CHAPTER-I
INTRODUCTION

1.1General Background

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts. The important aspect of dividend policy is to determine the amount of earning to be distributed to Market price holders and the amount to be retained in the firm. It also determines the forms of dividend.Dividend policy is one of the major decisions of financial management because it affects the financial structure, the flow of funds, corporate liquidity and investor's attitudes. After the successful completion of fiscal year having sufficient profit management decide to declare dividend to Market price holders..

Stock split is another aspect of dividend policy which is popular in the developed capital Market price but this aspect is almost neglected in the capital Market price of Nepal. An alternative form of dividend is Market price repurchase. If a firm has excess cash and insufficient profitable investment opportunities to justify the use of these funds, it is in the Market price prices' interests to distribute the funds. The distributions can be accomplished either by the repurchase of Market price or by paying the funds out in increased dividends. It is thus Market price repurchase is often viewed as an alternative to paying dividends. ''However, Nepal Company Act, 2063(2006), section 47 has prohibited company from purchasing its own Market prices.'' This provision of Nepal is against the theory of finance. There is no any uniformity in the dividend distribution practiced in Nepal among the different corporations. The government is unable to received dividends from the public enterprises as documented in past several years' budget speeches and economic surveys published by Nepal government, Ministry of Finance. Recently joint venture banks and some other public limited companies have

shown new trend of paying dividend to Market price prices there is also growing practice of paying bonus Market prices among some corporation of Nepal.

As a result of the liberalization policy of Nepal Government, foreign investors and internal investors were attracted to invest in Nepal in joint venture especially in banking business. This initiated the establishment of NABIL Bank Ltd. in 1984; Standard Chartered Bank Ltd. 1987. Establishment of commercial banks contributes significantly in the formation and mobilization internal capital and development efforts. They furnish necessary capital needed for trade and commerce of mobilization the dispersed saving of the individuals and institutions. The increase in the opening of the joint venture Bank (JVBs) caught a dramatic way after the liberalization and Market price oriented economic policy. Thought, JVBs are enjoying liberalization, Nepal Rastra Bank (NRB) has been managing them through its directives and guidelines.

One of the major reasons for which public are interested to invest money on the Market prices of banks or other institutions is for dividend. Normally, business running at profit is capable to pay it. The amount which is distributed as dividend should be adequate to meet the normal expectation of Market price holders. Dividend refers to that portion of earnings of a firm that is distributed to the Market price holders in return to their investment in the Market prices. It is important decision of financial management. By a dividend we mean some kind of consistent approach to the distribution versus retention decision, rather than making the decision on the purely ad hoc basis from period to period. It is thus rewarding to have clear understanding on the specifics dividend policy by the participants of the capital Market price.

Some companies may pay whole earnings as dividend at the beginning to create good image in financial sector but later they may change their policy and announce a certain percentage of dividend payout term. The decision to keep some portion of earnings and to pay some portion of earnings as dividend is known as dividend policy. The dividend payout ratio may be different but the common dividend payout ratio in 40% different studies reveal. It seems that the actual owners of the corporation are not treated rightly by

not giving sufficient dividend.

Although the actual owners of the company are Market price holders, they are paid low dividends in some companies whereas in some companies the dividend is not announced. But recently the trend of payment of dividend is increasing.The research work will look into all relevant factors of dividend and dividend policy of commercial banks of NABIL, and SCBNL. These banks are selected for thesis writhing as the size of profit and dividends are comparatively high. They are running smoothly and cover sufficient period of the study.

1.2 Brief Profiles of the Sample Banks

a) NABIL Bank Ltd.

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Nabil, as a pioneer in introducing many innovative products and Market priceing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Tele banking system. The Chairman of Nabil Bank is Satyendra Pyara Shrestha.

b) Standard Chartered Bank Nepal Ltd (SCBNL):-

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation with the name of Nepal Greenlez Bank Ltd. Today the Bank is an integral part of Standard Chartered Group who has 75%

ownership in the company with 25% Market prices owned by the Nepalese public. The Bank enjoys the status the largest international bank currently operating in Nepal. An integral part of the only international banking Group currently operating in Nepal, the Bank enjoys an impeccable reputation of a leading financial institution in the country.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing Market prices with an extensive global network of over 1750 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs almost 75,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one Market price.

With 18 points of representation, 23 ATMs across the country and with more than 350 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Consumer banking, Wholesale and SME Banking catering to a wide range of customers encompassing individuals, mid-Market price local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs.

Corporate Social Responsibility is an integral part of Standard Charterer’s ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering Market price value in a socially, ethically an environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those communities in which its customers and staff live. It concentrates

on projects that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered. It supports non-governmental organizations involving charitable community activities The Group launched two major initiatives in 2003 under its 'Believing in Life' campaign- 'living with HIV/AIDS' and 'Seeing believes'.

Banker magazine has awarded Standard Chartered Bank (SCB) the prestigious ‘Bank of the Year 2009’ award for Nepal. The award reflects Standard Charterer’s growth in Nepal, as a key part of its long-term strategic commitment to Asia.

The award comes on the back of a strong performance that the bank achieved during the fiscal year 2009-010. The bank has rewarded its Market price holders by providing a cash dividend of 50 percent and issued bonus Market price of one for each two Market prices held

1.3 Statement of Problems

Dividend policy is not clearly understood by a large segment of the financial community. It is not a straight forward and simple aspect of corporate finance. During the past 45 years’ period research efforts in this area have led to the development of valuation models, seeking to establish the irrelevance of dividend payout on Market price holders ‘’Miller and Modigliani’s work raises the following question that how can investors benefit from a dividend when it is , in effect, paid rupee for rupee out of the value of their Market prices?” *“Miller and Modigliani, 1961”*.

“Asqith Paul and David W. Mullins Jr.,” Signaling with Dividends, Stock Purchases and Equity Issues” (Autumn, 1980,28). Moreover a number of behavioral models have also come out in course of time, attempting to categorize, explain and measure the different types of observed dividend practice. In this context, the dividend model is associated with the names of Linter (1956). Darling (1957) and Brittain (1966), among, other seem to provide useful guidance in handing this complicated decision problem.

In practice, every firm have some kinds of dividend policy, Different dividend policies are suitable for different firms. In general, it is assumed that there is relationship between dividend and stock price but the relation is not known, in an underdeveloped capital Market pricelike Nepal. Dividend distribution is not matching with the earnings of the commercial bank. Similarly, no proper relationship between dividend Market priceexists. Returns of the listed companies lack the appropriate relationship with price. Companies with lower return record rigid price where as companies making sound return do not rigid in price of Market price. Thus returns of the company are not reflecting the Market price.

In Nepal, there are only a few companies that pay dividend to Market price especially joint venture banks, have sufficient earnings and are able to pay dividends. But they are not following the prevailing dividend policies. While earning is low they pay high dividend and something when earning is high they pay low dividend. For example, all two sample banks have sufficient earnings (EPS) and profitability in each year. Finally, we cannot see the uniformity of dividend pay-out ratio in the sample banks.

All banks have sufficient earnings but they are not distributing the dividend in equal proportion. They have not consistency in dividend distribution policy and we could not get uniformity of dividend pay-out ratio in these sample banks.

The followings are the research questions that have been examined for the purpose of this study:-

1. Are Market price affected by dividend per Market price in the sample banks?
2. Do the sample banks have uniformity in dividend distribution?
3. Are the sample banks guided by the specific dividend policy?
4. There consistency in dividend per Market price and dividend payout ratio in the sample two banks?
5. Does the Dividend Policy affect DPS, EPS, DPR, PE Ratio Liquidity Ratio and MVPS in Stated joint venture banks?

This study will try to answer the above- mentioned issues.

1.4 Objectives of the Study

The basic objective of the study is to make comparative analysis of dividend policy of selected two banks. But the Specific objectives are:

1. To examine the prevailing dividend policy adopted by sample banks.
2. To analyze the impact of dividend on market price of share.
3. To analyze the relationship of financial indicators such as DPS, EPS ,DPR, PE Ratio, Liquidity Ratio, Profitability Ratio and Market price Value Per Market price(MVPS)
4. To examine the uniformity among DPS, EPS and DPR of the two sample banks.

1.5 Significance of the Study

The finding of this research will be of worth to the Market price holders to see the dividend policy of the two banks in comparison. So, this may be helpful for them in identifying the productivity of their investment and justify the rationale of their investment decision. Then it will also benefited by the management to point out the loopholes and suggest the remedies about the appropriate dividend policy.

Similarly, this research will also be beneficial to the policy makers from the comparative study of dividend policy. They can get important findings which are useful in policy making about dividend policy formulation.

Finally, the dividend policy of the joint venture banks is of great interest to the several outsiders. They are customers, financial agencies, stock brokers, interested person and scholars. I believe that except above, those JVBs will be benefited more since the study is conduct on their dividend policy.

1.6 Limitations of the Study

This study tries to evaluate the dividend policy of joints venture of the banks. This research explain and analysis the subject matter with the help of well known or already established analytical methods and technique therefore as conclusion oriented research it doesn't much concern with fundamental and decision oriented research.

- It covers the study period of 6 years from 2007/08 to 2010/11. The respective banks could not release and provide data for f.y 2011/12 because of their administrative constraints.
- Only two Joint Venture commercial banks listed in Nepal stock Exchange are taken as the Sample Bank
- The main focus is given to the quantitative aspects, qualitative factors are not considered.
- Data related to cash dividend only are analyzed and interpreted.
- There may be reporting error in the secondary data.

1.7 Organization of the Study

The study has been organized into five chapters; the titles of each of these chapters are as follows

Chapter I Introduction:

This chapter contains the introductory part of the study. As already mentioned, this chapter describes the major issues to be investigated along with the general background, brief profiles of the sample banks statement of problem, objectives, significance of the study and finally limitation of the study.

Chapter II Review of Literature:

This chapter deals with is devoted to theoretical analysis and brief review of related and pertinent literature available. It includes a discussion on the conceptual framework and review of the major studies in general.

Chapter III Research Methodology:

This chapter describes the research methodology employed in the study. This chapter

deals with the research design, source of data, methods of analysis, analysis of financial indicators and variables, test of hypothesis, definition of statistical tools etc.

Chapter IV Data presentation and analysis:

This chapter deals with the presentation and analysis of data to indicated quantitative factors on dividend policy using statistical tools and techniques.

Chapter V Summary, Findings, Conclusions and Recommendations:

states summary, findings, conclusion and recommendations, this chapter presents the major findings and compares them with other empirical evidence to the extent possible and provides some suggestions. Finally bibliography and appendices are given in a prescribed form.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Conceptual Framework

The policy of a company in the division of its profit between to Market price prices as dividend retention for its investment is known as dividend policy. There is a reciprocal relationship between retained earnings and cash dividends. If retained earnings are kept more by the company less will be dividend and vice versa. Dividend decision is one of the major decisions of managerial finance. It is in the sense that the firm has to choose between distributing profits to Market price and return back in to the business. The decision depends up on the objective of the management for wealth maximization and profit maximization. The firm will use the net profit for paying dividends to the Market price prices if the payment will lead to maximization of the wealth of the owners it not, it is better to retain them to finance investment programs. The relationship between dividend and value of the firm should therefore, be the criterion for decision making. "*Kuchhal, 1994, 126"*

Most Market price prices accept two forms of return from the purchase of common stock. These are capital gains and dividends. Capital gain may be defined as the Market price value of the common stock over time. The Market price prices expect, at some point, a distribution of the firm's earning in the form of a dividend. Form mature and stable corporations, most investors expect regular dividends to be declared and paid on the common stock. This expectation takes priority over the desire to retain earnings to finance expansion and growth. So, Market price prices expectation can be fulfilled through either capital gains or dividends. Financial management is therefore concerned with the activities of corporation that affect the well being of stockholders that well being can be partially measured by dividends received but a more accurate measure is the Market price value of stock. Since dividends would be more attractive to stockholder, one might think that there would be tendency for corporations to increase distribution of dividends. But one might equally pressure that gross dividend would be reduced

somewhat, with an increase in net after tax dividends still available to stockholders and increase in retained earnings for the corporation. *"Brandr,1993,111"*

This provision of the Act prohibits commercial banks to be involved in the non banking business. This is necessary for the health of individual company and financial system as a whole.

2.2.1 Dividends

Dividends are paid in cash generally. Thus it reduces the cash balances of the corporation. Dividend policy affects the financial structure, the flow of funds, corporation liquidity and investors' attitudes. Thus, it is one of the central decision area related to policies seeking to maximize the value of firm's common stock.

2.2.2 Forms of Dividends

Cash dividend is the most popular form of dividend. Bank and corporation need to follow various types of dividend in view of the objective and policies which they implement. The type of dividend that bank and corporation follow is partly a matter of attitude of directors and partly a matter of a various circumstances and financial constraints that bound corporation dividend is being distributed in several forms, e.g. cash dividend, stock dividend, script dividend, property dividend and bond dividend. *"Hawkins; 1997"*

a) Cash Dividend

Most Companies pay dividend in cash. Cash dividend is that which is distributed to the Market price prices in cash out of the earnings of the company. Both total assets and net worth of company are reduced when cash dividend is distributed. The Market price of Market price drops in most cases by amount of cash dividend distributed.

b) Stock Dividend

A stock dividend is the payment of existing owners of a dividend in is the firm of stock although stock dividends don't have a real value, firms pay stock dividend as a replacement for a supplement to cash dividend. If the declare dividend is provide in the

form of Market price instead of paying in cash, the dividend is said to be stock dividend. From the providence of stock dividend and the dividend the current Market price of Market prices decrease but it doesn't have any impact in the wealth of Market price stock dividend simply is the payment of additional stock to stockholders nothing more than a recapitalization of the company a stockholders proportional ownership remains unchanged.(Pandey,1999:705)

c) Property Dividend

If the declare dividend is provide in the form of property (assets) instead of cash, the dividend is said to be property dividend. This form of dividend may be followed when there are assets that are no longer necessary in operation of the business or in extra ordinary circumstance. Company's own products and securities of subsidiaries are the examples that have been paid as property dividend.

d) Scrip Dividend

When company has been suffering from the cash problem but has earned profit, scrip dividend is paid (issued). Scrip is a form of promissory note promising to pay then holder at specified later date. Under this type of dividend company issues and distributes to Market price prices transferable promissory notes which may be interest bearing or not.

e) Bond Dividend

Bond dividend by its name is a dividend that is distributed to Market price prices in forms of a bond. In other words, company declares dividend in forms of as own bond with a view to avoid cash outflows. Bond dividend helps to postpone the payment of cash. Though there are different forms of dividends, in general, the form of dividend popular in Nepal are cash and stock dividend. The form of dividend chosen for this study is cash dividend. *"Pradhan,1992,114*"

2.2.3 Stability of Dividend

Stability or regularity of dividends is considered as desirable policy by the management of most companies. Most of the Market price prices also prefer stable dividends because

all other things being the same, stable dividends have a positive impact on the Market price of Market price. The term dividend stability refers to the consistency or lack of variability in the stream of dividend. By stability, we mean maintaining a position in relation to a dividend trend line, preferably one that is upward sloping. More precisely, stability of dividends refers to the amounts paid out regularly. Three distinct forms of such stability may be distinguished. *"Shrestha,1980:201*"

a) Constant Dividend Per Market price

Constant dividend policy is based on the payment of a fixed rupees dividend in each year (period). A number of companies follow the policy of paying a fixed amount per Market price as dividend every year, irrespective of fluctuations in earnings. This policy imply when the dividend per Market price will be increased. When company reaches new levels of earnings and expects to maintain it, the annual dividend per Market price may be increased. It is easy to follow this policy when earnings are stable. If earnings pattern of a company shows wide fluctuations, it is difficult to maintain such policy. The dividend policy of paying a constant amount of dividend per year treats common Market price prices somewhat like preference Market price prices without giving any consideration to investment opportunities within the firm and the opportunities are available to Market price price. This policy is generally preferred by those persons and institutions that depend up on the dividend income to meet their living and operating expenses. This policy is believed to be the one that affects stock favorably. *"Khan,1994,198"*

b) Constant Pay-out Ratio

The ratio of divided to earnings is known as pay-out ratio. The policy to distribute a certain percentage of profit in every period is called constant pay-out ratio. With this policy the amount of dividend will fluctuate indirect proportion to earnings. It is related to the company's ability to pay dividends. If company incurs losses no dividend shall be paid regardless of Market price prices.

c) Low Regular Plus Extra Dividend

The low regular plus extra dividend policy is compromise between the first two. Under

this policy, a firm usually pays a constant dividend to Market price prices and when small, additional or extra dividend is paid over and above the regular dividend. This type of dividend policy enables a company to pay constant amount of dividend regularly without a default and allows a great of flexibility for supplementing the income of Market price prices only when company's earnings are higher than the usual, without committing itself to make larger payments as a part of the future dividend. Generally this type of policy is mostly followed by those companies whose stockholder prefers at least a certain amount of regular dividends.

2.2.4 The Residual Theory of Dividend

Dividend policy can be viewed as one of a firm's investment decisions. A firm that behaves in this manner is said to be believe in the residual theory of dividends. According to this theory, Dividend policy is a residual from investment policy. Whether or not a company pays dividends depends on its investment policy. It assumes that the internally generated funds are comparatively cheaper than the funds obtained from external sources. The theory is based on the premise that investors prefer to have the firm retain and reinvested earnings exceeds the rate of return the investor could, himself, obtain on other investments of comparable risk. The dividend under a residual dividend policy equals the amount left over from earnings, no dividends are paid. If there is no any investment opportunity, then cent percent earrings are distributed to Market price price. Dividend is therefore merely a residual remaining after all equity investment needs are fulfilled.

