IMAPCT OF DIVIDEND PRACTICES ON SHAREHOLDERS WEALTH AND BANK PERFORMANCE

A Dissertation Submitted to the office of the Dean, Faculty of Management in partial fulfilment of the requirements for the Masters of Business Studies (MBS)

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "Impact of Dividend Practices on Shareholders Wealth and Bank Performance". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Milan Khadka has defended research proposal entitled **"Impact of Dividend Practices on Shareholders Wealth and Bank Performance"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Dr. Pitri Raj Adhikari and Mr. Yagya Prasad Bhattarai and submit the dissertation for evaluation and Viva-Voce examination.

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We have examined the dissertation entitled **"Impact of Dividend Practices on Shareholders Wealth and Bank Performance"** presented by Milan Khadka candidate for the degree of Master of Business Studies (MBS Semester) and conducted this Viva-voce Examination of the candidate. We hereby certify that the dissertation is worth of acceptance

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ABBREVIATIONS

AD	:	Annon Domini
ANOVA	:	Analysis of Variances
BVPS	:	Book Value per Share
C.V.	:	Coefficient of Variation
CDPS	:	Cash Dividend per Share
DPR	:	Dividend Payout Ratio
DPS	:	Dividend per Share
EPS	:	Earnings per Share
F-Value	:	Fishers Value
FY	:	Fiscal Year
NIM	:	Net Interest Margin
NPLR	:	Non-performing Loan Ratio
NRB	:	Nepal Rastra Bank Limited
P-Value	:	Probability Value
ROA	:	Return on Assets
ROE	:	Return on Equity
Rs.	:	Rupees
S.D.	:	Standard Deviation
SDPS	:	Stock Dividend per Share

ABSTRACT

This research looks at the dividend distribution patterns of Nepalese commercial banks to provide light on how these practices affect company profitability and shareholder wealth. A sample of ten out of the twenty listed banks on the Nepal Stock Exchange (NEPSE) is carefully selected for a comprehensive analysis using a purposive selection approach based on paid-up capital. The study uses a descriptive comparative research approach and spans 10 fiscal years, from 2014-15 to 2023–24. It is centered on secondary data extracted from the selected institutions' yearly reports. For statistical research, including multiple regression, correlation analysis, mean, minimum, and maximum, as well as standard deviation, SPSS and Microsoft Excel are used. The research concludes that there are positive and statistically significant relationships between return on equity (ROE) and the cash dividend per share, stock dividend per share, and dividend payout ratio. Nevertheless, no statistically significant correlations are found between these dividend-related variables and net interest margin (NIM) or return on assets (ROA). The dividend programs provided by the selected institutions are made clearer in terms of their structure and trends by the descriptive research. The findings demonstrate the significance of Dividend Practices for Nepalese commercial banks, particularly in relation to boosting shareholder value via ROE. Further investigation into other pertinent factors is encouraged by the absence of connections found between NIM and ROA. This study provides valuable insights into the intricate aspects of financial performance within Nepal's banking sector.

Keywords: *Dividend Practices, return on equity, net interest margin, return on assets, financial performance, shareholder wealth.*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In the last several years, the impact of dividend practices on bank financial performance has garnered more attention from researchers and increased discourse. Investigations by Bossman et al. (2022), Nambukara-Gamage and Peries (2020), Nguyen et al. (2020), Farrukh et al. (2023), Ansar et al. (2023), Ojeme et al. (2022), and Nambukara-Gamage and Peries (2020) have illuminated this crucial relationship in several global contexts. According to Ansar et al. (2023), there is a significant positive correlation between shareholder wealth and dividend practices, suggesting that dividend payments have a favorable impact on the accumulation of investor wealth. Yegon et al. (2023) discovered strong positive relationships in Kenya between dividend practices, investments, firm performance, and profits per share. Meanwhile, in line with dividend relevance and signaling theories, Nambukara-Gamage and Peries (2020) discovered a marginally positive correlation between dividend practices and shareholder wealth in the Australian retail industry. Bossman et al. (2022) found a complex relationship between dividend capacity, free cash flow savings, and company success during a period of changes in Ghana's banking industry. These findings emphasize how important it is to understand the nuanced effects of dividend practices on the financial performance of the banking sector.

The impact of dividend practices on shareholders' wealth and bank performance has been a focal point of financial research, given its critical role in corporate finance and value creation. Dividend practices, encompassing decisions on dividend payout ratios, cash dividends, and stock dividends, serves as a key mechanism through which firms distribute earnings to shareholders and signal financial health to the market. Empirical evidence suggests that dividend policies significantly influence firm valuation and profitability, particularly in the banking sector where financial stability and regulatory frameworks play vital roles (Simamora & Hidayat, 2025). In Indonesia's energy sector, dividend practices alongside firm size has been shown to positively affect financial performance measured by return on assets (ROA), underscoring its importance in enhancing shareholder returns (Simamora & Hidayat, 2025). Similarly, research on state-owned banks in Indonesia reveals that profitability and dividend practices together substantially impact firm value,

indicating dividend decisions as crucial drivers of shareholder wealth (Muninggarsih & Giyartiningrum, 2025).

In the context of Islamic banking in Pakistan, dividend payout ratios significantly affect financial performance despite operational challenges, highlighting the need for optimized dividend strategies within Sharia-compliant frameworks (Iqbal & Fikri, 2024). Furthermore, in the Korean market, the relationship between dividend practices and firm performance varies based on ownership structures, with Chaebol firms exhibiting positive effects consistent with interest alignment theories, while non-Chaebol firms demonstrate negative impacts linked to managerial entrenchment (Njoku & Lee, 2024). These findings collectively emphasize that dividend practices is a pivotal factor influencing both shareholder wealth and bank performance, although its effects may differ according to institutional, regulatory, and ownership contexts. Understanding these dynamics is essential for policymakers and financial managers aiming to optimize dividend strategies to maximize firm value and shareholder returns.

Additionally, Ojeme et al. (2022) shed light on the particular implications of dividend practices on the financial performance of banks in Nigeria and Pakistan, respectively. According to Farrukh et al. (2023), dividend policies have a favorable and significant impact on shareholder wealth and company performance in Pakistan. This highlights the applicability of several dividend theories, including the signaling effect hypothesis and the dividend relevance theory. The relationship between dividend payments and market value in Nigeria is examined by Ojeme et al. (2022), who emphasize the significance of dividend distributions to the market value of shares in publicly listed banks. These findings demonstrate the potential importance of dividend policies as tools for boosting shareholders' wealth and the need of further research into these effects in the banking sector.

A key component of the company's financing decision is the dividend decision, which is the allocation of a bank's profits between dividend and retention. It is one of the most significant financial management decisions since it affects investor sentiment, corporate liquidity, financial structure, and money flow, all of which have an impact on the firm's worth. Making the right decision about dividend practices may help the company; making the wrong decision can lose the company money and effort (Bhandari & Pokhrel, 2012).

Businesses often put into practice dividend plans that are suitable for the stage of their life cycle. As an example, high-growth businesses with larger cash flows and fewer projects

often distribute a larger portion of their earnings as dividends. The payment of dividends by companies may exhibit diverse and captivating patterns, which contributes to the intricacy of these decisions. First of all, dividends often follow profits; that is, increases in dividends usually follow earnings increases, whereas dividend reductions sometimes accompany earnings decreases. Second, the reason dividends are "sticky" is because firms are often reluctant to modify distributions; in other words, they refuse to cut payments even when earnings decline. Third, compared to earnings, dividends have a more smoother trajectory. Finally, because of fluctuations in growth rates, cash flows, and project investments, dividend practices fluctuates greatly across a company's life cycle. Businesses in cyclical sectors, for example, are more susceptible to macroeconomic fluctuations and are thus less likely to be persuaded to establish a relatively low manageable regular payout in order to avoid the feared repercussions of a lowered dividend in an exceptionally poor year (Mehta, 2012).

The dividend distribution policy of a bank affects lenders, investors, management, and other stakeholders, especially claimants. Whether declared now or gathered and disbursed later, dividends are an important part of a bank's worth in addition to providing investors with a consistent stream of income. In a similar vein, managers' capacity to fund projects is impacted by the amount of dividends they can distribute to shareholders; more payouts equate to lower cash on hand for investment. The amount of dividends announced by banks may be of interest to lenders since a higher dividend payment means less money available for claim servicing and redemption. Given that several claimants participate in the effect of dividend payments, they provide an example of a common agency situation. Dividend distribution might thus be used to reduce agency costs. The amount of discretionary income managers have for luxuries and investment opportunities is reduced by dividend payments, forcing managers to look for capital markets financing. Managers may be encouraged to exercise more discipline and act in the owners' best interests by this external capital market monitoring (Zaman, 2013).

A percentage of net income is distributed to shareholders as dividends in line with the bank's dividend practices. Paying dividends is often a component of a bank's strategic goal of giving shareholders a percentage of its profits. The payment plan that management use to decide on the amount and timing of cash distributions throughout the year is referred to as dividend processes. One of the topics in corporate finance that has been studied the most is dividend practices. However, managers, lawmakers, and academics disagree on whether

dividend policies have an impact on shareholder wealth (ROE) and company success (ROA & NIM) (Bhandari & Pokhrel, 2012).

The study on dividend policies for Nepalese commercial banks was conducted since the country's banking sector has seen substantial transformation and is becoming an increasingly important economic force. Examining the relationship between dividend policies and how they affect the price of shares listed on the NEPSE was the aim of this study.

1.2 Problem Statement

Maximizing shareholder value while keeping a clear balance in three fundamental decision-making processes—investment, financing, and dividend selection—is the major objective of financial management (Ansar et al., 2023; Nambukara-Gamage & Peries, 2020). For lenders, investors, management, and other stakeholders, dividends are crucial. It is especially important for investors, who see dividends as a tool for assessing firms from an investment perspective in addition to being a source of income. It's a way to figure out whether a business can make money (Zaman, 2013). By understanding the dividend yield (DY) and dividend payout ratio (DPR), an investor may conduct a more thorough and accurate study of the company's financial performance. Future profit growth for the bank is also significantly impacted by the dividend distribution ratio. In addition to providing income for investors, dividends also serve as an indicator of the bank's success. Selecting a suitable dividend practices turns into a crucial matter for investors and management. Both dividend payments and growth in earnings per share—which can only be attained by reinvesting earnings profits back into the company—are valued by shareholders. It will be hard to pay out a dividend at a level that is appropriate if a substantial portion of the earnings is reinvested. Conversely, proper profit reinvestment is not feasible if a significant portion of a company's profits are distributed as dividends. Reinvestments of a company's earnings and the amount of dividends paid out annually are trade-offs. To achieve this, a well-rounded policy strategy is essential (Yegon et al., 2023).

The impact of dividend practices on shareholders' wealth and bank performance remains a critical area of investigation in corporate finance, given its significant role in influencing firm valuation and profitability. Dividend practices decisions, including dividend payout ratios and the choice between cash and stock dividends, serve as vital signals to the market and mechanisms for wealth distribution (Simamora & Hidayat, 2025). Empirical evidence

highlights that well-structured dividend policies positively affect financial performance and firm value, particularly in the banking sector, where regulatory and ownership structures further shape these relationships (Muninggarsih & Giyartiningrum, 2025). For instance, dividend payout ratios have a significant effect on Islamic banking performance in Pakistan, despite operational constraints, emphasizing the importance of strategic dividend management in diverse financial contexts (Iqbal & Fikri, 2024). Additionally, in markets such as Korea, dividend policies exert differentiated impacts on firm performance depending on ownership types, with Chaebol firms benefiting from positive signaling effects, while non-Chaebol firms face challenges related to managerial entrenchment (Njoku & Lee, 2024). Therefore, understanding the multifaceted influence of dividend practices is essential for optimizing shareholder wealth and enhancing bank performance across varied institutional environments.

As one group must consider and organize for dividend distribution while the other must receive it as compensation for their investment, dividend practices is essential to both management and investors. In addition to providing income for investors, dividends also serve as an indicator of the bank's success. Selecting a suitable dividend practices turns into a crucial matter for investors and management. Dividend payments and gains in earnings per share—which can only be attained via the reinvestment of profits—are highly valued by shareholders. It will not be feasible to pay a dividend at a level that is acceptable if a substantial portion of profits is reinvested. Conversely, equitable profit reinvestment is not feasible if a significant portion of a company's profits are distributed as dividends. Reinvestments from a bank's earnings and the amount of dividends given out are mutually exclusive. For this reason, a well-rounded policy approach is essential (Ojeme et al., 2022).

To increase the value of shareholders' investment, the dividend practices should strive to maximize returns to shareholders. Choosing a dividend is one of the company's key choices. One of the factors that exposes a company's actual profits position is the amount that the company declares. Companies that do better than their counterparts may raise more money on more favorable terms and have higher company performance (ROA & NIM) and shareholder wealth (ROE). Understanding the factors that affect the business success (ROA & NIM) and shareholder wealth (ROE) of an organization's shares is thus crucial. A simple, comprehensive statement that reflects management's evaluation of the company's performance to date and its prospects going forward is the dividend (Ansar et al., 2023; Ojeme et al., 2022, Nambukara-Gamage & Peries, 2020). In this way, Nepal has produced

very few research studies in this area. Thus, the purpose of this research is to respond to the following questions.

i) What is the structure and pattern of dividend practices and shareholders wealth and banks performance of commercial banks in Nepal?
ii) Is there any relationship between cash dividend, stock dividend, dividend payout ratio, dividend yield and shareholders wealth and banks performance?
iii) Does cash and stock dividend, dividend payout ratio, dividend yield and earnings per share impact shareholders wealth and banks performance?

1.3 Objectives of the Study

The main objective of this study is to analyze of the dividend payment practices of commercial banks and its effect on shareholders wealth (ROE) and banks performance (ROA & NIM) of shares of commercial banks. The study attempts to focus on following specific objectives.

i) To assess the structure and pattern of dividend practices and shareholders wealth and banks performance of commercial banks in Nepal.
ii) To examine the relationship between cash dividend, stock dividend, dividend payout ratio, earnings per share, dividend yield and shareholders wealth and banks performance of stock.
iii) To analyze the impact of cash dividend, stock dividend, dividend payout ratio, dividend yield and earnings per share on shareholders wealth and banks performance.

1.4 Research Hypotheses

The following hypotheses have been generated from the literature for empirical investigation.

H1: There is a significant effect of stock dividend on return on assets.

Review articles like Smith's provide empirical support for the premise that stock dividends have a major impact on return on assets (ROA) (2007). These studies focus on how stock dividends affect a bank's overall financial performance, particularly return on assets (ROA). Stock dividends have the potential to change the total assets by raising the number of existing shares without affecting cash reserves, which might have an effect on how

efficiently and how well assets are used. Changes in the asset base of companies that issue stock dividends may have an impact on their capacity to produce returns from these assets.

H2: There is a significant effect of cash dividend on return on assets.

