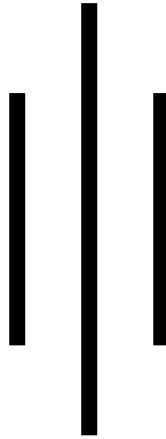
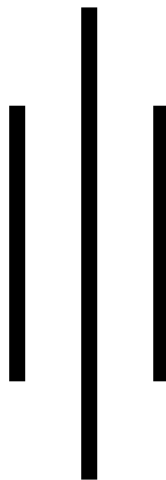


**Risk and Return Analysis of Commercial Banks in  
Nepal  
(SBI, NABIL, EBL & BOKL)**



By:-  
**Shyam Sundar Sah**  
Post Graduate Campus  
*Campus Roll Ni. 212 (Year 2066)*  
T.U. Registration No. 9-1-13-175-2003



*A thesis submitted to:*  
Office of the Dean  
Faculty of Management  
Tribhuvan University  
*In partial fulfillment of the requirements of the degree of*  
**Master of Business Studies (M.B.S.)**  
Biratnagar, Nepal  
June, 2012



**TRIBHUWAN UNIVERSITY**

**POST GRADUATE CAMPUS**

**Biratnagar**

Ph. No. 021-471327

021-471205

Ref. No.

Morang, Nepal

***RECOMMENDATION***

This is to certify that the thesis:

*Submitted by*

**SHYAM SUNDAR SAH**

*Entitled*

**Risk and Return Analysis of Commercial Banks in Nepal**

**(SBI, NABIL, EBL & BOKL)**

has been prepared as approved by this department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

**Supervisor**

Name: Ramprakash Upadhyay

Signature:.....

**Head of Department**

Name: Prof. Fr. Khagendra Acharya

Signature:.....

**Campus Chief**

Name: Dr. Harihar Bhandari

Signature:.....

Date:.....



# TRIBHUWAN UNIVERSITY

POST GRADUATE CAMPUS

**Biratnagar**

Ph. No. 021-471327

021-471205

Ref. No.

Morang, Nepal

## VIVA- VOCE SHEET

*We have conducted the viva- voce examination of the thesis presented by*

**SHYAM SUNDAR SAH**

*Entitled*

**Risk and Return Analysis of Commercial Banks in Nepal**

*and found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master's Degree in Business Studies (M.B.S.)*

## VIVA- VOCE COMMITTEE

Chairperson, Research Committee: .....

Member (Thesis supervisor): Ramprakash Upadhyay .....

Member (External Expert): .....

Date:.....

## **DECLARATION**

I hereby declare that the thesis entitled Risk and Return Analysis of Commercial Banks in Nepal submitted to Post Graduate Campus, Faculty of Management, Tribhuvan University, is my original work discharged to fulfill the partial requirements of the Master of Business Studies (MBS) under the meticulous guidance of Ramprakash Upadhyay Lecturer in Management, Post Graduate Campus, Biratnagar.

.....  
Shyam Sundar Sah  
Researcher

Date:.....

## **ACKNOWLEDGEMENT**

Today financial institutions play a major role in the capital market of our country. Commercial banks alone hold the dominant position in the financial system. Financial institutions have contributed a lot in the development and growth of our financial system and more importantly the economy as a whole. They are the building blocks of our capital and money market because they are the major participants of the financial market. They participate by raising long term source of funds, short term financial and the trading of different types of financial securities.

Since financial institutions constitute an important part of our financial market and financial system as a whole, the performance of these institutions play a significant role in waving the path of the financial market. Financial institutions play a dominant role in the determination of NEPSE index, which is the indicator of the financial performance of the listed companies under Nepal stock exchange. Thus, in order to strengthen and develop our capital market and develop its efficiency, right investment decision by the investors considering the return that could be achieved and the risk that needs to be borne is very important. Thus, in this contest, this study entitled “Risk and Return Analysis of Commercial Banks in Nepal” has been accomplished with a view to provide some insight to the investors and all other interested or related parties to make proper investment and make some meaningful contribution for the development of our capital market.

Four commercial banks namely Nepal SBI Bank Ltd., Everest Bank Ltd, NABIL Bank Ltd and Bank of Kathmandu Ltd. have been selected for the study.

I would like to express my deep gratitude and heartfelt appreciation to all the concerned staffs of the financial institutions chosen for study for their valuable help and support for providing the required materials. Similarly, I am equally obliged to the staff of Securities Board of Nepal (SEBON) for helping in locating the required materials for the study. Finally, I would like to thank our respected Ramprakash Upadhyay for his valuable guidance throughout the project. I hope that this study would prove to be useful to further researchers, teachers, students or anyone interested in this area of study.

