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A Study upon Effect of Credit Policy Ratings on Bankex Share

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Abstract – The capital market is a real part of Indian economy. Thusly whatever the national and worldwide occasions (regular and man acts) happened that they had an effect specifically on the Indian economy and by implication on the capital markets of individual nations. The most recent occasions like, RBI's credit policy rates on 26th July 2011 and S&p's evaluations on eighth August, 2011 on Us government validity are the major occasions which were influenced the Indian capital market antagonistically. In this crossroads, an endeavor is made to survey the banking sector's cost patterns i.e. which bank stock costs got abundantly influenced and which are minimum influenced. This study will be of service to know the suggestions of the occasions on stock costs and to make astute and normal venture decision.

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INTRODUCTION

The Indian economy and the Indian capital markets are uncovered as vibrant ones in the worldwide market after the usage of budgetary and financial sector changes in 1991. At that point onwards the Indian investment and GDP development rates have been expanding exponentially and turned into a perfect capital market for FIIs and FDis. From the huge research studies, relating the Indian economy and capital markets, it is watched and demonstrated that the Indian economy is exceedingly pool sealed and has opposed to the incredible investment retreat (i.e Us budgetary stoppage after the bankruptcy of Lehman siblings and Merry Lynch Ltd) without much affect on any portion of the economy. As R B I anticipates swelling will direct to 6 percent by closure March 2012, it has raised its key rates for the twelve times since March 2010 whereby it has pushed up the repo and opposite repo rates to 8.25% and 7.25% separately on sixteenth September 2011. The RBI is assuming an indispensable part in managing the cash supply in the market with a specific end goal to guarantee value stabilization. In accomplishing this, The RBI has been always assessing and amending the credit policy rates without irritating the development rate. In this crossroads, an endeavor is made to survey the banking sector's cost patterns i.e. which bank stock costs got highly influenced and which are minimum influenced. This study will be suitable to know the suggestions of the occasions on stock costs and to settle on shrewd and levelheaded speculation choices.

In the investigation of stock exchange response to donning comes about of European recorded foot ball clubs, Benkraiem, Louhichi, and Marques(2009) shows that wearing comes about after both the anomalous and the exchanging volume around the dates of matches. They examined 745 matches played by Europeon recorded football clubs. Their discoveries additionally demonstrate that market responses vary as per the way of the effect (rout, draw or win) and the match venue (home or away). From the discoveries, they infer that the achievement of speculations in recorded foot ball clubs requires a normal catch up of their brandishing exhibitions. Occasion concentrates on make it conceivable to inspect the financial market effect of any occasion saw critical. Tan and Warner (1980, 1985) were vital in forming tried and true occasion study approachs in a reenactment study. Despite non synchronous exchanging frequently en tallied with day by day information, they presume that both month to month and day by day information offer sufficient capability to distinguish unusual

EFFECT ON PUBLIC AND PRIVATE SEGMENT BANKS

The normal stock cost for open sector banks prior and then afterward the advertisement of RBIs credit policy was Rs.845.3929 and 810.3929 with standard deviations 773.64693 and 740.70382. To test the effect of RBIs credit policy on open sector banks combined example t- test connected as demonstrated in table and tried under the accompanying speculation.

H0: The stock costs of open sector banks does not contrasted altogether previously, then after the fact the affirmation of RBIs credit policy.

H1: The stock costs of open sector banks contrasted altogether previously, then after the fact the affirmation of RBIs credit policy.

	Paired differences				t	Sig.value
			95% confidence			
	Mean	S.D	Lower	Upper		
psbs prior - psbs post	35.00000*	35.24491	14.65019	55.34981	3.716	0.003

*mean difference significant at 0.05 level of significance

Table : Paired Samples Test For Public Segment Banks

The mean contrast between the general population sector banks stock costs earlier and post publication of RBIs credit policy is 35 with t-quality 3.716 and p-worth 0.003 subsequently the invalid speculation is denied at 0.05 level of noteworthiness .i.e. the mean distinction is noteworthy. It might be inferred that the stock costs of psbs diminished altogether after the declaration of RBIs credit policy

The normal stock cost for private sector banks former and post proclamation of RBIs credit policy was Rs.630.8607 and Rs.613.9179 with standard deviations Rs.384.78379 and 374.49511. The effect of RBIs credit policy on private sector banks tried under the accompanying theory utilizing combined example t-test as showed in table

H0: The stock costs of private sector banks does not varied essentially prior and then afterward the publication of RBIs credit policy.

H1: The stock costs of private sector banks varied essentially prior and then afterward the publication of RBIs credit policy.

	Paired differences				t	Sig.value
			95% confidence			
	Mean	S.D	Lower	Upper		
prsbs prior - prsbs post	16.94286*	14.26827	8.70461	25.18111	4.443	0.001

*mean difference significant at 0.05 level of significance

Table : Paired Samples Test For Private Segment Banks

The mean contrast between the private sector banks stock costs previously, then after the fact the report of RBIs credit policy is 16.94286 with t-worth 4.443 and p-quality 0.001 thusly invalid theory is denied at 0.05 level of centrality .i.e. the mean contrast is critical. It could be gathered that the stock costs of private sector banks diminished fundamentally after the proclamation of RBIs credit policy.