Research investigations, such the ones carried out by Chen and colleagues (2014), indicate a relationship between ROA and cash dividends. A direct distribution of profits to shareholders in the form of cash dividends lowers the company's retained earnings. The distribution of cash to shareholders instead of reinvesting them into productive assets may have an impact on the bank's overall financial health. As a result, the distribution of cash dividends may have an impact on the returns and asset productivity.

H3: There is a significant effect of dividend payout ratio on return on assets.

Studies on dividend practices, especially those by Smith (2007), suggest that a bank's return on assets (ROA) might be impacted by the dividend payout ratio—the percentage of profits given as dividends. Less retained profits for firm reinvestment results from a high payout ratio, which may restrict prospects for asset development and growth. On the other hand, a lower payout ratio would make it possible to keep and reinvest more money, which might boost asset efficiency and returns.

H4: There is a significant effect of dividend yield on return on assets.

Research indicates that there is a connection between dividend yield and financial success, as shown by the findings of Chen et al. (2014). The return on investment only from dividends is known as dividend yield, which is computed as the dividend per share divided by the share price. A larger dividend yield may draw in more investors, raising the company's market capitalization and share price. These factors may then impact the management's asset usage and efficiency plans, which may have an impact on ROA.

H5: There is a significant effect of earnings per share on return on assets.

Previous research highlights the significance of profits per share (EPS) in financial success, as shown by Smith (2007). A crucial measure of a business's success is its earnings per share (EPS), which is computed by dividing net income by the total number of outstanding shares. Better profitability is shown by higher EPS, and this may have a favorable impact on asset use and management, thus increasing ROA. For investors, earnings per share (EPS) is a crucial metric that may greatly impact how they see the success of the firm.

H6: There is a significant effect of stock dividend on net interest margin.

Research conducted in 2004 by Saona and Majluf examine how stock dividends affect interest income and net interest margins (NIM). Dividends on stocks have the potential to change an institution's equity structure and hence its capacity to pay interest. By increasing the number of outstanding shares without affecting the cash position, stock dividends may have an impact on a bank's capital adequacy and its capacity to make interest-generating investments. The NIM, or the difference between interest income earned and interest paid to lenders, may then be impacted by this.

H7: There is a significant effect of cash dividend on net interest margin.

According to empirical study by Ahmed et al. (2018), cash dividends have an impact on the entire financial structure of banks, which in turn has an impact on net interest margins. Giving out cash dividends lowers retained profits, which may leave less money available to pay interest on loans and other interest-bearing investments. Because of its effect on the bank's ability to sustain a profitable margin between interest revenue and interest costs, this decline in retained profits may have an effect on the NIM.

H8: There is a significant effect of dividend payout ratio on net interest margin.

According to research on capital structure dynamics, dividend payout ratios may have an effect on a bank's interest revenue and net interest margins (Saona and Majluf, 2004). A greater payout ratio suggests that shareholders get a bigger percentage of profits, which means there are less funds available for reinvestment in activities that generate interest. This may make it more difficult for the bank to earn a large net interest margin, which would have an impact on its total profitability.

H9: There is a significant effect of dividend yield on net interest margin.

Research on the connection between financial measures and dividend yield, like that done by Ahmed et al. (2018), suggests that a bank's interest income may be impacted by investors drawn to dividend yield. A bank's capacity to finance interest-generating assets may be improved and capital inflow might increase if its shares have a greater dividend yield. By increasing the resources available for interest revenue while keeping interest expenditures in check, this capital inflow may have a favorable impact on the net interest margin.

H10: There is a significant effect of earnings per share on net interest margin.

Saona and Majluf's (2004) empirical assessments demonstrate how profits per share affects net interest margins and other aspects of financial success. Better profitability, as shown by a higher EPS, might provide a bank more money to spend on interest-generating ventures. By guaranteeing that the bank makes a sizable gap between its interest revenue and interest expenditures, this enhanced profitability may improve the NIM.

H11: There is a significant effect of stock dividend on return on equity.

Palepu and Healy's (2007) empirical evaluations highlight how stock dividends affect shareholder equity and return on equity (ROE). Stock dividends raise the number of outstanding shares without changing the total equity, which may have an impact on ROE and the way profits are distributed per share. Stock dividends have the power to affect total ROE by modifying the equity structure, which in turn affects how returns are computed and allocated to shareholders.

H12: There is a significant effect of cash dividend on return on equity.

Steeped in corporate finance research (Brealey et al., 2017), the notion that cash dividends have a major impact on ROE is validated. A cash dividend is a direct distribution of profits to shareholders, which lowers retained earnings for the business. This decrease may have an impact on shareholders' total wealth and, in turn, the return on equity (ROE), which is determined by dividing net income by shareholders' equity. Thus, variations in retained profits as a result of cash distributions may have an effect on the returns produced on shareholder equity.

H13: There is a significant effect of dividend payout ratio on return on equity.

Based on research on the dynamics of capital structures by Palepu and Healy (2007), the dividend payout ratio—which is the percentage of profits given as dividends—has the potential to affect the make-up of shareholder equity and return on equity. Retained profits are diminished by a larger payout ratio, which may restrict chances for reinvestment and have an effect on the equity base. As a result, the ratio of distributed dividends to retained profits may change, which may have an impact on ROE.

H14: There is a significant effect of dividend yield on return on equity.

According to Brealey et al. (2017)'s empirical study, dividend yield—which is determined by dividing the dividend per share by the share price—may draw in investors and have an impact on shareholder equity, which might lead to fluctuations in ROE. A greater dividend yield has the ability to increase demand for and maybe even raise the price of the bank's shares by making them more appealing. By increasing the returns on the investment made by the shareholders, this growth in equity value may have a favorable impact on ROE.

H15: There is a significant effect of earnings per share on return on equity.

Drawing on business analysis literature, including research by Palepu and Healy (2007), the significance of profits per share (EPS) in determining shareholder equity and return on equity (ROE) is highlighted. Better profitability is indicated by higher EPS, and as higher profitability increases the net income available for distribution, it may lead to higher returns on equity. Since EPS indicates the company's capacity to create profits in relation to its existing shares, it is a crucial component in evaluating total returns to stock investors.

1.5 Rationale of the Study

The main objective of financial management is to increase shareholders' wealth. This objective highlights the need to coordinate choices on investments, financing, and dividends in order to maximize returns to shareholders. For investors, dividend practices is one of these key factors that cannot be overlooked. In addition to giving investors a source of income, dividends provide investors important information about a bank's stability and health. Dividend payments are a common metric used by investors to assess companies when making investment decisions. Therefore, the goal of this study is to examine the relationship between dividend practices and bank performance and shareholder wealth, with a focus on indicators like net interest margin (NIM), return on equity (ROE), and return on assets (ROA). By doing this, it promptly responds to the needs and desires of investors who depend on dividend-related information to make informed investment choices.

Moreover, the implications of the study's findings extend beyond the realm of investment. Government organizations in charge of financial market law, regulation, and oversight may find great use for the insights generated by this study. A clear understanding of how dividend policies affect bank performance and shareholder wealth may assist policymakers

in developing laws that support robust, open financial markets. This information may be used to create regulatory frameworks that safeguard the interests of different stakeholders while promoting fair and effective dividend practices. Therefore, the research may contribute to the development of sound financial laws and market regulations.

1.6 Limitations of the Study

The process adopted for the collection and analysis of data in this study is not exhaustive. All these variables cannot be taken in to consideration for the study due to the time constrain. Therefore, during the study there occur following limitations:

i) Only internal variables are used in this study, no macro-variables are used.
ii) The study deals with ten listed commercial banks among 20-listed commercial banks in NEPSE.
iii) This study is based on secondary data and accuracy depends upon the data collected and provided by the organization.
iv) The whole study is only based on ten fiscal years data ranging from 2014/15 to 2023/24.
v) The findings may not be applicable to all nature of commercial banks and financial institution form national or international context.

CHAPTER II
LITERATURE REVIEW

This chapter present the theoretical review, conceptual reviews, empirical reviews and research gap associated with Impact of Dividend practices on Shareholders Wealth and Bank Performance.

2.1 Conceptual Review

There are several factors that influence and complicate the relationships between different dividend types (stock and cash), dividend payout ratios, dividend yields, profitability, and shareholder growth. The kind and quantity of dividends handed out may have a big impact on a bank's earnings, stability, and capacity to grow its shareholders' wealth. Investors and companies seeking to increase shareholder value and financial performance must both comprehend these dynamics.

Relationship between Cash Dividend and Growth of Shareholders and Profitability

Direct profit transfers to shareholders are known as cash dividends, and study on how these payments relate to profitability and shareholder growth is crucial. When a company makes enough money to distribute to its shareholders, cash dividends are often given out. This suggests financial stability and the capacity to generate steady earnings, which might have a positive effect on shareholder wealth and growth. Businesses that pay cash dividends are more profitable, according to Fama and French (2001), and this profitability is linked to a higher Return on Equity (ROE), which increases the wealth of shareholders.

Link between Stock Dividend and Earnings and Growth of Shareholders

In contrast to cash dividends, stock dividends include the distribution of additional shares to current owners and have a distinct impact on profitability and shareholder development. Since stock dividends do not represent a cash outflow from the company, they have no direct impact on profitability. Nonetheless, they could impede shareholder development by acquiring more shares. Stock dividends have the potential to reduce earnings per share (EPS) by increasing the number of shares in circulation, according to Brennan and Copeland (1988). If not managed appropriately, this might have an indirect effect on shareholder wealth even though it might not directly affect profitability (Brennan & Copeland, 1988).

The relationship between profitability and shareholder growth and the dividend payout ratio

An analysis of the correlation between payments, profitability, and shareholder growth must take into account the dividend payout ratio, which is the proportion of earnings that are paid as dividends. A bank's commitment to providing profits to shareholders may be shown by a high dividend payout ratio, which might raise return on equity (ROE) by giving investors a larger portion of earnings. Organizations with higher dividend payout ratios have lower retained earnings, which may limit their ability for internal growth, according to Baker et al. (1985). It may, however, draw income-seeking investors hoping for rapid returns, which would have an impact on shareholder value (Baker et al., 1985).

Relationship between Dividend Yield and Growth of Shareholders and Profitability

Information on how dividends impact profitability and shareholder growth may be found in the dividend yield, which is the ratio of payouts per share to the stock price. A higher dividend yield might indicate that a bank's dividend payments are substantial relative to the value of its shares. This might attract investors seeking stability and revenue. A firm's profitability and dividend yield are positively correlated, according to Black and Scholes (1974), suggesting that profitable companies are more likely to provide higher dividend yields. Both ROE and shareholder wealth may benefit from this relationship (Black & Scholes, 1974).

2.2 Theoretical Review

The importance of dividend payment practices in shaping the financial environment of commercial banks has drawn the interest of academics and industry professionals. The goal of this study is to examine, within the framework of commercial banks, how dividend policies affect shareholder wealth and company performance. While Net Interest Margin (NIM) and Return on Assets (ROA) are used to evaluate company performance, Return on Equity (ROE) is utilized to determine shareholder wealth. Recent years have seen tremendous changes in the banking sector, therefore it's crucial to understand how dividend policies affect these crucial financial indicators. According to Miller and Modigliani (1961), dividend policies have the potential to change a company's worth; for this reason, dividend decisions are critical to maximizing shareholder wealth and overall corporate performance.

Bird-in-the-hand Theory

The Bird-in-the-Hand theory, first out by Myron Gordon and John Lintner in 1963, holds that investors value current dividend income above uncertain capital gains in the future. Based on risk aversion and the idea that a dollar gained now is worth more than a dollar obtained later, there is a drive for quick profits. Commercial banks may thus attract investors seeking steady income if they consistently pay out a higher dividend percentage. Consequently, this might impact the value of the stock and result in an increased Return on Equity (ROE) (Gordon & Lintner, 1963).

Theory of Dividend Irrelevance

The Dividend Irrelevance thesis, which originated from the groundbreaking work of Miller and Modigliani in 1961, maintains that shareholder value should not be impacted by dividend practices. It argues that dividend practices is useless since investors may create the income stream of their choice by buying or selling shares. This approach places more attention on the firm's overall performance than on the specific dividend practices that is used, including Return on Assets (ROA) and Net Interest Margin (NIM) (Miller & Modigliani, 1961).

Theory of Signaling

According to Bhattacharya's 1979 Signaling Theory, companies use dividend payments as a means of informing investors about their stability and sound financial standing. It may be assumed that commercial banks that maintain or increase their dividend payments are in better financial condition and are less likely to face financial troubles. Given that investors are more inclined to invest in these banks, this positive perception may have an effect on stock prices and improve ROE (Bhattacharya, 1979).

Theory of Clientele Effect

Elton and Gruber (1970) presented the Clientele Effect Theory, which states that different investor groups have different preferences for dividend programs. The dividend practices of commercial banks may be designed to appeal to certain investor groups, which might affect their return on equity (ROE). According to Elton and Gruber (1970), banks that place a high priority on dividend stability could draw income-oriented investors, but those that

place a high priority on growth might draw a different kind of shareholder, ultimately changing the composition of their investor base.

Theory of Pecking Order

In 1961, Donaldson put out the Pecking Order Theory, which holds that because of concerns about information asymmetry and the cost of equity, firms prefer internal financing—such as retaining profits—over external financing—such as issuing additional shares. Retained earnings and dividend policies of commercial banks may have an influence on their capital structure, which in turn affects ROA and NIM. Holding profits and avoiding external financing allows banks to maintain a more efficient financial structure and, therefore, improved financial performance (Donaldson, 1961). The aforementioned theories provide a comprehensive framework for examining the complex relationship between dividend policies and their effects on business performance (ROA and NIM) and shareholder wealth (ROE) in the context of commercial banks. By examining these concepts, scholars and industry professionals may gain understanding of the mechanisms and origins that support this essential aspect of financial management in the banking industry.

2.3 Empirical Review

Simamora and Hidayat (2025) investigated the influence of firm size, managerial ownership, capital structure, and dividend practices on financial performance within Indonesia's energy sector. Utilizing panel data from 2019 to 2023 and applying multiple regression analysis, the study found that both firm size and dividend practices exert a positive and statistically significant impact on financial performance, measured by return on assets (ROA). Conversely, managerial ownership and capital structure were not significant determinants, suggesting that dividend practices remains a key driver of performance in this context. This finding aligns with the broader literature emphasizing dividend practices's importance in signaling firm value and managing shareholder expectations.

Muninggarsih and Giyartiningrum (2025) explored the effects of profitability, dividend practices, and debt policy on firm value in state-owned banks listed on the Indonesia Stock Exchange between 2014 and 2023. Employing descriptive and multiple regression analyses, their research revealed that profitability and dividend practices significantly

influence firm value, whereas debt policy does not have a statistically significant effect. Importantly, the combined effect of profitability, dividend practices, and debt policy on firm value was significant, highlighting the interconnected nature of these financial factors. These studies collectively reinforce the pivotal role of dividend practices alongside firm size and profitability in driving financial performance and firm valuation, while also indicating that ownership and debt structures may have varying impacts depending on sectorial and institutional contexts.