Shyam Sundar Sah  
Researcher

## TABLES OF CONTENTS

### Chapter-1

1.	Introduction	1-14
1.1	Background of the study	1
1.2	Origin and Historical Growth of Banking	3
1.3	Evolution of Banking in Nepal	6
1.4	Concept of Bank	8
1.5	Concept of Commercial Banks	9
1.6	Joint Venture Banks	
	1.6.1 Nepal SBI Bank Ltd	10
	1.6.2 Everest Bank Ltd	10
	1.6.3 NABIL Bank Ltd	11
	1.6.4 Bank of Kathmandu Ltd	12
1.7	Function of Commercial Banks	11
1.8	Importance of Commercial Bank	11
1.9	Focus of the study	13
1.10	Statement of the problem	14
1.11	Objectives of the study	14
1.12	Significant of the study	15

### CHAPTER- 2

2.	Review of Literature	16
2.1	Theoretical Framework	17
	2.1.1 Common stock	17
	2.1.2 Risk on common stock	18
	2.1.3 Types of Risk	20
	2.1.4 Return on stocks	25
	2.1.5 The Range	28
	2.1.6 The standard deviation	29
	2.1.7 Coefficient of variation	30
	2.1.8 Capital assets pricing model (CAPM)	31
	2.1.9 Review from related studies	35

### CHAPTER- 3

3.	Research Methodology	36
3.1	Research decision	36
3.2	Population and sample	37
3.3	Data collection procedure	37
3.4	Data Analysis Tools	38
	3.4.1 Market price of stock	38
	3.4.2 Dividend	38
	3.4.3 Return on common stock investment	39

3.4.4	Expected rate of return on common stock	39
3.4.5	Standard deviation	40
3.4.6	Coefficient of variation (c.v.)	40
3.4.7	Beta coefficient ( $\beta$ )	41
3.4.8	Market returns ( $R_m$ )	42

#### **CHAPTER-4**

4.	Presentation and Analysis of Data	43
4.1	Analysis	43
4.1.1	Nepal SBI Bank Limited (SBI)	45
4.1.2	NABIL Bank Limited (NABIL)	45
4.1.3	Everest Bank Limited (EBL)	47
4.1.4	Bank of Kathmandu Limited (BOKL)	49
4.2	Inter-firm comparison	51
4.3	Comparison with market	52

#### **CHAPTER-5**

5.	Summary, Conclusion and Recommendations	
5.1	Summary	57
5.2	Conclusion	58
5.3	Recommendation and Suggestions	60
	Bibliography	
	Appendix	

## LIST OF TABLES

Table No.		Page No.
4.1	MPS, dividend and EPS data of SBI	43
4.2	Expected Return, S.D. and C.V. of common stock of SBI	44
4.3	MPS, EPS and Dividend of NABIL Bank Ltd	45
4.4	Expected return, S.D. and C.V. of NABIL Bank Ltd	46
4.5	MPS, Dividend and EPS data of EBL	47
4.6	Expected return, S.D. and C.V. of common stock of EBL	48
4.7	MPS, dividend and EPS data of BOKL	49
4.8	Expected Return, S.D. and C.V. of common stock of BOKL	50
4.9	Expected return, S.D. and C.V. of each sample	51
4.10	Market return, standard deviation and c.v.	52
4.11	Beta coefficient of each bank	53
4.12	Required rate of return, expected rate of return and price situation	54



## LIST OF FIGURES

Figure No.		Page No.
2.2	Beta and SML	32
4.1	Closing MPS and EPS movement of SBI	44
4.2	Annual return of common stock of SBI	45
4.3	Closing MPS and EPS movement of NEANIL Bank Ltd	46
4.4	Annual return of common stock of NABIL Bank Ltd	47
4.5	Closing MPS and EPS movement of EBL	48
4.6	Annual return of common stock of EBL	49
4.7	Closing MPS and EPS movement of BOKL	50
4.8	Annual return of common stock of BOKL	51
4.9	Market return	53

## ABBREVIATION

Amt.	=	Amount
A.D.	=	Anno Domini
B.S.	=	Bikram Sambat
etc.	=	Etcetera
Fy	=	Fiscal year
i.e.	=	That is
Ltd	=	Limited
NABIL	=	Nabil Bank Limited
SBI	=	State Bank of India
EBL	=	Everest Bank Limited
BOKL	=	Bank of Kathmandu Limited
NEPSE	=	Nepal stock exchange
NRB	=	Nepal Rastra Bank
RBB	=	Rastriya Banijya Bank
Rs.	=	Rupees
SAARC	=	The south Asian Association for Regional cooperation
S.D.	=	Standard Deviation
TU	=	Tribhuvan University