

**RISK AND RETURN ANALYSIS ON COMMON STOCK
INVESTMENT OF COMMERCIAL BANKS IN NEPAL
(With Reference to NIBL and NABIL)**

A Thesis

Submitted

By

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In Partial Fulfillment of the Requirements for the Degree of

Master of Business Studies (MBS)

In the

Faculty of Management

Tribhuvan University

February, 2020

RECOMMENDATION LETTER

It is certified that thesis entitled **Risk and Return Analysis on Common Stock Investment of Commercial Bank in Nepal (With Reference NIBL and NABIL Banks)** submitted by **Mr.Ramesh Kumar Devkota** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of this thesis itself has been acknowledged. I certify that all information sources and literature used are indicated in the reference selection of this thesis.

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February, 2020

ACKNOWLEDGEMENTS

This study entitled Risk and Return analysis on common stock investment of commercial bank of Nepal (with reference NIBL and NABIL Bank) has been conducted to satisfy the partial requirements for the degree of Master of Business Studies, Tribhuvan University.

A study of this kind would not have been possible without the help of all those who contributed in diverse ways towards its success. Without the continued emotional support provided by my family, I may have not reached the end of this journey. During my studies there were times when work commitments and intermittent stress made me believe that I would not be able to see this journey through. It was during these times, and many others, that their words of encouragement and confidence in my ability gave me the motivation to persist. No words of thanks can adequately express the depth of my appreciation.

I would like to extend my immense gratitude to my supervisor Prof. Dr. Gangaram Biswakarma for his valuable supervision and guidance in completing this study. I cannot express the extent to which his patience and understanding allowed me to reach the end of this journey. His encouragement, support, and, above all, his prompt, constructive and greatly appreciated criticism and feedback, were invaluable to the research, writing, and completion of this study. I wish to acknowledge all lecturers and facilitators of Central Department of Management for the various roles each one of them played towards the successful completion of this thesis. I am grateful to Prof. Dr. Ramji Gautam, Department Head, and Prof. Dr. Sanjay Kumar Shrestha, Research Committee Head, for timely supervision and guidance to complete this work.

Finally, I would also like to thank my friend Prakash Ojha, who always encouraged and helped me to conduct this study with betterment.

Thank You
Ramesh Kumar Devkota

ABSTRACT

Common Stock is a security that represents ownership in a corporation. It is a type of equity share issued by a corporation or entity. The buyers of common stock are referred to as shareholders. Common Stocks are fractional shares or a percentage equity ownership of an entity. A share represents a proportional stake in the company's net worth, income, cash flow, dividend, etc. Shareholder privileges usually include voting rights on issue that require shareholder approval and electing the directors of the entity.

The main objective of the study is to access the risk and return on common stock investment of listed commercial bank. The specific objectives of the study are as follows: (i) To analyze the common stock in term of risk and return. (ii) To examine the sensitivity of the stock price of commercial paper. (iii) To identify whether stock of the selected bank is overpriced, under priced and equilibrium price. (iv) To identify optimum portfolio of the bank. (v) To study the risk and return of the sampled commercial banks and also analyze their coefficient of variation.

An investment is a sacrifice of the current money or other resources for future benefits. Numerous of investment opportunities available today. A good investment policy has positive impact on the economic development of the nation and the investor too but some of the sources of uncertainty that contribute to the investment risk are interest rate risk, market risk, default risk and industry risk. As an investor everyone has a wide area of the investment on the common stock of banking sector. Common stock represents the ownership position in the corporation.

The study made on risk and return analysis on common stock of listed commercial banks is based on primary as well as secondary data from fiscal years 2013/014 to 2017/018. In this study, expected rate of return of NABIL bank's stock is highest i.e. 0.3408. Likewise in the terms of standard deviation NABIL bank's stock is highest risk i.e. 0.8222. But generally standard deviation is not used to determining risk, as there may be different expected return. Therefore, the coefficient of variation is considered as the best tools to measure the risk. On the other hand, it is found that the required rate of return of all sample banks have lower than it's expected rate of return. It means that all sampled bank's stock price are underpriced.

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ABBREVIATIONS

AGM	:	Annual General Meeting
BOK	:	Bank of Kathmandu Limited
CAPM	:	Capital Assets Pricing Model
CPI	:	Consumer Price Index
CS	:	Common Stock
CV	:	Coefficient of Variation
EBL	:	Everest Bank Ltd.
HBL	:	Himalayan Bank Ltd.
JV	:	Joint Venture
MPS	:	Market Price Per share
NABIL	:	Nepal arab bank limited
NBL	:	Nepal Bank Ltd.
NEPSE	:	Nepal Stock Exchange Ltd.
NIBL	:	Nepal investment bank limited
NRB	:	Nepal Rastra Bank
OTC	:	Over the Counter
SBI	:	State Bank of India
SD	:	Standard Deviation
SE	:	Stock Exchange
SEBON	:	Security Exchange Board of Nepal
SML	:	Security Market Line
US	:	United States