Although the residual theory of dividends appears to make future analysis of dividend policy unnecessary, it is indeed cot clear that dividends are a means of disbursing excess funds. It would therefore be imprudent to conclude that there are no other implications of dividend policy and so this study shall take a closer look at the relationship between dividends and value.

2.2.5 Factors Affecting the Dividend Policy

- External Factors Affecting Dividend Policy
- Internal Factors Affecting Dividend policy

External Factors Affecting Dividend Policy

1) General state of economy:-

- In case of uncertain economic and business condition the management may like to retain whole or large part of earnings to build up reserve to absorb future shocks.
- In the period of depression the management may also retain a large part of its earnings to preserve the firm's liquidity position.
- In period of prosperity the management may not be liberal in dividend payments because of availability of large profitable investment opportunities.
- In periods of inflation, the management may retain large portion of earnings to finance replacement of obsolete machines.

2) State of capital Market price:-

- Favorable Market price liberal dividend policy.
- Unfavorable Market price conservative dividend policy.

3) Legal restrictions:-

- Companies Act has laid down various restriction regarding the declaration of dividend:
- Dividends can only be paid out of:

a) Current or past profits of the company ,

I. Money provided by the State\Central Government in pursuance of the guarantee given by the Government.

- Payment of dividend out of capital is illegal.
- A company cannot declare dividends unless. It has provided for present as well as all arrears of deprecation.

Internal Factors Affecting Dividend policy:-

1) Desire of the Market price prices:-

Though the directors decide the rate of dividend, it is always at the interest of the Market price expect two types of returns:

- Capital Gains: i.e., an increase in the Market price value of Market prices.
- Dividends: regular return on their investment.

Cautious investors look for dividend because,

- It reduces uncertainty strength of the economy.
- Need for income: Some invest in Market priceso as to get regular income to meet their living expenses.

2) Financial needs of the company:-

If the company has profitable projects and it is costly to raise funds, it may decide to retain the earnings.

3) Nature of earnings:-

A company which has stable earnings can afford to have a higher dividend payout ratio.

4) Desire to retain the control of management:-

Additional public issue of Market price will dilutes the control of management. Liquidity Position:- Payment of dividend results in cash outflow. A company may have adequate earnings but it may not have sufficient funds to pay dividends. (Panday, 1899:230)

2.2 Legal Provisions Regarding Dividend Practice

In Nepal, the act "Nepal Company Act-2006" makes some legal provisions for dividend payments. These provisions may be seen as under:

Section 2 (m): states that a bonus Market price(stock dividends) means Market price issued in the form of additional Market prices to stockholders by capitalizing the surplus from the profits or the reserve fund of a company. The term also denotes an increase in the paid up values of the Market prices after capitalizing surplus or reserve. (Pradhan, 1992:45)

Section 47: has prohibited company from purchasing its own Market prices. This section states that no company shall purchase its own Market prices or supply loans against the security of its own Market prices.

Section 137: states that the company must inform the before issuing bonus Market prices under subsection (1), this may be dine only according to a special resolution passed by the general meeting.

Section 140: Dividend and subsection of this section are as follows:

Subsection (1): Except in the following circumstances, dividend shall be distributes among the Market price prices within 45 days from the days of decision to distribute them.

- In case any law forbids the distribution of dividends.
- In case the right to dividend is disputed.
- In case dividends cannot be distributed within the time limit mentioned above owing to circumstances beyond anyone's control and without any fault on the part of the company.

Subsection (2): In case dividends are not distributed within the tike-limit mentioned in subsection (1), this shall be done by adding interest at the prescribed rate.
Subsection (3): Only the person whose name stands registered in the register of existing Market price prices at the time of declaring the dividend shall be entitles to it. 1990:345 financial Marketing

The above indicates that Nepalese law prohibits repurchase of stock which is against the theory of finance. The reason for this kind of provision is not known.

2.3 Review of Major International Studies

Van Horne & Mc Donald (1971) conducted a more detailed study on *'Dividend Policy and New Equity Financing'.* The purpose of this study was to investigate the combined effect of dividend policy and new equity financing decision on the market value of the firm's common stocks. They explored same basic aspects of conceptual framework, and empirical tests were performed during year end 1968, for two industries, using a well known valuation model, i.e., a cross-section regression model. The required data were

collected from 86 electric utility firms included on the COMPUSTAT utility data tape and 39 firms in the electronics and electronic component industries as listed on the COMPUSTAT industrial data type.

They tested two regression models for utilities industries.

First Model was,

$P_0/E_0=a_0+a_1\,(g)+a_2(D_0/E_0)+a_3(lev)+u$ [18]

Where,

P_0/E_0 = Closing market price in 1968, divided by average EPS for

The Second Model was,

$P_0/E_0 = a_0+a_1\,(g)+a_2(D_0/E_0)+a_3(lev)+a_4(Fa)+a_5(Fb)+a_6(Fc)+a_7(Fd)+u$ [19]

Where,

Fa, Fb, Fc and Fd are dummy variables corresponding to "new issue ratio" (NIR) groups A through D.

It is noted that they had grouped the firms in five categories A, B, C, D and E by NIR. For each firm the value of dummy variables representing its NIR group is one and the values of remaining dummy variables are zero. Again, they tested the following regression equation for electronic components industry.

Where,

$P_0/E_0 = a_0+a_1+ (g) +a_2(D0/E0)+a_3(lev) +a_4(OR)+u$ [20]

Lev = Financial risk, measured by long-term debt plus preferred stock dividend by bet worth as of the end of 1968.

OR = Operating risk, measured by the standard error for the regression of per earnings per share on time for 1960 through 1968, and rests are as in first model above.

By using these models, they compared the result obtained for the firms which both pay dividends and engage in new equity financing with other firms in an industry sample. They concluded that for electric utility firms in 1968, share value was not adversely affected by new equity financing in the presence of cash dividends; expect for those in the lightest new issue group and it made new equity a more costly form of financing than the retention of earning. They also indicated that the payment of dividends through excessive equity financing reduces share prices.

James E. Walter (1963) carried out a study on *'Dividend policy: its Influence on the Value of the Enterprise'* and argues that the choice of dividend policies usually affect the value of firm.

Walter argues that dividend policies almost always affect the value of the enterprise. The investment policy of a firm van not is separated from its dividend policy which is just opposite of what MM said. The key argument in support of the relevance proposition of this model is the relationship between the return of firm's investment or its internal rate of return(r) and its cost of capital (k). As long as the internal rate of return (r) is greater than the Cast of capital (k), the stock price will be enhanced by retention and will very inversely with dividend payout.

Basic assumptions of this model are:

- The firm has perpetual life.
- The value of EPS and DPS are assumed to remain constant forever in determining a given value.
- The firm's internal rate of return(r) and cost of capital (k) are constant.
- The firm distributes its entire earnings or retains it for reinvestment immediately.
- The firm finances all investment through retained earnings, that is debt or new equity is not issued.

Based on above assumption, Walter's formula to determine the market price per share is as follows:

Where,

$$P = \frac{DPS}{K} + \frac{r/k(EPS - DPS)}{K}$$

P =Market price per share.

DPS =Dividend per share.

EPS =Earnings per share.

R =Internal rate of return.

K =Cost of capital.

According to Walter's model, the optimum dividend policy depends on the relationship between the firm's internal rate of return® and its cost of capital (k). Walter suggested different dividend policy for different types of firm, they are:

Growth Firm (r>k):

Growth firms are those firms which he expends rapidly because of ample investment opportunity; cost of capital or expected rate f return of shareholders.

This firm will maximize the value per share if they follow a policy of retaining all earning for investment. Thus, the correlation between dividend and stock price is negative such firm optimal dividend pay-out is zero.

Normal Firm (r = k):

The firms whose internal rates of return and cost of capital being equal are called normal firms. In such firms whether retains the profit or distributes dividend is matter of indifference. Means, firm's dividend pay-out ratio don't affect share price.

Declining Firm (r < k):

In contact of growth firm, if a firm doesn't have profitable investment opportunities, the shareholders will be better off if earnings are paid out to them so as to enable them to earn a higher return hr using the funds elsewhere. In other words id firm's rate of return(r} is less than lost of capital(k) the relation between dividends and stock price is positive, i.e. increase in DPS yields increase in marker price per share. Thus, optimum

payout ratio for a declining firm is 100 percent.

Modigliani & miller's (1989), in their article *'Dividend Policy, Growth & Valuation of Shares'* presented a new model of valuation and argued that dividend policy has no effect on the firm's share price. They developed the drastically new idea that dividend policy of a firm is irrelevant, as it does not affect the wealth of shareholders. This article is the most comprehensive argument for the irrelevant of dividend. In the history of finance, firstly, they declared that dividend policy does not affect the value of the firm, i.e., dividend policy has no effect on the share prices of the firm. They argued that the value of the firm depends on the firm's earnings which depend on its investment policy. Therefore, as per MM theory. A firm's value is independent of dividend policy. MM's Hypothesis of irrelevance is based on following critical assumptions.

- There are no taxes.
- Risk and uncertainty doesn't exist.
- The firm operates in perfect Capital market.
- The firm has a fixed investment policy which is not subject to change.

They provided the proof on support of their argument in the following manner.

Step 1:

The market price of a share in the beginning of the period is equal to the present value of dividend paid at the end of the period plus the market price of the share at the end of the period.

Symbolically,

$P_0 = \frac{D1+P1}{1+Ke}$

Where,

P_0 =Market price at the beginning or at the zero period.

Ke =Cost of equity capital (assume constant).

D_1 =Dividend per share.

P_1 =Market price of the share at the end of the period.

Step 2:

Assuming that the firm doesn't resort to any external financing the market value of the firm can be computed as follows:

$nP_o = n(D_1+P_1)$

$$nP_o = \frac{n(D1+P1)}{1+Ke}$$

Where,

n = Number of equity shares at zero period.

Step 3:

If the firm's internal sources of financing its investment opportunities fall short of the funds required, and Dn is the number of new shares issued at the end of year 1 at price P1, then,

$$nP_0 = \frac{nD1+P1(n+Dn)-DnP1}{1+ke}$$

Where,

n = No. of shares at the beginning

D_n = No. of equity shares issued at the end of the period.

Step 4:

If the firm were to finance all investment proposals, the total amount of new shares issued would be given by the following equation,

$DnP_1 = I – (E – nD_1)$

Or

$DnP_1 = I – E + nD_1$

Where,

DnP1 = the amount obtained from the sale of new shares to finance capital budget.

I= The total amount requirement of capital budget,

E= Earning of the firm during the period.

E- nD_1= Retained earnings.

Step 5:

By substituting the value of DnP1 from equation of step 4 to equation of

Step 6:

we find,

$$nP_0 = \frac{nD1+P1(n+Dn)-1+E-nD1}{1+Ke}$$

$$nPo = \frac{P1(n+Dn)-I+E}{1+Ke}$$

Conclusion:

Modigliani and Miller concluded that dividend policy has no effect on the share price. So, there is no role of dividend in above equation.

In this way, according to Modigliani and Miller's study "It seems that under condition of perfect capital markets, rational investors, absence of tax discrimination between dividend income and capital appreciation, given the firm's investment policy, its dividend policy may have no influence on the market price of the share". However, the view that dividend is irrelevant is not justified, once the assumption is modified is consider the realities of the world. In practice, every firm follows one kind of dividend policy or another. The selection of a certain dividend policy depends on the age and nature of the firm.

Myron Gordon (1962) carried out study and concluded that stock price is affected by dividend payout. He developed a model and states that investors are indifferent between retained earnings and current dividend. In his study, supported and concluded that dividend policy affects the value of shares even in a situation in which the return on investment is equal to the capitalization rate that is (r = ke). It is assumed that investors have a preference for present dividends more than the future capital gain under the condition of uncertainty. This argument stresses that an increase in dividend pay-out ratio leads to increase in stock price for the reason that investors consider the dividend yield

(D1/p0) is less risky than the expected capital gain. Hence, investors required rate of return increases as the amount of decreases. It is clear that positive relationship between the amount of dividend and stock prices.

Basic assumptions of this model are as follows:

- The internal rate of return (r) and cost of capital (ke) are constant.
- The firm and its steam of earnings are perpetual.
- The corporate taxes are ignored.
- The firm is an all equity firm (i.e. no debt exits.)
- No external financing is available so retained earnings would be used to finance any expansion.
- The retention ratio (b) once decided upon is constant. Thus growth rate
  g = b. r. is constant.
- 'Ke' must be greater than 'g' to get meaningful value.

According to Gordon, the market value of share is equal to present values of future streams of dividend. A simplified version of Gordon's model can be symbolically expressed as.

$$P = \frac{EPS(1-b)}{Ke-br}$$

Where,

P = Price of a share

EPS = Earnings per share

b = Retention ratio.

(l-b) = Dividend pay-out ratio.

Ke = Capitalization rate or cost of capital.

b.r. = Growth rate

According to this model following facts are revealed.

Growth Firm (r>ke):

Share price tends to decline in correspondence with increase in pay-out ratio or decrease

in retention ratio i.e. high dividends corresponding to earning leads to decrease in share price. Therefore, dividend and stock prices are negatively correlated in growth firm.

Normal Firm (r = ke):
Share value remains constant regardless of change in dividend policies which means dividends and stock prices are free from each other.

Declining Firm (r = ke):
Share price tends to rise in correspondence with rise in dividend pay-out ratio. It means dividend and stock prices are positively correlated with each other in declining firm.

2.4 Review of Journal and Articles

Barjacharya (1995), in his article *"Monetary Policy and Deposit Mobilization in Nepal."* explained that that domestic saving is one of the prime objectives of the monetary policy in Nepal and commercial banks resources in the form of deposit of private sector and providing credit to the investor in different sector of the economy.

Sharma, (2000), in his article, *"Banking the Future of Completion"* explained that bank of the investment revenues bank are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again he said that private commercial banks have mushroomed only in urban areas where banking transactions in large volume is possible the rural and sub urban areas mostly remain unattended too. This is likely to prevail till competition takes its fall rain in the urban area."

Ojha (2000) published an article *"Financial Performance and Common Stock Pricing."* examine the difference of financial performance and stock prices, to examine the relationship of dividends and stock price and to explore the signaling effects in stock price and found Nepalese stock market still in infancy stage. In general it is very new and just started to develop. Dominance of banking sector is prevalent in the market due to other industries including finance companies, insurance and manufacturing is not

encouraging. Corporate firm with long history have relatively stable profitability parameters that the firm established after the economic liberalization of 1990. Older firms have been issuing bonus share more times than the new one. Dividend per share is relatively more stable than the dividend payout ratio. That's why payout ratio and dividend yields have been highly fluctuating. Due to lack of proper investment opportunity most of the investors have directed their saving towards the secondary stock market. There is significant positive correlation between the dividends paid and stock prices of banking and manufacturing industries. All other have not a perfect correlation between the net worth per share and common stock price.

Timilsina (2004) conducted a research on *"Capital Market Development and Stock Price Behaviors in Nepal."* He published an article with a heading Capital Market. Major Findings of the Study are the coefficient of correlation between earning per share (EPS) and observed market value of share and also between the dividend per share (DPS) and observed market value of share were computed. Also regressions were run to see the influence of the explanatory variables, EPS and DPS on equity prices. A positive correlation was found to exist between EPS and the market price of the share. The coefficient of correlation between dividend per share and the market price was also computed taking DPS as independent variable and market price as dependent variable. A high degree of positive relationship (r= 0.83) was observed between the two variables.

Timilsina concluded that the market price of shares depends on EPS as well as on DPS, but DPS is more prices sensitive and it will have direct and immediate response in the market.

Charles and Christopher (2006), in his article *"Do Banks Provide Financial Slack?"* their main hypothesis is that the banks have the ability to accurately price financial claims thus including a preference for undervalued firms to choose bank debts as their marginal financial source. They refer to this escapes that this information benefit will be weighed against the verity of contracting costs in a firms ultimate financing choice since they expect that these firms are the most likely to be undervalued, these financing are

consist dent with the presence of and information. Benefit to bank debt finance. For identify whether the firms weighted these information benefits of bank finance against other contracting costs they examine the variation. In the sensitivity of the bank loan likelihood to their variables measuring potential under valuation they the find that firms with public debt outstanding tend to exhibit a relatively low sensitivity of bank loan likelihood to these variables. .since they accept that the contracting cost of bank debt information benefits of bank debt against the contracting costs.

The result suggest that for firms with public securities market for the firms to cross the threshold where the information benefits of bank debt finance outweigh the relatives contracting costs. Agricultural projects center has submitted in their report on where "ongoing evaluation of intensive Banking program in (October 1985)" this study has widely covered the whole aspects of IBP. It says due to the wide net work of commercial banks they have now 346 branches at present and the huge amount of ideal funds estimate at Rs.3226 million in 1984/85 lying with them. The investment of commercial banks in the priority sectors areas seems justified. To generate intensive for commercial banks, it has necessary to raise the interest rate which would sufficiently cover up the cost leading leave some profit margin as well. As the indirect cost of borrowing small loan between two to three thousand rupees is six percentages some active measure could be taken to dower this rate to compensate the small borrows for the proposed rise in the rate of interest.

2.5 Review of Thesis

Previous studies relating to Nepalese banking sector have been most important and relevant for my study. Some of the earlier studies about the dividend policy have been reviewed. Reference of these studies has become very useful for me to complete this dissertation.

Gautam (2008) carried out a research on *"Dividend Policy in Commercial Banks"* which focuses on the objectives to identify the type of dividend policy that is being adopted and to find out whether the policy.

The Main objectives of the study are:

- To examine the impact of dividend on share price.
- To identify the relationship between DPS and other financial indicators.
- To know if there is any uniformity among DPS, EPS and DPR sampled commercial Banks.

