# A STUDY ON THE EFFECT OF RUSSIAN & UKRAINE WAR ON RETURNS OF INDIAN BANKING STOCKS

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***ABSTRACT***

*The Russian-Ukrainian war has affected the Indian banking sector through various channels, including investment, trade, and capital flows. Although India has limited trade with Ukraine and Russia, the uncertainty created by the conflict has led to a decrease in foreign investment, negatively impacting banks that rely heavily on foreign investment and capital flows. The sanctions imposed on Russia have resulted in a decrease in the inflow of Russian capital into India, further impacting Indian banks. Overall, the impact on the Indian banking sector has been negative, but the extent of the impact varies between banks. To mitigate the impact of future conflicts, Indian banks should reduce their dependence on foreign investment and capital flows by diversifying their sources of funding.*

*Key words: Russian-Ukrainian war, Indian banking sector, investment, sanctions, negative impact.*

*JEL codes: F21, F34, G01, G21, G32*

## I. INTRODUCTION

Banking is a crucial component of any economy, including India's, which experienced a crisis in 2008 resulting in bankruptcy. India attempted to address this problem by altering the banking sector and continues to invest in other international banks to pursue monetary development. However, the conflict between Russia and Ukraine had a negative impact on Indian banking stocks, which is difficult to predict accurately. The impact would depend on various factors, including economic ties between India and the warring countries, global economic conditions, and investor sentiment. The conflict caused panic selling and anxiety among buyers, leading to a decline in stock prices, trading volumes, and other market indicators. As a result, investors lost over 1,000 crores in the Indian market, and the rupee's exchange rate depreciated significantly. Inflation and global tightening of financial coverage due to inflation also affected the GDP negatively. The Securities Exchanges Document offered exceptional banking and financial support to the financial sector, but stock market returns were negatively impacted by the war, leading to fluctuations in inflation rates, which further impacted the banking sector. Overall, the conflict had far-reaching implications for society, the economy, and politics.

## II. REVIEW OF LITERATURE

| Sl No | Particulars |
|---|---|
| 1 | (Rajesh Tiwari, Ravi Shekhar Tiwari, Sandeep Kumar 2022) in their publication "Impact of Russia Ukraine War on Returns of Banking Stocks in India" they have stated that how the war between Russia and Ukraine impacted the performance of banking stocks and how the banking industry, policymakers, and investors will all benefit from banking returns and stocks. Their primary They have used the t test and the paired t-test to explain how the stocks war flatulated, showing how that performance increased or decreased prior to the war and after it. The primary objective of the study is to investigate how the war impacted the performance of the banking system. The study found that the conflict between Russia and Ukraine had a significant negative effect on the Nifty 50, the benchmark for the stock market, for the first 75 trading days. The benchmark of the financial exchange addresses the economy's general effect. |
| 2 | (Rajesh Tiwari1, Praveen Singh, Himanshu Kargeti, Khem Chand 2022) In their publication, "Impact of Russia Ukraine war on exchange rate in India" they have argued that how was the Indian rupee affected by war. The country's capacity to safeguard its currency and means of subsistence was limited by its import dependence on essentials like food, energy, and protective equipment. India must capitalize on its demographic advantage to strengthen its currency and ensure self-sufficiency in energy, ammunition, and food. The study is to investigate how the war affected the Indian economy and exchange rates. They used an Excel tool to display the fluctuations and exchange rates and explain how they changed over time and how they responded during the war. The study found that the war between Russia and Ukraine has hurt the value of the Indian rupee. |
| 3 | (Aashish Tank Seth, RL Sharia 2022) In their publication "Economic Impact of Russia –Ukraine War" They have argued that trade disruptions and the decline in Russia's GDP are contributing factors. Overall, we anticipate that actions taken against Russia may slow the rate of long-term potential growth of foreign direct investment, causing capital outflows. Their primary objective is to determine what the conflict meant for Russia's economy and how it affected interest and supply, so they used secondary data to clearly explain how the economy had changed and weakened. that study found that how India's weakness in the face of Chinese power might be reflected in the fact that sanctions against Russia could delay transactions and prevent future deals from closing the investments |
| 4 | (Ming Deng Markus, Leippold Alexander F. Wagner Qian Wang 2022) In their publication "Stock Prices and the Russia-Ukraine War: Sanctions, Energy and ESG" They have stated, how were the effects of stock prices on transition risk particularly strong in the United States? In Europe, the effects of stock prices on transition risk were less pronounced or even negative. They have used the Jamovi tool to explain by flex plot package to clearly explain the how the stock prices have been flattened. This may be because market participants anticipate stronger policy responses supporting renewable energy sources in light of Europe's pronounced dependence on Russian oil and gas, stocks with opportunities in the low-carbon transition. The primary aim is to study about the to investigate how does the war's impacted on the supply and demand of oil, gas, and energy sources. |
| 5 | (Jonathan Federle, Andre Meier, Gernot J. Muller, and Victor Sehn 2022) In their publication "Proximity to War: The stock market response to the Russian invasion of Ukraine" how the outbreak of a war puts businesses and nations in its vicinity at risk of military escalation. Stock markets fall as a result of an increase in the likelihood of disaster. On the side of this speculative theory, we observe a "nearness punishment" in the securities exchange's response to the Russian invasion of Ukraine. The aim to Investigate the war's impact on military escalation and the new policies adopted by stock markets, exchange rates, and how they like to overcome that. where we notice a significant rise in option-implied tail risk premia for Ukraine-adjacent nations. We demonstrate that defines stocks command a significant proximity premium in nations close to Ukraine, which provides an instructive counterpoint to our overall findings. |

