EFFECT OF FIRM CHARACTERISTICS ON DIVIDEND PRACTICE IN COMMERCIAL BANKS

(With Reference to EBL, NBL, NSBI, PCBL and SCBNL)

A Dissertation submitted to the office of the Dean, Faculty of Management in the partial fulfillment of the Master of Business Studies (MBS)

Submit By:

Sajana Mabo

Shanker Dev Campus

Campus Roll No: 763/073

T.U. Registration No: 7-2-451-38-2009

Exam Symbol No.: 2845/17

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **Effect of Firm Characteristic on Dividend Practice in Commercial Banks.** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

Sajana Mabo
Date:

REPORT OF RESEARCH COMMITTEE

Ms. Sajana Mabo has defended research proposal entitled **Effect of Firm Characteristic on Dividend Practice in Commercial Bank** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Dr. Priti Raj Adhikari and submit the thesis for evaluation and viva voce examination.

……...
Dr. Priti Raj Adhikari
Dissertation Supervisor

Dissertation Proposal Defended Date:
……

Dissertation Submitted Date:
……

……
Asso. Prof. Dr .Sajeeb Kumar Shrestha
Head of Research committee

Dissertation Viva Voce Date:
……

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Effect of Firm Characteristics on Dividend Practice in Commercial Bank"** Presented by Sajana Mabo Candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

.....
Dr. Pitri Raj Adhikari
Dissertation Supervisor
.....

Internal Examiner
.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

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Sajana Mabo

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ABBREVIATIONS

%	:	Percentages
&	:	And
ADBL	:	Agriculture development bank limited
BS	:	Bank Size
C.V.	:	Coefficient of Variation
CBBTD	:	Cash and bank balance to total deposit
DAR	:	Debt to Assets Ratio
DPR	:	dividend payout ratio
DPS	:	Dividend Per share
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earing Per Share
HBL	:	Himalayan Bank Limited
i.e.	:	That is
MPS	:	Market Price Per Share
NABIL	:	NABIL Bank Limited
NBL	:	Nepal Bank Limited
NIBL	:	Nepal Investment Bank Limited
NRB	:	Nepal Rastra Bank
NSBI	:	Nepal SBI Bank Limited
PCBL	:	Prime Commercial Bank Limited.
PER	:	Price Earing Ratio
ROA	:	Return on Assets
ROE	:	Return on Equity
S.D.	:	Standard Deviation
SCBNL	:	Standard Chartered Bank Nepal Limited
TDTA	:	Total debt to Total assets

ABSTRACT

This study analyzes effect of firm characteristics on dividend practice in Nepalese commercial banks. The ten-year data was collected from Everest Bank Limited, Nepal Bank Limited, Nepal SBI Bank Limited, Prime Commercial Bank Limited and Standard Chartered Bank Nepal Limited covering the period of time 2013/14 to 2022/23. Data are collected from annual report of the selected sample organization.

In the study, the researcher used various types of tools for data analysis, descriptive analysis, correlations and regression analysis to find out the relationship between dividend with firm characteristics. Dividend per share is dependent variable while, return on equity, total assets, Cash and bank to total deposit ratio, total debt to total assets and earning per share are independent variables. The research study shows that cash and bank balance to deposit ratio, total debt to total assets ratio, return on equity ratio, earning per share and bank size have significant impact on dividend per share of Nepalese commercial banks.

Keywords: *ROE, EPS, DPS, Cash and Bank Balance, total assets.*

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Companies in the sector are now engaged in fierce rivalry as a result of the current economic climate. Every business is driven by competition to increase performance, which means the objective may still be met. The corporation's primary goal is to raise corporate value in order to boost owners' or shareholders' prosperity. Because it reflects the company's performance, which may have an impact on investors' impression of the business, the company's worth is extremely significant. Stated differently, the significance of the company's worth lies in the fact that a high value corresponds with great prosperity for its shareholders (Brigham & Houston, 2006).

The way a company's financial performance develops, which is determined by using its financial statements as a source of financial information, reveals the worth of the organization. Stated differently, financial ratios such as leverage, activity, profitability, and liquidity ratios of the firm are often calculated by analysts or investors using the financial information supplied by the company as a basis for investment choices. Liquidity ratios, leverage, and profitability are used in this study (Riyanto, 2001).