The Major findings of the study are as follows:

- There is the largest fluctuation in EPS and DPS,
- The relationship between DPS and EPS is positive; however it is not significant. There may be various other factors beside EPS to affects MPS and the growth rate of dividend is inconsistent.
- It concluded that no sampled commercial banks have followed distinctly defined dividend policy.

K.C. (2009), the thesis paper *"Dividend Policy of Joint Venture Bank in Nepal"* that had covered the period of 1984/85 to 1989/90

The Main objectives of the study are:

- To provide conceptual framework of dividend models
- To analyze the financial variables affecting the stock value and interpret the dividend paying implication under dividend valuation model and
- To provide suggestions, which will give vision for determination and espousal of dividend policy of joint venture banks

The Major findings of the study are as follows:

- The earnings per share of all joint venture banks were raised satisfactorily
- There was correlation between EPS and BPS
- Amount of cash dividend had been raising each year
- The P/E ratio, earning yield, dividend yield percentage exposed cyclical behavior
- R/E ratio was fluctuated in smaller proportion

- The market value per share of joint venture banks stocks in security exchange center were significantly fluctuated and trading on high price
- Joint venture banks in Nepal were seen as growth banks because actual capitalization rate (r) is higher than the normal capitalization rate (k) which is r>k
- Under CAPM the Beta Risk of Joint venture banks was less riskier
- Cash dividend per share of joint venture banks were significantly increasing in each year

Budhathoki (2010) carried on a research on *"The Study of Dividend Policy of the Commercial Banks in Nepal*" on May 2006.

The Main objectives of the study are:

- To highlight the dividend practices of Commercial Banks,
- To compare the dividend policy followed by different commercial banks chosen,
- To provide the sample banks with some fruitful suggestion that can be implemented easily and possible guideline to overcome various issues and gaps based on the findings of the analysis.

The Major findings of the study are as follows:

- The average earning per share (EPS) of the banks under study shows a positive result. But the coefficient of variation indicates that there is no consistency of EPS.
- The average dividend per share (DPS) shows that there is no regularity in dividend payment.
- The analysis of DPR shows that the Dividend Payout Ratio (DPR) of the banks is not stable.
- The average market price shows that there is quite high level of fluctuation.

Shah (2011) carried out a research on *"Cash Dividend Practice and its Impact on Share Price in Nepal".* It covered 5years period (2004-2008) including commercial banks,

manufacturing companies, development banks, insurance companies, and financial institutions and hotels sectors.

The Main objectives of the study are:

- Its basic objectives were to evaluate the trend of cash dividend forecasting and payment by the Nepalese financial institution and to see and examine the impact of cash dividend on market price per share.
- To achieve these objectives, the information are interpreted and analyzed by using regression model and hypothesis test.

The Major findings of the study are as follows:

- Commercial banks of Nepal are seen the regular dividend paying financial institution.
- In average 90% companies pay less than 50% cash dividend. The company having good earning only have been paying regular cash dividend.
- The lack of financial knowledge and the market inefficiency has affected the market price of the share in all the firms. But it is theoretically argued.

Timsina (2012) carried out a research on *"A Study on Dividend Policy and Its Impact on Stock Price of Selected Commercial Banks"* concluded that:

This study has covered the period of ten years being from 1999 to 2008. there are 26 commercial banks have been listed in NEPSE to date, however only 5 of them have been selected for analysis while conducting this study secondary data have been applied as well as some necessary information for analysis the data has been collected from some financial and managerial experts. Different financial and statistical tools have been applied for analyzing the data.

The major findings mentioned above led this study to conclude that there is notable dividend Impact on market price of the share in most of the banks. In another words dividend pays an important role to change the market price of the shares. Besides this the following conclusions are made:

- There is high degree positive relationship between DPS and EPS in most of the bank.
- There is normal positive relationship between DPS and EPS in most of the banks.
- While comparing the impact of EPS and lagged DPS on DPS, It is found that there is normal positive role of change in EPS to change the DPS but there is nominal or very less role of lagged DPS.CBL is highest of the firms.
- While observing the effect of dependent variable, i.e. DPS and MPS, on its independent variable, i.e. DPS, EPS and lagged DPS it is not sufficient information and meaning that there is a notable role of others, managerial and environmental factors. Higher dividend payout ratio (D/P ratio) indicates that the firm is paying higher dividend to its shareholders and lower D/P ratio implies that the firm is retaining its profit to profitable investment opportunities.

Research Gap

The above studies subject's matters are carried out by different researchers. Since, the weakness and drawbacks are also mentioned there with. The study has covered three commercial banks. Latest five years have been analyzed with due consideration of EPS, DPS, DPR, YEILD RATIO & MVPS. Taking in mind for more elaborate and extensive analysis, company wise analysis has also been made. All the above studies are conducted with the research title "Comparative study of Dividend policy of Nabil, standard Chartered and Nepal Investment Bank LTD. As to research gap is concerned, there are many changes taken place in the Cash Management of manufacturing Companies process as compared to the last few years. The most of the studies has been considered many more objectives which made their study more complicated but in this research report only four objectives are taken into study. Primary and secondary data are considered in this research. Both financial as well as statistical tools like EPS, DPS, DPR, YEILD RATIO & MVPS mean, standard deviation, coefficient of variance, correlation and probable error are used in this research. Almost all the ratios have been applied to cover the analytical part and fulfill the objective of this study. It involves more recent data of commercial banks for five years (2006/07 to 2010/11).

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Introduction

The major objective of the study is to find out 'model of good fit' to explain the dividend policy on the sample commercial banks. To accomplish these objectives, the research methodology described in this chapter" Research Methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view." In other words, research methodology is a way to systematically solve the research problem. A focus is given to the research design, sources of data, population and sample, method of analysis, tools defined about certain financial indicators, test of hypothesis and statistical tools used.

3.2 Research Design

The research design is less descriptive but more prescriptive because the historical secondary data have been employed to analyses the using variables which is related to dividend policies of JVBs. For the analytical purpose , the annual reports published by the relative banks and financial statements of the banks published by Nepal Stock Exchange Ltd. were collected for the year 2006/07 to 2010/11. More about this will be elaborate and explain in following pages.

3.3 Sources of Data

The study is conducted on the basis of secondary data. The data relating to the dividend policy are obtained from Nepal Stock Exchange. The supplementary data and information are obtained from annual reports of concerned banks.

3.4 Population and Sample

There are many banks whose Market prices are traded activity in stock Market price; hence it is not possible to study all of them regarding the study topic. Therefore sampling will be done selecting firm population.

The Sample to be selected is as follows

- NABIL Bank Ltd.
- Standard Chartered Bank Ltd. (SCBNL)

3.5 Tools for Analysis

Appropriate financial and statistical tools will be used according to the nature and type of data as well as subject matter. The major tools employed for the analysis of the data is ratio analysis, which establishes the numerical relationship between the two variables of the financial statement.

3.5.1 Financial Analysis

Financial analysis is the process identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet. In this study ratio analysis is used as the financial tool for the data analysis.

Ratio analysis: Ratio analysis is a technique of analyzing and interpreting financial statements to evaluate the performance of an organization by creating the ratios from the figures of different accounts consisting in balance sheet and income statements. Even though there are many ratios, only those ratios which are related to this study have been covered.

I) Earnings per Market price (EPS):

EPS is calculated to know the earning capacity and to make comparison between concerned banks.

EPS in defined as the result received net profit after taxes by no of common stock outstanding.

$$\text{EPS} = \frac{\text{Net Profit after taxes}}{\text{No.of common stock outstanding}}$$

II) Dividend per Market price (DPS):

DPS indicates the part of earning distributed to the Market price prices on per Market

price basis and calculated by dividing the total dividend to equity Market price prices by the total no. of equity Market prices.

$$\text{DPS} = \frac{\text{Total Dividend}}{\text{No.of Comman Outstanding}}$$

III) Dividend in Percent:

The ratio of dividend per Market price to the paid up price per ordinary Market price is called dividend percent.

$$\text{Dividend in Percent} = \frac{\text{Dividend Per Market price}}{\text{Paid Up Per Market price}}$$

IV) Dividend Pay-out Ratio (DPR):

DPR is calculated to indicate percentage of the profit on Market price that is distributed as dividend. Using following DPR can calculate;

$$\text{DPR} = \frac{\text{Dividend Per Market price}}{\text{Earning Per Market price}}$$

And, Retention Ratio = 1- DPR

V) Price Earnings Ratio (PE Ratio)

PE Ratio reflects the price currently paid by the Market price for each rupee of currently reported earning per Market price. It is calculated dividing the Market price value per Market price by earning per Market price.

$$\text{PE Ratio} = \frac{\text{Market pricevalue Per Market price}}{\text{Earning Per Market price}}$$

VI) Earning Yield and Dividend Yield

Earning Yield and Dividend Yield both are expressed in terms of the Market price value per Market price. Earning Yield and Dividend yield are two important profitability ratios from the point of view of the ordinary Market price price .The earning yield may define as the ratio of Earning per share Market price to the Market price value per ordinary Market price. Earning yield is calculated as:

$$\text{Earning Yield} = \frac{\text{Earning Per Market price}}{\text{Market priceValue Per Market price}}$$

Similarly the dividend yield reflects percentage relationship between dividends per Market price and Market price value per Market price. It is calculated through dividing the cash dividend per Market price by the Market price value per Market price. That is:

$$\text{Dividend Yield} = \frac{\text{Dividend Per Market price}}{\text{Market priceValue Per Market price}}$$

VII) Market price Value per Market price to Book Value per Market price Ratio

This ratio indicates the price the Market price is paying for the price that is reported from the net worth of the banks or other words it is the price of the outsiders are paying for each rupee reported by the balance sheet of the banks. It is calculated dividing the Market price value per Market price by Book value per Market price

$$\text{MVPS} = \frac{\text{Market priceValue Market price(MVPS)}}{\text{Book Value Per Market price}}$$

VIII) Liquidity Ratio:

Liquidity ratio, expresses a company's ability to repay short-term creditors out of its total cash. It reflects the short term financial strength of the Organization .The denominator of a liquidity ratio is the company's current liabilities, i.e., obligations that the company must meet soon, usually within one year. The numerator of a liquidity ratio is part or all of current assets. Perhaps the most common liquidity ratio is the current ratio, or current assets/current liabilities. Because current assets are expected to be converted to cash within one year, this liquidity ratio includes assets and liabilities of equal. The liquidity ratio is the result of dividing the total cash by short-term borrowings. It shows the number of times short-term liabilities are covered by cash. If the value is greater than 1.00, it means fully covered. This ratio is used to know the capacity of the institution to repay its short term liability generally there are two types of liquidity ratio

a) $\text{Current Ratio} = \frac{\text{current Assets}}{\text{Current Liabilities}}$

b) $\text{Quick Ratio} = \frac{\textit{Current Assets other than stock and prepaid}}{\textit{Current Liabilities}}$

IX) Profitability Ratio:

The profitability ratios are the basic bank financial ratios. Profitability ratios are the financial statement ratios which are used to measure on how well a business is performing in terms of profit. In other words, the profitability ratios give the various scales to measure the success of the firm. The profitability ratios can also be defined as the financial measurement that evaluates the capacity of a business to produce yield against the expenses and costs of business over a particular time period. If a company having a higher profitability ratio compared to its competitor, it can be inferred that the company is doing better than that particular competitor. The higher or same profitability ratio of a company compared to its previous period also indicates that the company is doing well. The return on assets, profit margin and return on equity are the examples of profitability ratios. Overall these are known as Profitability Ratios. These Ratios are calculated:

a) Return on Assets $= \frac{NPAT\ with\ interest}{Total\ Assets} \times 100\%$

b) Net Profit Margin $= \frac{NPAT\ with\ interest}{Net\ Sells} \times 100\%$

c) Return On Equity (ROSE) $= \frac{NPAT}{Shareholders\ Fund} \times 100\%$

d) Return on Capital Employed (ROCE) $= \frac{NPAT\ with\ Interest}{Capital\ employed} \times 100\%$

Where,

Capital Employed = Market price prices fond +Long term debt

3.6 Statistical Tools Used:

a) Standard Deviation (σ):

The measurement of the scatterings of the mass of figures in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion greater the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity if a series, a large standard deviation means just opposite. In this way standard deviation is calculated for selected dependent and independent variables specified in the models presented above.

Standard Deviation denoted by σ is given by:

Standard Deviation (σ) = $\sqrt{\frac{\Sigma(x-\bar{x})^2}{n-1}}$

Where,

n = No of observation in Series X

$\sum(X-\overrightarrow{X})^2$ = Summation of square of deviation from given value to mean value

b) Coefficient of Variation (C.V):

C.V is the qualitative measure of the dispersion to compare more than two assets; coefficient of frequency variation is used. It is relative measurement of dispersion based on standard deviation coefficient of variation is given by following formula,

C.V = $\frac{\sigma}{\bar{x}} \times 100\%$

Where, σ = Standard Deviation

$\bar{X}$= Arithmetic Mean

It represent the ratio of the standard deviation to the mean and it is a useful statistic for comparing the degree of variation from one data series to another, even if the means are drastically different from each other.

c) Coefficient of Correlation (r):

Correlation analysis is the statistical tools that we can use to describe the degree to which one variable is linearly related to another. The sufficient of correlation measures the degree of relationship between two sets of figures. In this study, simple coefficient of correlation is used to determine the relationship of different factors with dividend and other variables. The data related to dividend over different years are tabulated and their relationships with each others are drawn out. Karl Pearson's coefficient is used to study the extend or degree of correlation between the variables. If the values of the variables are directly proportional then the correlation is said to be positive. On the other hand, if the values of the variables are inversely proportional, the correlation is said to be negative, but the correlation coefficient always remains within the limit of +1 to -1. The formula for the calculation of coefficient is given below.

$$r = \frac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$$

Where,

r = Coefficient of correlation

$\sum xy$ = Sum of the product of the observation is series x and y

$\sum x$ = Sum of the observation in series x

$\sum y$ = Sum of the observation in series y

$\sum x^2$ = Sum of the squares observation of x

$\sum y^2$ = Sum of the squares observation of y

N = Number of observation of x and y

'r' lies always between +1 and -1

When 'r' = +1, there is perfect positive correlation.

When 'r' = -1, there is perfect negative correlation.

When 'r' = 0, there is no correlation.

When 'r' lies between 0.7 to 0.999 (or -0.7 to –o.999) there is high degree of positive or negative correlation.

When 'r' lies between 0.5 and 0.699, there is a moderate degree of correlation.

When 'r' is less than 0.5, there is low degree of correlation.

d) Mean or Average (μ):

Simply mean or average is the set of observation that represents the entire data; its value lies somewhere in between the two extremes observation of the data. For this reason an average is frequently referred to as a measure of central tendency. The data related to dividend are tabulated and drawn out average (X) over different years. It is an envoy of the mass of homogeneous data.

The value of the AM is obtained by adding together all the items and by dividing this total by the number of items.

Mathematically,

Arithmetic mean (AM) is given by, $X = \frac{\sum X}{n}$

Where,

X = Arithmetic Mean

$\sum X$ = Sum of all the values of the variable X

n = Number of observations

e) Coefficient of Multiple Determinations (r^2):

The coefficient of determination is a measure of the degree linear association or correlation between two variable one of which happens to be independent and other being dependent variable. In other words, r… measures the percentage total variation in dependent variable explained by independent variables. The coefficient of determination value can have ranging from zero to one. A value of one can occur only if the unexplained variation is zero which simply means that all the data points in the scatter diagram fall exactly on the regression line. It is more appropriate while verifying the results than the correlation coefficient and computed by square of the correlations coefficient as mentioned above.

$r^2 = r \times r$

f) Probable Error (P.E)

The probable error of the coefficient of correlation denoted by P.E is the measure of testing the reliability of the calculated value of r. If be the calculated value of r from a sample of n pair of observations, then P.E is defined by ,

Symbolically it can calculated

$$P.E. = 0.6745 \frac{1-r2}{\sqrt{n}}$$

It is used in interpretation whether calculated value of r his significant or not.

i) If r< P.E., it is not significant. So, perhaps there is no evidence of correlation.

ii) If r>6P. E., it is significant.

In other cases, nothing can be concluded.

The probable error of correlation coefficient may be used to determine the limits within the population correlation coefficient are r±P.E.

Where,

P.E. = Probable Error

r = Coefficient of correlation

n = number of pairs observation

CHAPTER-IV
PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

The basic objective of the study has already been mentioned in the first chapter 'Introduction'. I have already reviewed many important articles in the topic of 'Review of Literature'. In order to achieved these objective, several analytical tools and techniques are employed which are defined in the 'Research Methodology Chapter'. Now, in this chapter, the effort has been made to analyze the comparative dividend policy of JVBs and the attitude of management towards the optimum dividend decision in Nepal. My analysis is highly supported by the practices of dividend distribution by JVBs. That is why; I have taken the data of JVBs for elaboration, explanation and to come to conclusion.

This chapter of data presentation and analysis on dividend policy of joint venture banks begins with analysis of dividend per Market price, earning per Market price, dividend yield, price earnings ratio, dividend payout ratio and Market price value per Market price analysis. These financial indicators of concerned banks are compared with the help of statistical tools viz. Mean standard deviation and coefficient of variables which are calculated and interpreted. At last, regression analysis of some specific component has been made. The data are also presented in graph.