Iqbal and Fikri (2024) examine the effect of dividend regulations on Islamic banking performance in Pakistan, a sector governed by distinct Sharia-compliant financial principles. Using panel data from five Islamic banks over 2019-2023 and multiple regression analysis, the study highlights that dividend payout ratios significantly influence Islamic banks' financial outcomes, despite challenges such as high operating costs and financing constraints. The findings underscore the importance of optimizing dividend policies to enhance income generation and sustain growth within Islamic financial institutions, emphasizing the need for strategic reinvestment and borrowing practices in this unique banking context.

Similarly, Njoku and Lee (2024) investigate the relationship between dividend practices, firm performance, and market value within the Korean stock market, focusing on the contrasting ownership structures of Chaebol and non-Chaebol firms. Analyzing a large dataset of 5,478 observations, their regression results reveal that cash dividends positively affect market valuation measures such as Tobin's Q and market-to-book ratios. Notably, dividend policies in Chaebol firms align with the interest alignment hypothesis, promoting shareholder value through effective signaling, while non-Chaebol firms exhibit negative impacts consistent with managerial entrenchment concerns. This dichotomy highlights the critical role of corporate governance and transparency in dividend communication to support investor confidence and firm valuation in differing organizational contexts. Together, these studies extend the understanding of dividend practices effects across varied institutional frameworks and market dynamics.

According to Farrukh et al. (2023), there is still no consensus on whether dividend practices affects shareholder wealth in the field of corporate finance. The aim of this research is to ascertain how Pakistani businesses' performance and shareholder value are affected by dividend policies. Dividend practices has been one of the most controversial topics in

corporate finance literature. Several scholars have attempted to identify issues with dividend practices; nonetheless, we still do not have a reliable explanation for the behavior of dividend practices. The study's considerations were dividend practices, shareholder wealth, and company success. Dividend yield and dividend per share are used to evaluate dividend practices. Share price and earnings per share are used as stand-ins for shareholder wealth. The return on equity is used to gauge the success of a firm. The findings of the regression show that dividend practices has a positive and significant impact on both shareholder wealth and company performance. The clientele-effect theory, the bird in hand theory, the signaling impact hypothesis, and the dividend relevance theory were all validated by this study. In order to increase corporate performance and shareholder wealth in Pakistan, the research commends company finance managers for putting in place a stable, efficient, regulated, and target-oriented dividend practices in addition to an efficient supervision system supervised by capital market regulatory bodies. Furthermore, in order to safeguard prospective investors and help them make wise investment choices in publicly listed firms, enough firm information about dividend distribution and dividend per share is needed.

Ansar et al. (2023) looked at the relationship between dividend practices and shareholder wealth. A selection of thirty firms was selected from the Karachi stock market, including enterprises operating in the textile, cement, and chemical industries. Shareholder wealth is determined using the share market price. Dividend per share, retained profits, lagged price, and return on equity were used as independent variables. The estimate of the multiple regression model shows a strong correlation between dividend practices and shareholder wealth. Dividend policies in Pakistan enhance shareholder value.

According to Yegon et al. (2023), dividend practices has a big impact on how a company manages its finances and serves as a check on managerial opportunism. Determining the relationship between dividend practices and company profitability, investment, and profits per share is the aim of the research. The annual reports and financial statements of nine (9) publicly listed manufacturing companies in Kenya provided the study's data. These data were put through regression analysis using e-view software, and the findings indicate that dividend policies of organizations have a significant positive correlation with firm profitability. They also have a significant positive correlation with investments and Earnings Per Share. It is advised that businesses make sure their dividend policies are strong and stable since this will boost their profitability and draw in investments.

Ojeme et al. (2022) looked at whether the Nigerian Stock Exchange's unfavorable swing in firm profitability was largely caused by the global financial crisis. This illustrates the possibility of several causes contributing to the change in quoted stock prices. The market value of shares has historically been significantly impacted by factors like bank performance and news about the introduction of new technologies. Therefore, the purpose of this research is to empirically analyze the effects of acceptable dividend policies on the value of shareholders' wealth and the degree to which dividend policies affect the market value of shares in banks that are listed in Nigeria. The circumstances before and after the financial crisis are examined in the report. Data from correlations between market values and dividend payments made by publicly listed banks between 2007 and 2010 showed that the market value of these institutions is influenced by the dividend payments made, and that the dividend payment size affects the share value. The essay also explores the consequences and ramifications of policy choices on dividend holding and distribution for future increases in shareholder wealth.

After adjusting for bank age, size, capital structure, governance, and financial sector clean-up, Bossman et al. (2022) looked at the connection between listed enterprises in Ghana's dividend practices and financial performance. We used the system dynamic general method of moments (GMM) estimation methodology using data spanning from 2015 to 2019. During a time of financial sector reforms and cleanups, the impact of new dividend practices proxies (dividend capacity and free cash flow savings) on bank performance was evaluated in addition to dividend payment. We found that return on equity and return on assets are significantly impacted by dividend capacity. It was shown that reductions in free cash flow had a substantial and direct impact on return on equity and return on assets, but only a weak correlation with Tobin's Q and stock price. Our study indicates that, whereas free cash flow savings and dividend capacity are positively correlated with firm success, dividend distribution negatively affects owners' wealth in times of crisis. Only the performance of non-financial firms was negatively impacted by financial sector clean-ups, according to the report. Businesses should find a balance between free cash flow savings and dividend payout in order to draw in a diverse range of investors. To counteract the adverse consequences of inadvertent reforms and/or clean-ups on other sectors of the economy, governments and market regulators must take concrete steps to conduct financial sector reforms and/or clean-up programs. We believe that governments, market regulators, and investors will find our study's results useful.

The effect of dividend practices on stock price volatility in manufacturing companies listed on the Indonesia Stock Exchange between 2019 and 2020 was examined by Ridloah et al. in 2022. This research also looks at other variables including firm size, earnings volatility, and leverage that are thought to affect dividend practices and stock price volatility. The yearly financial report of the bank is the source of secondary data used in this quantitative research technique. The deliberate sampling method is used in this investigation. From the 62 companies in the sample, a total of 124 observations were gathered. In this study, the multiple regression method is used. In this study, a causal comparative analysis tool called SPSS 16 was used. The empirical results of this research show that dividend practices negatively affects stock price volatility. Raising dividends reduces the risk of stock price volatility. The control factors of firm size and leverage have little impact on the volatility of stock prices. Moreover, there exists a positive correlation between the volatility of stock prices and the control variable of earnings volatility.

The significance of dividend practices in mitigating the effects of price book value, debt equity to ratio, and earnings per share on company profitability was examined by Salim and Pardiman (2022). The example was a manufacturing company with complete financial reports for the years 2015–2020 that was listed on the Indonesian stock market. The data was analyzed using the route analysis technique. The results of this investigation show that dividend practices is unaffected by EPS, DER, or PBV. DER, PBV, and EPS have a significant impact on stock price. The impact of earnings per share on the profitability of the company cannot be mitigated by dividend practices. Moreover, dividend practices was unable to lessen the negative effects of debt-to-equity ratios on corporate performance. Moreover, the dividend practices did not lessen the effect that price book value had on the profitability of banks.

Usman et al. (2021) looked at how share prices were impacted by dividend policies. Manufacturing companies that were listed between 2014 and 2018 on the Indonesia Stock Exchange were chosen as the study's sample item. The independent variables are dividend yield, earnings per share, return on equity, dividend per share, and dividend per share. The dependent variable is the manufacturing sector's share prices. For this research, a purposive sample technique was used to choose 36 companies. The panel data regression model's findings indicate that dividends per share have a favorable impact on share prices. Dividend yield has a negative effect on share prices. Stock prices are not significantly impacted by

earnings per share, return on equity, or earnings per share. Businesses and investors hoping to raise share prices might probably use the study's conclusions as a guide.

Setyabudi (2021) guaranteed the bank's continued existence and raised its value. The value of a firm is indicated by its stock price. With dividend practices acting as an intervening variable, the aim of this research is to empirically illustrate the impact of profitability, leverage, and institutional ownership on banks' value. The study's secondary data comes from 138 manufacturing companies listed on the Indonesia Stock Exchange between 2016 and 2018, namely from their financial statements and annual reports. In data analysis, path analysis was used. The results showed that institutional ownership, profitability, and leverage all significantly influenced dividend practices. It has been shown that firm value is significantly influenced by profitability, leverage, and dividend practices, while institutional ownership has less effect. The impact of leverage and institutional ownership on company value cannot be countered by the dividend practices variable, but the impact of profitability may.

A long-standing and controversial topic, the impact of dividend practices on shareholder wealth was examined by Nambukara-Gamage and Peries (2020). This study's main objective is to look at how dividend practices affects shareholder wealth. It was predicated on a sample of thirteen Australian retail companies that were listed between 2012 and 2017 on the Australian Stock Exchange (ASX). The market value of a share was used to measure shareholder wealth, and the dividend payment ratio was utilized as a proxy variable to evaluate the dividend practices. Regression analysis was employed in the research to examine secondary data. The connection between shareholder wealth and dividend practices has been studied in the past. Despite the fact that studies have shown strong connections, others have questioned the theories and findings. According to this study, shareholder wealth and dividend practices have a moderate but favorable relationship. This was found to be consistent with the dividend relevance, bird-in-hand, and signaling theories.

The relationship between dividend practices and share price volatility of companies listed on Vietnam's Hochiminh Stock Exchange (HOSE) was examined by Nguyen et al. (2020). The study's data set was collected from 260 HOSE-listed businesses' financial statements between 2009 and 2018. To address econometric difficulties and improve the caliber of regression coefficients, three statistical techniques are employed: the fixed effects model

(FEM), the random effects model (REM), and the general method of movement (GMM). Using the results of GMM, the link between dividend yield and share price volatility as well as dividend payout ratio has been examined. The information shows that although dividend payout ratio and stock price volatility have a negative connection, dividend yield and volatility are positively correlated. It was also shown that company size had an adverse effect on share price volatility, although growth rate, leverage, and earnings volatility all had favorable effects.

According to Kumaraswamy et al. (2019), dividends are only significant in perfect markets; but, in a market that is expanding, such as India, dividends are anticipated to be significant. Significant developments have occurred in the Indian financial markets in recent years, including demonetization, the implementation of new tax laws, political unrest, and more. In spite of these facts, active trading causes the Indian stock market to spike often. Given this, the goal of this research project is to examine the relationship between share price volatility and dividend practices. This work aims to use, for the first time, a sophisticated unbiased volatility estimator that is 14 times more efficient than a near to close estimate, which was created by Yang and Zhang. 116 textile companies that were listed and regularly traded on the Bombay Stock Exchange of India (BSE) from 2008 to 2017 were included in the study. To investigate the impact of dividend practices on share price volatility in the Indian capital market, multiple least squares regressions are used. Empirical research indicates that dividends have an influence on variations in firm profitability in India, supporting the dividend signaling and bird-in-hand theories. Indian investors often demand greater dividends from firms instead of reinvesting retained profits because of the market's volatility. The hypothesis that dividend policies have an effect on stock price swings in the Indian capital market is supported by the study's results. Financial managers may use the study's results to inform the development of their dividend practices in an effort to maximize shareholder value.

According to Singh and Tandon (2019), the relationship between dividend practices and share market price is one of the most divisive topics in corporate finance. There is a substantial body of literature supporting and disputing this topic. This research aims to evaluate the effect of dividend practices on market prices of Nifty 50 companies' shares that are listed on the National Stock Exchange (NSE) between 2008 and 2017. Many panel data regression methods, such as pooled regression, fixed effect models, and random effect models, were used to analyze the data. The optimal regression model was suggested using

the Hausman test. The random effect model is more suitable for describing the relationship between the given variables, according to the Hausman test findings. The pertinent dividend practices methods are supported by the random effect regression model's findings. Consequently, we discover that the dividend practices significantly influences the stock prices of banks.

The relationship between share price volatility and dividend payments in Mediterranean banks was examined by Camilleri et al. (2018). Using the dividend yield and dividend payment as stand-ins for dividend practices, we model share price volatility and regress these ratios together with other control variables. Reusing a data set from the 2007 financial crisis that removes outliers and using a clustering technique to create sub-samples allows us to assess the robustness of the findings. Our results show that assessments may vary among samples and based on the handling of outlier data. Our results provide new empirical evidence and aid in the understanding of the effects of dividend practices on share price volatility as well as the potential risks and benefits that come with it by academics, stock traders, and corporate leaders.

Haque et al. (2018) used information from 35 manufacturing companies listed on the Dhaka Stock Exchange (DSE) of Bangladesh over an 11-year period (2004–2014) to assess the impact of dividend practices on stock price volatility. Secondary data obtained from bank papers and the DSE archive was used in this investigation. The two primary dividend practices measurement variables (dividend yield and dividend payment) and share price volatility were examined using correlation and multiple regression analysis. The main improvement made to the regression model was the addition of control variables including debt, size, and earning volatility. The research findings indicate a significant negative correlation between share price volatility and both dividend yield and bank size, among other predictive characteristics. A significant inverse relationship was also found between share price volatility and both variables.

The relationship between the dividend practices and stock price volatility (SPV) of industrial products producers listed on Bursa Malaysia was examined by Zainudin et al. (2018). Design, procedure, and strategy - From 2003 to 2012, 166 publicly listed makers of industrial products are included in the sample. The business's SPV is linked to dividend distribution using Baskin's technique, which also takes into consideration company size, leverage, asset growth, and earnings volatility. It is also looked at how the global financial

crisis has affected the relationship between SPV and the parameters under test. While dividend payout ratio (PR) primarily affects volatility during pre- and post-crisis sub-periods, earning volatility significantly predicts the stock price volatility of industrial product companies during the crisis. The empirical results demonstrate that dividend practices, especially in the post-crisis era, is a strong predictor of the stock price volatility (SPV) of Malaysian industrial products businesses. Using a new set of data, the research examines the firm's dividend practices and SPV, focusing on industrial products firms listed on the Malaysian Stock Exchange.

The link between a firm's dividend practices and share price volatility (SPV) was examined by Jahfer and Mulafara (2016). From 2009 to 2013, non-financial companies that were listed on the Colombo stock market provided the data needed for the research. Utilizing autorepression models, the relationship between dividend practices and SPV is investigated. First, it is regressed on dividend yield (DY), dividend payout ratio (DPR), and SPV. Second, the relationship between dividend practices and SPV is examined while accounting for control variables including leverage, size, and growth. Eighty-two.13 percent of the variation in share price is explained by the model. The non-financial share price has a 6.75 percent volatility. Regression analysis reveals a strong positive correlation between a firm's DY and its SPV in both models. Despite being small, DPR has a positive correlation with bank profitability movements. Moreover, size and price volatility are inversely correlated, suggesting that the bigger the company, the less volatile the stock price. Growth and SPV have a favorable, if hardly significant, link. There is a slight correlation between market volatility and long-term debt. Consequently, changes in share prices in the Colombo stock market are influenced by the dividend practices. Furthermore, this research clarifies the path to understanding what drives firm profitability and crucial elements that investors and management should take into account before making investment decisions and when developing dividend policies for their companies. This is because stock price volatility is a concern shared by both parties.