## III. DATA AND METHODOLOGY

**Objective:**

1. To explore the effect of Russia-Ukraine conflict on India's banking sector.

2. To examine the effects of war between Russia and Ukraine on the stability and viability of the Indian banking performance.

3. To analyse the impact of Ukraine and Russia war on performance of banking stocks in India

**Hypothesis:**

- H0: There is no significant difference in the performance of Indian banking stock pre and post Russia Ukraine war

- H1: There is a significant difference in the performance of Indian banking stock pre and post Russia Ukraine war

**Research design**

“In this study, quantitative methods were used with an empirical research design. The Nifty 50 and Nifty Bank stock indices were the ones that were taken into consideration for the analysis. The study looked at closing values 122 trading days before and 122 trading days after the Russia-Ukraine War started”. These stock indices are used to determine stock market fluctuations.

## IV. DATA ANALYSIS AND FINDINGS

**Table 1: Showing paired T-test of stock prices of NIFTY 50**

| t-Test: Paired Two Sample for Means | nifty 50 before prices | nifty 50 after Prices |
|---|---|---|
| Mean | 17580.61107 | 16665.15984 |
| Variance | 165290.1999 | 490238.7336 |
| Observations | 122 | 122 |
| Pearson Correlation | 0.200641862 | |
| Hypothesized Mean Difference | 0 | |
| t Stat | 13.7434703 | |
| P(T<=t) two-tail | 0.00 | |
| t Critical two-tail | 1.979763763 | |

Source: https://in.investing.com/indices/s-p-cnx-nifty-historical-data

**Inference (nifty 50)**

P(t<=t) two tail value is 0.00 which is less than 0.05, it means that the result is statistically significant and reject the null hypothesis (H0). In this case, hypothesis is that there is a significant difference in the performance of Indian banking stock prior and after the Russia and Ukraine war