4.2. Analysis of Financial Indicators and Variables

4.2.1 Dividend per Market price Analysis

Table: 4.1

Dividend per Market price (DPS)

Year	NABIL	SCBNL
2006/07	70	120
2007/08	85	140
2008/09	140	130
2009/10	100	130
2010/11	85	100
Average( )	96	124
S.D(σ)	23.96	13.56
C.V	24.97	10.93

Source: Appendix-1-2

Table: 4.1 show the impact on dividend on Market price of the concerned JVBs from the year 2006/07 to 2010/11. In the year 2006/07, SCBNL paid the highest cash dividend Rs. 120 per Market price at all. On the other hand, NABIL paid Rs.70 Rs.12.50 cash dividend per Market price. The average dividend per Market price at that year was 67.50

In the year 2007/08, SCBNL paid Rs.140 dividend per Market price, which was the highest cash dividend, NABIL paid Rs.85 per Market price cash dividend. The data related to the year 2008/09, illustrate that the DPS of the banks is comparatively more to their Market price than the previous year. This was comparatively higher than previous year. NABIL paid Rs. Paid Rs.140 which was the highest cash dividend for this year. SCBNL paid Rs.130 per Market price cash dividend.

SCBNL paid Rs.130 dividend per Market price which was the highest cash dividend for the year 2009/10.NABIL paid Rs.100 per Market price cash dividend in this year. In the year 2010/11 SCBNL paid Rs.100 which was the highest cash dividend. NABIL paid Rs. 85 cash dividend per Market price.

We can observe considerable fluctuations in the DPS of the three banks in the year 2008/09. NABIL bank paid Rs.140 in the year 2008/09, which is the highest DPS. Same in the year 2007/08 which is highest than other.

Here, S.D of NABIL bank is Rs.23.96, SCBNL is Rs.13.56. A small S.D measures a high degree of uniformity of observation as small as homogeneity of a series and vice versa. It is preferable to state the rate of fluctuation with the help of coefficient of variation (C.V) of above data, NABIL is 24.97%, SCBNL C.V is 10.93% paid cash dividend. This shows that these JVBs have not followed the consisted dividend policy.

4.2.2 Earning per share Market price Analysis

Table: 4.2

Earnings Per (EPS)

Year	NABIL	SCBNL
2006/07	105.49	143.14
2007/08	129.21	175.84
2008/09	137.08	167.37
2009/10	108.31	131.92
2010/11	106.76	109.99
Average(X)	117.37	145.65
S.D(σ)	13.45	19.75
C.V	11.20	13.56

Source: Annex-3-4

Table: 4.2 show the EPS of the concerned banks from 2006/07. Normally, the performance and the achievement of business organization are measured in terms of its capacity to generate earning. Higher earnings show higher strength while lower earnings show weaker strength of business organization.

To start from the year 2006/07, the table shows that the EPS of SCBNL was the highest, which amount to Rs. 143.14. While the EPS of NABIL is comparatively low. In the year

2007/08, the EPS of SCBNL has increased considerably and it reached Rs.175.84. In this way, EPS of NABIL have increased.

The data related to the year 2008/09 illustrate that the EPS of all three banks have been increased in a slow steady rate except SCBNL. The EPS of SCBNL In the year 2009/10, we found that the EPS of NABIL, SCBNL have been decreased i.e. Rs.108.31, Rs.131.92. In the year 2010/11, the EPS of three banks are in decreasing rate. There is fluctuating in comparison to previous year.

Here, S.D of NABIL is Rs. 13.45, SCBNL is Rs. 19.75. A small S.D measures a high degree of uniformity of the observation as well as homogeneity of a series and vice versa. It is preferable to state the rate of fluctuations with the help of coefficient of variation of above data. The C.V of EPS of NABIL bank is 11.20%, SCBNL is 13.56%..

It is apparent that the general analysis of EPS cannot give true picture of a bank dividend policy. Therefore, it is necessary to measure the other necessary dividend tools as well.

4.2.3 Dividend Pay-out Ratio

Table: 4.3

Dividend Pay Out Ratio (DPR)

Year	**NABIL**	**SCBNL**
2006/07	66.36	83.83
2007/08	65.78	79.62
2008/09	102.13	77.67
2009/10	92.33	98.54
2010/11	79. 62	90.92
Average($\bar{X}$)	81.24	86.12
S.D(σ)	14.30	7.70
CV	17.60	8.94

Source: Annex-5-6

Table: 4.3 show the dividend payout of the concerned banks from the year 2006/07 to 2010/11.

ASSUMPTION:

Conservative dividend policy	less than 30%
Moderate divided policy	30%- 60%
Aggressive dividend policy	More than 60%

In the year 2006/07, NABIL applied aggressive dividend policy and paid dividend 66.36%, SCBNL followed aggressive dividend policy .i.e. 83.83%. In the year 2007/08, all three banks were under aggressive dividend policy i.e. SCBNL 79.62% and NABIL 65.78%.

NABIL bank applied aggressive dividend policy i.e. 102.13% in the 2008/09 year; whereas SCBNL applied aggressive dividend policy i.e. 77.67% applied moderate dividend policy. In the year 2009/10, all the banks followed under aggressive dividend policy which was 92.33%, 98.54% respectively.

The average of NABIL and SCBNL banks are aggressive i.e. 81.24% and 86.12% respectively. The calculation of coefficient of variation of the DPR of all three banks suggest that the DPR of SCBNL is more consistent i.e. 8.94%. The C.V of NABIL is 17.685% respectively. This analysis helps us to assume that the DPR of SCBNL is soundest among the three banks.

4.2.4 Price Earnings Ratio (PE Ratio)

Table: 4.4

Price Earnings Ratio (PE)

Year	**NABIL**	**SCBNL**
2006/07	14.27	16.38
2007/08	17.34	21.47
2008/09	36.84	35.25
2009/10	48.70	51.77
2010/11	45.89	54.64
Average($\bar{X}$)	32.608	35.902
S.D(σ)	14.51	15.44
C.V	44.50	43.02

Source: Annex-7-8

Table:4.4 depicts the price earnings ratio of the three banks. This study helps us by classifying the relationship between Earning per share Market price and Market price. In

the year 2006/07 all the three banks PE Ratio were normal, than others bank.

In the year 2007/08 NABIL's PE Ratio is 17.34 time, SCBNL is 21.47 times . PE Ratio of 2008/09, NABIL, SCBNL were in increasing trend than previous year. PE Ratio of NABIL is highest than other two banks i.e. 36.84 times. PE Ratio of all bank were increased frequently. In the year 2010/11, PE Ratio of NABIL times and 37.10 times. The SCBNL is in increasing trend i.e. 54.64 times.

On average, PE Ratio of NABIL, and SCBNL were 32.608, and 29.708 respectively. It shows that the SCBNL has the highest PE Ratio as compared to the sample banks. It indicates that overall C.V. of these banks is also not so good.

4.2.5 Dividend Yield Analysis

Table: 4.5

Market price Earnings Ratio (PE)

Year	NABIL	SCBNL
2006/07	4.65	5.12
2007/08	3.79	3.71
2008/09	2.77	2.20
2009/10	1.90	1.90
2010/11	1.74	1.66
Average(X)	2.97	2.92
S.D(σ)	1.112	1.31
C.V	37.45	44.94

Source: Annex-9-10

The above Table shows dividend yield analysis for the year 2006/07 to 2010/11.
Dividend yield highly influences the Market price value per Market price because a change in dividend per Market price can bring effective change in the Market price value of the Market price. Therefore, before allocation of dividend to Market price holders the impact on Market price scenario and price fluctuation is to be studied and evaluated for

the long run survival of the bank.

In the year 2006/07, the data related to dividend yield of NABIL 2.97%, SCBNL 2.92% acquire the Market price NABIL, SCBNL increased dividend yield in the year 2007/08. The DY decreased i.e. 2.77, 2.20 and 1.74. Which showed comparatively higher than previous year. In the year 2009/10, NABIL's, SCBNL'S DY decreased i.e. 109%, 1.9%, respectively. In the year 2010/11, NABIL, SCBNL were decreased.

On average NABIL dividend yield 2.92% is the highest at all SCBNL 2.92% .The coefficient of variation analysis shows that the NABIL's DY is the most consistent (37.45%) while SCBNL (44.94%) seem consistent. in the way, seem flexible. In aggregate NABIL bank is efficient for distribution of dividend on the basis of Market price.

4.2.6 Earning Yield Analysis

Table: 4.6

Earning Yield Ratio

Year	**NABIL**	**SCBNL**
2006/07	7.01	6.10
2007/08	5.77	4.66
2008/09	2.71	2.84
2009/10	2.05	1.93
2010/11	2.18	1.83
Average($\bar{X}$)	3.94	3.47
S.D(σ)	2.05	1.66
C.V	51.94	47.87

Source: Annual Report of related Bank

Table:4.6, it shows earning yield ratio of NABIL, and SCBNL from 2006/07 to 2010/11. All three banks had decreasing rate of earning yield ratio. But Nabil had fast decreasing rate whereas had slow decreasing rate. In FY 2010/11 NABIL had 2.18 earning yield

ratio whereas SCBNL has 1.83 and 2.70 respectively. The average earning yield of NABIL, SCBNL, are 3.94, 3.47, respectively and standard deviations are 2.05, 1.66, and 1.03 respectively. The small standard deviations measures high degree of uniformity and homogeneity.

4.2.7 Market price Analysis (MVPS):

Table: 4.7

Market price Analysis (MVPS)

Year	NABIL	SCBNL
2006/07	1505	2345
2007/08	2240	3775
2008/09	5050	5900
2009/10	5275	6830
2010/11	4899	6010
Average($\bar{X}$)	3794	4972
S.D(σ)	1590.37	1656.78
C.V	41.92	33.32

Source: Appendix-13-15

Table 4.7 shows the Market price of the concerned banks from the year 2006/07 to 2010/11.Market price value per Market price means to evaluate value of Market prices in the Market price. In the year 2006/07, MPS of SCBNL was the highest at all Rs. 2345. In the FY year 2007/08, SCBNL's MPS is Rs. 3775, which was greater than NABIL i.e. Rs. 2240 .

In the year 2008/09, all three banks MPS were increasing then previous year i.e. NABIL's Rs. 5050, SCBNL's Rs. 5900. The MPS was Rs. 4226.33 in 2008/09 which is in increasing trend than previous year.

In 2009/10, SCBNL's MPS was the highest Rs.6830, among all the banks. MPS price

decrease in the year 2010/11, other two banks are also decrease than previous year. SCBNL's MPS is highest than three all banks.

On average, SCBNL has the highest Market price Rs.4972, the average is Rs.3430.4. The coefficient of variation analysis shows that SCBNL Market prices the most consistent (33.32) % while that other NABIL (41.92%) consistent.

4.3 Statistical Tools

4.3.1 Coefficient of Correlation, Coefficient of Determination and Probable Error

Table: 4.8

Coefficient correlation, coefficient of Determination & Probable Error Of NABIL Bank

Variable	r	r2	Probable Error(PE)	6 Probable Error(	Remark
DPS	0.6595	0.4349	0.1704	1.0224	Insignificant
EPS	0.0804	0.0065	0.2997	1.7982	Insignificant
PE-RATIO	0.9631	0.9276	0.207	1.242	Insignificant
DPR	0.8702	0.7572	0.0219	0.1314	Significant
DIV.YIELD	0.9398	0.8832	0.0352	0.2112	Significant
LIQ.RATIO	0.8709	0.7585	0.0729	0.4374	Significant

Source: Appendix-(13-24)

Table: 4.9

Coefficient correlation, coefficient of Determination & Probable Error Of SCBNL Bank

Variable	r	r2	Probable Error(PE)	6 Prob Error(PE)	Remark
DPS	-0.1499	0.2949	0.0225	0.135	Insignificant
EPS	-0.3636	0.2618	0.1322	0.7932	Insignificant
PE-RATIO	0.9136	0.0499	0.8347	5.0082	Insignificant
DPR	0.5334	0.2158	0.2845	1.707	Insignificant
DIV.YIELD	-0.9743	0.0151	0.95	5.7	Insignificant
LIQ.RATIO	-0.6426	0.0729	0.4129	2.4774	Insignificant

Source: Appendix-(13-24)

Table: 4.8, 4.9 depicts the relationship among DPS, EPS, DPR, PR.RATIO, DIVIDEND Yield and Liquidity Ratio on MVPS. Coefficient of correlation (r) between DPS and MVPS of NABIL Bank is positive, SCBNL Bank is negative. In the same way correlation (r) between DPS of MVPS of NABIL Bank is positive. NABIL explains 65.95% of variation is independent variable DPS on MVPS. On the other hand, NABIL Bank explains -14.99% of variation is independent variable EPS on MVPS. In the other word, they are highly correlated. Although these figures alone are sufficient to depict the significance of the relationship, it is somewhat safe to say that the relationship between DPS and EPS on MVPS of the concerned banks are remarkable. But the figure indicate low degree of correlation on DPS of (-0.1499) which tends to zero.

To measure the significant of the relationships between DPS and EPS if MVPS of the three concerned bank, it would be more preferable to calculate probable error (PE) of correlation coefficient. The same table depicts that the coefficient of correlation (r) of all bank are not in same manner than the probable error of corresponding bank. I have mentioned in the above paragraph that the relationship between DPS and MVPS if NABIL Bank is obviously insignificant and remaining SCBNL Bank is significant. The relationship between EPS and MVPS of NABIL Bank Bank are insignificant and SCBNL Bank is significant.

Coefficient of determination is measured of the degree of linear association or correlation between two variables. Coefficient of determination between DPR and MVPS of three banks are as follows: DPR of NABIL Bank is 0.8702, SCBNL is 0.5334. All three banks show that the variations in the independent variable (DPR) are positive variations in MVPS. Since, NABIL Bank coefficient is greater than (PE) probable error therefore, the relationship between DPR and MVPS are insignificant.

Coefficient of correlation between PE Ratio and MVPS of NABIL, SCBNL were positive i.e.0.9631, 0.9136 degree of correlation is high. The relationship between PE Ratio and MVPS is significant. Whereas, NABIL and SCBNL's correlation coefficient is lesser than probable error (PE), the relationship between PE Ratio and MVPS is insignificant.

The coefficient determination between Dividend Yield and MVPS of NABIL, SCBNL are 0.9398, -0.9743. The coefficient of correlation of these two banks SCBNL indicates the low degree of negative correlation. And in the case of NABIL is high degree of positive correlation. As far as significant of relationship is concerned, the coefficient of correlation (r) of all NABIL Bank is high than the probable error (PE), Thus the relationship between dividend Yield and MVPS is obviously significant, whereas SCBNL Bank's coefficient of correlation is low than the probable error, So the relationship between Dividend Yield and MVPS is insignificant.

The coefficient of correlation (r) between Liquidity Ratio and MVPS of NABIL is 0.8709, SCBNL is -.06426 respectively along with SCBNL explains -64.26% of variation in the Liquidity Ratio. The coefficient to SCBNL is negative and hence low degree of correlation of coefficient. In other hand, NABIL has relatively high degree of correlation of coefficient 87.09%. It shows that the variation in Liquidity Ratio explain 87.09% of variation in MVPS in the case of NABIL. As far as significant of relationship is concerned, it is difficult to say anything about it. Since coefficient is greater than PE in three cases, it is less than 6.

4.4 Cash Flow Statement

The most commonly used format for the cash flow statement is broken down into three sections: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities.

i) Cash from Operating Activity

Operating activities include the production, sales and delivery of the company's product as well as collecting payment from its customers. This could include purchasing raw materials, building inventory, advertising, and shipping the product. Cash flow from operating includes all the **c**ash flow from transaction that is not defined as investing or financing activities.

While observing the operating activity of these two banks, NABIL Bank is decreasing its operating activities in the year 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 i.e. 1512 million, 1031 million, 544 million, 1504 million and 1726 millions but NABIL Bank increased its operating activities in the year 2010/11 i.e. 1726 millions. While SCBNL operating activities is in fluctuating i.e. 2006/07 is 306 million, 2007/08 is (659) million , 2008/09 is 1093 million , 2009/10 is(45) million and 2010/11 is 6949 million. Whereas 2010/11 operating activities is highest than other year .Same as,

ii) Cash from Investing Activity

Cash flow from investing activities includes capital expenditures – disbursements that are not charged to expense but rather are capitalized as assets on the balance sheet. It is used to determine the non- current item of comparative balance sheets.

These cash flows could include, Purchases of property, plant and equipment Proceeds from the sale of property, plant and equipment, Purchases of stock or other securities (other than cash equivalents), Proceeds from the sale or redemption of investments.

NABIL investing activities in the year 2006/07 is (581) million, 2009/10 is (472) million and 2010/11 is (1084) million. Which recover its investing activities in the year 2007/08

i.e. 225 million? Whereas, SCBNL investing activities in the year 2004/05 is 1670 million this is the highest. But, in rest of the year 2006/07 is (2241) million, 2007/08 is (42) million, 2008/09 is (17) million and in the year 2009/10 is (5590) million. SCBNL has the lowest investing activities.

iii) Cash from Financing Activities

Financing activities include the inflow of cash from investors such as banks and Market price prices, as well as the outflow of cash to Market price prices as dividend as the company generates income. Other activities which impact the long-term liabilities and equity of the company are also listed in the financing activities section of the cash flow statement.

Financing activities include cash flows relating to the business's debt or equity financing: Proceeds from loans, notes, and other debt instruments, Installment payments on loans or other repayment of debts, Cash received from the issuance of stock or equity in the business, Dividend payments, purchases of treasury stock, or returns of capital.

From observing the above table, NABIL shows the financing activities of NABIL only in the year 2006/07. But, rest of the years was nill. Same as, SCBNL shows its financing activities in the year 2006/07 is (1968) million, 2008/09 is 1 million, 2009/10 is 0.9 million and 2010/11 is 0.7 million. But, there is nill financing activities in the year 2007/08.

