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**A COMPARATIVE STUDY OF NON-PRIORITY SECTOR LENDING AND
SHARE PRICES OF SBI AND BOB FOR THE PERIOD 2005-06 TO 2014-15**

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Abstract

Banks are the most important financial institutions in the economy. They are the principal source of credit (loanable funds) for millions of families and for many units of government (school districts, cities, countries etc.). Banks plays major role in the economic development process. The country's economy depends upon the efficient functioning of the banking system. Banks are the financial service firms, producing and selling professional management of the public's funds and performing many other roles in the economy.

Key Words: Non-Priority sector Lending, Stock Prices



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Introduction

The entire Sector other than Non-Priority sectors is considered as Non-Priority sector. Non-Priority sectors further bifurcated in public sector and bank and other sector for the analysis of lending norms. This is because of that banks and other sector advances is safe than remaining Non-Priority sector hence separate analysis has made by the researcher in two segments for Non-Priority sectors public sector advances and banks and other sector advances. As Non-Priority sectors more risky to public sector advances because public sector advances has sound collateral securities to Non-Priority sector advances hence sartorial advances is analysis in such a way.

Objective of the study

To study the Non-Priority sector lending by State Bank of India and Bank of Baroda from the period 2005-06 to 2014-15

RESEARCH DESIGN

- (i) **SAMPLE DESIGN:** For the present study researcher has selected top performing NIFTY 50 base two public sector banks State Bank of India and Bank of Baroda as a sample.
- (ii) **DATA COLLECTION:** The present study is mainly based on secondary data and the required data is collected from Annual Published Report of selected units, various Magazines, Periodicals related to banking industries, related websites and subject matter is also used.
- (iii) **PERIOD OF STUDY:** The study period is to be converted 10 years; from 2005-06 to 2014-15.
- (iv) **TOOLS & TECHNIQUES:** For the present study, Ratio-Analysis as an Accounting tools and linear correlation as well as regression model has been used as tools of Statistics.
- (v) **HYPOTHESIS:**
 - H_0 : There is no significant relation between Non-Priority sector lending by banks and stock prices of the bank
 - H_1 : There is significant relation between Non-Priority sector lending by banks and stock prices of the bank



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Table :1

Ratio of Non-Priority sector Advances To Total Advances and Average Stock prices of State Bank of India and Bank of Baroda for the period from 2005-06 to 2014-15

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ratio SBI	9.75	9.08	6.38	7.94	9.14	7.54	7.46	9.14	7.54	7.46
Stock Price	81.262	99.877	178.086	132.611	190.959	266.654	213.881	216.830	180.499	166.428
Ratio BOB	10.78	10.80	16.01	20.59	14.09	13.61	11.73	10.05	8.41	7.70
Stock Price	22.678	23.968	322.15	261.71	475.43	836.70	810.41	741.39	602.10	777.16

Formula : (Non-Priority Sector Advances/Total Advances) x 100

Source: rbi.gov.in



Table : 2

Regression Statistics for Ratio of Non-Priority sector Advances To Total Advances and Average Stock prices of State Bank of India and Bank of Baroda for the period from 2005-06 to 2014-15

	SBI	BOB
Multiple R	0.445315	0.437793
R Square	0.198305	0.191663
Adjusted R Square	0.098093	0.090621
Standard Error	531.6598	241.675
Observations	10	10
Fc	1.97886	1.89686
Ft	0.197149	0.205733
Regression ANOVA	Fc > Ft	Fc > Ft

- (i) **Multiple R:** This is the Correlation Coefficient. It shows how strong the linear relationship is. For the ratio of Non-Priority sector Advances to total assets and average stock prices of State Bank of India the value for it shows 0.445315 that means 44.53% and 0.437793 that means 43.78% relationship exist For the ratio of Non-Priority sector Advances to total assets and average stock prices of State Bank of India and Bank of Baroda for the period from 2005-06 to 2014-15.



- (ii) **R Square:** This is r^2 , the Co efficient of Determination which shows that how many points fall on the regression model that means how well the regression line approximates the real data. For the ratio of Non-Priority sector Advances to total assets and average stock prices of State Bank of India the value of it shows 0.198305 that means 19.83% and 0.191663 that means 19.17% for Bank of Baroda variation of y-values around the mean is explained by the x-values. In other words, 19.83% of the values fit the model for SBI and 19.17% for BOB.
- (iii) **Adjusted R Square:** This is quoted most often when explaining the accuracy of the regression equation. Adjusted R Square is more conservative the R Square because it is always less than R Square. For the ratio of Non-Priority sector Advances to total assets and average stock prices of State Bank of India the value of it shows 0.098093 that means 9.80% and 0.090621 that means 9.06%.
- (iv) **Standard Error of the Regression:** An estimate of the standard deviation of the error for population mean. This is not the same as the Standard Error in Descriptive statistics! The Standard Error of the regression is the precision that the regression coefficient is measured which is shown as 531.6598 for SBI and 241.675 for BOB. For the ratio of Non-Priority sector Advances to total assets and average stock prices of State Bank of India.
- (v) **Observation:** Number of observations in the sample is 10 for both the research unit under study.
- (vi) **Regression ANOVA:** From the above table it is clear that $F_c > F_t$ for both the research unit under study that means null hypothesis is rejected that there is significant relationship between Non-Priority sector lending and stock prices of SBI and BOB during research period.

Conclusion

From the above study it is concluded that Non-Priority sector lending activity of banks and stock prices the banks may or may not depends upon the respective bank lending policy towards Non-Priority sector.



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