THE IMPACT OF SYSTEMATIC & UN-SYSTEMATIC RISK ON STOCK RETURNS (OIL & GAS SECTOR) IN PAKISTAN

BY

HASSANGHAFFAR
38921

A thesis submitted to the Business Studies Department, Bahria Business School,Bahria University Karachi Campus, in partial fulfillment of the requirements for MBA Degree

Fall, 2020

BUSINESS STUDIES DEPARTMENT

BAHRIA BUSINESS SCHOOL

Bahria University Karachi Campus

SEMESTER 3rd

REG # 38921

MBAThesis2nd Half-Semester Progress Report&Thesis Approval Statement

Supervisor – Student Meeting Record

S#	Date	Place of Meeting	Topic Discussed	Signature of Student
	03-Aug-20	ZOOM	Discussion on Research Methodology	Hassan
	15-Sep-20	ZOOM	Critical debate	Hassan
	01-Oct-20	ZOOM	Analysis and corrections	Hassan

APPROVAL FOR EXAMINATION

Candidate's Name: Hassan Ghaffar Registration No.: 38921

Thesis Title: The Impact of Systematic &Un-Systematic Risk on Stock Returns (Oil & Gas Sector) in Pakistan.

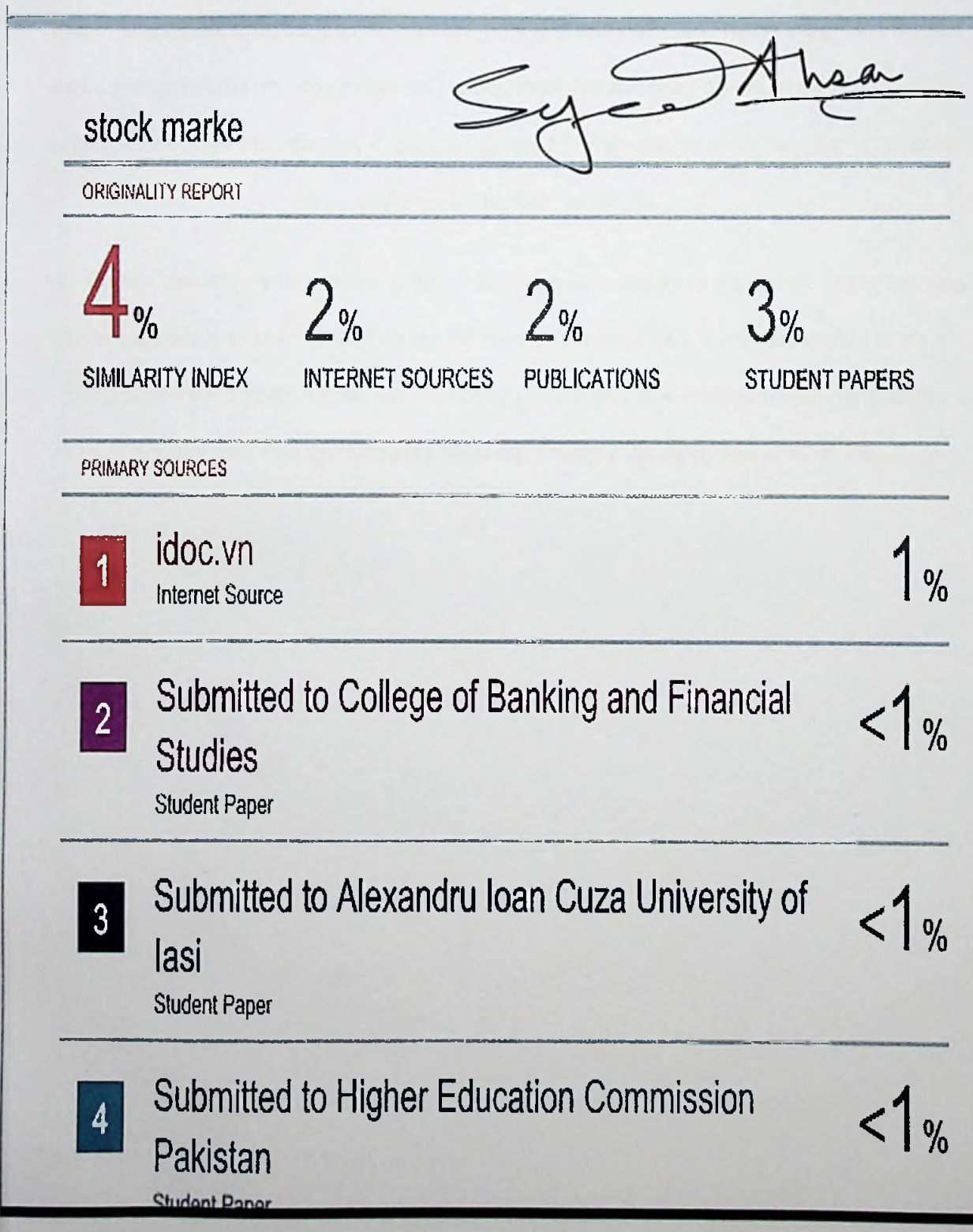
I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at ___ that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Business Studies.