4.5 Trend Series Analysis

i) Trend Analysis of Dividend Per Market price

Analysis of DPS is an important indicator to know the part of earning distributed to the Market price prices on per Market price basis. So, researcher is going to analyze the trend movement of DPS whether the trend movement is satisfactory or not by taking the relevant data.

Table: 4.10

The Actual and Trend Value of Dividend per Market price of NABIL Bank

For The FY 2006/07 to 2010/11

(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	70	87
2007/08	85	91.5
2008/09	140	96
2009/10	100	100.5
2010/11	85	105

Source: Annex -1

Figure: 4.1

Actual and Trend value of Dividend per Share Market price of Nabil Bank ltd.

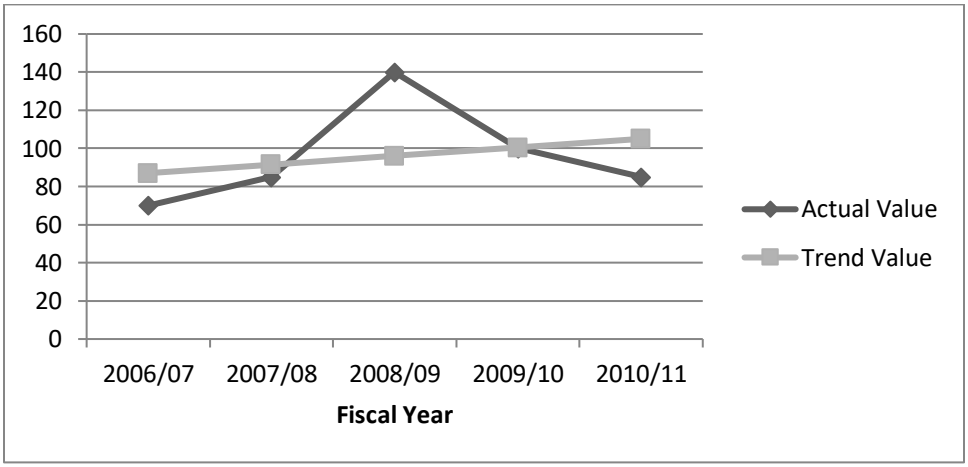


Table: 4.11

The Actual and Trend Value of Dividend per Market price of SCBNL Bank

For The FY 2006/07 to 2010/11

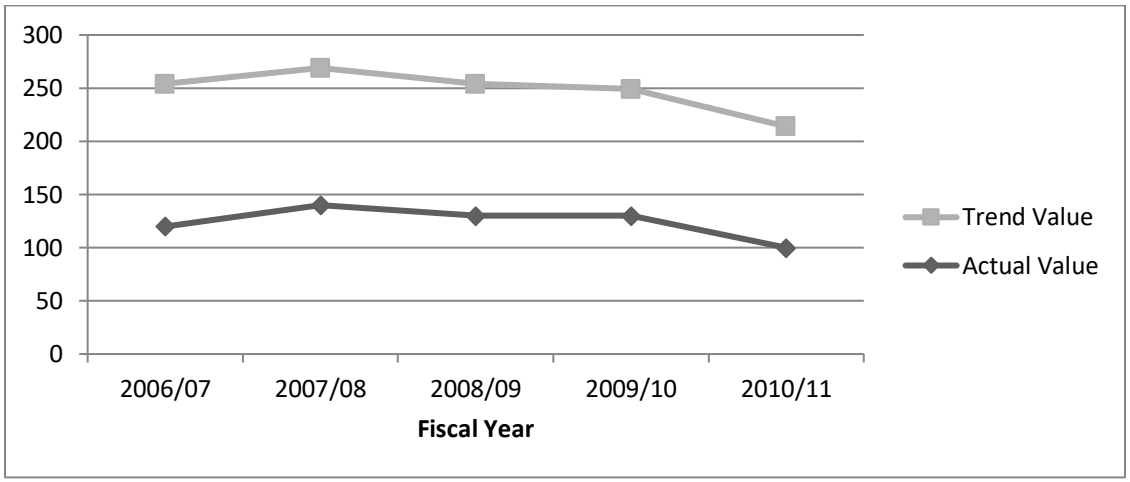
(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	120	134
2007/08	140	129
2008/09	130	124
2009/10	130	119
2010/11	100	114

Source: Annex -2

Figure: 4.2

Actual and Trend value of Dividend per Market price of SCBNL.



The trend equation of DPS if NABIL us Y=96+4.5x, SCBNL is Y=124+ (-5) x .Where, Y and x are denoted for DPS and time variable respectively. The Y intercept is the average amount of DPS of five year period. Y intercept of NABIL, SCBNL are 96, 124 respectively. Slope trend of NABIL, SCBNL were 4.5, and -5, respectively. The slope trend of NABIL Bank's Fiscal Year 2006/07 to Fiscal Year 2014/15 is in increasing ratio. Whereas the slope trend of SCBNL DPS is in decreasing ratio. In comparison to all two banks NABIL Bank has high increasing ratio than SCBNL Bank. The table clearly reveals that the actual amount of NABIL's DPS in the year 2006/07 was 70 then it reached to 85 in the year 200/010. Similarly the trend value of DPS was 87 and had amount to 105 with annual increase of 4.5. Same as, the table defined that the actual amount of SCBNL's EPS in the year 2006/07 was 120 then it reached to 100 in the year 2010/11. Similarly, the trend value of EPS of SCBNL was 134 and had amount to 114 with annual increase of (-5).

ii) Trend Analysis of Earning Per Market Price

An analysis of the earning helps the management, Market price and depositors to evaluate the performance of the banks, sustainability of earnings and to forecast growth of the bank. So, researcher is going to analysis the trend movement of EPS of five year.

Table: 4.12

The Actual and Trend Value of Earning per share Market price of NABIL Bank

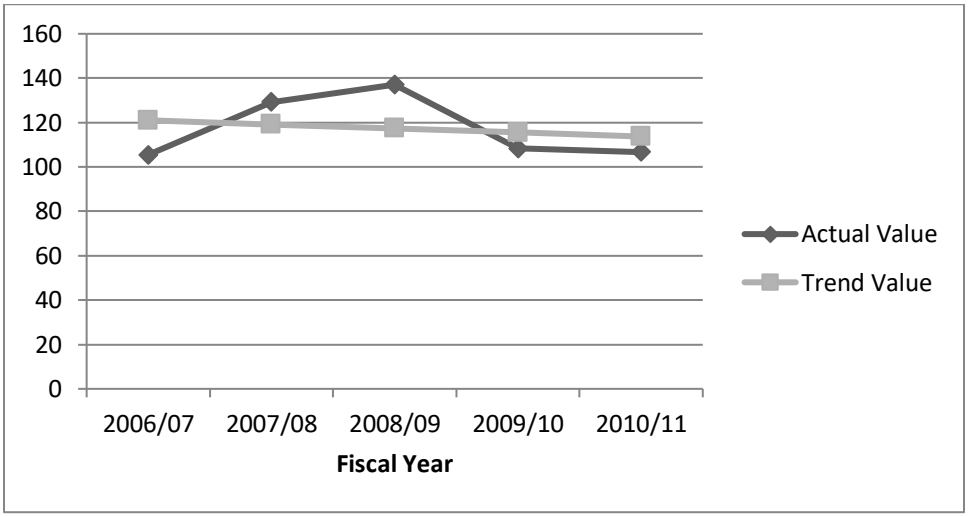
(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	105.49	121.042
2007/08	129.21	119.206
2008/09	137.08	117.37
2009/10	108.31	115.534
2010/11	106.76	113.698

Source: Annex -3

Figure: 4.3

Actual and Trend Value of Earning per share Market price of NABIL Bank



The trend equation of Dividend Yield of NABIL and SCBNL is Y=2.97+ (-0.771) x and Y=2.92+ (-0.873) x .where Y and x are denoted for Dividend Yield and time variable respectively. The Y intercept is the average amount of Dividend Yield of five year period. Y intercepts NABIL and SCBNL were 105.49 and 121.042 respectively. The slope trend which indicate that the Dividend Yield of all three banks' were in decreasing trend. The Actual and Trend Value of Earning per share Market price of NABIL are value is Increasing trend. The actual value fiscal year 2006/07 is 105.49 and the Trend Value fiscal year 2006/07 is 121.042.

Table: 4.13

The Actual and Trend Value of Earning per share Market price of SCBNL Bank

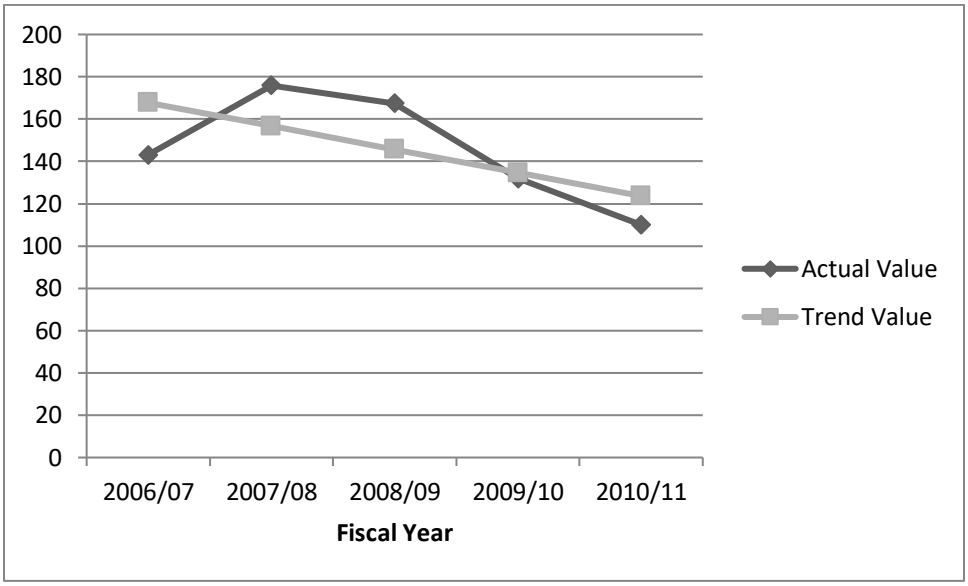
(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	143.14	167.694
2007/08	175.84	156.672
2008/09	167.37	145.65
2009/10	131.92	134.628
2010/11	109.99	123.606

Source: Annex -4

Figure: 4.4

Actual and Trend Value of Earning per share Market price of SCBNL



The trend equation of DPS of NABIL, and SCBNL is Y=117.37+ (-1.836) x, and Y=145+(-11.022)x. Where Yand x are denoted for EPS and time variable respectively. The Y intercept is the average amount of EPS of five year period. Y intercepts NABIL and SCBNL were 117.37 and 145 respectively. The slope trends which indicate the EPS of all three banks were in decreasing trend. The table has defined that the actual amount of NABIL's EPS in the year 2006/07 was 105.49 then it reached to 106.76 in the year 2010/11. Similarly, the trend value of EPS of NABIL was 121.042 and had amount to

113.698 with annual increase of (-1.836). Same as, SCBNL table defined that the actual amount of SCBNL's EPS in the year 2006/07 was 143.14 then it reached to 109.99in the year 2010/11. Similarly, the trend value of EPS of SCBNL was 167.694and had amount to 123.606 with annual increase of (-11.022).

Trend Analysis of Dividend Payout Ratio

It analyzes the amount of earnings paid out in dividends to Market price Investors can use the payout ratio to determine what companies are doing with their earnings the meaning behind Dividend payout ratio (DPR) is the money that is paid out in the form of dividends by the company to its Market price. Here, researcher is trying to analysis the trend movement of DPR of five year.

Table: 4.14

The Actual and Trend Value of Dividend Pay Out Ratio of NABIL Bank

(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	66.36	70.63
2007/08	65.78	75.937
2008/09	102.13	81.244
2009/10	92.33	86.551
2010/11	79.62	91.858

Source: Annex -7

Figure: 4.5

Actual and Trend Value of Dividend Pay Out Ratio of NABIL Bank

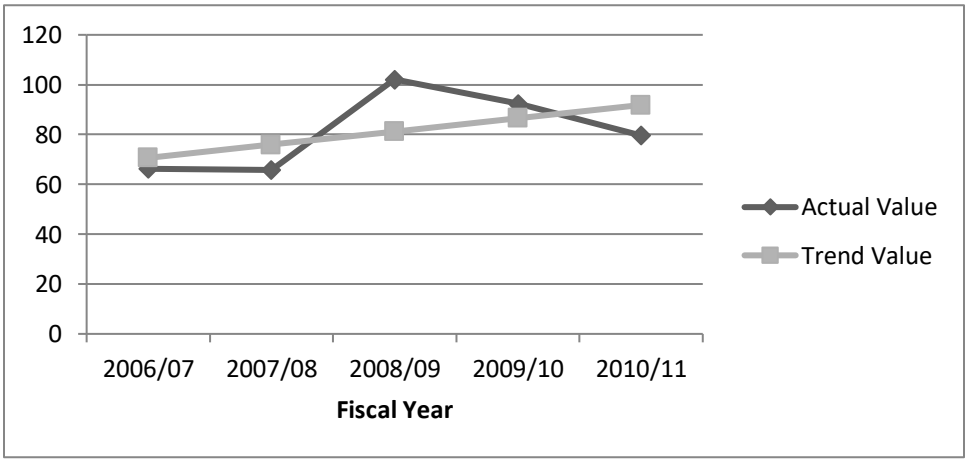


Table: 4.15

The Actual and Trend Value of Dividend Pay Out Ratio of SCBNL Bank

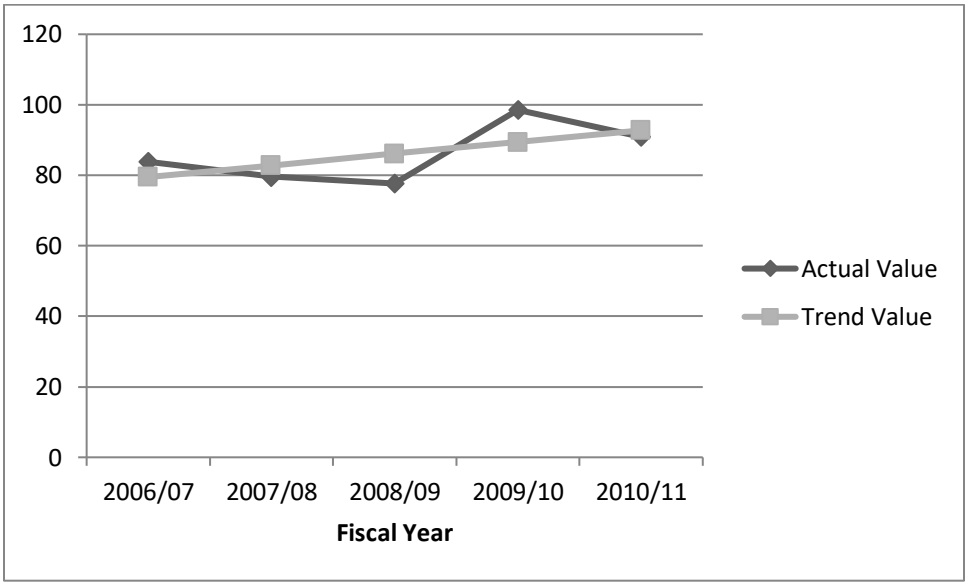
(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	83.83	79.5
2007/08	79.62	82.81
2008/09	77.67	86.12
2009/10	98.54	89.43
2010/11	90.92	92.74

Trend Value (see appendix 8)

Figure: 4.6

Actual and Trend Value of Dividend Pay Out Ratio of SCBNL Bank



The trend equation of DPR of NABIL and SCBNL is Y=81.244+5.307x, Y=86.12+3.31x. Where Y and x are denoted for DPR and time variable respectively. The Y intercept is the average amount of DPR of five year period. Y intercepts NABIL and SCBNL were 81.244, 86.12 respectively. The slope trends which indicate the DPR of all three banks were in decreasing trend. The table has defined that the actual amount of NABIL's DPR in the year 2006/07 was 66.36 then it reached to 79.62 in the year 2010/11. Similarly, the trend value of DPR of NABIL was 70.63 and had amount to

91.858 with annual increase of 5.307. Same as, SCBNL table defined that the actual amount of SCBNL's DPR in the year 2006/07 was 83.83 then it reached to 90.92 in the year 2010/11. Similarly, the trend value of DPR of SCBNL was 79.5 and had amount to 92.74 with annual increase of 3.32 whereas.

Trend Analysis of PE-Ratio

PE-Ratio indicates how much investors are willing to pay per dollar of current earnings. As such, high PE-Ratio is associated with growth stocks (Investors who are willing to pay a high price for dollars of current earnings obviously expect high earnings in the future). In this manner, the PE-Ratio also indicates how expensive a particular stock is. It analyzes the current Market price per of the stock by earnings per Market price. Here, is the trend movement of PR-Ratio of five year that analyze by the researcher.