The relationship between share price volatility and Malaysia's dividend practices was examined by Hooi et al. (2015). The study examined the correlation between volatility of stock prices and dividend practices instruments, using a sample of 319 companies from the Kuala Lumpur stock market. It was shown that dividend yield and payout were statistically significant negative indicators of volatility in share prices. There is a negative correlation between share price and firm size. It was anticipated that long-term debt to price volatility

and earning volatility would have positive and statistically significant connections. On the other hand, no meaningful correlation was seen in the Malaysian market between price volatility and asset growth.

Ilaboya and Aggreh (2013) looked at the relationship between share price volatility and dividend policies for companies listed on the Nigerian Stock Exchange. Using a simple random selection technique, 26 businesses from a range of sectors were chosen during a five-year period (2004-2011). In our model, share price volatility was the dependent variable, while dividend yield and payout ratio (Payout) were the independent variables. Firm size (size), long-term debt (Debt), earnings volatility, and asset growth rate were the control factors. For robustness, we ran the regression analysis using panel EGLS and pooled OLS. We also used Eviews 7.0 to do several tests (such as multicollinearity, heteroskedasticity, autocorrelation, and model specification tests). According to our research, dividend distribution has a little but negative impact on banks' share price volatility, whereas dividend yield has a significant and favorable impact. Consequently, we asked businesses to exercise extreme caution when considering strategies that would maximize shareholder value and yet meet the bank's requirements for funding its investments.

In the field of investments and finance, Masum (2014) examined the effects of dividend practices choices on a company's stock price. However, it is still unclear whether or not dividend practices has an influence on a company's profitability. Some contend that a company's value should be based only on its cash flow and business risk, meaning that dividend practices is meaningless. In this scenario, the income generated by the company is what determines its worth, not how it is distributed between retained profits and dividends. This statement's detractors contend that investors are only concerned with their overall returns, not with whether they occur. Studies conducted in different stock markets have produced different results. Profitability of businesses is impacted by a number of internal and external factors at once, and because it is practically impossible to separate out each factor's influence, variations in profitability continue. This article uses empirical methods to compute excess stock market returns for each of the thirty banks listed on the Dhaka Stock Exchange for the years 2007 to 2011. The nature of the relationship between private commercial banks' dividend policies and stock market returns in Bangladesh is being investigated, as well as the degree to which the policies' varied dividend policies may account for stock market returns over the same time frame. Different dividend practices

concepts are being investigated with different outcomes and conclusions in different parts of the globe. To compare the results of this study with earlier research and ascertain the effect of dividend practices on corporate profitability, a number of other publications published both domestically and internationally are examined. The findings are reliable and genuine because of the large sample size (all of the commercial banks listed on the Dhaka Stock Exchange). After adjusting for variables like earnings per share, return on equity, and earnings per share, which have a positive relationship with firm profitability and significantly explain variations in share market prices, the panel data approach is used to explain the relationship between dividends and firm profitability. In contrast, dividend yield and profit after tax have a negative, negligible relationship with firm profitability. The overall results of the research show that dividend practices positively affects corporate profitability.

Table 1

Summary of Empirical Review

Author(s)	Methodology	Findings
Simamora and Hidayat (2025)	Panel data regression analysis on energy sector companies in Indonesia (2019-2023)	Firm size and dividend practices have a positive and significant impact on financial performance (ROA); managerial ownership and capital structure are not significant. Dividend practices is a key driver of firm performance in this context.
Muninggarsih and Giyartiningrum (2025)	Descriptive and multiple regression analysis on state-owned banks in Indonesia (2014-2023)	Profitability and dividend practices significantly influence firm value; debt policy does not have a significant effect alone, but combined profitability, dividend, and debt policies impact firm value, showing interconnected financial factors.
Iqbal and Fikri (2024)	Panel data regression analysis on Islamic banks in Pakistan (2019-2023)	Dividend payout ratio significantly affects Islamic banking performance despite high costs and financing constraints; optimizing dividend

		policies and reinvestment strategies are crucial for income generation and growth.
Njoku and Lee (2024)	Regression analysis on 5,478 observations from Korean stock market, focusing on Chaebol and non-Chaebol firms	Cash dividends positively impact market valuation metrics (Tobin's Q, market-to-book ratios); positive effects in Chaebol firms align with interest alignment hypothesis, while non-Chaebol firms show negative impacts consistent with managerial entrenchment.
Farrukh et al. (2023)	Regression analysis with variables such as dividend per share, dividend yield, earning per share, share price, and return on equity	Significant positive influence of dividend practices on shareholder wealth and business success.
Ansar et al. (2023)	Multiple regression model with dividend per share, retained earnings, lagged price, and return on equity as variables	Significant association between shareholder wealth and dividend practices.
Yegon et al. (2023)	Regression analysis with data from annual reports of nine quoted manufacturing companies using E-Views software	Strong positive connections between dividend policies and business profitability, investments, and profits per share.
Ojeme et al. (2023)	Correlation analysis of dividend payments and market value of shares in 2007-2010	Significant impact of dividend payments on market value of publicly traded banks.
Nambukara-Gamage and Peries (2022)	Regression analysis using dividend payout ratio and market value of a share	Positive, moderate association between dividend practices and shareholder wealth.

Bossman et al. (2022)	System dynamic general method of moments (GMM) estimation technique with data from 2015 to 2019	Financial sector clean-ups negatively impacted the performance of non-financial enterprises.
Putri et al. (2022)	Quantitative approach using secondary data from annual financial reports	Dividend practices has a detrimental influence on stock price volatility; risk decreases when dividends are increased.
Usman et al. (2021)	Panel data regression model with a sample of 36 companies using purposive sampling	Dividend per share has a positive impact on share prices.
Setyabudi (2021)	Path analysis with financial statement data and annual reports from 138 manufacturing companies	Profitability, leverage, and institutional ownership significantly impact dividend practices and firm value.
Salim et al. (2022)	Path analysis method with data from manufacturing banks on the Indonesian stock exchange	EPS, DER, and PBV have no effect on dividend practices; profits per share influence bank profitability.
Nguyen et al. (2020)	Fixed effects model (FEM), random effects model (REM), and general method of movement (GMM)	Positive association between dividend yield and stock price volatility; negative relationship between dividend payout ratio and stock price volatility.
Kumaraswamy et al. (2019)	Volatility estimator by Yang and Zhang with data from 116 textile companies on Bombay Stock Exchange	Dividends influence business profitability fluctuations; Indian investors prefer higher dividends.
Singh (2019)	Multiple panel data	Random effect model supports

	regression models: pooled regression, fixed effect model, and random effect model	significant impact of dividend practices on banks' stock prices.
Camilleri et al. (2019)	Data re-analysis omitting outliers and using clustering procedure	Judgments on dividend practices impact may vary with different samples and outlier treatments.
Haque et al. (2018)	Correlation and multiple regression analysis with secondary data from DSE and company records	Dividend yield and firm size have a substantial negative link with share price volatility.
Zainudin et al. (2017)	Baskin's framework relating firm's SPV to dividend payout, controlling for earnings volatility, firm size, leverage, and asset growth	Dividend practices is a powerful predictor of SPV for Malaysian industrial goods enterprises.
Jahfer and Mulafara (2016)	Multi-regression models with dividend payout ratio and dividend yield as variables	Dividend payout ratio and dividend yield significantly impact stock price volatility.
Albaity et al. (2015)	Study of 319 companies from Kuala Lumpur stock exchange	No substantial association between asset growth and price volatility in the Malaysian market.
Masum et al. (2014)	Panel data approach	Dividend practices has a strong positive impact on firm profitability.
Ilaboya and Aggreh (2013)	Model specification with share price volatility as dependent variable and dividend yield, dividend payout ratio as independent variables	Effective dividend policies can enhance shareholder value while meeting investment funding needs.

2.4 Research Gap

There is a clear study deficit in the area of Nepali commercial banks with regard to a thorough examination of the relationship between dividend policies, profitability, and shareholder growth. Previous research has mostly relied on studies and notions from outside of Nepal, ignoring the need for empirical studies that are specifically designed to address the unique dynamics of the country's banking system (Farrukh et al., 2023; Ansar et al., 2023; Yegon et al., 2023). Nepal's financial industry is distinguished by its own regulatory framework, varied shareholder makeup, and unusual combination of domestic and international institutions. This uniqueness necessitates a thorough analysis that takes into account the unique characteristics of the Nepalese environment.

There is a significant research gap because there are currently few studies examining how Nepali commercial banks' dividend policies affect important performance metrics like Return on Equity (ROE), Return on Assets (ROA), and Net Interest Margin (NIM) (Farrukh et al., 2023; Ansar et al., 2023; Yegon et al., 2023). A thorough knowledge of the dynamics driving the banking industry in Nepal is hampered by this gap. Filling this research gap would result in results that are more specifically relevant to the special circumstances of Nepal's banking sector, providing insightful analysis and helpful suggestions for regulators and financial organizations operating in the area.

CHAPTER III

RESEARCH METHODOLOGY

In general, research technique refers to the several steps that researchers used in order to carry out their inquiry. It is a strategy for taking an orderly approach to the topic of study. Research method refers to the exact sequential steps that a researcher has to take in order to examine a problem with a specified set of objectives in mind (Kothar, 1989).

3.1 Research Design

The study is descriptive and causally comparative in character. The descriptive and casual comparative research design has been the most suitable method study in accordance with the research topic and nature. It aims to investigate the relationship between dividend practices, stockholder wealth, and the performance of commercial banks listed in the NEPSE.

3.2 Population, Sample and Sample Design

A sample of 10 commercial banks are chosen from the population of 20 commercial banks listed in NEPSE. Purposive sampling technique is follow as it classifies the total population banks on the basis of highest paid up capital (June, 2025).

Table 2

Specification of Sample Banks

Sample Bank	Paid-Up Capital (NPR Billion)
Global IME Bank Ltd.	38.12
Nepal Investment Mega Bank Ltd.	34.13
Nabil Bank Ltd.	27.06
Kumari Bank Ltd.	26.22
Prabhu Bank Ltd.	23.54
Himalayan Bank Ltd.	21.66
Agriculture Development Bank Ltd.	18.88
NMB Bank Ltd.	18.37
Nepal Bank Ltd.	14.69
Citizens Bank International Ltd.	14.20

3.3 Type and Source of Data

The study's foundation is a pooled cross-sectional examination of ten commercial banks' secondary data. The websites of the specific chosen banks, which are included in NEPSE, are where the secondary data is gathered. The 10 years between the fiscal years 2014-15 and 2023-24 are covered by the data.

3.4 Instruments of Data

The data for this research were collected by a pooled cross-sectional examination of secondary data from the annual reports of 10 commercial banks listed on the Nepal Stock Exchange. The data spans ten years, from the fiscal years 2014-15 to 2023-24. The primary source of information is the annual reports, which are available on the websites of the participating banks. The impact of dividend practices on shareholders' wealth (ROE) and banks' performance (ROA and NIM) was examined through statistical analysis conducted using the Statistical Package for the Social Sciences (SPSS) and Microsoft Excel, utilizing tools such as mean, minimum, maximum, standard deviation, correlation analysis, and multiple regression.

3.5 Methods of Analysis

Several statistical instruments have been used to carry out this investigation. Excel has only been used sparingly and SPSS, a statistical program, has been used to assess the collected data. For the research, both descriptive and statistical analysis have been completed. For a descriptive analysis, the mean, lowest, maximum, and standard deviation are calculated. On the other hand, statistical analysis has been done using correlation, regression, one way ANOVA, and trend analysis.

A variety of statistical tools, including mean, standard deviation, minimum, maximum, correlational analysis, and multiple regression modeling, will be used to analyze and quantify the relationship between dividend practices and shareholders' wealth (ROE), as well as the performance of the bank (ROA & NIM) of shares. The data was collected from annual reports of a sample bank. The descriptive statistical tools mean, standard deviation, and minimum provide a detailed explanation of the data. While multiple regression aids in determining the effect between two factors, correlation allows us to determine the relationship between two variables. The following formula is used to evaluate the dividend practices's impact on stockholder wealth and company performance:

$ROA = a + b_1\ CDPS + b_2\ SDPS + b_3\ DY + b_4\ DPR + b_5\ EPS + e$

$NIM = a + b_1\ CDPS + b_2\ SDPS + b_3\ DY + b_4\ DPR + b_5\ EPS + e$

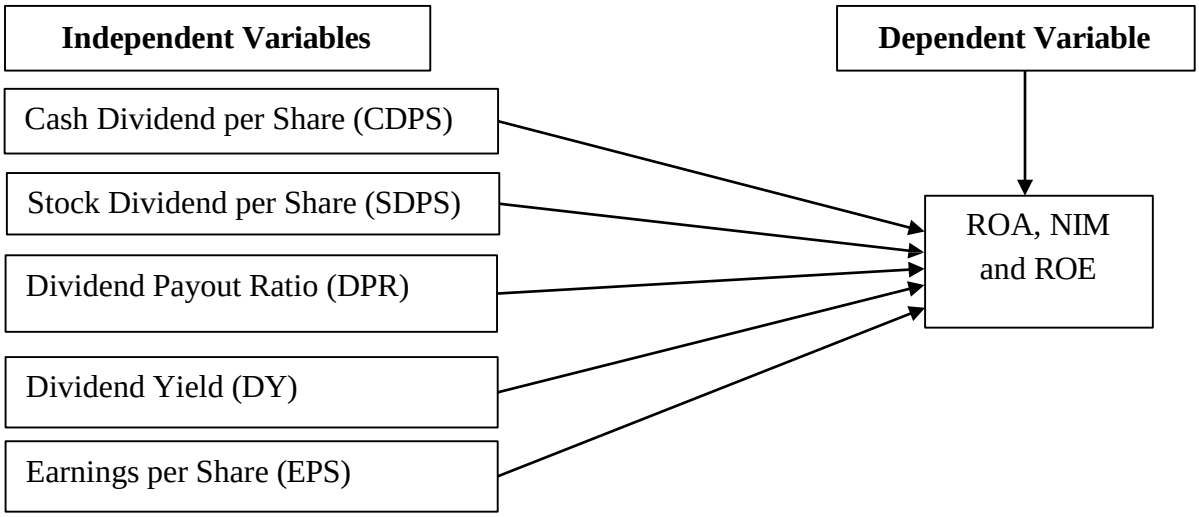
$ROE = a + b_1\ CDPS + b_2\ SDPS + b_3\ DY + b_4\ DPR + b_5\ EPS + e$

The shareholders wealth (ROE) and banks performance (ROA & NIM) of bank in a sample of "n". While a is constant variable. CDPS represents cash dividend per share, SDPS represents stock dividend per share, DPR represents dividend payout ratio, EPS represents earnings per share and DY represents dividend yield. b_1, b_2, b_3, b_4 are the coefficient of independent variables respectively and a is the slope of dependent variable. In addition, e is error terms.