The capacity of a business to satisfy its immediate financial commitments is referred to as liquidity. The amount of dividends paid to shareholders will depend on liquidity. As dividends are a cash outflow, a company's capacity to pay dividends is correlated with its cash availability, which is a measure of its strong liquidity (Riyanto, 2001). Elevated levels of liquidity signify a robust business, which will fuel demand for its stocks and ultimately drive up their price. If investors believe that the company is already too illiquid—that is, that certain assets are underutilized—the stock price will probably drop as well. This is because underutilized assets increase the burden on the business because upkeep and storage expenses must be covered.

Dividends are payments that a business makes to its shareholders, typically following a profitable period. The payment of dividends may have an impact on share prices,

which may in turn affect investor returns, internal growth financing, equity base financing through retentions, gearing, and leverage (Omran & Pointon, 2004).

The dividend policy deals with the choices that management must make on whether to give shareholders a portion of the company's profits or to keep them for internal use. A significant portion of financial choices, including capital structure, mergers and acquisitions, asset pricing, and capital budgeting theories, are closely correlated with the distribution of profits (Franklin & Michaely, 2003).

Dividend policy in early corporate finance simply dealt with choosing between keeping profits within the company or paying out earnings as cash dividends to shareholders. It merely ascertained the frequency and magnitude of dividend disbursements. Dividend policies, however, now cover a wider range of topics in corporate finance, including how companies might draw in investors from various tax rates, raise their market value, repurchase shares rather than pay out cash dividends, and more. The dividend policy is one of the top ten significant unresolved topics in the financial industry for which no agreement has been formed, despite two decades of ongoing research (Brealey & Myers, 2003). Through a dividend policy, It refers to a methodical technique to deciding between distribution and retention as opposed to relying just on ad-doc analysis at this point. since a result, the question of what and how much dividends are desired is never settled, since investors continually want to see bigger payouts, even while the company makes care to set away money to maximize shareholder value (Dickens, Casey, & Newman, 2003). Managers must strike a balance between the various interests of shareholders and lucrative investment possibilities in order to optimize shareholder wealth.

It alludes to a systematic process for choosing between distribution and retention rather than continuing to rely solely on ad-doc analysis at this time. Consequently, investors always want to see more payouts, even while the firm takes care to set aside money to optimize shareholder value (Dickens, Casey, & Newman, 2003). As a result, the question of what and how much dividends are sought is never settled. To maximize shareholder value, managers must find a balance between the diverse interests of shareholders and profitable investment opportunities.

Dividends have the potential to be a helpful tool in today's corporations in reducing the negative effects of principal-agent conflict. Dividend policy choices are those made by the company on how much of its earnings may be kept and how much can be given out as a dividend (Alzomaia & Al-Khadhiri, 2013).Moreover, a large dividend distribution ensures that the agent has fewer cash available for spending. In order to recompense stakeholders according to priority claims on the assets of the businesses, this is important. Put another way, the agent is required to distribute any available surplus cash as dividends if the organization does not currently have any favorable investment opportunities In this case, the dividend policy of the company can impact its worth by guaranteeing that regulatory agencies like the Security and Exchange keep an eye on the agent's operations to make sure the agent is only engaged in lucrative investing activities. The investigation of the capital market's observation of the agent's actions may help to lower the agency fees related to investments in less lucrative endeavors.

Many elements, including legislative provisions, corporate liquidity, the need to pay off debt, earnings stability, estimated rate of return, personal tax, etc., affect a firm's dividend policy in Nepal. With a robust equity base, the declaration of stock dividends is the most favored corporate event in Nepal. The most significant factors influencing the dividend policy of Nepalese firms, according to Adhikari (2014), are the availability of investment possibilities, the growth of the enterprises' earnings patterns, prior dividend patterns, and managers' emphasis on a steady dividend policy. According to research, there is a favorable correlation between dividend distributions and size, profitability, and lagging dividends (Pradhan & Rajbhandari, 2016). On the other hand, the dividend patterns are negatively impacted by growth prospects, leverage, and P/E ratio.

The discussion above demonstrates the increased importance of the research addressing the effects of various variables on dividend policy. While there are discoveries in the context of other nations, Nepal does not have any findings of this kind utilizing more current data. Thus, the goal of this study is to examine how Nepalese commercial banks' dividend policies are impacted by factors like as size, debt, and profitability.

1.2 Problem Statement

Perhaps the biggest mystery of contemporary finance is the practice of paying dividends and the desire for them from shareholders. Dividends were identified by (Brealey et al., 2012) as one of the top 10 unsolved financial issues. According to Allen, Bernardo, and Welch (2000), dividends can be utilized consciously and explicitly as a costly signal to alter market expectations for future profits prospects.