**Table 2: Showing paired T-test of stock prices of NIFTY BANK**

| T-Test: Paired Two Sample for Means | Nifty bank before Price | Nifty bank after Prices |
|---|---|---|
| Mean | 37644.79959 | 35626.67951 |
| Variance | 1895930.533 | 2952476.723 |
| Observations | 122 | 122 |
| Pearson Correlation | 0.447829987 | |
| Hypothesized Mean Difference | 0 | |
| t Stat | 13.49271093 | |
| P(T<=t) two-tail | 0.00 | |
| t Critical two-tail | 1.979763763 | |

Source: https://in.investing.com/indices/bank-nifty-historical-data

**Inference**

P(t<=t) two tail value is 0.00 which is less than 0.05, it means that the result is statistically significant and reject the null hypothesis (H0). In this case, hypothesis is that there is a significant difference in the performance of Indian banking stock prior and after the Russia and Ukraine war

**Table 3: Showing Descriptive statistics on NIFTY 50 stock prices**

| Nifty 50 before prices | | Nifty 50 after Prices | |
|---|---|---|---|
| Mean | 17580.61107 | Mean | 16665.15984 |
| Standard Error | 36.80812009 | Standard Error | 63.39045887 |
| Median | 17541.45 | Median | 16605.6 |
| Mode | 17213.6 | Mode | #N/A |
| Standard Deviation | 406.5589747 | Standard Deviation | 700.1705033 |
| Sample Variance | 165290.1999 | Sample Variance | 490238.7336 |
| Kurtosis | -0.762667774 | Kurtosis | -1.023419648 |
| Skewness | 0.125122289 | Skewness | 0.090480947 |

Source: https://in.investing.com/indices/bank-nifty-historical-data

**Inference**

The mean for "Nifty 50 before prices" is 17580.61, and the mean for "Nifty 50 after prices" is 16665.159, meaning that the average price of the Nifty 50 stock index dropped by about 915 points after the breakout. Additionally, "Nifty 50 after prices" standard deviation is 700.17, which is higher than the "Nifty 50 before prices" standard deviation of 406.55. which indicate more volatility in the prices after the break out and skewness values shows that data was normally distributed in both datasets

**Table 4: Showing Descriptive statistics on NIFTY BANK's stock prices**

| Nifty bank before Price | | Nifty bank after Prices | |
|---|---|---|---|
| Mean | 37644.79959 | Mean | 35626.68 |
| Standard Error | 124.6611977 | Standard Error | 155.5655 |
| Median | 37692.65 | Median | 35478.53 |
| Mode | #N/A | Mode | #N/A |
| Standard Deviation | 1376.927933 | Standard Deviation | 1718.277 |
| Sample Variance | 1895930.533 | Sample Variance | 2952477 |
| Kurtosis | 0.118549443 | Kurtosis | -0.60434 |
| Skewness | 0.045999559 | Skewness | 0.322046 |

Source: https://in.investing.com/indices/bank-nifty-historical-data

**Inference**

The mean for "Nifty 50 before prices" is 37644.79, and the mean for "Nifty 50 after prices" is 35626.68, meaning that the average price of the Nifty 50 stock index dropped by about 200 points after the breakout. Additionally, “Nifty 50 after prices" standard deviation is 1718.27, which is higher than the "Nifty 50 before prices" standard deviation of 1376.92. which indicate more volatility in the prices after the break out and skewness values shows that data was normally distributed in both datasets.

## V. CONCLUSION

The conflict between Russia and Ukraine had a negative impact on the Indian banking industry, with significant falls in stock prices in the Nifty 50 and Nifty bank indices. Investors should conduct their own research and consider potential risks before making investment decisions due to increased market volatility and investment risk. The study's findings suggest that the conflict had a greater impact on the return of Indian banking compared to other industries, highlighting the need for investors to be aware of the potential effects of global conflicts and events on the banking sector and stock market. Further research is required to understand the conflict's long-term effects and effective methods for reducing risk and improving investment outcomes. The study's overall findings can benefit investors, policymakers, and stakeholders in the Indian banking sector in developing strategies for reducing risk and enhancing investment outcomes.

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