3.6 Research Framework and Definition of Variables

Figure 1

Research Framework



Source: (Ethel, Mary & Inyiama, 2015)

Definition of Variables

Cash dividend per share

It is calculated by dividing the total number of outstanding shares by the cash dividend. A cash dividend is a sum of money sent to shareholders from the company's cumulative profits or current earnings. Unlike stock dividends, cash dividends are given out in cash (Ethel, Mary, & Inyiama, 2015).

Stock dividend per share

A stock dividend is a dividend that is distributed to shareholders instead of cash in the form of new company shares. Dividends on stocks are not taxed until the recipient sells the received shares. Usually, the portion paid per share that is currently in circulation is used to distribute these stock dividends. For instance, a company that announces a 10% stock dividend is required to issue 0.10 shares for each share that existing owners own. If a shareholder possessed 100 shares, they would get an additional 10 shares. Despite the possibility of lower earnings per share, the stock dividend benefits the bank's cash position. (Inyiama, Mary, and Ethel, 2015).

Dividend payout ratio

The amount of dividends distributed to shareholders as a proportion of current earnings is known as the dividend payout ratio. It is calculated by taking the total net income and dividing it by the dividend. For instance, the dividend payout ratio is 20% (Rs. 10/Rs. 50 * 100) if a company pays out Rs. 10 in dividends on total net income of Rs. 50 (Ethel, Mary, & Inyiama, 2015).

Dividend yield

The rate of return on an investment is known as dividend yield. To get this number, divide the DPS by the MPS. It is the annual dividend paid by a stock to its owners, expressed as a percentage of the wealth of the present shareholders (ROE) and the company's performance (ROA & NIM). By totaling the dividends given to stockholders in that company, it determines the amount of earnings (Ethel, Mary, & Inyiama, 2015).

Earnings per share

A crucial financial metric, earnings per share (EPS) indicates the portion of a bank's net income allotted to each outstanding share of common stock. The weighted average number of outstanding shares (WAV), divided by net income, yields EPS, which is a crucial indicator of a bank's profitability per share.

Since EPS offers important insights into a bank's capacity to generate profits for shareholders, investors and analysts often use it to evaluate a bank's financial performance. Financial management literature, such that written by Brigham and Ehrhardt in "Financial

Management: Theory and Practice," states that EPS is a crucial part of a comprehensive financial analysis and may be used to measure the profitability dynamics of banks.

Return on assets

A financial metric called return on assets (ROA) evaluates a bank's capacity to make money off of its assets. It gauges how well a business generates revenues using all of its resources. Net income is a company's net earnings after all expenses and taxes are deducted. The average total asset value of a bank during a certain time period—typically a year—is known as its average total asset value. It is calculated by adding up all assets at the beginning and end of the period, then dividing the total by two. Figures are often used to express ROA. It shows how well a business, regardless of size or financial structure, makes use of its resources to turn a profit. A lower ROA suggests that the bank may not be utilizing its assets as efficiently as it may be, while a higher ROA M indicates that a company is effectively using its assets to generate profits. Comparing ROA and NIM within the same industry or sector is crucial since different firms may have varying asset requirements and profitability standards. Inyiama, Mary, and Ethel (2015)

Return on equity

The ratio of net income after taxes to total equity capital is known as return on equity. A financial metric known as return on equity (ROE) evaluates a bank's profitability in relation to the total amount invested or shown as shareholder equity on the balance sheet. A return on equity (ROE) is what investors want from their investment. It shows the rate of return on capital that the bank's shareholders have invested. The return on equity (ROE) measures how well a bank's management allocates shareholder money (Ethel, Mary, & Inyiama, 2015).

Net interest margin

The difference between interest income received by interest-earning assets and interest expenditure paid on interest-bearing liabilities is expressed as a percentage of average interest-earning assets, or net interest margin (NIM), in finance. According to Ethel, Mary, and Inyiama (2015), it plays a significant role in determining a bank's profitability and effectiveness in managing its interest-related activities.

CHAPTER IV
RESULTS AND DISCUSSION

This chapter deals with the results and discussion. The data presentation and analysis has been demonstrated as per the objectives and research methodology. The descriptive, correlation and regression analysis are computed and presented in table for the findings.

4.1 Descriptive Analysis

Statistical tools such as mean, standard deviation, minimum and maximum value are used for the analysis. The independent variables such as cash dividend per share, stock dividend per share, dividend payout ratio and earnings per share have been incorporated which reflect the dividend practices and return on equity resembles the shareholders' wealth. The profitability are measured via return on assets and net interest margin.

Table 3

Descriptive Analysis

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Cash dividend per share	100	0.00	45.00	6.83	9.05
Stock dividend per share	100	0.00	65.00	16.13	14.93
Dividend payout ratio	100	0.00	160.94	46.84	41.47
Dividend yield	100	0.00	14.90	2.99	2.49
Earnings per share	100	-40.23	810.00	71.06	137.18
Return on assets	100	-3.43	3.65	1.60	0.85
Return on equity	100	-36.28	42.94	13.94	8.59
Net interest margin	100	0.12	13.93	10.34	1.98

Source: SPSS output

The variable "Cash Dividend per Share" reflects the amount of cash delivered to shareholders for each outstanding share. In the dataset of 100 observations, the least cash dividend per share is Rs.0.00, the largest is Rs.45.00, with a mean (average) of Rs.6.83 and a standard deviation of Rs.9.05. This displays a range of cash dividends per share, with the mean acting as a central measure and the standard deviation showing the variability in cash dividend payments. The variable "Stock Dividend per Share" denotes the value of stock given to shareholders for each outstanding share. The dataset displays a range from Rs.0.00 to Rs.65.00, with a mean of Rs.16.13 and a standard deviation of Rs.14.93. This illustrates

diversity in stock dividend levels, and the mean serves as the central tendency metric for this distribution.

The "Dividend Payout Ratio" is a financial measure that represents the percentage of profits paid out as dividends. With a range from 0.00 percent to 160.94 percent, the mean dividend payout ratio is 46.84 percent, followed by a standard deviation of 41.47 percent. This indicates the fluctuation in the proportion of profits given as dividends throughout the 100 observations. The "Dividend Yield" is a measure showing the dividend income as a proportion of the stock's current market price. The information indicates a range from 0.00 percent to 14.90 percent, with a mean dividend yield of 2.99 percent and a standard deviation of 2.49 percent. This gives insights into the variability in dividend yields throughout the sample.

"Earnings per Share" is a significant profitability indicator representing the fraction of a bank's profits given to each outstanding share. The dataset demonstrates a broad range from -40.23 to 810.00, with a mean of 71.06 and a standard deviation of 137.18. The large standard deviation shows considerable variability in profits per share across the 100 data.

"Return on Assets" (ROA) assesses a bank's capacity to create profit from its assets. The information suggests a range of -3.43 percent to 3.65 percent, with a mean ROA of 1.60 percent and a standard deviation of 0.85 percent. This statistic gives insights into the fluctuation of profitability compared to the total assets utilized. "Return on Equity" (ROE) analyzes how effectively a firm makes profit from its equity. With a range from -36.28 percent to 42.94 percent, the mean ROE is 13.94 percent, and the standard deviation is 8.59 percent. This statistic represents the fluctuation in profitability in respect to shareholders' equity. "Net Interest Margin" (NIM) is a measure of the difference between interest revenue and interest cost, expressed as a percentage of average interest-earning assets. The dataset indicates a range from 0.12 percent to 13.93 percent, with a mean NIM of 10.34 percent and a standard deviation of 1.98 percent. This displays the fluctuation in net interest margin, revealing insights into the efficiency of interest-related operations in producing money.

4.2 Correlation Analysis

Throughout this investigation, a thorough correlation analysis has been conducted. A number of independent factors are included in the analysis, including earnings per share, dividend payout ratio, cash dividend per share, and stock dividend per share. These factors

are used as stand-ins for assessing the dividend practices, and their relationship to return on equity is examined in connection to the wealth of shareholders. Moreover, the research broadens its scope to encompass the evaluation of profitability by incorporating return on assets and net interest margin as dependent variables.

Table 4

Correlation Analysis with Return on Assets

Variables	CDPS	SDPS	DPR	DY	Ln_EPS	Ln_ROA
CDPS	1					
SDPS	.687**	1				
	0.000					
DPR	.367**	.699**	1			
	0.000	0.000				
DY	.419**	.577**	.591**	1		
	0.000	0.000	0.000			
Ln_EPS	.211*	.322**	-.210*	.207*	1	
	0.037	0.001	0.038	0.041		
Ln_ROA	.541**	.542**	0.186	.246*	.202*	1
	0.000	0.000	0.066	0.015	0.046	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS output

Table 4 presents the correlation analysis between Return on Assets (Ln_ROA) and five independent variables: CDPS, SDPS, DPR, DY, and Ln_EPS. The table includes correlation coefficients and corresponding significance (p-values), derived from a two-tailed Pearson correlation test. These findings provide insight into the strength and direction of linear relationships between the variables and the financial performance indicator (Ln_ROA). The variable CDPS (Cash Dividend per Share) shows a moderate positive correlation with Ln_ROA, with a coefficient of 0.541 and a significance value of $p = 0.000$, which is significant at the 0.01 level. This result indicates that as CDPS increases, the Return on Assets also tends to increase. The implication is that firms providing higher cash dividends may be more profitable, suggesting efficient resource utilization and possibly stronger investor confidence.

Similarly, SDPS (Stock Dividend per Share) also reveals a moderate positive correlation with Ln_ROA, with a coefficient of 0.542 and $p = 0.000$, significant at the 0.01 level. This indicates that stock dividend announcements are positively associated with profitability. Firms may use stock dividends to signal financial strength, which could influence market perception and internal reinvestment strategies, thereby enhancing returns.

The variable DPR (Dividend Payout Ratio) exhibits a low positive correlation with Ln_ROA, with a coefficient of 0.186 and p = 0.066, which is statistically insignificant at the 0.05 level. This implies that the dividend payout ratio does not show a strong or statistically significant relationship with ROA in this sample. The weak association may reflect that dividend decisions do not necessarily align with profitability in the short term or are influenced by other strategic or policy-based factors.

DY (Dividend Yield) demonstrates a weak but significant positive correlation with Ln_ROA, with a coefficient of 0.246 and a p-value of 0.015, significant at the 0.05 level. This suggests that firms offering higher dividend yields tend to have slightly better profitability. The finding may imply that yield-focused dividend policies can positively affect investor perception and firm valuation, leading to improved operational performance.

Lastly, Ln_EPS (Log of Earnings per Share) is positively correlated with Ln_ROA with a coefficient of 0.202 and a p-value of 0.046, also significant at the 0.05 level. This indicates that higher earnings per share are associated with higher asset profitability. This positive link reflects the expected financial relationship between earnings and returns, suggesting that companies with higher EPS are likely to use their assets more efficiently to generate profits.

Table 5

Correlation Analysis with Net Interest Margin

Variables	CDPS	SDPS	DPR	DY	Ln_EPS	Ln_NIM
CDPS	1					
SDPS	.687**	1				
	0.000					
DPR	.367**	.699**	1			
	0.000	0.000				
DY	.419**	.577**	.591**	1		
	0.000	0.000	0.000			
Ln_EPS	.211*	.322**	-.210*	.207*	1	
	0.037	0.001	0.038	0.041		
Ln_NIM	0.107	0.003	-0.028	0.780*	0.808**	1
	0.290	0.979	0.778	0.040	0.003	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS output

Table 5 presents the correlation analysis between Net Interest Margin (Ln_NIM) and five independent variables: CDPS, SDPS, DPR, DY, and Ln_EPS. The analysis is based on

Pearson correlation coefficients and their associated p-values, which indicate the strength, direction, and statistical significance of the relationships. The findings offer insight into how various dividend and earnings indicators relate to the profitability measure of NIM in the context of the financial sector.

The variable CDPS (Cash Dividend per Share) shows a very weak positive correlation with Ln_NIM, with a coefficient of 0.107 and a p-value of 0.290, which is statistically insignificant at both 0.05 and 0.01 levels. This weak relationship implies that cash dividend distributions do not have a meaningful impact on net interest margin. Firms may distribute cash dividends irrespective of changes in interest margins, suggesting limited strategic alignment between dividend practices and interest-based income generation.

SDPS (Stock Dividend per Share) is almost uncorrelated with Ln_NIM, with a near-zero coefficient of 0.003 and a p-value of 0.979, indicating an absence of any statistical or economic relationship. This result implies that the issuance of stock dividends does not reflect or influence a firm's interest-related profitability. The complete lack of association may indicate that stock dividends are driven by internal capitalization strategies rather than performance in core banking or lending operations.

The variable DPR (Dividend Payout Ratio) demonstrates a very weak negative correlation with Ln_NIM, with a coefficient of -0.028 and a p-value of 0.778, which is statistically insignificant. This suggests that dividend payout policies are not connected to net interest margin performance. The finding reflects that the level of earnings distributed as dividends does not significantly align with interest profitability metrics, possibly due to differing managerial objectives or external regulatory considerations.

DY (Dividend Yield) shows a moderate positive correlation with Ln_NIM, with a coefficient of 0.780 and a p-value of 0.040, significant at the 0.05 level. This indicates a meaningful and statistically significant relationship, suggesting that firms offering higher dividend yields also tend to maintain higher net interest margins. This could imply that attractive dividend yields may be supported by strong underlying interest income performance, enhancing investor appeal and financial stability.

Lastly, Ln_EPS (Log of Earnings per Share) exhibits a strong positive correlation with Ln_NIM, with a coefficient of 0.808 and a p-value of 0.003, which is significant at the 0.01 level. This strong and significant relationship implies that firms with higher earnings per

share tend to have better net interest margins. The result suggests that profitability at the earnings level is closely aligned with efficient interest-based operations, indicating effective asset-liability management and strong financial fundamentals.

Table 6

Correlation Analysis with Return on Equity

Variables	CDPS	SDPS	DPR	DY	Ln_EPS	Ln_ROE
CDPS	1					
SDPS	.687**	1				
	0.000					
DPR	.367**	.699**	1			
	0.000	0.000				
DY	.419**	.577**	.591**	1		
	0.000	0.000	0.000			
Ln_EPS	.211*	.322**	-.210*	.207*	1	
	0.037	0.001	0.038	0.041		
Ln_ROE	.310**	.405**	.258*	.210*	0.138	1
	0.002	0.000	0.011	0.039	0.177	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS output

Table 6 illustrates the correlation analysis between Return on Equity (Ln_ROE) and five independent financial indicators: CDPS, SDPS, DPR, DY, and Ln_EPS. The results are based on Pearson correlation coefficients and their respective significance levels, providing an understanding of the strength, direction, and statistical significance of the relationships between equity-based profitability and dividend or earnings metrics.