In the realm of financial management, the payout policy that managers adhere to while determining the amount and format of cash distribution to shareholders is known as the dividend decision. In finance, one of the most contentious topics is dividend policy. According to Brealey et al. (2012), dividend policy and stock market value have a tight but contentious connection. A multitude of elements are considered by the financial management when making decisions on dividend distribution. Although research has been done to explain how different elements influence the dividend decision-making process, a generally agreed-upon conclusion has not yet been reached. One of the company's main functions that influences the market value of its common stock is dividend distribution. In a similar vein, retained earnings are thought to be the easiest internal funding option for business expansion. In order to obtain a competitive edge, every company should create and execute a dividend policy. Additionally, it maximizes investor value for the company. Recognizing that a company's dividend payout is dependent on several factors is important. It could be impacted, for instance, by variations in the firm's investment requirements over time and the volatility of its cash flows. It can be preferable for the company to set a minimum level of consistent cash dividends that can be maintained even at low profits if its cash flow is unstable.

Businesses utilize dividend policies as rules and guidelines for deciding how much to pay shareholders in dividends. Kania and Bacon (2005) used Ordinary Least Squares (OLS) to analyze financial data from 10,000 public companies to investigate the effects of profitability, growth risk, and liquidity on a company's dividend policy. The research findings indicate a statistically significant and positive correlation between the dividend payout ratio and the following factors: profitability (return on equity), growth, risk (beta), liquidity, control, and expansion (increase in capital investment).

According to Glen et al. (1995), dividend policy practices have changed throughout time as well as between different nations, particularly developing and emerging capital markets.

The study on the factors influencing Nepalese firms' dividend policies was conducted by Adhikari (2014). The findings showed that the availability of investment possibilities, historical dividend patterns, and the evolution of an organization's earnings patterns all had a significant impact on the steady dividend policy. Similarly, Bhandari and Pokharel (2012) came to the conclusion that market price per share had a negative influence on dividends, whereas profits per share had a positive and substantial impact. It can be preferable for the company to set a minimum level of consistent cash dividends that can be maintained even at low profits if its cash flow is unstable. Similarly, if the company has successful investment prospects, it would choose to keep more money rather than reduce the dividend per share (Paudel et al., 2008).

It can be preferable for the company to set a minimum level of consistent cash dividends that can be maintained even at low profits if its cash flow is unstable. Similarly, if the company has successful investment prospects, it would choose to keep more money rather than reduce the dividend per share (Paudel et al., 2008).

i) How do the firm properties of PCBL, SCBNL, NSBI, NBL, and EBL follow a pattern?
ii) Is there a connection between dividend practices in PCBL, SCBNL, NSBI, NBL, EBL, and NBL and company characteristics?
iii) How do the features of the business affect the dividends of PCBL, SCBNL, NSBI, NBL, and EBL?

1.3. Objectives of the Study

Analyzing how business factors affect dividend policy in Nepalese commercial banks is one of the study's main goals. Nonetheless, the following are the additional particular goals of this research:

1. To assess the firm characteristic of EBL, NBL, NSBI, PCBL and SCBL follow a pattern?

2. Is analyze the relationship between firm characteristics and dividend practice in EBL, NBL, NSBBI, PCBL and SCBNL.
3. To examine the impact of firm characteristics on dividend of EBL, NBL, NSBBI, PCBL and SCBNL.

1.4 Rationale of the Study

People are more interested in and drawn to investing in shares these days in order to receive greater returns due to excess liquidity and a dearth of investment options in the capital market. Upon the issuance of shares through capital markets, a large crowd gathers to apply for an owner's certificate in any new business. It indicates that consumers anticipate receiving a larger return on their share investments. Therefore, one of the most crucial financial management decisions is whether to pay out dividends. It is a useful instrument (method) to draw in new investors, keep the ones you already have, and preserve your position of control over the business.

Due to inadequate knowledge, people are making haphazard stock investments. It demonstrates how crucial it is to have a thorough understanding of the return on investment that comes with purchasing stocks. From a Nepalese standpoint, we see that hardly any enterprises have a regular dividend policy in place. There might be several causes for it. However, not enough research has been done in this area. Taking these factors into account, a study is conducted to fill in the gaps in the literature about dividend practices and stock price. Thus, the significance of this work is enormous.