S&P RATINGS

Standard & Poor's (normally reputed to be S&P) is a business segment of publishing house Mcgraw-Hill. It has been started the operations in more than 20 countries. The organization provides the investment neighborhood with autonomous credit ratings on financial vehicles such as stocks, common funds, corporate bonds, and civil bonds. Notwithstanding its credit ratings, risk administration, investment research, information, and valuations, Standard & Poor's is known for its indexes, incorporating the S&P 500 file. The organization's roots arrive at once again to 1860; S&P was gained by Mcgraw-Hill just over a century later. S&P has been energetically including in financial industry and credit services. Dbrs Limited • Fitch Ratings Inc. • Moody's Corporation (mco) are its top competitors. The organizational structure of S&P is portrayed in the accompanying table:

President	Deven Sharma
VP Corporate Communications	Chris Atkins
Manager	Taiwan: Simon Chen,

The S&P has proclaimed the credit ratings for Us Economy on fifth August, 2011. The ratings of Us Economy were minimized from Aaa to Aa+.

The normal stock cost for open sector banks previously, then after the fact the advertisement of S&P ratings was Rs.769.9357 and Rs.767.6500 with standard deviations Rs.703.84315 and Rs.700.10664. To test the effect of S&P ratings on open sector banks combined sample t- test connected as showed in table and tested under the accompanying hypothesis.

H0: The stock prices of open sector banks does not varied significantly prior and then afterward the publication of S&P ratings on Us economy. H1: The stock prices of open sector banks contrasted significantly previously, then after the fact the advertisement of S&P ratings on Us economy.

	Paired differences				t	Sig.value
			95% confidence			
	Mean	S.D	Lower	Upper		
psbs prior – psbs post	2.28571	17.94887	-0.807766	5.65102	0.476	0.642

Table : Paired Samples Test For Public Segment Banks

The mean contrast between general society sector banks stock prices former and post advertisement of S&P ratings is 2.28571 with t-worth 0.476 and p-quality 0.642 thusly invalid hypothesis can not be denied i.e. the mean distinction is not significant. It might be presumed that the stock prices of psbs not decreased significantly after the declaration of S&P ratings on Us economy.

The normal stock cost for private sector banks former and post advertisement of S&P ratings on was Rs.589.3893 and Rs.574.2714 with standard deviations Rs.97.72270 and Rs.93.84671. The effect of S&P ratings on private sector banks tested under the accompanying hypothesis using combined sample t test as showed in table.

H0: The stock prices of private sector banks does not varied significantly prior and then afterward the publication of S&P ratings

H1: The stock prices of private sector banks varied significantly prior and then afterward the publication of S&P ratings.

	Paired differences				t	Sig.value
	Mean	S.D	95% confidence Lower	Upper		
prsbs prior – prsbs post	15.11786*	16.39613	5.65102	24.58470	3.450	0.004

*mean difference significant at 0.05 level of significance

Table : Paired Samples Test For Private Segment Banks

The mean contrast between the private sector banks stock prices prior and then afterward the publication of S&P ratings is 15.11786 with t-quality 3.450 and p-worth 0.004 thusly invalid hypothesis is denied at 0.05 level of significance .i.e. the mean distinction is significant. It could be construed that the stock prices of prsbs decreased significantly after the publication of S&P ratings.

IMPACT ON BANKEX SHARES

The mean stock price of bankex prior and post announcement of S&P ratings is Rs.679.6625 and Rs.670.9607 with standard deviations 557.98468 and Rs.552.32235 The impact of S&P ratings on bankex stock prices tested under the following hypothesis and the results are given table. Ho: There is no significant difference between bankex stock prices before and after the announcement of S&P ratings. H1: There is a significant difference between bankex stock prices before and after the announcement of S&P ratings.

	Paired differences				t	Sig.value
	Mean	S.D	95% confidence Lower	Upper		
Bankex prior – bankex post	8.70179*	18.08988	1.68726	15.71631	2.545	0.017

Table : Paired Samples Test For Bankex Shares Prices

The mean difference between bankex stock prices prior and post announcement of S&P ratings is Rs.8.70179 with t-value 2.545 and p-value 0.017 therefore null hypothesis is rejected at 5% level of significance. We conclude that bankex stock prices decreased significantly after the announcement of P&S ratings on US economy.

CONCLUSION

The basis of event study is to look at the returns inferred from the stock prices of the pertinent stocks both prior and then afterward the occasion. The present study reveals that

After the proclamation of Rbis credit policy, the stock prices of bankex is influenced more, when contrasted with open or private sector banks exclusively. It is clear that there is a high risk included in the fusion of open & private sector banks. Further it is surmise that the risk included in private sector banks is high, when contrasted with open sector banks.

After the proclamation of S&p ratings on Us economy, the stock prices of private sector banks influenced significantly, when contrasted with bankex and open sector banks. Further it is gather that, there is no effect of S&p ratings on open sector banks.

On generally speaking basis, it is presumed that, the risk included in private sector banks is high, when contrasted with open sector banks.

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