#### PORTFOLIO ANALYSIS OF COMMON STOCK INVESTMENT

(With Special reference to listed Financial Companies in NEPSE)

### **A THESIS**

# Submitted By: ANITA SAPKOTA

Nepal Commerce Campus T.U. Registration No: 7-1-38-1411-98 Campus Roll No: 85/060 Exam Roll No: 1148/062

Submitted To:
Office of the Dean
Faculty of Management
Tribhuvan University

In Partial fulfillment of the requirements for the Master's Degree of Business Studies (MBS)

New Baneshwor, Kathmandu July, 2010

# **DECLARATION**

I hereby declare that the work reported in this thesis entitled **Portfolio Analysis of Common S Investment** submitted to Research Department of Nepal Commerce Campus, Faculty of Manager Tribhuvan University, is my original work done for the partial fulfillment of the requirements for Master's Degree of Business Studies (M.B.S.) under the supervision and guidance of Dr. Pra Neupane & Mr. Rajesh Kumar Poudel of Nepal Commerce Campus.

.....

## Researcher

ANITA SAPKOTA

**Nepal Commerce Campus** 

Campus Roll No: 85/60

**MBS Symbol No: 1148/062** 

**TU Registration No: 7-1-38-1411-98** 

Date:....

ACKNOWLEDGEMENT

The completion of this thesis is a matter of great pleasure for me. It is the fulfillment of

the partial requirements for the Master's Degree of Business Studies as well as it helps to

enhance the pragmatic knowledge on the subject matter. During the course of my study, I

found myself fortunate enough to receive a great deal of help and pursuance from various

persons and institutions. I express my whole humbles gratitude to all of them.

I gratefully express my sense of deep indebtedness to respected teachers as well as thesis

supervisors, Dr. Prakash Neupane and Mr. Rajesh Kumar Paudel for their valuable

suggestions and continuous co-operation throughout the period of this study.

I would like to express my cordial appreciation and sincere gratitude to my respected research

advisors, Library members of Nepal Commerce Campus and TU Central Library and staff of

Security Board of Nepal for their proper guidance and critical comments plus valuable

suggestions.

Last but not least, my special thanks goes to my sister Mrs. Bhabani Sapkota, brother Mr.

Anjan Raj Sapkota and other relatives who help me directly and indirectly attributes their

effort to accomplish this thesis.

ANITA SAPKOTA

**Nepal Commerce Campus** 

## TABLE OF CONTENTS

		Page No.
REC DEC ACK TAB LIST LIST	A -VOCE SHEET OMMENDATION CLARATION CNOWLEDGEMENTS LE OF CONTENTS OF TABLE OF FIGURES REVIATIONS	
	CHAPTER - I	
INT	RODUCTION	1-9
1.1	General Background	1
1.2	Capital Market in Nepal	4
1.3	Focus of the Study	5
1.4	Statement of the problem	6
1.5	Objectives of the Study	7
1.6	Significance of the Study	7
1.7	Limitations of the Study	8
1.8	Organization of the Study	9
	CHAPTER – II	
REV	TEW OF LITERATURE	10-38
2.1	Background	10
2. 2	Conceptual Framework	10
	2.2.1 Investment Process	10
	2.2.2. Common Stock	11
	2.2.3 Risk and Return	12
	2.2.4 Portfolio	18
	2.2.5 Capital Asset Pricing Model (CAPM)	27
	2.2.6 Portfolio Performance Evaluation	29
23	Review of Related Studies in Nepal	31

2. 4	Review of Previous Research		33	
2.5	Resea	rch Gap	38	
		CHAPTER III		
RESE	ESEARCH METHODOLOGY 3			
3.1	Backg	round	39	
3.2	Research design			
3.3	Population and Sample			
3.4	Sampling Procedure		40	
3.5	Source of Data		41	
3.6	Data Collection Technique		41	
3.7	Methods of Data Presentation and Analysis		41	
3.8	Tools	to Analyze	41	
		CHAPTER - IV		
DATA	DATA PRESENTATION AND ANALYSIS 50-			
4.1	Security Market and Sector Analysis		50	
	4.1.1	Listing of Securities	50	
	4.1.2	Paid up value	52	
	4.1.3	Annual Turnover	53	
	4.1.4	Market Capitalization	54	
	4.1.5	Price Index	56	
4.2	Portfolio Analysis		57	
	4.2.1	Return and Risk and Other input data	57	
	4.2.2.	Portfolio Analysis when only Commercial Banks are included	59	
	4.2.3	Portfolio Analysis when only Development Banks are included	61	
	4.2.4	Portfolio Analysis when only Finance Companies are included	62	
	4.2.5	Portfolio Analysis when only Insurance Companies are included	63	
	4.2.6	Portfolio Analysis when Commercial banks and Development		
		Banks are included	65	
	4.2.7	Portfolio Analysis between Commercial banks and		
		Finance Companies	66	

	4.2.8	Portfolio Analysis between Commercial bank and	
		Insurance companies	67
	4.2.9	Portfolio Analysis between Development banks and	
		Finance Companies	68
	4.2.10	Portfolio Analysis between Development Banks and	
		Insurance Companies	69
	4.2.11	Portfolio Analysis between Finance Companies and	
		Insurance Companies	70
4.3	Meası	rement of Portfolio Analysis	71
	4.3.1	Commercial Banks	71
	4.3.2	Development Banks	72
	4.3.3	Finance Companies	73
	4.3.4	Insurance Companies	74
	4.3.5	Commercial and Development Banks	75
	4.3.6	Commercial and Finance Companies	76
	4.3.7	Commercial Banks and Insurance Companies	77
	4.3.8	Development Banks and Finance Companies	78
	4.3.9	Development Banks and Insurance Companies	79
	4.3.10.	Finance Companies and Insurance Companies	80
4.4	Analy	sis of Primary Data	81
4.5	Major	findings of the Study	86
	4.5.1	Based on secondary Data Analysis	86
	4.5.2	Major Finding from Primary Data	90
		CHAPTER -V	
SUM	MARY,	CONCLUSION AND RECOMMENDATION	92-96
5.1	Summ	nary	92
5.2	Conclusions		93
5.3	Recommendations 95		
Biblio	ography	y	
Appe	ndix		