This study will benefit a great deal of people and parties, including shareholders, bank management, financial institutions, the general public (depositors, potential customers, investors, etc.), and other policy-making organizations that are involved in the banking industry. It's also thought to offer insightful contributions for upcoming researchers.

1.5 Limitations of the Study

The main restrictions on this study are as follows:

- Not every element influencing the bank's dividend policy is taken into account in this analysis. Other variables that may impact the dividend behavior of commercial banks include non-performing loans, bank ownership, the money supply, and growth prospectuses.
- The hypothesis supporting the investigation is that dependent and independent variables have linear connections. Consequently, the non-linearity bases that are often seen in emerging country markets have not been taken into account in this study.
- It should be mentioned that the study only takes into account secondary data. Data gathering from primary surveys is not taken into account. As a result, the study's conclusion is not inclusive and adaptable. It is restricted to the information included in the sample banks' annual reports.
- Furthermore, the data used in this analysis solely pertains to commercial banks. Research on other financial and non-financial organizations is not taken into account, including development banks, manufacturing firms, insurance businesses, microfinance, and financing corporations. This led to a limited understanding of dividend policy and the variables influencing them.

CHAPTER II
LITERATURE REVIEW

Reviews of relevant literature are included in this chapter. The literature pertaining to reports, studies, and popular write-ups was examined. In addition, the thesis and earlier publications and papers pertaining to the study's topic have been examined. Studies that genuinely show how certain factors and a company's success are related have been chosen for evaluation. This chapter includes a succinct summary of previous research that is relevant to the current investigation. The following categories have been applied to this chapter: -

2.1 Theoretical Review

2.2 Conceptual Review

2.3 Empirical Review

2.4 Research Gap

2.1 Theoretical Review

The amount of net income distributed to shareholders as a cash or stock payout in exchange for their investment is known as a dividend. One aspect of the financial choice is the dividend distribution. The amount of dividends to be paid to shareholders and the amount of net income to be retained for reinvestment are decisions that management must make. According to dividend theories, the management's choice to distribute revenue as dividends has an impact on the firm's value. When it comes to the impact of dividend policy on a firm's value, financial experts generally fall into one of two camps. They're

- Dividend Relevance Theories
- Dividend Irrelevance Theories

Dividend Relevance Theories

A well-thought-out dividend policy can have a favorable impact on a company's stock market standing, according to the relevance theory of dividends. Dividend relevance ideas are supported by two schools of thought:

Walter’s Model

Gordon’s Model

Walter’s Model

According to Professor James E. Walter, a firm's value is impacted by its dividend policy. He asserts that the primary determinant of the link between the internal rate of return (r) and the cost of capital (k) is the dividend choice.

If r > k, then the developing business has a higher cost of capital than it has an excellent investment opportunity. Therefore, by reinvesting the money, the company will optimize its worth and choose to pay no dividends in order to enhance the value of its shares. As a result, the company keeps its profits and doesn't distribute any.

Declining enterprises might not have investment prospects if r < k. Therefore, the companies pay out 100% of dividends to their shareholders in the hopes that they would reinvest the money at a greater rate of return.

Normal enterprises may not have additional opportunities to make investments with returns greater than their cost of capital if r = k. So, the company is either retained or dispersed. These businesses lack an ideal policy. A dividend payout ratio of 100% is ideal.

Gordon’s Model

Normal businesses may not have more opportunities to invest with a greater rate of return than their cost of capital if r = k. Thus, a firm may be kept or distributed. These companies lack the ideal policy. The ideal dividend payout ratio is 100%.

The current dividend is thought to be less hazardous than the anticipated capital gain. According to this reasoning, stock prices rise in response to increases in dividend payout ratios because investors view dividend yields as less risky than anticipated capital gains. Pradhan (1992:383) Another way to characterize Gordon's paradigm is as "a bird in hand argument." The adage, "a bird in hand is worth two in the bush," is supported by the researcher. It is better to have what is accessible now rather than what could become available later. In other words, existing payouts are seen as

guaranteed and low-risk. Hence, prudent investors choose it over postponed dividends in the future. The future is not definite. In other words, existing payouts are seen as guaranteed and low-risk. Hence, prudent investors choose it over postponed dividends in the future. The future is not definite. Naturally, investors want to steer clear of uncertainty. Therefore, investors place a higher value on present dividends than they do on anticipated future payouts. Therefore, when the dividend payment ratio rises, so does the value per share. This indicates that there is a positive correlation between stock prices and dividend payments. The following suppositions form the foundation of Gordon's model:

- The firm uses equity capital only.
- Internal rate of return (r) and cost of capital (ke) are constant.
- The firm and its stream of earnings are perpetual.
- There are no taxes on corporate income.
- The retention ratio (b) once decided upon is constant. Thus, the growth rate, (g = br) is constant forever.
- 'Ke' must be greater than g (br) to get meaningful value.
- The source of financing for new investment is only retained earnings. No external financing is available.