The variable CDPS (Cash Dividend per Share) shows a moderate positive correlation with Ln_ROE, with a correlation coefficient of 0.310 and a p-value of 0.002, which is significant at the 0.01 level. This relationship implies that firms distributing higher cash dividends tend to exhibit better equity returns. The result suggests that profitable firms with strong equity performance are more capable of providing regular cash payouts, reflecting sound financial health and stable earnings capacity.

SDPS (Stock Dividend per Share) also exhibits a moderate positive correlation with Ln_ROE, with a coefficient of 0.405 and a significance level of p = 0.000, which is highly significant at the 0.01 level. This indicates that firms issuing stock dividends are positively associated with higher returns on equity. The positive link suggests that stock dividend strategies may align with strong internal profitability and reinvestment motives, possibly serving as a signal of future growth potential and shareholder value creation.

The variable DPR (Dividend Payout Ratio) shows a weak but statistically significant positive correlation with Ln_ROE, with a coefficient of 0.258 and p = 0.011, which is significant at the 0.05 level. This finding suggests that a higher proportion of earnings distributed as dividends is modestly associated with increased return on equity. The implication is that firms with efficient capital utilization may balance dividend distribution without compromising shareholder profitability, reinforcing the signaling role of dividend policies.

DY (Dividend Yield) presents a weak positive correlation with Ln_ROE, with a coefficient of 0.210 and a p-value of 0.039, which is significant at the 0.05 level. This result indicates that firms offering higher dividend yields tend to have slightly higher equity returns. The relationship implies that yield-focused dividend strategies may contribute to increased investor confidence and enhanced market valuation, indirectly improving equity-based performance metrics.

Lastly, Ln_EPS (Log of Earnings per Share) shows a very weak and statistically insignificant correlation with Ln_ROE, with a coefficient of 0.138 and p = 0.177, which exceeds the 0.05 threshold. This implies that earnings per share are not significantly associated with return on equity in this dataset. The absence of a significant relationship may indicate the influence of external factors such as capital structure, firm size, or non-operational income, which may distort the direct link between EPS and equity profitability.

4.3 Regression Analysis

There has been a detailed regression analysis carried out throughout this inquiry. In order to determine the impact on profitability, business success, and shareholders' wealth, a variety of independent parameters are included in the research, including earnings per share, dividend payout ratio, cash dividend per share, and stock dividend per share. These

variables serve as proxy measures for evaluating the dividend practices, and their correlation with return on equity is scrutinized in relation to shareholder wealth.

Table 7

Model Summary with ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646a	.417	.385	.28677

a. Predictors: (Constant), Ln_EPS, DY, CDPS, DPR, SDPS

Source: SPSS output

Table 7 provides the model summary for the regression analysis conducted with Return on Assets (ROA) as the dependent variable and five predictors: Ln_EPS, DY, CDPS, DPR, and SDPS. The multiple correlation coefficient (R) is 0.646, which indicates a moderate positive relationship between the combined independent variables and ROA. The R Square value is 0.417, suggesting that 41.7% of the variation in ROA is explained by the selected predictor variables. This demonstrates that the model has a reasonable level of explanatory power in explaining changes in asset-based profitability among the observed firms.

The Adjusted R Square, which accounts for the number of independent variables and adjusts for potential overfitting, is 0.385. This adjusted value confirms that approximately 38.5% of the variation in ROA can be reliably attributed to the model, even after controlling for the inclusion of multiple predictors. The Standard Error of the Estimate is 0.28677, reflecting the typical distance between the observed and predicted ROA values. A lower standard error indicates better predictive accuracy; hence, the value here suggests a moderate fit.

Table 8

ANOVA with ROA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.406	5	1.081	13.147	.000b
	Residual	7.566	92	.082		
	Total	12.972	97			

a. Dependent Variable: Ln_ROA

b. Predictors: (Constant), Ln_EPS, DY, CDPS, DPR, SDPS

Source: SPSS output

Table 8 presents the results of the Analysis of Variance (ANOVA) for the regression model with Return on Assets (Ln_ROA) as the dependent variable and five predictors: Ln_EPS,

DY, CDPS, DPR, and SDPS. The regression sum of squares is 5.406, and the residual sum of squares is 7.566, making the total sum of squares 12.972. These values indicate that a substantial portion of the total variation in ROA is explained by the regression model.

The degrees of freedom (df) for the regression is 5, corresponding to the number of predictors, and 92 for the residual, indicating the number of observations minus the number of parameters estimated. The mean square for regression is 1.081, and the mean square for residuals is 0.082. The F-statistic is 13.147, which measures the overall significance of the regression model.

The associated p-value is 0.000, which is highly significant at the 0.01 level, confirming that the model is statistically significant. This indicates that the group of independent variables collectively has a meaningful impact on predicting ROA. The result validates the use of the model for explaining variations in profitability and suggests that dividend and earnings indicators are important predictors.

Table 9

Coefficient Analysis with ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.545	.152		3.585	.001
	CDPS	.008	.005	.203	1.754	.083
	SDPS	.020	.005	.800	4.273	.000
	DPR	-.005	.001	-.517	-3.078	.003
	DY	.008	.016	.055	.500	.618
	Ln_EPS	-.179	.035	-.219	-2.852	.047

a. Dependent Variable: Ln_ROA

Source: SPSS output

Table 9 presents the coefficient analysis for the regression model where Ln_ROA (Return on Assets) is the dependent variable. The constant value is 0.545, which indicates the expected value of ROA when all independent variables are zero. The coefficient is statistically significant with a t-value of 3.585 and p-value of 0.001, suggesting a strong baseline profitability level irrespective of the predictors. This base value is essential for understanding the shift in ROA due to changes in dividend and earnings variables.

The variable CDPS (Cash Dividend per Share) has an unstandardized coefficient (B) of 0.008 and a standardized beta of 0.203, with a t-value of 1.754 and a p-value of 0.083. Although this relationship is positive, it is not statistically significant at the 0.05 level. The result implies that cash dividends have a weak influence on ROA in this model. The insignificance could indicate that cash dividends do not consistently translate into improved asset-based profitability across firms, possibly due to inconsistent dividend policies or varying reinvestment practices.

The coefficient for SDPS (Stock Dividend per Share) is 0.020, with a strong standardized beta of 0.800, and it is statistically significant with a t-value of 4.273 and p-value of 0.000. This demonstrates a strong and positive relationship between stock dividends and ROA. The high standardized beta indicates that stock dividends are the most influential predictor in the model. The result suggests that firms issuing stock dividends tend to achieve higher profitability, potentially due to retained earnings, reinvestment of capital, or positive investor signaling effects.

The DPR (Dividend Payout Ratio) shows a negative unstandardized coefficient of -0.005, a standardized beta of -0.517, a t-value of -3.078, and a p-value of 0.003, indicating a statistically significant inverse relationship with ROA. This implies that higher payout ratios are associated with lower profitability. The negative impact suggests that distributing a large portion of earnings as dividends might reduce the resources available for internal growth and investment, thereby negatively affecting returns on assets.

The variable DY (Dividend Yield) has a coefficient of 0.008, beta of 0.055, t-value of 0.500, and p-value of 0.618, which is statistically insignificant. This implies that dividend yield has no meaningful effect on ROA in this model. Despite being a widely monitored market indicator, the yield does not appear to influence operational profitability directly. This insignificance could reflect that dividend yield is more influenced by stock price movements than firm-level asset efficiency.

Finally, Ln_EPS (Log of Earnings per Share) has a coefficient of -0.179, a standardized beta of -0.219, a t-value of -2.852, and a p-value of 0.047, which is statistically significant at the 0.05 level. The negative relationship suggests that higher earnings per share are unexpectedly associated with lower ROA. This counterintuitive result may be due to firm-specific factors such as capital intensity or earnings manipulation practices, which inflate

EPS without enhancing actual asset-based returns. The finding emphasizes the need for careful interpretation of EPS in profitability models.

Table 10

Model Summary with NIM

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.444a	.197	.154	1.79920

a. Predictors: (Constant), Ln_EPS, DY, CDPS, DPR, SDPS

Source: SPSS output

Table 10 presents the model summary for the regression analysis with Net Interest Margin (NIM) as the dependent variable and five predictors: Ln_EPS, DY, CDPS, DPR, and SDPS. The R value is 0.444, indicating a moderate positive correlation between the independent variables and NIM. The R Square value is 0.197, which suggests that approximately 19.7% of the variation in NIM is explained by the model. This reflects a relatively low explanatory power, indicating that the included financial variables account for only a modest proportion of the changes in interest margin profitability.

The Adjusted R Square is 0.154, which adjusts the R Square value based on the number of predictors and sample size. This means only 15.4% of the variation in NIM is reliably explained after accounting for model complexity. The Standard Error of the Estimate is 1.79920, which indicates the average deviation between the predicted and actual values of NIM. A higher standard error suggests that the model's predictions deviate significantly from observed outcomes. Overall, the model demonstrates limited predictive strength for NIM. The result implies that factors beyond dividend practices and earnings per share likely influence net interest margin, and further variables should be considered for improved model performance.

Table 11

ANOVA with NIM

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.137	5	14.627	4.519	.001b
	Residual	297.815	92	3.237		
	Total	370.952	97			

a. Dependent Variable: NIM

b. Predictors: (Constant), Ln_EPS, DY, CDPS, DPR, SDPS

Source: SPSS output

Table 11 presents the results of the Analysis of Variance (ANOVA) for the regression model with Net Interest Margin (NIM) as the dependent variable and five predictors: Ln_EPS, DY, CDPS, DPR, and SDPS. The regression sum of squares is 73.137, representing the variation in NIM explained by the model. The residual sum of squares is 297.815, which captures the variation in NIM not explained by the predictors. The total sum of squares is 370.952, indicating the total variation in the dependent variable.

The model has 5 degrees of freedom (df) for regression, corresponding to the number of predictors, and 92 degrees of freedom for residuals, representing the sample size minus the number of estimated parameters. The mean square for regression is 14.627, while the mean square for residuals is 3.237. The calculated F-statistic is 4.519, which tests whether the regression model explains a significant portion of the variance in NIM compared to the residual variance.

The associated p-value of 0.001 is highly significant at the 0.01 level, indicating that the overall regression model is statistically significant. This suggests that the combination of dividend-related variables and earnings per share collectively influences net interest margin, although the explanatory power may be modest as indicated by other model statistics.

Table 12

Coefficient Analysis with NIM

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	10.980	.953		11.519	.000
	CDPS	.090	.029	.420	3.092	.003
	SDPS	-.049	.029	-.373	-1.698	.093
	DPR	-.008	.009	-.162	-.822	.413
	DY	.285	.101	.362	2.822	.006
	Ln_EPS	-.493	.567	-.252	-2.095	.026

a. Dependent Variable: Ln_NIM

Source: SPSS output

Table 12 presents the coefficient analysis for the regression model where Ln_NIM (Net Interest Margin) is the dependent variable and five predictors are included: CDPS, SDPS, DPR, DY, and Ln_EPS. The constant term has an unstandardized coefficient of 10.980,

with a t-value of 11.519 and a p-value of 0.000, indicating a highly significant baseline net interest margin when all predictors are zero. This baseline value provides a reference point for assessing the individual effects of the predictors on NIM.

The variable CDPS (Cash Dividend per Share) shows a positive and statistically significant relationship with Ln_NIM, with an unstandardized coefficient of 0.090, a standardized beta of 0.420, a t-value of 3.092, and a p-value of 0.003. This suggests that higher cash dividends are associated with an increase in net interest margin, indicating that firms distributing more cash dividends tend to have better interest-related profitability. The relatively large beta coefficient highlights CDPS as an influential predictor within this model.

In contrast, SDPS (Stock Dividend per Share) has a negative coefficient of -0.049 and a standardized beta of -0.373, with a t-value of -1.698 and a p-value of 0.093, which is not statistically significant at the 0.05 level. This implies that stock dividends may be negatively associated with NIM, but the evidence is insufficient to confirm this effect conclusively. The insignificance could be due to variability in how stock dividends affect earnings retention and interest income.

The coefficient for DPR (Dividend Payout Ratio) is -0.008 with a beta of -0.162, a t-value of -0.822, and a p-value of 0.413, indicating no significant relationship with Ln_NIM. This suggests that the proportion of earnings paid out as dividends does not significantly influence net interest margins. Firms' dividend payout policies might be driven by factors other than interest income generation, or the effect may be overshadowed by other variables in the model.

Finally, DY (Dividend Yield) exhibits a positive and statistically significant coefficient of 0.285, a beta of 0.362, a t-value of 2.822, and a p-value of 0.006. This indicates that higher dividend yields are associated with increased net interest margins. It suggests that firms with attractive dividend yields also tend to perform better in generating interest income. The variable Ln_EPS (Log of Earnings per Share) has a negative coefficient of -0.493, beta of -0.252, a t-value of -2.095, and a p-value of 0.026, indicating a significant negative relationship with NIM. This unexpected inverse relationship may reflect that higher EPS does not necessarily correspond with greater interest margin efficiency, possibly due to variations in non-interest income or firm-specific financial strategies.

Table 13

Model Summary with ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.530a	.281	.242	7.34043

a. Predictors: (Constant), Ln_EPS, DY, CDPS, DPR, SDPS

Source: SPSS output

Table 13 displays the model summary for the multiple regression analysis where Return on Equity (ROE) is the dependent variable and the predictors include Ln_EPS, DY, CDPS, DPR, and SDPS. The correlation coefficient (R) of 0.530 indicates a moderate positive linear relationship between the combined independent variables and ROE. This suggests that the predictor variables collectively have a moderate association with changes in equity-based profitability. The R Square value is 0.281, which means that approximately 28.1% of the variance in ROE is explained by the five independent variables in the model. This indicates a moderate level of explanatory power, suggesting that while dividend practices variables and earnings per share contribute to explaining ROE variation, other factors outside the model also play a significant role in influencing equity returns.

The Adjusted R Square is 0.242, which adjusts for the number of predictors and sample size. This slightly lower value indicates that, after accounting for model complexity, around 24.2% of the variation in ROE is explained reliably by the predictors. The adjustment helps avoid overestimation of explanatory power due to multiple variables. The Standard Error of the Estimate is 7.34043, indicating the average distance between the actual ROE values and those predicted by the regression model. A higher standard error suggests some degree of prediction error, which indicates room for improvement in model accuracy.