Table: 4.16

The Actual and Trend Value of PE-Ratio of NABIL Bank

(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	14.27	13.33
2007/08	17.34	22.97
2008/09	36.84	32.61
2009/10	48.7	42.25
2010/11	45.89	51.89

Trend Value (see appendix 10)

Figure: 4.7

Actual and Trend Value of PE-Ratio of NABIL Bank

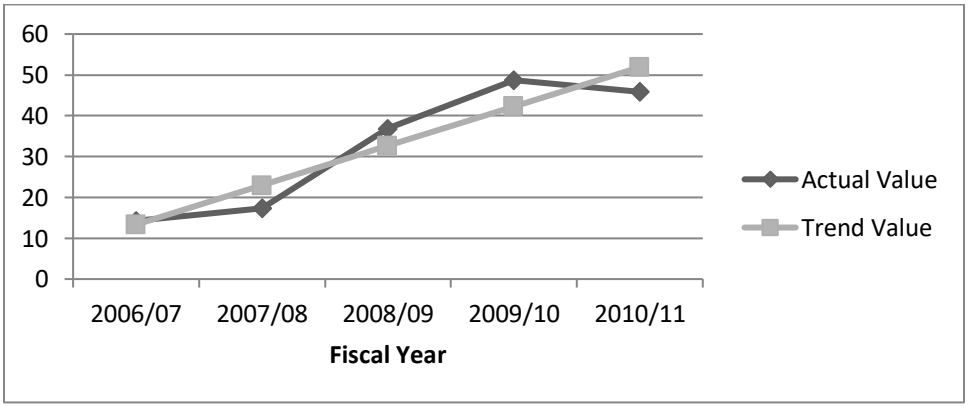


Table: 4.17

The Actual and Trend Value of PE-Ratio of SCBNL Bank

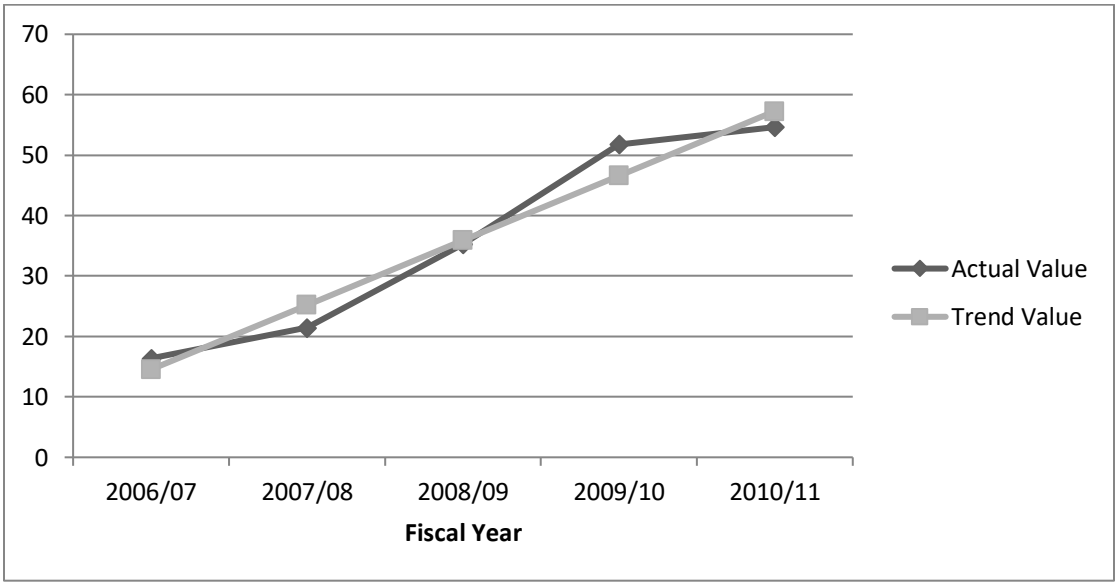
(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	16.38	14.538
2007/08	21.47	25.22
2008/09	35.25	35.902
2009/10	51.77	46.584
2010/11	54.64	57.266

Trend Value (see appendix 10)

Figure: 4.8

Actual and Trend Value of PE-Ratio of SCBNL Bank



The trend equation of PE-Ratio of NABIL and SCBNL is Y=32.61+9.46x, Y=35.902+10.682x. Where Y and x are denoted for PE-Ratio and time variable respectively. The Y intercept is the average amount of PE-Ratio of five year period. Y intercept NAB Land SCBNL were 32.61 and 35.902 respectively. The slope trend which indicate that the PE-Ratio of all three banks' were in decreasing trend. The table has defined that the actual amount of NABIL's PE-Ratio in the year 2006/07 was 14.27then it reached to 45.89 in the year 2010/11. Similarly, the trend value of PE-Ratio of NABIL

was 13.33 and had amount to 51.89 with annual increase of 9.46. Same as, SCBNL table defined that the actual amount of SCBNL's PE-Ratio in the year 2006/07 was 16.38 then it reached to 54.64 in the year 2010/11. Similarly, the trend value of PE-Ratio of SCBNL was 14.538 and had amount to 57.266 with annual increase of 10.682.

iii) Trend Analysis of Dividend Yield

It shows how much a company pays out in dividends each year relative to its Market price price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. It tells us what percentage of our purchase price the company will return to us in dividends. Here, i have analyzed the trend movement of Dividend Yield of five years.

Table: 4.18

The Actual and Trend Value of Dividend Yield of NABIL Bank

(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	4.65	4.512
2007/08	3.79	3.741
2008/09	2.77	2.97
2009/10	1.9	2.199
2010/11	1.74	1.428

Trend Value (see appendix 12)

Figure: 4.9

Actual and Trend Value of Dividend Yield of NABIL Bank

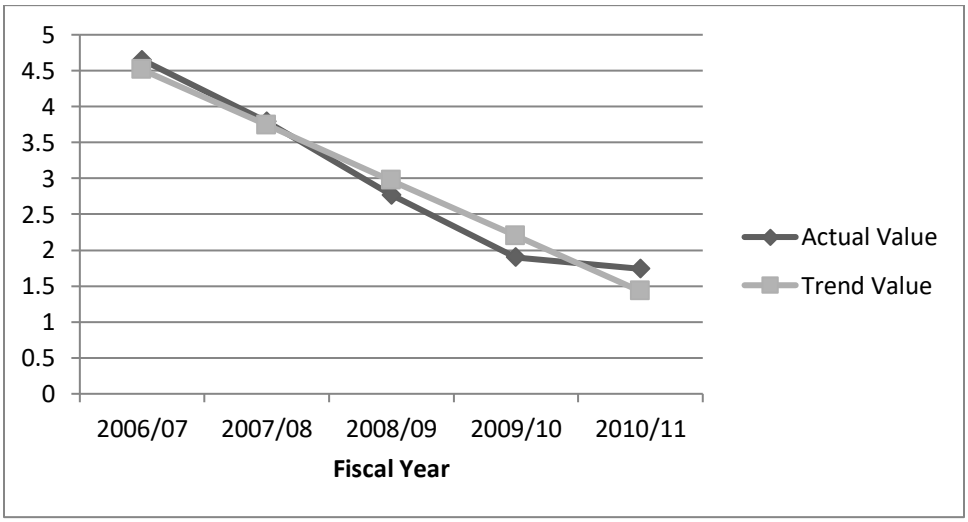


Table: 4.19

The Actual and Trend Value of Dividend Yield of SCBNL Bank

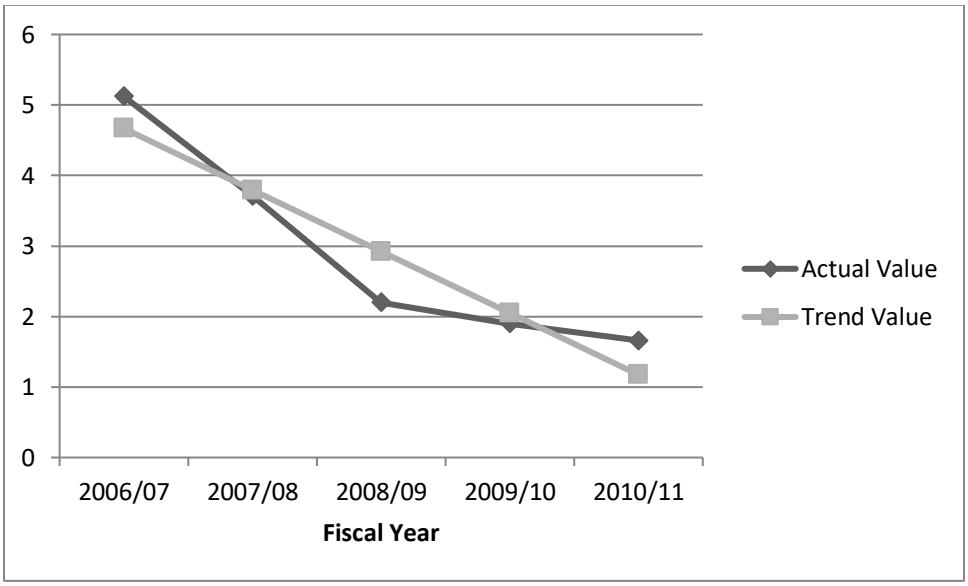
(In Rs)

Fiscal Year	Actual Value	Trend Value
2006/07	5.12	4.666
2007/08	3.71	3.793
2008/09	2.2	2.92
2009/10	1.9	2.047
2010/11	1.66	1.174

Trend Value (see appendix 13)

Figure: 4.10

Actual and Trend Value of Dividend Yield of SCBNL Bank



The trend equation of Dividend Yield of NABIL and SCBNL is Y=2.97+ (-0.771) x and Y=2.92+ (-0.873) x .where Y and x are denoted for Dividend Yield and time variable respectively. The Y intercept is the average amount of Dividend Yield of five year period. Y intercepts NABIL and SCBNL were 2.97 and 2.92 respectively. The slope trend which indicate that the Dividend Yield of all three banks' were in decreasing trend. The table has defined that the actual amount of NABIL's Dividend Yield in the year

2006/07 was 4.65 then it reached to 1.74 in the year 2010/11. Similarly, the trend value of Dividend Yield of NABIL was 4.512 and had amount to 1.428 with annual increase of (-0.771). Same as, SCBNL table defined that the actual amount of SCBNL's Dividend Yield in the year 2006/07 was 5.12 then it reached to 1.66 in the year 2010/11. Similarly, the trend value of Dividend Yield of SCBNL was 4.666 and had amount to 1.174 with annual decrease of (-0.873)

Trend Analysis of Liquidity Ratio

A_liquidity ratio measures a company's ability to pay its bills. It determines a company's ability to pay off its short-terms debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety of the company possesses to cover short-term debts. I have analyzed the trend movement of the Liquidity Ratio of five year.

Table: 4.20

The Actual and Trend Value of Liquidity Ratio of NABIL Bank

Fiscal Year	Actual Value	Trend Value
2006/07	3.83	2.996
2007/08	3.26	4.547
2008/09	6	6.098
2009/10	8.37	7.649
2010/11	9.03	9.2

Trend Value (see appendix 15)

Figure: 4.11

Actual and Trend Value of Liquidity Ratio of NABIL Bank

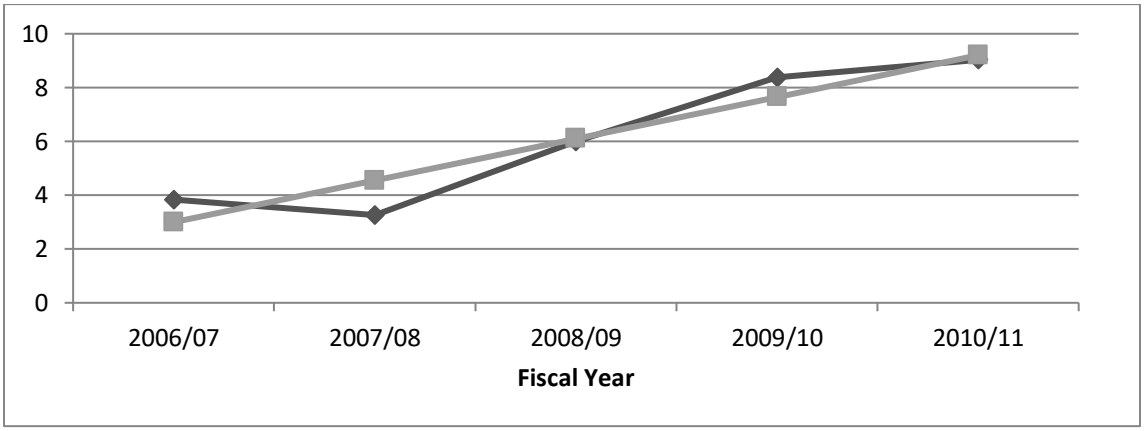


Table: 4.21

The Actual and Trend Value of Liquidity Ratio of SCBNL Bank

Fiscal Year	Actual Value	Trend Value
2006/07	8.77	6.582
2007/08	6.86	6.802
2008/09	5.46	7.022
2009/10	5.84	7.242
2010/11	8.18	7.462

Trend Value (see appendix 16)

Figure: 4.12

Actual and Trend Value of Liquidity Ratio of SCBNL Bank

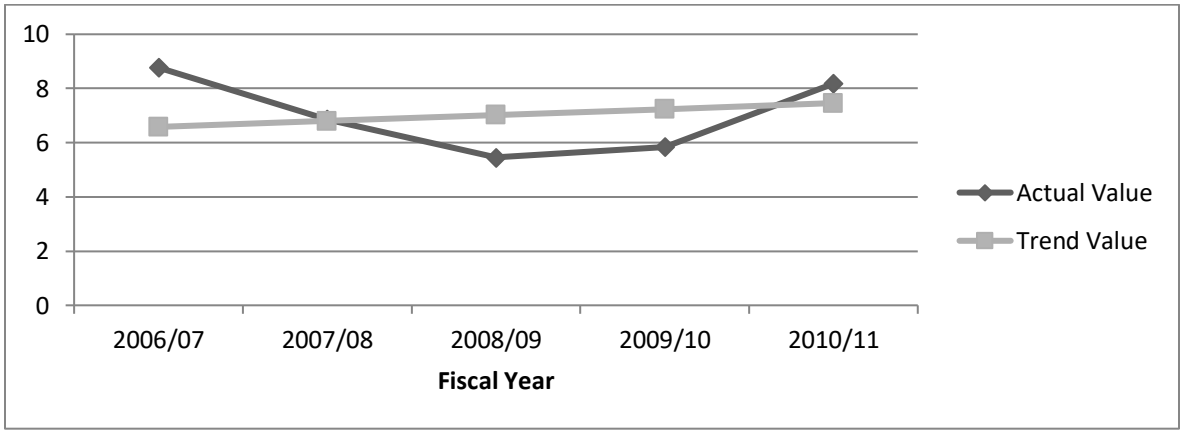


Table: 4.22

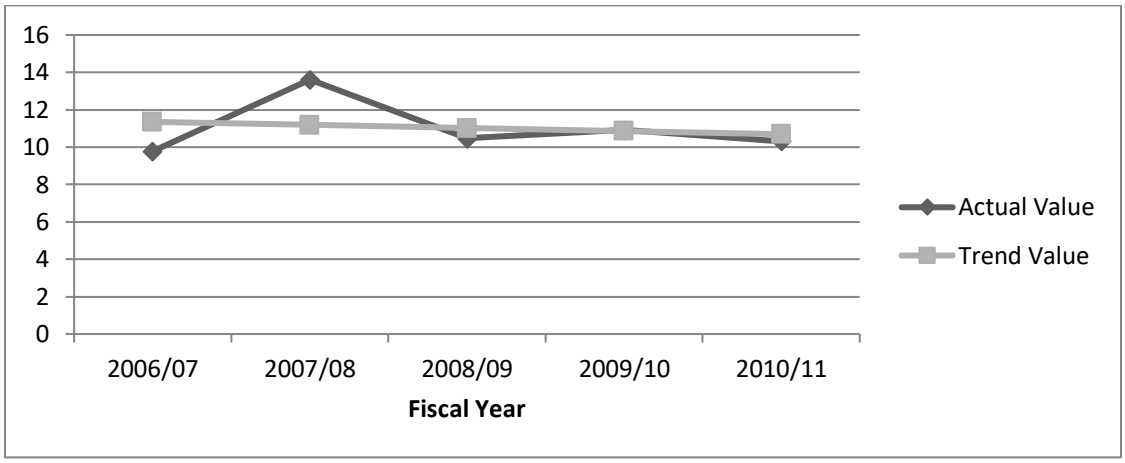
The Actual and Trend Value of Liquidity Ratio of SCBNL Bank

Fiscal Year	Actual Value	Trend Value
2006/07	9.78	11.348
2007/08	13.61	11.184
2008/09	10.47	11.02
2009/10	10.91	10.856
2010/11	10.31	10.692

Trend Value (see appendix 17)

Figure: 4.13

The Actual and Trend value of Liquidity Ratio of SCBNL Bank



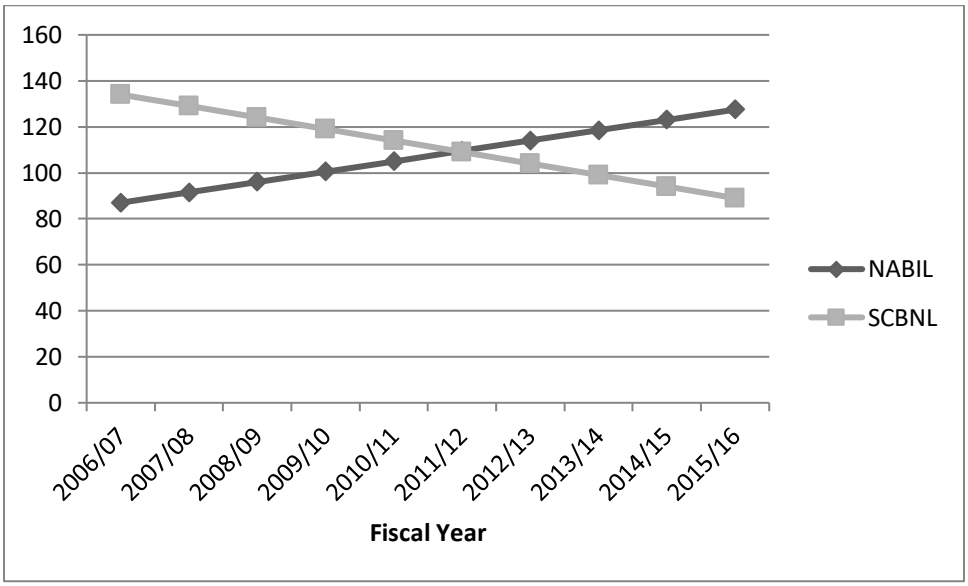
The trend equation of Liquidity Ratio of NABIL and SCBNL is Y=6.098+1.551x, Y=7.022+0.22x .where Y and x are denoted for Liquidity Ratio and time variable respectively. The Y intercept is the average amount of Liquidity Ratio of five year period. Y intercepts NABIL and SCBNL were 6.098, 7.022 respectively. The slope trend which indicate that the Liquidity Ratio of all three banks' were in decreasing trend. The table has defined that the actual amount of NABIL's Liquidity Ratio in the year 2006/07 was 3.83 then it reached to 9.03 in the year 2010/11. Similarly, the trend value of Liquidity of NABIL was 2.996 and had amount to 9.2 with annual increase of 1.551. Same as, SCBNL table defined that the actual amount of SCBNL's Liquidity Ratio in the year 2006/07 was 8.77 then it reached to 8.18 in the year 2010/11. Similarly, the trend value of Liquidity Ratio of SCBNL was 6.582 and had amount to 7.462 with annual increase of

