

## Turnover Ratio Based Performance Analysis of NSE & BSE

\*Aditi Dadhich

\*\*Dr. Khyati Kochhar

### Abstract

From the past few decades since liberalization and globalization, there had been tremendous growth in the volume of international trade, business and market capitalization etc., and which has increased the demand for more household participation, international inflow and financial instruments extensively. In this aspect, any changes in the economy at micro, macro and global level will increase the risks in financial market therefore emphasizing the significance of risk management tool to hedge against uncertainty. To handle such risks, as an integral part of liberalization process, the new financial instruments have been introduced in the financial markets, popularly known as 'financial derivatives' for hedging. Derivatives are considered as 'a modern men's business invention for risk management' which helps the investors to maximize the returns with minimum risks on their investment.

**Keywords:** Globalization, derivative, risk, instrument.

### Introduction:

Derivatives derive value from its underlying assets/securities and facilitate hedging the price risk of cash assets. The purpose of derivative instruments is to provide protection on prices in adverse movements through determining the future settlement prices at future dates and to reduce the amount of financial risks. It is also providing various opportunities to earn profits for investors who preferred to take higher risks for higher returns. The underlying derivatives are the prices of tradable assets like shares, commodities, interest rates, currency rates etc.

These instruments enhanced efficiency among markets to sustain economic growth through disseminating the price of underlying assets, by providing protection against the possible adverse movements in the market and by transferring the risks from the unwanted exposure in the market. As a risk management tool, derivatives usually minimize the influence of price fluctuations on the profitability through locking-in the prices of underlying assets. There are four kinds of price risks which are broadly exposed to financial dealings, a) market risk or systematic risk which cannot be diversified, b) commodity risk, the risk exposed from volatile commodity (goods) prices c) exchange rate risk, the risk of difference in exchange rate raised from the foreign currency transaction, and d) interest rate risk arising when the interest rates fluctuate.

This paper aims to present a comparative analysis of the performance of NSE & BSE in terms of turnover. For this, two different turnover ratios has been chosen. Two elements i.e., current assets and current liabilities are taken for this analysis.

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**Objective:**

- To present a comparative study of NSE & BSE in terms of turnover ratio-based performance analysis. For the purpose of this study time period of 11 years i.e., from 2011 to 2021 is considered.

**Ratio analysis:**

Analysis of some crucial ratios such as Working Capital Turnover ratio and Current Asset Turnover Ratio is done below:

**Table 1 - Different parameters of NSE (in Crore)**

Years	Turnover	Current Assets	Current Liabilities
2021	6,202	6,703.62	3,832.96
2020	3,898	4,210.96	2,107.16
2019	3,028	3,488.56	1,854.19
2018	2,529	2,908.70	1,759.18
2017	2,318	3,548.79	2,074.90
2016	2,359	3,187.30	2,287.98
2015	2,291	3,947.61	2,096.22
2014	1,920	9,919.36	5,926.74
2013	1,813	8,047.31	3,056.40
2012	1,733	3,864.61	636.58
2011	1,576	3,439.26	551.58
Mean	2,697	4,842.37	2,380.35

Source: NSE annual reports

**Table 2 - Different parameters of BSE (in Crore)**

Years	Turnover	Current Assets	Current Liabilities
2021	654	1,611	796
2020	630	1,304	649
2019	687	1,436	559
2018	698	1,156	600
2017	800	1,015	742
2016	670	890	605
2015	529	1,092	599
2014	552	1,045	460
2013	515	1,509	413
2012	487	1,334	373
2011	465	1,123	314
Mean	608	1,229	555

Source: BSE annual reports

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**1. Working Capital Turnover ratio= Turnover/ (Current Assets-Current liabilities)**

- i. For NSE  
 $=2,697 / (4,842.37-2,380.35)$   
 $= 1.095$
- ii. For BSE  
 $=608 / (1,229-555)$   
 $= 0.902$

**Analysis:** For NSE, the Working Capital Turnover ratio was found to be 1.095 and for BSE it was 0.902 which indicated the better performance of NSE over BSE as the company is able to generate a larger amount of turnover.

**2. Current Asset Turnover Ratio = Turnover/ Current Assets**

- i. For NSE  
 $=2,697 / 4,842.37$   
 $= 0.556$
- ii. For BSE  
 $=608 / 1,229$   
 $= 0.494$

**Analysis:** For NSE, the Current Asset Turnover Ratio was found to be 0.556 and for BSE it was 0.494. Higher value for NSE indicated the capability of the NSE to achieve maximum sales with the minimum investment in current assets.

**Conclusion:**

It is observed that the derivative market in India is continuously expanding. It is important to note that there is a significant amount of forex inflows in derivatives market. It has a great positive impact on the financial performance of both the stock markets. According to the ratio analysis, it is found that even though the NSE is found to be performing better in terms of turnover, growth of derivative market of BSE is also good considering its scale of operation.

**\*Research Scholar**

**\*\*Assistant Professor, FMS**

**Department of Management and Commerce  
Banasthali Vidyapith, (Raj.)**

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