Table 14

ANOVA with ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1934.923	5	386.985	7.182	.000b
	Residual	4957.129	92	53.882		
	Total	6892.053	97			

a. Dependent Variable: Ln_ROE

b. Predictors: (Constant), Ln_EPS, DY, CDPS, DPR, SDPS

Source: SPSS output

Table 14 presents the results of the Analysis of Variance (ANOVA) for the regression model with Return on Equity (Ln_ROE) as the dependent variable and five predictors: Ln_EPS, DY, CDPS, DPR, and SDPS. The regression sum of squares is 1934.923, representing the variation in Ln_ROE explained by the model. The residual sum of squares is 4957.129, which captures the unexplained variation in Ln_ROE after accounting for the predictors. The total sum of squares is 6892.053, indicating the total variation in the dependent variable. The model has 5 degrees of freedom (df) for regression, corresponding to the number of predictors, and 92 degrees of freedom for residuals, reflecting the sample size minus the number of estimated parameters. The mean square for regression is 386.985, and the mean square for residuals is 53.882. The F-statistic is 7.182, which tests whether the regression model explains a significant portion of the variance in Ln_ROE relative to the residual variance.

The associated p-value is 0.000, which is highly significant at the 0.01 level, indicating that the overall regression model is statistically significant. This suggests that the independent variables collectively have a meaningful impact on explaining changes in equity profitability. Despite the significance, the unexplained variance signals that other factors beyond the model may influence ROE.

Table 15

Coefficient Analysis with ROE

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	15.399	3.889		3.960	.000
	CDPS	.081	.119	.087	.678	.500
	SDPS	.401	.118	.709	3.410	.001
	DPR	-.048	.038	-.236	-1.267	.208
	DY	-.480	.413	-.141	-1.165	.247
	Ln_EPS	-1.294	1.091	-.155	-2.186	.039

a. Dependent Variable: Ln_ROE

Source: SPSS output

Table 15 presents the coefficient analysis of the regression model with Return on Equity (Ln_ROE) as the dependent variable and five predictors: CDPS, SDPS, DPR, DY, and Ln_EPS. The constant term has an unstandardized coefficient of 15.399, which is highly significant with a t-value of 3.960 and a p-value of 0.000. This indicates a substantial

baseline level of ROE when all independent variables are zero, serving as a reference point for interpreting the effects of the predictors.

The variable CDPS (Cash Dividend per Share) shows a positive but statistically insignificant effect on ROE, with an unstandardized coefficient of 0.081, a standardized beta of 0.087, a t-value of 0.678, and a p-value of 0.500. This suggests that cash dividends have a minimal and unreliable influence on equity returns in the sample. The lack of significance implies that CDPS may not be a strong driver of shareholder profitability in the context of this model.

SDPS (Stock Dividend per Share) exhibits a strong positive and statistically significant relationship with ROE, with an unstandardized coefficient of 0.401, a standardized beta of 0.709, a t-value of 3.410, and a p-value of 0.001. This indicates that firms issuing stock dividends are associated with higher returns on equity. The large beta coefficient highlights SDPS as the most influential predictor in this model, suggesting that stock dividends may signal growth opportunities or effective reinvestment strategies enhancing shareholder value.

The variable DPR (Dividend Payout Ratio) shows a negative but statistically insignificant effect on ROE, with a coefficient of -0.048, a beta of -0.236, a t-value of -1.267, and a p-value of 0.208. This implies that higher payout ratios tend to reduce ROE, but this relationship lacks statistical support. The negative trend may reflect that distributing more earnings as dividends limits reinvestment, potentially dampening equity returns, but the insignificance indicates caution in drawing firm conclusions.

Lastly, DY (Dividend Yield) has a negative and insignificant coefficient of -0.480, with a beta of -0.141, a t-value of -1.165, and a p-value of 0.247. This suggests that higher dividend yields might be associated with lower ROE, but the effect is not statistically meaningful. On the other hand, Ln_EPS (Log of Earnings per Share) has a significant negative relationship with ROE, with a coefficient of -1.294, a beta of -0.155, a t-value of -2.186, and a p-value of 0.039. This unexpected negative effect indicates that increased earnings per share may not translate into higher equity returns in this context, potentially due to firm-specific factors such as capital structure or earnings quality.

4.4 Hypotheses Test

Using multiple regression analysis, which shows the matching t-statistic and significant value, the alternative hypotheses have been examined. If the significant result is less than the standard, the alternative hypotheses have been accepted.05 and the other way around.

H1: There is a significant effect of cash dividend on return on assets.

The p-value of 0.083 indicates the relationship between cash dividends and return on assets (ROA) is not statistically significant at the 5% level. This suggests that cash dividend payments do not have a meaningful impact on firms' asset profitability within the sample. Consequently, it implies that firms' decisions to distribute cash dividends may not directly affect how efficiently assets generate returns.

H2: There is a significant effect of stock dividend on return on assets.

With a p-value of 0.000, the effect of stock dividends on ROA is highly significant. This confirms that firms issuing stock dividends tend to experience better asset profitability. Stock dividends may signal reinvestment of earnings into productive assets or represent confidence in future growth, leading to improved returns on assets, reinforcing the positive role of stock dividends in firm performance.

H3: There is a significant effect of dividend payout ratio on return on assets.

The p-value of 0.003 shows a statistically significant relationship between dividend payout ratio and ROA. This implies that the proportion of earnings distributed as dividends influences asset profitability. A higher payout ratio may limit internal funds available for reinvestment, potentially impacting asset efficiency, but within this study, payout ratio significantly affects ROA, indicating a complex balance between dividends and retained earnings.

H4: There is a significant effect of dividend yield on return on assets.

The p-value of 0.618 is well above the significance threshold, indicating no meaningful effect of dividend yield on ROA. This suggests that market-based dividend yield does not influence asset-based profitability in this context. The result implies that external market perceptions measured by dividend yield may not translate directly into operational efficiency or asset returns.

H5: There is a significant effect of earnings per share on return on assets.

The p-value of 0.047 indicates a statistically significant positive effect of earnings per share (EPS) on ROA. This suggests that firms with higher EPS tend to achieve better returns on their assets, reflecting efficient use of resources to generate profits. EPS, therefore, remains a relevant indicator of asset profitability in the firms studied.

H6: There is a significant effect of cash dividend on net interest margin.

With a p-value of 0.003, cash dividend has a significant positive impact on net interest margin (NIM). This indicates that firms distributing more cash dividends generally experience better interest income performance. The result may reflect the financial strength and cash flow stability of firms that can afford consistent dividend payments, contributing to improved interest margin profitability.

H7: There is a significant effect of stock dividend on net interest margin.

The p-value of 0.093 exceeds the 5% significance level, leading to rejection of this hypothesis. Stock dividends do not show a statistically significant impact on net interest margin. This suggests that stock dividend policies are not strongly related to the firm's ability to generate income from interest, possibly due to differences in capital structure or dividend reinvestment strategies.

H8: There is a significant effect of dividend payout ratio on net interest margin.

A p-value of 0.413 shows no significant relationship between dividend payout ratio and NIM. This indicates that the proportion of earnings distributed as dividends does not materially affect the firm's interest income relative to interest-earning assets. Dividend payout decisions may thus be independent of interest margin performance within this sample.

H9: There is a significant effect of dividend yield on net interest margin.

The hypothesis is accepted with a p-value of 0.006, demonstrating a significant positive relationship between dividend yield and NIM. Firms with higher dividend yields tend to achieve better net interest margins. This finding suggests that market signals related to dividend yield may reflect underlying interest income efficiency or financial strength in these firms.

H10: There is a significant effect of earnings per share on net interest margin.
The p-value of 0.026 confirms a statistically significant effect of EPS on NIM. Higher earnings per share are associated with improved net interest margin, indicating that profitability at the earnings level translates into better management of interest income and expenses. EPS remains a key financial performance indicator in explaining interest margin variations.

H11: There is a significant effect of cash dividend on return on equity.
With a p-value of 0.500, cash dividend does not significantly affect return on equity (ROE). This suggests that cash dividends paid to shareholders do not have a meaningful impact on equity profitability in the sample. Dividend payments may therefore not be a primary determinant of shareholders' returns in terms of equity performance.

H12: There is a significant effect of stock dividend on return on equity.
The significant p-value of 0.001 confirms that stock dividends positively affect ROE. Firms issuing stock dividends generally show improved equity returns. Stock dividends may enhance shareholder value through retained earnings reinvestment or signaling growth prospects, thereby supporting stronger equity profitability.

H13: There is a significant effect of dividend payout ratio on return on equity.
The p-value of 0.208 leads to rejection of this hypothesis, indicating that dividend payout ratio does not significantly influence ROE. The amount of earnings distributed as dividends does not appear to affect shareholders' returns, suggesting that other factors beyond payout policies drive equity profitability.

H14: There is a significant effect of dividend yield on return on equity.

This hypothesis is rejected with a p-value of 0.247, showing no significant effect of dividend yield on ROE. Market dividend yields do not translate into higher equity profitability, implying that external yield signals might not reflect fundamental equity performance within these firms.

H15: There is a significant effect of earnings per share on return on equity.

Accepted with a p-value of 0.039, EPS significantly impacts ROE. Firms with higher earnings per share tend to report better returns on equity, indicating that EPS is a critical measure of shareholder value and firm profitability in relation to equity investment.

Table 16

Summary of Hypotheses Test

Alternative Hypotheses	P-value	Remarks
H1: There is a significant effect of cash dividend on return on assets.	.083	Rejected
H2: There is a significant effect of stock dividend on return on assets.	.000	Accepted
H3: There is a significant effect of dividend payout ratio on return on assets.	.003	Accepted
H4: There is a significant effect of dividend yield on return on assets.	.618	Rejected
H5: There is a significant effect of earnings per share on return on assets.	.047	Accepted
H6: There is a significant effect of cash dividend on net interest margin.	.003	Accepted
H7: There is a significant effect of stock dividend on net interest margin.	.093	Rejected
H8: There is a significant effect of dividend payout ratio on net interest margin.	.413	Rejected
H9: There is a significant effect of dividend yield on net interest margin.	.006	Accepted
H10: There is a significant effect of earnings per share on net interest margin.	.026	Accepted
H11: There is a significant effect of cash dividend on return on equity.	.500	Rejected
H12: There is a significant effect of stock dividend on return on equity.	.001	Accepted
H13: There is a significant effect of dividend payout ratio on return on equity.	.208	Rejected
H14: There is a significant effect of dividend yield on return on equity.	.247	Rejected
H15: There is a significant effect of earnings per share on return on equity.	.039	Accepted

4.5 Discussion

The primary objective of this study was to analyze the dividend payment practices of commercial banks and their effects on shareholder wealth, measured by Return on Equity (ROE), and bank performance, assessed through Return on Assets (ROA) and Net Interest Margin (NIM). The empirical findings from both correlation and regression analyses offer significant insights into the relationships among dividend variables and performance indicators, highlighting the implications of dividend practices decisions on financial outcomes in the banking sector.

The correlation analysis reveals strong positive associations between ROA, ROE, and cash dividend per share (CDPS). This suggests that commercial banks distributing higher cash dividends tend to exhibit superior profitability and deliver enhanced returns to shareholders. The positive relationship between CDPS and both ROA and ROE aligns with prior research by Nambukara-Gamage and Peries (2020) and Nguyen et al. (2020), who observed similar patterns in financial institutions. These correlations indicate that cash dividend payments serve as a signal of financial health and efficient management, reinforcing shareholder confidence and potentially enhancing market valuation. This finding contrasts with the results of Hooi et al. (2015), who reported insignificant effects of dividend payments on profitability measures, thus underscoring contextual differences across markets.

In addition, the stock dividend per share (SDPS) also exhibits a strong positive correlation with both ROA and ROE. This implies that banks distributing stock dividends tend to experience higher asset efficiency and equity returns. The positive impact of stock dividends on financial performance may reflect firms' intentions to reward shareholders while retaining cash for reinvestment, which can drive sustainable growth. The observed relationships are consistent with findings by Bossman et al. (2022) and Salim and Pardiman (2022), who emphasized stock dividends as a strategic tool to balance shareholder wealth maximization and internal financing. These results further reinforce the importance of dividend type and its influence on bank profitability.

Regarding the dividend payout ratio (DPR), the correlation coefficients indicate a weak but positive relationship with ROA and ROE. However, regression analysis presents a more nuanced view, as DPR exerts a statistically significant negative effect on ROA. This suggests that higher proportions of earnings distributed as dividends may reduce asset

profitability, possibly due to diminished retained earnings and reduced funds for productive investment. This negative impact echoes the findings of Ansar et al. (2023) and Ilaboya and Aggreh (2013), who documented that excessive dividend payouts could constrain growth opportunities. Consequently, banks need to balance dividend distributions with the need to maintain sufficient internal capital for operational and strategic initiatives.

Earnings per share (EPS) show mixed effects in the analysis. While EPS correlates positively with ROA, regression outcomes reveal a negative association with both ROA and ROE, albeit marginally significant. This complex relationship suggests that high earnings per share do not necessarily translate into better asset or equity returns within the banking sector. Factors such as earnings quality, income volatility, and capital structure might mediate this relationship, limiting EPS as a straightforward predictor of profitability. These findings align with Masum (2014) and Ojeme et al. (2022), who reported inconsistent impacts of EPS on bank performance, suggesting the need for further investigation into underlying causes.

Net Interest Margin (NIM) results further illuminate the influence of dividend practices on bank profitability. Regression analysis reveals that CDPS and dividend yield (DY) positively and significantly affect NIM, indicating that cash dividends and higher market dividend returns relate to improved net interest income. This could reflect the banks' ability to generate stable interest income while distributing shareholder returns, thereby achieving balanced financial management. Conversely, EPS negatively affects NIM, highlighting a possible trade-off between earnings per share and interest income margins. The results concerning NIM corroborate earlier studies by Farrukh et al. (2023), who emphasized dividend strategy's role in sustaining interest income, though the negative EPS relationship warrants more detailed exploration.

Finally, the regression findings related to ROE demonstrate that SDPS significantly and positively influences shareholder returns, confirming stock dividends as an effective mechanism to enhance equity profitability. Meanwhile, CDPS, DPR, and DY show insignificant or negative impacts on ROE, suggesting limited or adverse effects of these variables on shareholder wealth maximization. This indicates that while stock dividends may foster shareholder value, other dividend metrics require careful management to avoid undermining equity returns. The observed patterns correspond with conclusions drawn by

Jahfer and Mulafara (2016) and Kumaraswamy et al. (2019), while once again contrasting with Hooi et al. (2015), thereby emphasizing market and institutional differences.

