

# **TOPIC: THE EFFECT OF CREDIT RATINGS ON BANK PERFORMANCE AND STOCK RETURN**

**BY**

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A Project submitted to Department of Management Studies, Bahria Business School, Bahria University – Karachi Campus, in partial fulfillment of the requirement for BS A&F Degree



**BS (ACCOUNTING & FINANCE)**


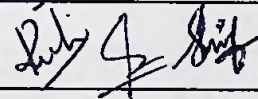
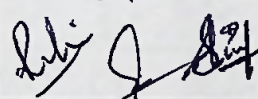
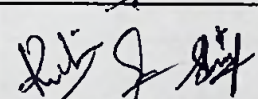
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## 1<sup>st</sup> Half Semester Progress Report

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Thesis/Project Title	The effect of Credit Ratings on Bank performance and Stock return.		

### Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	23/02/2023	PG Executive Research Lab	Topic Discussed	
2	03/03/2023	PG Executive Research Lab	Introduction	
3	16/03/2023	PG Executive Research Lab	Literature review	
4	05/04/2023	PG Executive Research Lab	Methodology	

Progress Satisfactory

Progress Unsatisfactory

Remarks:

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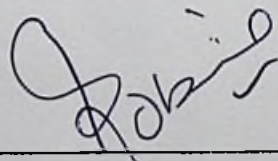


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Date:

25-7-23.

Name of Supervisor:

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**Project Approval Statement****APPROVAL FOR EXAMINATION**

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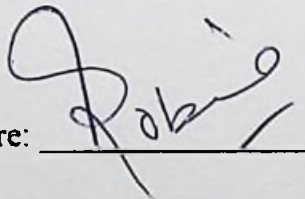
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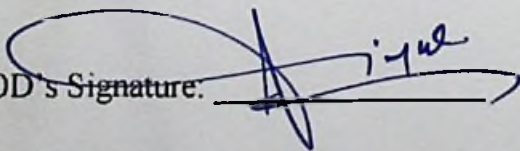


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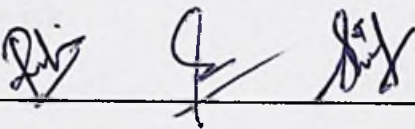
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**Declaration of Authentication**

I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

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## ABSTRACT

The study on “The effect of credit ratings on bank performance and stock returns” aims to explore how credit ratings influence a bank’s operating and financial performance. Additionally, the study aims to analyze the relation between credit rating and stock market returns, ROA and ROE. This research has focused at what influences credit ratings in Pakistan. Secondly, how credit ratings affect firm financial performance and how credit ratings affect stock returns. The empirical analysis of this study is, the panel data of 20 commercial banks as our population as well as sample. All these banks are listed on KSE-100 index are considered as selected sample. The data size for our data collection is of 10 years from 2011-2021. The findings has obtained by Descriptive analysis, panel unit root test, OLS, and regression results by Hausman test to estimate impact of credit ratings on bank performance and stock returns. The Panel Unit Root test result indicated that all the variables, including credit rating: stock returns, ROA, and Return on Equity (ROE) were stationary and the regression results demonstrated a significant impact on firm performance. The overall, findings suggest that maintaining a high credit rating is beneficial for banks in terms of their ability to attract investors, access capital, and enhance their overall financial health. The results of this study's analysis may make it easier for debt holders, investors, shareholders, and other interested parties to comprehend the importance of credit ratings and their impact on a company's performance and stock return.

*Key Words: Credit rating, Firm Performance, Stock Return*