Future Trend Analysis of DPS, EPS, DPR, PE-RATIO, Div. Yield, Liq. Ratio of NABIL Bank, SCBNL Bank

DPS NABIL			DPS SCBNL		
YEAR	x	Y=96+4.5x	YEAR	x	Y=124+(-5)x
2006/07	-2	87	2006/07	-2	134
2007/08	-1	91.5	2007/08	-1	129
2008/09	0	96	2008/09	0	124
2009/10	1	100.5	2009/10	1	119
2010/11	2	105	2010/11	2	114
2011/12	3	109.5	2010/11	3	109
2012/13	4	114	2012/13	4	104
2013/14	5	118.5	2013/14	5	99
2014/15	6	123	2014/15	6	94
2015/16	7	127.5	2015/16	7	89

Figure: 4.14

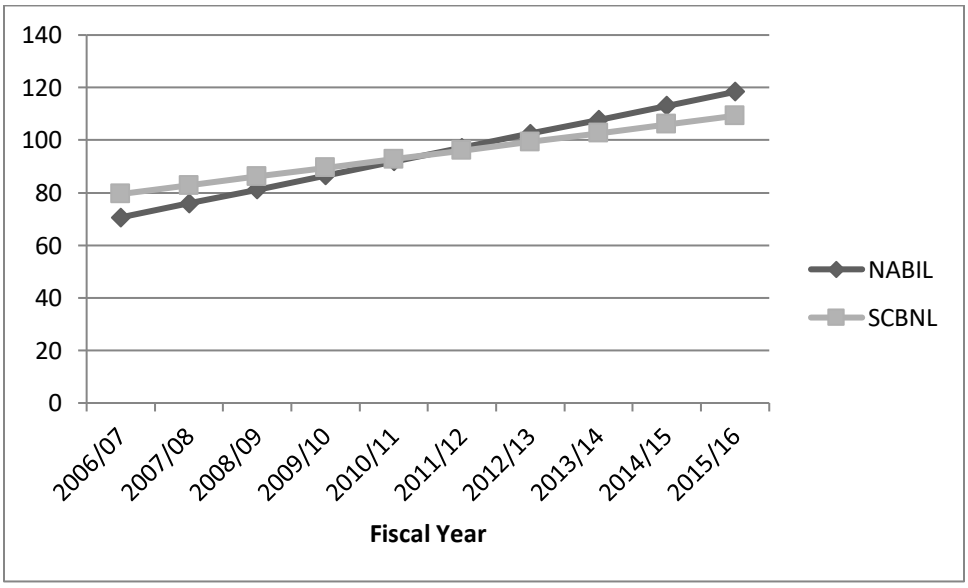
Trend Line figure of NABIL and SCBNL



DPR NABIL			DPR SCBNL	
YEAR	x	Y=81.244+5.307x	x	Y=86.12+3.31x
2006/07	-2	70.63	-2	79.5
2007/08	-1	75.937	-1	82.81
2008/09	0	81.244	0	86.12
2009/10	1	86.551	1	89.43
2010/11	2	91.858	2	92.74
2011/12	3	97.165	3	96.05
2012/13	4	102.472	4	99.36
2013/14	5	107.779	5	102.67
2014/15	6	113.086	6	105.98
2015/16	7	118.393	7	109.29

Figure: 4.15

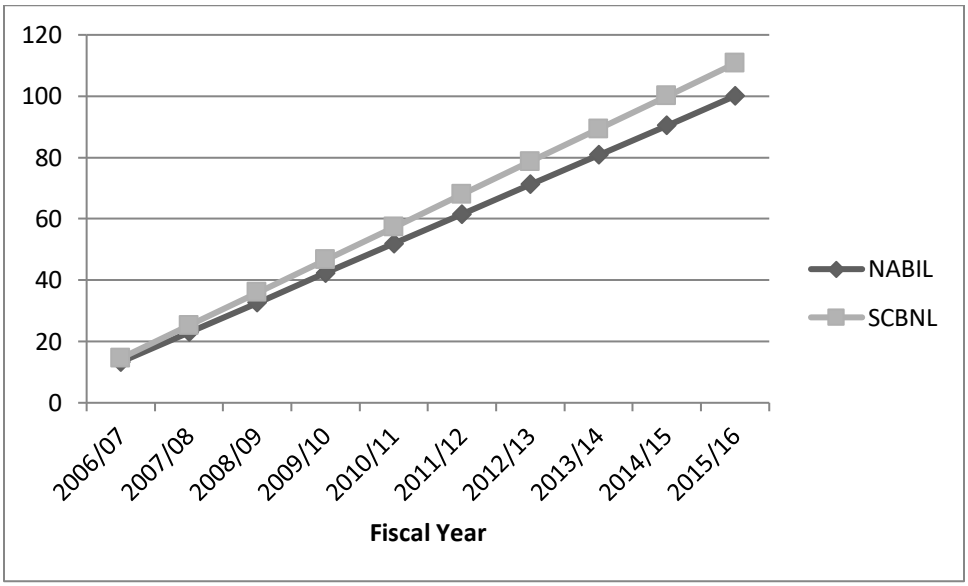
Trend Line figure of NABIL and SCBNL



PE.RATIO NABIL			PE.RATIO SCBNL	
YEAR	x	Y=32.61+9.46x	x	Y=35.902+10.682x
2006/07	-2	13.33	-2	14.538
2007/08	-1	22.97	-1	25.22
2008/09	0	32.61	0	35.902
2009/10	1	42.25	1	46.584
2010/11	2	51.89	2	57.266
2011/12	3	61.53	3	67.948
2012/13	4	71.17	4	78.63
2013/14	5	80.81	5	89.312
2014/15	6	90.45	6	99.994
2015/16	7	100.09	7	110.676

Figure: 4.16

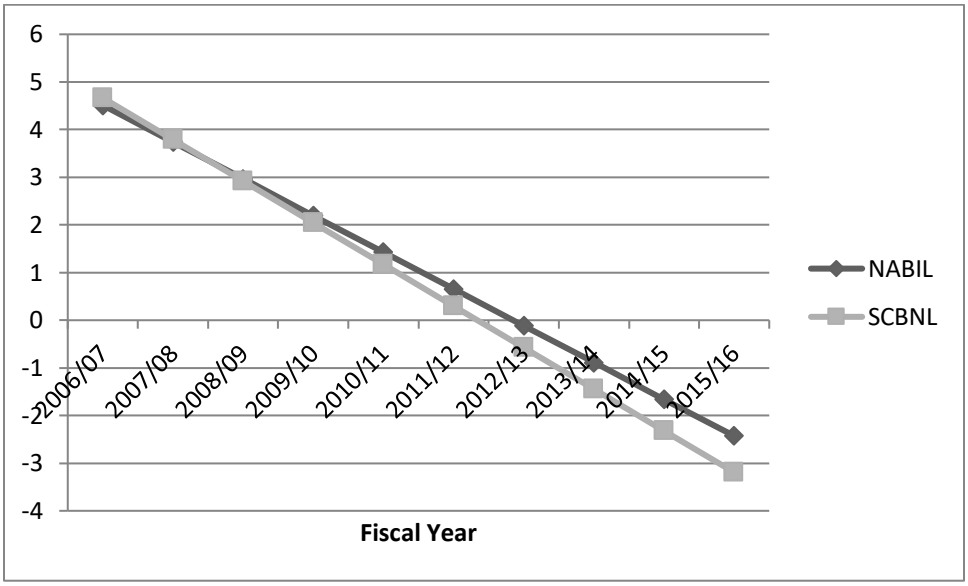
Trend Line Figure of NABIL and SCBNL



DIV.YIELD NABIL			DIV.YIELD SCBNL	
YEAR	x	Y=2.97+(-0.771)x	x	Y=2.92+(-0.873)x
2006/07	-2	4.512	-2	4.666
2007/08	-1	3.741	-1	3.793
2008/09	0	2.97	0	2.92
2009/10	1	2.199	1	2.047
2010/11	2	1.428	2	1.174
2011/12	3	0.657	3	0.301
2012/13	4	-0.114	4	-0.572
2013/14	5	-0.885	5	-1.445
2014/15	6	-1.656	6	-2.318
2015/16	7	-2.427	7	-3.191

Figure: 4.17

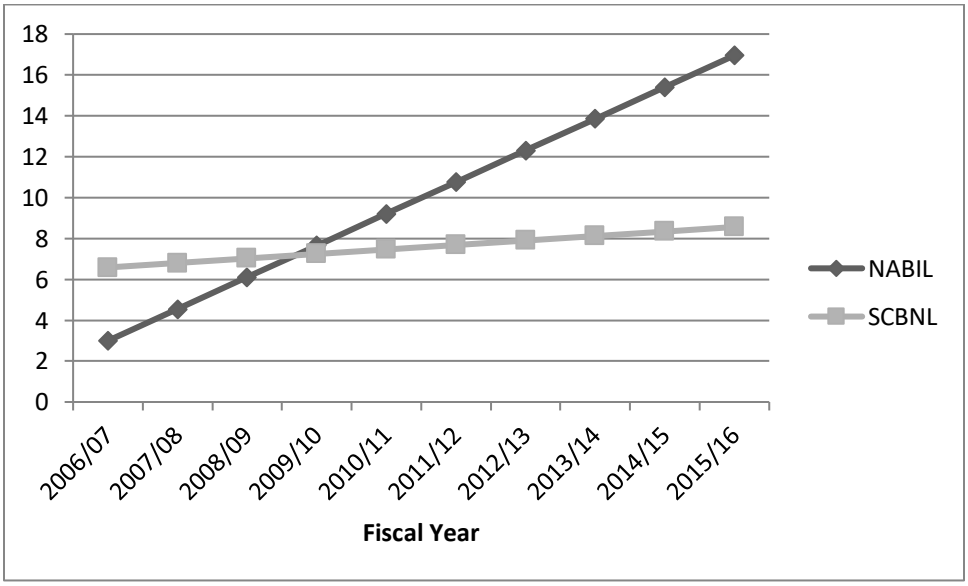
Trend Line Figure of NABIL and SCBNL



LIQ.RATIO NABIL			LIQ.RATIO SCBNL	
YEAR	x	Y=6.098+1.551x	x	Y=7.022+0.22x
2006/07	-2	2.996	-2	6.582
2007/08	-1	4.547	-1	6.802
2008/09	0	6.098	0	7.022
2009/10	1	7.649	1	7.242
2010/11	2	9.2	2	7.462
2011/12	3	10.751	3	7.682
2012/13	4	12.302	4	7.902
2013/14	5	13.853	5	8.122
2014/15	6	15.404	6	8.342
2015/16	7	16.955	7	8.562

Figure: 4.18

Trend Line Figure of NABIL and SCBNL



4.6 Profitability Ratio

Table: 4.23

Profitability Ratio of NABIL Bank ANDSCBNL Bank

For the FY 2006/07 to 2010/11

Year	NABIL	SCBNL
2006/07	34.294	40.604
2007/08	22.606	24.945
2008/09	24.899	25.585
2009/10	30.998	25.148
2010/11	26.969	24.864

(Source: Annual report of related bank 2010/11)

The above table 4.23 shows profitability ratio which indicates the degree of success in achieving desired profit level. A firm should earn profit to survive. Profit is the major thing that is to anal size to know the financial position of any firm. Profitability ratio indicates the degree of success in achieving desired profit level. In the year 2006/07.

4.7 Major Findings of the Study

- Dividends per Market price of all concerned banks are satisfactory. SCBNL paid the highest average DPS to its Market price prices Rs. 124.
- Average earning per share Market price for the period covered by the study is also satisfactory. At the same time, average EPS of SCBNL is highest Rs.145.65.
- Analysis of coefficient of variation indicates that there are fluctuations in DPS. On the other hand, EPS of NABIL, SCBNL.
- In average, SCBNL followed aggressive dividend payout ratio, on other hand, NABIL applied moderate pay-out ratio, followed conservative dividend pay-out Ratio. In other word, dividend payout ratio shows that none of the banks exhibit consistent. SCBNL is remarkable here in the sense of its DPR which is the highest and most consistent of all. All the same time, the analysis of dividend payout ratio is one of the hallmarks of our study which help us to find out dividend payout

dividend policy adopted by the mentioned banks.

- From the coefficient of variation, the Market price value of Market prices in the Market price is fluctuating in all sample banks. The coefficient of variation is most fluctuating SCBNL is most consistent in Market price value per Market price (MVPS).
- As far as dividend yield analyses are concerned, the highest dividend yield is associated with NABIL, 2.97%, on average. The highest variation in the dividend yield is associated with dividend yield of NABIL is more consistent (37.45).
- Correlation between DPS and MVPS of NABIL Bank is positive but DPS and MVPS of SCBNL is negative. Correlation between EPS and MVPS if NABIL Bank is positive, where as correlation between EPS and MVPS if SCBNL is negative. Same as, correlation between PE-Ratio and MVPS of NABIL, and SCBNL were positive. Correlation between DPR and MVPS of all three banks are positive. But correlate between Divided Yield and MVPS of NABIL Bank is positive except other two banks. Same as, correlation between Liquidity Ratio of NABIL Bank are positive but SCBNL is negative.
- Cash flow analysis, as we know that cash is measure things for every enterprises entrepreneur should think about the cash availability before establishing any enterprises. So a business must have an adequate amount of cash to operate. As such decision makes must pay close attention to firm's cash position to change. There are different source cash inflow and different source where cash are used as cash. There are three parts in cash flows statement i.e. are cash flow from operating activity, cash flow from investing activity and cash flow from financing activity. In year 2009/10 bank is able to raise its cash balance to 1313 million. In the year, 2010/11, the bank is still in increasing trend which is 4163 million. Analyzing the net cash flow of banks is in good conditions of bank it able to pay its debt whenever it need.

  In comparison in second, we found SCBNL's maintenance is also good. But we can found there is lots of fluctuation in maintaining its cash balance. In the year2006/07, SCBNL maintain very low cash balance i.e. 8 million. In the

yeae2007/08, SCBNL increase little bit better than the previous year but 165 million. Same as in the 2008/09, bank is able to maintain its balance of 745 million. Which is highest than previous year. But in the year 2009/10, its net cash is highly decreases and reached to 29 million. In the year 2010/11, SCBNL us able to rise its cash balance up to 1087 million. Analyzing the cash flow of bank is in a good condition but not good. It sizable to maintain its cash balance but there is lot of fluctuation.

On the other hand, NABIL bank not good to maintain its cash balance than and SCBNL bank. In the year 2006/07, we can found loss of (141) million where in the year 2007/08, there is NIL. In the year 2008/09, bank is able to increase its cash balance i.e. 770 million. Same as, in the year 2009/10, there is high increasing in cash balance where bank can maintain its balance of 1271 million. But in the year 2010/11, there is slightly decrease in its cash balance by 701 million. Analyzing the net cash flow of NABIL bank is not so good than other two banks

- Profitability Ratio indicated the degree of success in achieving desired profit level. A firm should earn profit to survive. Profit is the major thing that is to analyze to know the financial position of any firm. Profitability ratio indicates the degree to success in achieving desired profit level. Same as, in the year, 2007/08, 2008/09, 2009/10 is having higher profitability ratio in comparison to two banks. i.e 38.4%, 34.67%, 34.65%. But in the year 2010/11, NABIL is able to earn highest profit then others three banks.

CHAPTER-IV

SUMMARY, CONCLUSIONS & RECOMMENDATION

This chapter focuses on some selected action oriented findings, conclusion and recommendation on the basis of analysis which are derived from the three joint venture banks.

5.1 Summary

Dividend serves as a sample, comprehensive signal of management's interpretation of the firm's recent performance and its future prospects. Dividends refer to that portion of a firm's net earnings which are paid out to the Market price holders in return to their investment. Paying dividend to Market price prices is an effective way to attract new investors to invest in Market prices.

Most of the things about dividend policy and brief introduction of this study have been already presented in the first chapter. In the second chapter, the available literatures related to dividend policy are reviewed. Moreover, research methodology is described in third chapter. All the available data are presented and analyzed in the fourth chapter. In the final chapter, an attempt has been made to present summary, findings, conclusion and recommendation.

Among many commercial banks, three banks named by NABIL, and SCBNL are selected for study for the fiscal year 2006/07 to 2010/11.

The main objective of the study is to see the relationship of dividend per Market price, earning per Market price, dividend payout ratio, dividend yield, liquidity ratio and profitability ratio on Market price per Market price. The study has revealed the following facts.