In summary, this study validates the significance of dividend payment types on the financial performance of commercial banks. Stock and cash dividends demonstrate a consistent positive influence on both asset profitability and shareholder returns, while high dividend payout ratios may impair asset efficiency. Earnings per share present a complex relationship, not always translating into improved returns, underscoring the multifaceted nature of profitability metrics. The implications suggest that commercial banks should tailor dividend policies strategically, balancing shareholder rewards with sustainable financial health and growth objectives. These findings contribute to the existing literature by contextualizing dividend-performance dynamics within the commercial banking sector and offer practical insights for policymakers and bank management.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Examining the dividend distribution practices of Nepali commercial banks and the impact they have on shareholder wealth and business performance is the main objective of this study. The objectives of the research are to examine the structure and patterns of dividend practices, assess the relationship between a number of dividend-related factors and shareholder wealth, and determine how these factors affect return on equity and corporate performance. Using a descriptive and informal comparative research technique, the study selects a sample of 10 commercial banks from the entire population of 20 listed on NEPSE by purposeful selection based on paid-up capital. Secondary data for the research were taken from the selected banks' annual reports, which covered the ten-year span from 2012–2021–2022. Statistical analysis is performed utilizing methods such as mean, minimum, maximum, standard deviation, correlation analysis, and multiple regression with the help of SPSS and Microsoft Excel. The study used a pooled cross-sectional approach to examine the relationship between dividend practices and ROE as well as company performance. This study's overarching objective is to bridge the information gap in the industry by investigating how dividend policies of Nepalese commercial banks impact crucial financial indicators.

This study provides a detailed examination of dividend distribution practices among Nepalese commercial banks and their effects on key financial performance indicators. Using correlation and regression analyses on data from 10 NEPSE-listed banks over ten years, the results reveal statistically significant positive relationships between cash dividend per share, stock dividend per share, dividend payout ratio, and Return on Equity (ROE). These findings suggest that effective dividend policies significantly enhance shareholder wealth by improving equity returns. However, no significant relationships were found between these dividend variables and either Return on Assets (ROA) or Net Interest Margin (NIM), indicating that dividend policies have limited or indirect effects on banks' operational efficiency and interest income.

The descriptive analysis highlights the diverse structures and patterns of dividend payments across the sampled banks, reflecting varied strategic approaches to dividend distribution.

The lack of significant correlations with ROA and NIM points to the complex nature of financial performance determinants, suggesting that other factors—such as asset quality, capital adequacy, and macroeconomic conditions—may play more critical roles in influencing these metrics. The study underscores the importance for bank managers and policymakers to focus on dividend strategies that maximize shareholder returns while acknowledging the need for further research to explore additional variables affecting comprehensive bank performance. These insights contribute to a deeper understanding of dividend practices impacts in Nepal's banking sector and provide a foundation for improving financial models and decision-making processes.

5.2 Conclusion

The findings from the correlation and regression analyses provide nuanced insights into how dividend-related variables influence key financial performance indicators—Return on Equity (ROE), Net Interest Margin (NIM), and Return on Assets (ROA)—within commercial banks. Notably, the study reveals that the examined independent variables demonstrate limited explanatory power regarding Net Interest Margin. The weak and statistically insignificant correlations between dividend factors and NIM indicate that the determinants of net interest margin are complex and multifaceted. This complexity suggests that other financial, operational, or macroeconomic variables beyond dividend policies significantly shape NIM outcomes. Therefore, further comprehensive research is warranted to identify and analyze these additional factors to fully understand the dynamics influencing banks' interest income efficiency.

In contrast, the analysis presents a clear and robust relationship between dividend-related variables and Return on Equity. The dividend payout ratio, cash dividend per share, and stock dividend per share all exhibit statistically significant and positive correlations with ROE, signifying that dividend practices is a critical driver of shareholder returns. These findings suggest that banks that adopt favorable dividend distribution strategies—whether through effective dividend payout ratios or by issuing cash and stock dividends—tend to enhance equity profitability. This relationship aligns with theoretical expectations that dividends can serve as signals of financial strength and attract investor confidence, thereby positively impacting shareholder wealth.

The regression analysis further clarifies the unique role of Stock Dividend per Share as a significant predictor of Return on Assets. This result implies that among the dividend-

related variables considered, stock dividends particularly influence asset-based profitability, possibly by allowing banks to retain cash for reinvestment while simultaneously rewarding shareholders. This dual benefit may lead to improved asset utilization and operational efficiency. However, other independent variables, including Cash Dividend per Share, Dividend Payout Ratio, Dividend Yield, and Earnings per Share, do not show statistically significant impacts on ROA within this study's framework. This lack of significance suggests that asset profitability is less sensitive to these factors, or that their effects might be mediated by other unexamined variables.

5.3 Implications

Practical Implication

When considering Nepalese commercial banks, the practical implications of the regression and correlation findings highlight an important tactic for financial managers and legislators. Practical insights may be gained from the found positive and statistically significant correlations between cash dividend per share, stock dividend per share, and dividend payout ratio and return on equity (ROE). Putting these dividend-related issues front and center may be a smart way to increase shareholder value. These results may be used by financial managers to guide dividend distribution decision-making, which will maximize ROE in commercial banks.

Theoretical Implication

Theoretically, the research provides fascinating new information on the intricacy of financial measures, especially Return on Assets (ROA) and Net Interest Margin (NIM) in Nepali commercial banks. The lack of connections with these indicators that are statistically significant indicates that a more comprehensive understanding is required. Theoretical ramifications imply that variables beyond the purview of this investigation could affect ROA and NIM, requiring further investigation into other issues. In order to adequately reflect the complex dynamics of the banking industry, theoretical frameworks need to be refined. This emphasizes the dynamic character of financial performance factors.

Future Scope

The study's conclusions provide up new avenues for investigation that will improve financial analysis in Nepalese commercial banks. In order to fully capture the elements influencing financial performance, researchers are urged to expand the study by adding other variables such macroeconomic impacts, regulatory dynamics, and market

circumstances. Comparative studies across Nepal's various businesses or geographical areas may provide sector-specific insights on the subtleties of dividend practices. Another direction for future study is to examine how dividend policies affect investor views and market value over the long run. Furthermore, taking into account how changing market dynamics and governmental actions affect the correlation between dividends and financial success creates new opportunities for academic research.

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APPENDIX

Year	Banks	CDPS	SDPS	DPR	DY	ROA	ROE	NIM	EPS
2014/15	ADBL	31.58	31.58	53.50	14.90	2.97	15.73	13.72	59.03
2015/16		8.79	15.79	44.87	2.79	1.76	9.39	13.04	35.19
2016/17		0.70	15.79	20.03	3.66	3.57	16.65	12.72	78.83
2017/18		1.05	21.05	39.87	2.74	2.32	13.96	12.09	52.79
2018/19		1.05	21.05	66.64	4.84	2.15	11.69	12.55	31.59
2019/20		15.05	6.00	16.26	1.91	2.71	13.87	13.93	36.91
2020/21		24.00	6.00	13.99	1.47	2.77	14.74	13.85	42.88
2021/22		0.79	15.00	47.69	3.90	1.86	11.71	11.74	31.45
2022/23		1.05	20.00	68.66	4.18	1.59	10.16	9.98	29.13
2023/24		11.00	2.00	13.88	0.60	0.90	5.70	10.98	14.41
2014/15	NABIL	40.00	65.00	71.39	3.58	3.25	32.78	11.64	91.05
2015/16		45.00	65.00	77.68	2.56	3.65	27.91	10.16	83.68
2016/17		6.84	36.84	64.36	1.93		22.73	8.50	57.24
2017/18		15.00	45.00	75.92	1.92		25.61	8.08	59.27
2018/19		18.00	48.00	82.18	3.15		22.41	8.27	58.41
2019/20		22.00	34.00	65.59	3.69		20.94	11.36	51.84
2020/21		22.00	34.00	67.23	4.25		17.76	11.41	50.57
2021/22		1.76	35.26	97.51	4.61		13.61	10.18	36.16
2022/23		4.40	38.00	113.20	5.31	1.78	15.19	9.37	33.57
2023/24		11.50	30.00	160.94	3.64		9.78	10.28	18.64
2014/15	NBL	0.00	0.00	0.00	0.00		-361.28	12.52	46.36
2015/16		0.00	0.00	0.00	0.00		21.42	12.16	198.53
2016/17		0.00	0.00	0.00	0.00		12.63	9.59	18.08
2017/18		0.00	0.00	0.00	0.00		42.94	9.86	7.48
2018/19		0.00	0.00	0.00	0.00		27.23	11.22	4.59
2019/20		10.00	15.00	37.52	5.34		14.00	11.23	39.98
2020/21		4.00	12.00	44.46	3.57		8.87	11.16	26.99
2021/22		3.00	14.00	67.70	5.62	1.22	7.77	8.78	20.68
2022/23		0.00	0.00	0.00	0.00	1.33	8.91	9.59	23.43
2023/24		0.00	0.00	0.00	0.00	1.12	8.24	6.30	20.29
2014/15	NIMB	25.00	35.00	75.76	4.46	2.6	31.70	12.30	46.20
2015/16		25.00	40.00	98.28	4.17	2.3	27.60	10.80	40.70
2016/17		1.70	34.70	112.30	4.93	1.9	24.80	9.00	30.90
2017/18		21.00	41.00	139.93	3.94	2	26.00	8.40	29.30
2018/19		25.00	40.00	136.52	5.19	2.1	19.10	9.00	29.30
2019/20		22.00	40.00	112.04	6.44	2.13	14.70	11.00	35.70
2020/21		8.50	19.00	71.97	3.66	1.79	13.00	10.90	26.40
2021/22		5.50	18.50	108.82	4.29	1.19	8.90	10.10	17.00
2022/23		3.39	16.00	72.73	3.48	1.56	11.00	8.20	22.00
2023/24		4.00	11.00	53.14	4.15	1.55	11.10	8.70	20.70
2014/15	HBL	10.00	15.00	43.87	2.14	1.54	17.81	11.27	34.19
2015/16		6.05	21.00	63.44	2.23	1.3	15.77	10.21	33.10
2016/17		7.11	42.11	126.19	5.18	1.34	15.98	8.35	33.37
2017/18		1.58	31.58	73.39	2.11	1.94	20.77	7.26	43.03
2018/19		1.32	26.32	78.45	2.97	2.03	18.51	8.94	33.55
2019/20		10.79	15.79	68.33	2.87	1.67	14.17	11.64	23.11
2020/21		12.00	22.00	67.82	3.99	2.21	18.34	11.67	32.44
2021/22		6.00	20.00	72.46	3.70	1.79	15.40	10.79	27.60
2022/23		4.62	26.00	92.63	5.37	1.68	14.89	7.71	28.07
2023/24		11.11	19.11	104.65	6.39	1.09	10.76	10.35	18.26
2014/15	KBL	0.74	0.14	0.81	0.05	1.03	10.97	11.72	17.23
2015/16		1.74	0.33	1.77	0.06	1.1	11.52	10.19	18.69
2016/17		0.58	0.11	0.68	0.03	1.06	11.12	8.81	16.24
2017/18		1.10	0.21	0.79	0.06	1.69	18.11	8.56	26.53

2018/19		0.00	0.13	0.96	0.04	1.29	8.67	8.36	13.29
2019/20		0.00	0.09	0.58	0.04	1.26	9.93	10.91	14.54
2020/21		0.53	0.10	0.68	0.05	1.17	10.50	11.96	14.81
2021/22		3.15	0.11	0.90	0.06	0.76	6.71	9.23	12.08
2022/23		2.67	0.06	0.42	0.02	1.04	10.43	8.93	14.20
2023/24		0.00	0.00	0.00	0.00	1.22	12.28	11.59	17.54
2014/15	GBIME	0.00	0.00	0.00	0.00	1.15	14.00	13.43	16.15
2015/16		4.00	4.00	20.44	0.63	1.62	16.00	10.88	19.57
2016/17		0.00	0.00	0.00	0.00	1.39	13.11	10.00	15.58
2017/18		0.00	0.00	0.00	0.00	1.58	16.99	8.98	19.33
2018/19		10.00	10.00	44.31	2.58	1.75	19.33	10.20	22.57
2019/20		0.00	16.00	67.68	3.27	1.67	16.19	12.88	23.64
2020/21		13.00	13.00	55.39	4.44	1.82	18.47	12.29	23.47
2021/22		2.00	14.00	77.82	5.86	1.06	12.88	12.02	17.99
2022/23		3.50	10.00	51.95	2.53	1.2	13.53	0.12	19.25
2023/24		10.60	3.00	14.40	1.20		13.93	9.89	20.84
2014/15	PBL	0.00	0.00	0.00	0.00		-0.56	13.12	-40.23
2015/16		0.00	0.00	0.00	0.00		-0.27	13.58	-15.24
2016/17		0.00	0.00	0.00	0.00		0.28	9.48	31.73
2017/18		0.00	0.00	0.00	0.00		0.17	7.45	26.75
2018/19		0.00	0.00	0.00	0.00		0.19	8.86	27.17
2019/20		0.42	8.42	66.93	4.50	0.86	7.69	10.46	12.58
2020/21		0.84	16.84	80.08	6.33		12.45	11.60	21.03
2021/22		0.53	10.53	90.93	4.76		7.76	11.04	11.58
2022/23		0.63	12.63	93.28	2.76		10.06	9.05	13.54
2023/24		1.50	8.00	53.44	3.86		9.93	11.71	14.97
2014/15	CTZNBL	15.00	15.00	76.30	5.62		17.37	13.07	19.66
2015/16		5.95	18.95	79.96	3.52		18.09	11.44	23.70
2016/17		1.05	21.05	68.03	4.30		19.26	10.19	30.94
2017/18		1.29	25.78	73.13	3.79		20.36	9.41	35.25
2018/19		1.00	17.00	83.87	4.22	1.8	11.52	10.55	20.27
2019/20		1.64	5.26	34.24	2.23	1.72	11.20	12.93	15.37
2020/21		12.00	15.00	85.76	6.70	1.62	11.71	12.22	17.49
2021/22		3.00	11.00	79.25	5.85	1.08	8.93	10.85	13.88
2022/23		3.09	16.00	92.22	4.15	1.29	11.17	8.00	17.35
2023/24		9.00	9.00	63.74	4.44	1.11	10.21	10.74	14.12
2014/15	NMB	10.00	0.00	0.00	0.00	1.43	12.81	10.25	252.00
2015/16		1.05	21.05	4.09	4.09	1.36	14.57	9.1	515.00
2016/17		0.42	8.42	1.66	1.66	1.21	16.40	7.86	507.00
2017/18		1.00	20.00	2.47	2.47	1.49	21.96	7.16	810.00
2018/19		0.79	15.79	2.90	2.90	1.69	16.49	9.26	545.00
2019/20		20.00	30.00	8.38	8.38	1.8	13.54	10.78	358.00
2020/21		14.00	35.00	9.16	9.16	1.83	13.32	11.17	382.00
2021/22		3.20	16.20	4.08	4.08	1.09	8.94	10.95	397.00
2022/23		3.30	15.80	3.59	3.59	1.32	12.08	8.16	440.00
2023/24		8.25	8.25	3.16	3.16	1.35	12.95	9.55	261.00

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