Supervisor's Signature: _____ Date: 04-03-21

Supervisor's Name: SIR AHSAN

HoD's Signature: _____ Date: 04-03-21

Turnitin Similarity Report



stock marke

ORIGINALITY REPORT

4%	2%	2%	3%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	idoc.vn Internet Source	1%
2	Submitted to College of Banking and Financial Studies Student Paper	<1%
3	Submitted to Alexandru Ioan Cuza University of Iasi Student Paper	<1%
4	Submitted to Higher Education Commission Pakistan Student Paper	<1%

Acknowledgement

Primarily, all praises are for Allah Almighty who blessed me with the knowledge, skills, and courage to initiate and complete this project in a dignified manner. I was never expecting that I would be able to accomplish this work, being an ordinary human. However, the fact remains that Allah is the most beneficent and never leaves His Creation alone who has full belief & blind faith in Him and a person like Hassan Ghaffar can achieve his goals.

I would like to express my sincere gratitude towards my respected supervisor Mr. Akbar Saeed and Sir. Ahsan for providing me a great opportunity to commence this particular research proposal. His tremendous guidance throughout the research proposal with extreme dedication & empathetic approach kept me motivated. His vigorous foresight, honesty, kindness and friendly disposition has inspired me to a great level. He possesses excellent teaching skills and very well aware of the advanced academic methodology and research spectrum.

ABSTRACT

Purpose

The research purpose is to examine the impact of Systematic and un-Systematic risk on stock returns (Oil & Gas Sector)in Pakistan.

Methodology & Design

The research design is based on quantitative and longitudinal research in which Secondary data is used to determine the cause and effect of the Systematic and un-Systematic risk on stock returns (Oil & Gas Sector), there were interest rate risk, inflation risk, liquidity risk and credit risk that considered panel least square methodology to examine top 10 companies (listed in KSE-100 Index) data ranging from 2013-2018 in which only privately owned companies were taken which had the same size of business in nature with respect to the category of the privately owned scheduled commercial oil and gas industries operating in Pakistan.

Findings

The findings explained that deposits do not have any significant impact upon Stock Return whereas rest of variables interest rate risk, inflation risk, liquidity risk and credit risk were found significant.

Limitations

Top two systematical private commercial companies in Pakistan (KSE-100 Index) are consider in this study, future research can be carried out on large sample size. The data taken for the study is for only past 6 years i.e. 2012-2018 due to unavailability of the data on the Oil and gas official website database. Comparative study among different types of companies is completely skipped off future studies can fill that gap by doing comparative study of nature. This study does not include any external macro-economic indicators only top two private sector commercial companies were included in the study.

Recommendations

Stock returns are insignificant with relation to risk in this study because concerned parties do not have much problems in maintaining OGDCL (oil and gas Development Company limited) prescribed stock reserves. Although, to avoid uncertainty OGDCL needs to provide deposit stock return on the bases of risk either systematic or un-systematic. Profitability is significant to stock in this study, so policy makers and senior managers need to have systematic risk management strategies in the operations of the company limited. Company Size has been found significant to stock return in this study, so policy makers and C.E.O need to maintain higher stock return by ensuring and creating customer relationships with depositors and investors to attract more returns in terms of profits.

Keywords

Interest rate risk, Inflation risk, Liquidity risk, Credit risk and Stock return

Table of Contents

MBA Thesis 2nd Half-Semester Progress Report & Thesis Approval Statement i
Declaration of Authentication ii
Turnitin Similarity Report iii
Dedication iv
Acknowledgement v
Abstract vi
CHAPTER 1 1
INTRODUCTION 1
1.1 Introduction 1
1.2 Overview of the Industry: 3
1.3 Background 5
1.4 Problem Statement 5
1.5 Research Objectives 6
1.6 Research Questions 6
1.7 Significance of the Study 7
1.8 Scope of the Research 7
1.9 Operational Definitions of the Variables 8
1.9.1 Interest rate risk 8
1.9.2 Inflation risk 8
1.9.3 Liquidity risk 8
1.9.4 Credit risk 9
1.9.5 Stock return 9

1.10 Organization of the Thesis 10

CHAPTER 2 12

LITERATURE REVIEW 12

2.1 Empirical review 12

2.2 Systematic Risk 13

2.3 Interest Rate risk 16

2.4 Inflation Rate Risk 18

2.5 Un- Systematic Risk 20

2.6 Liquidity risk 21

2.7 Credit risk 23

2.8 Stock Return 25

2.9 Research Hypotheses 26

2.9.1 Hypothesis # 1 26

2.9.2 Hypothesis # 2 28

2.9.3 Hypothesis # 3 29

2.9.4 Hypothesis # 4 30

2.10 Conceptual Framework 31

CHAPTER 3 32

Research Methodology 32

3.1 Research Approach & Type 32

3.2 Research Design 32

3.3 Research Purpose 33

3.4 Data and Sample 33

3.5 Data Sources 34
3.5 Balanced Data: ..... **Error! Bookmark not defined.**
3.6 Statistical Technique: 34
3.7 Description of Variables: 34
3.7.1 Independent Variable. 34
3.7.2 Dependent variable. 34
CHAPTER 4 35
Results 35
4.1 Descriptive Statistics 35
4.2 Correlation Test 36
4.3 Hypothesis Testing 37
4.3.1 Hypothesis 1 37
4.3.2 Hypothesis 2 39
4.3.3 Hypothesis 3 41
4.3.4 Hypothesis 4 43
4.4 Summary of Hypotheses Testing 44
CHAPTER 5 45
Discussion 45
5.1 Discussion 45
5.1.1 Stock return and Interest rate risk 45
5.1.2 Stock return and Inflation rate risk. 46
5.1.3 Stock return and Liquidity risk 46

5.1.4 Stock return and Credit risk 47

CHAPTER 6 49

Recommendations and Conclusion 49

6.1 Recommendations 49

6.2 Limitations of the Research 49

6.3 Future Research 50

6.4 Conclusion 50

References 51

APPENDIX 62