

Analysis of Private and Public Bank Stock Reaction to News Events in the Indian Stock Exchange Using NLP-Based Application

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Introduction

This study aims to examine how the revelation of seven worst-case news events affected the stock prices of Indian public and private banks listed on the NSE and BSE. There is little data on how Indian bank stocks in the private and public sectors respond to significant news events separately, despite a number of recent studies analysing the association between stock prices and news releases. By focusing on a selection of financial and government news items, we explore these traits. We categorise these news events to produce groups of announcements with a negative and a positive tone. The statistical findings demonstrate that private banks experienced a one-month impact from the bad banking news disclosures, with statistically significant negative. The impact of the bad banking news releases on public banks was noted for two months after the news was released, according to a statistically significant negative mean. Additionally, a month after the news was released, the favourable banking news continued to have an impact on private banks. For five days after they were published, good banking news stories had an impact on public banks. The study comes to the conclusion that, similarly to how emotive polarity affects private bank equities, public bank stocks respond more strongly to negative news releases than to good news announcements. In order to extract and classify the seven important news events, we first collected the news pieces that were published in well-known online financial news sites between.

Description

Analysts are frequently asked to predict how specific economic developments may affect corporate value. This first appears to be a challenging undertaking; however an event study may establish a measuring approach rapidly. A research on any event examines how a specific event affects the wealth of a corporation using information from the financial markets. In order for these studies to be useful, it must be assumed that the effects of such events would be instantly reflected in stock price. In order to provide a statistic for the economic impact of events, the stock price recorded over a short period of time can be used. The event study has numerous applications. Research in accounting and finance examine numerous corporate and broader-economic news developments. Simple macroeconomic concerns include mergers and acquisitions, financial results announcements, fraud announcements, expert ratings, and the trade imbalance. Due to its reliance on the interpretation of numerous unstructured and structured data sources as well as its requirement for prompt and thorough decision-making, the financial industry has also been developing into a significant test platform for and Information Retrieval

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approaches for the automatic analysis of financial news and opinions online. The first step in carrying out an event study is to describe the fascinating event and choose a time range for looking at the stock prices of the companies taking part in the event. Consider, for instance, quarterly or annual results with daily returns [1-3].

Event will take place one day following the news announcement and is an earnings announcement. Making the event window larger than the interest time is a regular activity. This makes it possible to look into the earlier phases of the event's timeline. The attention span is normally intended to span at least the day the article is published and the next day. This demonstrates how news affects prices after the stock market closes on the day it is released. It can be interesting to look at the time frame before and after the incident. Any industry, including finance, pharmaceuticals, technology, etc., may be represented by the event. Banks are thought of as the foundation of every business, and the banking industry is essential to a nation's growth and development. India's banking sector has experienced significant growth thanks to a creative and forward-thinking task to enhance the banking zone and its operations within the financial system. Both governmental and private sector banks are present in the Indian financial system. The Indian government also nationalised private banks in 1969, and six more private banks were nationalised further boosting the nation's economic development. The top bank in India was created after SBI, its SBI partners, and Bhatia Manila Bank amalgamated. In order to create the Bank of Baroda, Vijaya Bank and Dena Bank combined, according to Smt. Nirmala Sitar man, India's finance minister [4].

Although a range of market-related topics have been the subject of recent research, this study adopts a novel strategy in keeping with the current academic emphasis on online financial information disclosure and other banking events. We stress the necessity of an effective framework for categorising financial news, the news that must be extracted, the news that is most pertinent to banking stakeholders, and the potential direction the financial data framework may take in response to the disclosure of the effect of the tone of such information on the stock prices of related public and private banks. This segment covers the literature on the development of the event research methodology and its use to assess the impact of various novel occurrences on the returns on banking stocks. The topic of cross-sectional correlations in event studies was also examined by the authors. Analysis was done on the short-term abnormal returns of the stocks listed on the BSE. The authors arrived to the conclusion that investors may generate unusual returns by making systematic investments during periods of political unrest. Important national elections had a notable impact on the political and economic landscape of the country. The authors developed a dictionary-based sentiment analysis model, a financial sector sentiment analysis vocabulary, and evaluated the model to ascertain how news attitudes impact stock prices. These studies demonstrate that specific news events must be examined to comprehend the feelings in their tone and their significance in terms of short [5].

Conclusion

News about banking with a pessimistic slant. As a result, it is projected that, in contrast to private bank stocks, news about banking with a negative polarity would have a long-term negative impact on public banking stocks or indexes. Positive banking news items also had an effect on private banks

for a month after they were reported. Positive banking news events are thus anticipated to have a significant influence on private banking stocks or indexes for a short to medium term. Positive banking news events had an effect on public banks for five days after the news was released. Positive banking news items are thus anticipated to have a significant influence on public banking equities or indexes for a period of time.

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Conflict of Interest

There are no conflicts of interest by author.

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