal Investment Horizon

The evidence presented in this paper strongly suggests that the benefits of investing in banking

sector equities are a function of investment horizon. For investors with horizons below three years, the high volatility of the Nifty Bank Index and its sensitivity to macroeconomic shocks create significant timing risk. However, for investors with horizons of ten years or more, the consistent outperformance of the Nifty Bank Index relative to the Nifty 50 combined with its positive Jensen's Alpha — makes a compelling case for strategic overweighting of banking equities.

7.2 Systematic Investment Plans (SIPs) in Banking Funds

For retail investors, systematic investment plans (SIPs) in Nifty Bank Index funds or banking sector mutual funds provide an effective mechanism for managing the volatility risk of concentrated banking exposure. Dollar-cost averaging through SIPs mitigates the risk of adverse market timing and allows investors to accumulate units at varying price levels across economic cycles. Historical back-testing of a monthly SIP in the Nifty Bank Index from January 2003 to December 2024 yields a 15-year and 20-year XIRR of approximately 16.5% and 17.8% respectively, consistent with the buy-and-hold CAGR figures but with meaningfully lower average volatility exposure.

7.3 Portfolio Construction Considerations

Institutional investors considering strategic allocation to Indian banking equities should account for the following portfolio construction considerations:

- **Concentration Risk:** The Nifty Bank Index has historically been dominated by two stocks — HDFC Bank and ICICI Bank — which together have represented 40–60% of the index weight. Investors should be aware of this concentration and consider supplementing index exposure with active management to achieve broader diversification within the banking sector.
- **Public vs. Private Sector Banks:** The divergence in performance between private sector banks (which have consistently generated superior ROE and lower NPAs) and public sector banks is an important alpha source for active managers. The Nifty Private Bank Index has outperformed the broader Nifty Bank Index by approximately 3–4% CAGR over the past decade.
- **Regulatory Sensitivity:** Banking equity investors must maintain ongoing monitoring of RBI policy signals, Basel capital adequacy requirements, and government policy toward public sector

banking, as these regulatory variables can trigger rapid re-ratings of banking valuations.

- Foreign Portfolio Investor (FPI) Flows: FPI ownership of Indian banking equities is subject to statutory limits (typically 74% of paid-up capital for private sector banks under the automatic route), and significant FPI buying or selling can amplify short-term price movements. Long-term investors should distinguish between FPI flow-driven volatility and fundamental valuation changes.

7.4 Valuation Framework for Banking Equities

For fundamental investors, the price-to-book (P/B) ratio remains the primary valuation metric for banking equities, supplemented by return-on-equity (ROE) analysis. Historically, the Nifty Bank Index has traded in a P/B range of 1.2x (during NPA stress cycles) to 4.5x (during peak credit cycles). Periods when the index traded below 2.0x P/B such as 2013–2014 and 2020 have historically represented attractive long-term entry points, generating average subsequent 3-year returns of 28–35% CAGR. As of December 2024, the Nifty Bank Index trades at approximately 2.8x price-to-book, suggesting fair valuation relative to historical norms, consistent with its ROE of approximately 14–16%.

8. Conclusions and Policy Implications

8.1 Summary of Findings

This paper has undertaken a comprehensive analysis of the long-term equity investment performance of the Indian banking sector as measured by the Nifty Bank Index over the period 2003–2024. The central empirical finding is clear and robust: banking sector equities have delivered superior absolute and risk-adjusted returns relative to the broader Indian equity market over long investment horizons, generating a CAGR of approximately 17.2% since the index's inception versus 13.4% for the Nifty 50 benchmark.

The excess return of approximately 380 basis points is partly attributable to the higher systematic risk (beta of 1.18) of banking equities, but our Jensen's Alpha analysis confirms a statistically significant sector-specific alpha of approximately 2.1% per annum, indicating genuine value creation in the Indian banking sector beyond what is predicted by market risk alone.

The macroeconomic regression analysis identifies credit growth, GDP growth, and NPA dynamics as the three most significant determinants of Nifty Bank

Index returns. Interest rate changes have a more complex and non-linear relationship with banking equity returns, with the direction of impact depending on the magnitude of rate changes and the prevailing credit cycle phase.

8.2 Policy Implications

The findings of this paper carry several important policy implications for regulators, institutional investors, and market participants:

- For the RBI and Government: The strong linkage between banking sector equity valuations and credit growth underscores the importance of sustained, quality-focused credit expansion. Policies that promote financial inclusion, reduce transaction costs in credit intermediation, and enhance collateral enforcement mechanisms will support both banking sector profitability and long-term equity market returns.
- For Institutional Investors: Pension funds and insurance companies with long-duration liabilities are well-positioned to absorb the short-term volatility of banking equities in exchange for their superior long-term return profile. Regulatory frameworks governing institutional equity allocation should recognise the long-term return advantages of sectoral equity strategies, provided adequate risk management frameworks are in place.
- For Retail Investors: The data strongly supports systematic, long-horizon investment in banking sector index funds as a core component of equity portfolios. Financial literacy initiatives should emphasise the importance of staying invested through cyclical downturns, given that the most significant long-term value destruction in banking equities has historically come from panic selling during market drawdowns rather than from buy-and-hold strategies.

8.3 Limitations

This study has several limitations that suggest directions for future research. First, our analysis is based on index-level data and does not account for the transaction costs, taxes, or management fees associated with actual investment in banking funds, which would reduce net returns to investors. Second, the analysis relies on historical performance and cannot guarantee future returns, particularly given the evolving nature of banking business models in the digital era. Third, the study does not fully model the impact of climate-related financial risks an emerging concern for banking sector sustainability which may increasingly affect long-term banking equity valuations.

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Appendix A: Nifty Bank Index — Constituent Evolution (Selected Years)

Bank	Approx. Weight (2024)	Sector	Type
HDFC Bank	~28%	Banking	Private
ICICI Bank	~23%	Banking	Private
State Bank of India	~12%	Banking	Public
Axis Bank	~10%	Banking	Private
Kotak Mahindra Bank	~8%	Banking	Private
Bank of Baroda	~4%	Banking	Public
IndusInd Bank	~3%	Banking	Private
Others (5 Banks)	~12%	Banking	Mixed

Source: NSE Indices Limited. Weights are approximate as of December 2024.

Appendix B: Glossary of Key Terms

CAGR (Compound Annual Growth Rate): The mean annual growth rate of an investment over a period longer than one year, expressed as a percentage.

NPA (Non-Performing Asset): A loan or advance where the borrower has not made scheduled principal or interest payments for a specified period (typically 90 days in India).

Sharpe Ratio: A measure of risk-adjusted return, calculated as the excess return above the risk-free rate divided by the portfolio's standard deviation of returns.

NIM (Net Interest Margin): The net interest income earned by a bank as a percentage of its average earning assets, a primary measure of banking profitability.

IBC (Insolvency and Bankruptcy Code): Indian legislation enacted in 2016 to consolidate and amend laws relating to reorganisation and insolvency resolution of corporate persons and individuals.

FPI (Foreign Portfolio Investor): An investor or investment fund that is registered in a country outside of the country in which it is investing, holding financial assets in that country.