5.2 Conclusion

The above mentioned major findings led this study conclude that the sample banks have got sufficient earnings but some of the banks are paying high dividend and others are paying low dividend. Other things remaining the same, dividend per Market price is not more stable than the dividend payout ratio. That's why dividend per Market price and other variable have been highly fluctuated. Another interesting conclusion is that Market price of Market price is attracted by dividend. Lastly, the sample banks have not clearly defined dividend policy.

In case of Trend Analysis the study of trend allows describing a historical pattern and projecting past pattern or trends into the future. So, trend analysis is done in this study to now the trend of past as well as future.

Trend Analysis of DPS of NABIL Bank shows that the trend of DPS is in increasing in past but SCBNL Bank shows that the trend of DPS is in decreasing in past. The increasing trend of NABIL Bank is 4.5 and decreasing trend of SCBNL Bank is (-5). This shows increasing trend of NABIL bank is high than others two Banks. The Trend shows that DPS of NABIL Bank is going to increasing in coming years.

Trend Analysis of EPS of three Banks is in decreasing trend i.e. NABIL by -1.836, SCBNL by 11.022. This shows that there is decreasing trend in future too.

Trend Analysis of DPR of three Banks is in increasing trend i.e. NABIL by 5.307, SCBNL by -3.31. This trend shows all three banks can analyze the amount of earnings paid out in dividends to Market price prices in future.

Same as, Trend Analysis of PE-Ratio of three banks are in increasing trend i.e. NABIL by 9.46, and SCBNL by 10.682. This shows that in future these banks analyze the current Market price per Market price of the stock by earnings per Market price.

Trend Analysis of Dividend Yield of all three banks is in decreasing trend. So, It tells us the purchase price return to us in dividend is low.

Trend Analysis of Liquidity Ratio of NABIL and SCBNL are in increasing trend by 1.551 and 0.22 whereas .It shows NABIL and SCBNL ability to pay its bills is good in comparison.

5.3 Recommendation

- Most the banks have had great fluctuation in coefficient of variation (C.V) of DPS, EPS, DPR, Dividend Yield, Market price and PE Ratio. It should be necessary decrease in fluctuation and become consistent in these variables.
- The practices of dividend payment adopted by the banks are not stable. In many cases a small amount of dividend are paid without considering the risk free rate of return. Further the price of Market price on which the dividend is not paid on upward trend, this creates the problem to judge the true value of Market price in the Market price.
- Payment of dividend is neither static nor constantly growing. It is highly fluctuating. Such way of paying dividend could not impress the Market price positively. So, these banks are advised to follow either static or constantly growing dividend payment policy. It would be better to fix and declare the amount of dividend in general meeting. This is not important only from the point of view of adequate return to Market price prices but also to generate stable and increasing Market price value per Market price, long run survival of bank, efficient management and socially acceptable distribution of income.

- Formulation of dividend policy will clearly guide the way on how to follow dividend distribution strategy. The policy should determine whether the company is going to adopt stable dividend policy, constant ay out ratio or low regular plus extra dividends. When should be the long run dividend payout ratio, either it is pure residual policy, fixed dividend payout policy or smooth residual dividend policy should have been clearly explained by the dividend policy.

- The legal rule for the treatment of dividend is the must for the smooth growth of any enterprises as well as growth of national economy. Some of the companies are in position to pay dividend . But some companies are suffering loss and there are efforts to minimize rather than payment of dividend. Therefore, the government should act in favor of investors and bind these companies by distinct rules.

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APPENDICES

APPENDIX-1

Calculation of Trend Value of DPS of NABIL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	70	-2	4	-140
2007/08	2	85	-1	1	-85
2008/09	3	140	0	0	0
2009/010	4	100	1	1	100
2010/011	5	85	2	4	170
	N=5	**480**	**0**	**10**	**45**

a = $\frac{\sum y}{n}$= $\frac{480}{5}$= 96

b = $\frac{\sum xy}{\sum x2}$ = $\frac{45}{10}$= 4.5

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 96 + 4.5x

APPENDIX-2

Calculation of Trend Value of DPS of SCBNL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	120	-2	4	-240
2007/08	2	140	-1	1	-140
2008/09	3	130	0	0	0
2009/010	4	130	1	1	130
2010/011	5	100	2	4	200
	N=5	**620**	**0**	**10**	**-50**

a= $\frac{\sum y}{n}$= = $\frac{620}{5}$

b = $\frac{\sum xy}{\sum x2}$ = $\frac{50}{10}$ = -5

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 124 +(-5)x

APPENDIX-3

Calculation of Trend Value of EPS of NABIL

Year	X	EPS(y)	x=X-3	x2	xy
2006/07	1	105.49	-2	4	-210.98
2007/08	2	129.21	-1	1	-129.21
2008/09	3	137.08	0	0	0
2009/010	4	108.31	1	1	108.31
2010/011	5	106.76	2	4	213.52
	N=5	**586.85**	**0**	**10**	**-18.36**

a= $\frac{\sum y}{n}$ **=** $\frac{Dividend\ Per\ Share}{Earning\ Per\ Share}$ = 117.37

b = $\frac{\sum xy}{\sum x2}$ = $\frac{18.36}{10}$ = -1.836

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 117.37 +(-1.836)x

APPENDIX-4

Calculation of Trend Value of EPS of SCBNL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	143.14	-2	4	-286.28
2007/08	2	175.84	-1	1	-175.84
2008/09	3	167.37	0	0	0
2009/010	4	131.92	1	1	131.92
2010/011	5	109.99	2	4	219.98
	N=5	**728.26**	**0**	**10**	**-110.22**

a = $\frac{\sum y}{n}$ = $\frac{Market\ Value\ Share(MPS)}{Book\ Value\ Per\ Share}$ = 145.65

b = $\frac{\sum xy}{\sum x2}$ = $\frac{Total\ Assets}{Total\ Liability}$ = -11.022

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 145.65 +(-11.022)

APPENDIX-5

Calculation of Trend Value of DPR of NABIL

2006/07	1	66.36	-2	4	-132.72
2007/08	2	65.78	-1	1	-65.78
2008/09	3	102.13	0	0	0
2009/010	4	92.33	1	1	92.33
2010/011	5	79.62	2	4	159.24
	N=5	**406.22**	**0**	**10**	**53.07**

a = $\frac{\sum y}{n}$ = $\frac{\text{Net Assets}}{\text{Capital Employed (EQUITY)}}$ = 81.244

b = $\frac{\sum xy}{\sum x2}$ = $\frac{53.07}{10}$ = 5.307

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 81.244+5.307x

APPENDIX-6

Calculation of Trend Value of DPR of SCBNL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	83.83	-2	4	-167.66
2007/08	2	79.62	-1	1	-79.62
2008/09	3	77.67	0	0	0
2009/010	4	98.54	1	1	98.54
2010/011	5	90.92	2	4	181.84
	N=5	**430.58**	**0**	**10**	**33.1**

a= $\frac{\sum y}{n}$ =  = 86.116

b = $\frac{\sum xy}{\sum x2}$ =  = 3.31

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 86.12+3.31x

APPENDIX-7

Calculation of Trend Value of PE-Ratio of NABIL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	14.27	-2	4	-28.54
2007/08	2	17.34	-1	1	-17.34
2008/09	3	36.84	0	0	0
2009/010	4	48.7	1	1	48.7
2010/011	5	45.89	2	4	91.78
	N=5	**163.04**	**0**	**10**	**94.6**

a= $\frac{\Sigma y}{n}$ = x^2 = 32.61

b = $\frac{\Sigma xy}{\Sigma x2}$ = y^2 = 9.46

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 32.61+9.46x

APPENDIX-8

Calculation of Trend Value of PE-Ratio of SCBNL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	16.38	-2	4	-32.76
2007/08	2	21.47	-1	1	-21.47
2008/09	3	35.25	0	0	0
2009/010	4	51.77	1	1	51.77
2010/011	5	54.64	2	4	109.28
	N=5	**179.51**	**0**	**10**	**106.82**

a= $\frac{\Sigma y}{n}$ = = 35.902

b = $\frac{\Sigma xy}{\Sigma x2}$ = $\frac{\Sigma X}{n}$ = 10.68

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 35.902+10.68

APPENDIX-9

Calculation of Trend Value of DIV. Yield of NABIL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	4.65	-2	4	-9.3
2007/08	2	3.79	-1	1	-3.79
2008/09	3	2.77	0	0	0
2009/010	4	1.9	1	1	1.9
2010/011	5	1.74	2	4	3.48
	N=5	**14.85**	**0**	**10**	**-7.71**

a= $\frac{\sum y}{n} = \frac{14.85}{5}$ = 2.97

b = $\frac{\sum xy}{\sum x2} = \frac{1-r2}{\sqrt{n}}$ = 0.771

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 2.97+0.771x

APPENDIX-10

Calculation of Trend Value of DIV. Yield of SCBNL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	5.12	-2	4	-10.24
2007/08	2	3.71	-1	1	-3.71
2008/09	3	2.2	0	0	0
2009/010	4	1.9	1	1	1.9
2010/011	5	1.66	2	4	3.32
	N=5	**14.59**	**0**	**10**	**-8.73**

a= = = 2.92

b = $\frac{\sum xy}{\sum x2}$ = = 0.873

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 2.92+0.873x

Y = 2.16+(-0.30)x

APPENDIX-11

Calculation of Trend Value of LIQ. Ratio of NABIL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	3.83	-2	4	-7.66
2007/08	2	3.26	-1	1	-3.26
2008/09	3	6	0	0	0
2009/010	4	8.37	1	1	8.37
2010/011	5	9.03	2	4	18.06
	N=5	**30.49**	**0**	**10**	**15.51**

a= [redacted] = [redacted] = 6.098

b = $\frac{\Sigma xy}{\Sigma x2}$ = [redacted] = 1.551

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 6.098+1.551x

APPENDIX-12

Calculation of Trend Value of LIQ. Ratio of SCBNL

Year	X	Actual Value(y)	x=X-3	x2	xy
2006/07	1	8.77	-2	4	-17.54
2007/08	2	6.86	-1	1	-6.86
2008/09	3	5.46	0	0	0
2009/010	4	5.84	1	1	5.84
2010/011	5	8.18	2	4	16.36
	N=5	**35.11**	**0**	**10**	**-2.2**

a= [redacted] = [redacted] = 7.022

b = $\frac{\Sigma xy}{\Sigma x2}$ = [redacted] = -0.22

Therefore, Trend is calculated by substituting this value in the following formula,

Y = a + bx

Y = 7.022+(-0.22)x

APPENDIX-13

Coefficient of Correlation of DPS of NABIL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
70	1505	-26.00	-2288.80	676.00	5238605.44	59508.80
85	2240	-11.00	-1553.80	121.00	2414294.44	17091.80
140	5050	44.00	1256.20	1936.00	1578038.44	55272.80
100	5275	4.00	1481.20	16.00	2193953.44	5924.80
85	4899	-11.00	1105.20	121.00	1221467.04	-12157.20
480.00	18969.00	0.00	0.00	2870.00	12646358.80	125641.00
96	**3793.8**					

APPENDIX-14

Coefficient of Correlation of DPS of SCBNL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
120	2345	-4.00	-2627.00	16.00	6901129.00	10508.00
140	3775	16.00	-1197.00	256.00	1432809.00	-19152.00
130	5900	6.00	928.00	36.00	861184.00	5568.00
130	6830	6.00	1858.00	36.00	3452164.00	11148.00
100	6010	-24.00	1038.00	576.00	1077444.00	-24912.00
620.00	24860.00	0.00	0.00	920.00	13724730.00	-16840.00
124	**4972**	0.00	0.00			

APPENDIX-15

Coefficient of Correlation of EPS of NABIL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
105.49	1505	-11.88	-2288.80	141.13	5238605.44	27190.94
129.21	2240	11.84	-1553.80	140.19	2414294.44	-18396.99
137.08	5050	19.71	1256.20	388.48	1578038.44	24759.70
108.31	5275	-9.06	1481.20	82.08	2193953.44	-13419.67
106.76	4899	-10.61	1105.20	112.57	1221467.04	-11726.17
586.85	18969.00	0.00	0.00	864.46	12646358.80	8407.81
117.37	**3793.8**	0.00	0.00			

APPENDIX-16

Coefficient of Correlation of EPS of SCBNL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
143.14	2345	-2.51	-2627.00	6.31	6901129.00	6599.02
175.84	3775	30.19	-1197.00	911.32	1432809.00	-36135.04
167.37	5900	21.72	928.00	471.67	861184.00	20154.30
131.92	6830	-13.73	1858.00	188.57	3452164.00	-25514.06
109.99	6010	-35.66	1038.00	1271.78	1077444.00	-37017.16
728.26	24860	0	0	2849.64308	13724730	-71912.92
145.652	**4972**	0.00	0.00			

APPENDIX-17

Coefficient of Correlation of DPR of NABIL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
66.36	1505	-14.88	-2288.80	221.53	5238605.44	34066.50
65.78	2240	-15.46	-1553.80	239.14	2414294.44	24027.96
102.13	5050	20.89	1256.20	436.22	1578038.44	26236.99
92.33	5275	11.09	1481.20	122.90	2193953.44	16420.58
79.62	4899	-1.62	1105.20	2.64	1221467.04	-1794.84
406.22	18969	0	0	1022.43052	12646358.8	98957.194
81.244	3793.8	0.00	0.00			

APPENDIX-18

Coefficient of Correlation of DPR of SCBNL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
83.83	2345	-2.29	-2627.00	5.23	6901129.00	6005.32
79.62	3775	-6.50	-1197.00	42.20	1432809.00	7775.71
77.67	5900	-8.45	928.00	71.33	861184.00	-7837.89
98.54	6830	12.42	1858.00	154.36	3452164.00	23083.79
90.92	6010	4.80	1038.00	23.08	1077444.00	4986.55
430.58	24860	1.4211E-14	0	296.19292	13724730	34013.49
86.116	**4972**	0.00	0.00			

APPENDIX-19

Coefficient of Correlation of PE-Ratio of NABIL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
14.27	1505	-18.34	-2288.80	336.28	5238605.44	41972.01
17.34	2240	-15.27	-1553.80	233.11	2414294.44	23723.42
36.84	5050	4.23	1256.20	17.91	1578038.44	5316.24
48.7	5275	16.09	1481.20	258.95	2193953.44	23835.47
45.89	4899	13.28	1105.20	176.41	1221467.04	14679.27
163.04	18969.00	0.00	0.00	1022.67	12646358.80	109526.41
32.608	**3793.8**	0.00	0.00			

APPENDIX-20

Coefficient of Correlation of PE-Ratio of SCBNL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
16.38	2345	-19.52	-2627.00	381.11	6901129.00	51284.29
21.47	3775	-14.43	-1197.00	208.28	1432809.00	17275.10
35.25	5900	-0.65	928.00	0.43	861184.00	-605.06
51.77	6830	15.87	1858.00	251.79	3452164.00	29482.74
54.64	6010	18.74	1038.00	351.11	1077444.00	19450.04
179.51	24860	0	0	1192.72228	13724730	116887.13
35.902	**4972**	0.00	0.00			

APPENDIX-21

Coefficient of Correlation of DIV. Ratio of NABIL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
4.65	1505	1.68	-2288.80	2.82	5238605.44	-3845.18
3.79	2240	0.82	-1553.80	0.67	2414294.44	-1274.12
2.77	5050	-0.20	1256.20	0.04	1578038.44	-251.24
1.9	5275	-1.07	1481.20	1.14	2193953.44	-1584.88
1.74	4899	-1.23	1105.20	1.51	1221467.04	-1359.40
14.85	18969.00	0.00	0.00	6.19	12646358.80	-8314.82
2.97	**3793.8**	0.00	0.00			

APPENDIX-22

Coefficient of Correlation of DIV. Ratio of SCBNL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
5.12	2345	2.20	-2627.00	4.85	6901129.00	-5784.65
3.71	3775	0.79	-1197.00	0.63	1432809.00	-948.02
2.2	5900	-0.72	928.00	0.52	861184.00	-666.30
1.9	6830	-1.02	1858.00	1.04	3452164.00	-1891.44
1.66	6010	-1.26	1038.00	1.58	1077444.00	-1305.80
14.59	24860	0	0	8.61048	13724730	-10596.23
2.918	**4972**	0.00	0.00			

APPENDIX-23

Coefficient of Correlation of LIQ. Ratio of NABIL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
3.83	1505.00	-2.27	-2288.80	5.14	5238605.44	5191.00
3.26	2240.00	-2.84	-1553.80	8.05	2414294.44	4409.68
6.00	5050.00	-0.10	1256.20	0.01	1578038.44	-123.11
8.37	5275.00	2.27	1481.20	5.16	2193953.44	3365.29
9.03	4899.00	2.93	1105.20	8.60	1221467.04	3240.45
30.49	18969.00	0.00	0.00	26.97	12646358.80	16083.31
6.098	**3793.8**	**0**	**0**			

APPENDIX-24

Coefficient of Correlation of LIQ. Ratio of SCBNL Bank

X	**Y**	**x=X-∑X**	**y=Y-∑Y**	**x^2**	**y^2**	**xy**
8.77	2345	1.75	-2627.00	3.06	6901129.00	-4592.00
6.86	3775	-0.16	-1197.00	0.03	1432809.00	193.91
5.46	5900	-1.56	928.00	2.44	861184.00	-1449.54
5.84	6830	-1.18	1858.00	1.40	3452164.00	-2196.16
8.18	6010	1.16	1038.00	1.34	1077444.00	1202.00
35.11	24860.00	0.00	0.00	8.26	13724730.00	-6841.77
7.022	**4972**	0.00	0.00			