Gordon's Dividend Capitalization Model postulated that the market value of a share is equal to the present value of an endless stream of dividends that will be paid on the share, based on the aforementioned assumptions. The Gordon's model may be represented symbolically as follows:

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

Where,

P = Price of a share

EPS = Earnings Per share

b = Retention ratio

1-b = Dividend payout ratio

Ke = Capitalization rate or cost of capital

b = Growth rate

r = required rate of return

EPS (1-b) = Dividend per share

The market price of a company share at the start of the period is equal to the sum of the market price of the share at the end of the period plus the present value of the dividends paid at the end of the period. According to Gordon, the following may be said about the impact of dividends:

In case of growth firm (r>k)

The share price often decreases when the payout ratio rises, meaning that dividends and stock price are inversely associated with growing firms.

In case of normal firm (r = k)

The market value of the share is not affected by dividend policy.

In case of declining firm (r < k)

In these companies, the dividend and stock prices have a positive correlation, meaning that a decreasing firm's share price tends to increase in tandem with an increase in the dividend payment ratio.

Dividend Irrelevance Theories

Dividend irrelevance theories are another school of thought that contends that the dividend policy has no bearing on the firm's value. According to ideas of dividend irrelevance, a company's value is determined by its investment and earning decisions rather than its dividend policy. Merton Miller and Franco Modigliani created this hypothesis. However, it is not realistic in practice. Income taxes and transaction costs are payable by the investors as well as the companies.

Modigliani and Miller's Model

The model developed by Modigliani and Miller in 1961 served as the basis for a large body of later dividend policy research. Many writers support the idea that dividend policies are relevant and have an impact on a company's value. However, Modigliani and Miller presented a very thorough case that a company's dividend policy is

meaningless since it has no impact on shareholder value. The dividend payment ratio and stock price have little impact on a company's investing choices. A corporation's worth is mostly based on how much it can generate from its assets, including its investment strategy and how its profits stream is divided between dividends and retained earnings without compromising value.

1. Perfect capital markets occur if all investors act rationally to the degree that they have unrestricted access to information and where there are no transaction costs, flotation costs, bankruptcy costs, or decision-making management expenses, among other costs. Because securities are endlessly divisible, no investor has sufficient power to influence a share's market price.
2. There are no taxes or companies in a tax-free world, hence there are no different tax rates for dividends and capital gains. It suggests that dividends are valued by investors on par with capital gains.
3. The corporation-issued securities do not have any floating charges.
4. Every investor wants absolute assurance regarding the corporation's future earnings and investments. There is no risk or uncertainty.

Modigliani and Miller provided the proof in support of their argument in the following manner:

Step 1

The market price of a company share at the start of a given period is determined by adding the present value of the dividend that will be paid at the conclusion of the period to the market price at that point.
In a symbolic sense

,

Where,

$$P_o = \frac{(D_1 + P_1)}{(1+K_e)}$$

P0 = Current market price per share

Ke = Cost of equity capital

D1 = Dividend per share to be received at the end of period.

P1 = Market price of the share at the end of the period

Step 2

The overall worth of the company in the absence of fresh funding may be calculated by multiplying both sides of equations (I) by the total number of outstanding shares (n):

Where, $$P_o = \frac{(nD_1 + P_1)}{(1+K_e)}$$

n = Number of shares outstanding at the beginning period

Step 3

If the company's own funding sources are insufficient to support its investment prospects, and Δn is the total number of new shares issued at P1 at the conclusion of the first year, then

$$nP_o = \frac{[\{D_1 + (n + \Delta n)\, P1\} - \Delta n\, P_1]}{(1 + K_e)}$$

Step 4

If a company's investment proposals within a certain timeframe are able to be funded by retained earnings, new share issuance, or both, the size of the new issue will be:

$$\Delta nP_1 = I - (E - nD_1)$$

Where, or $$\Delta nP_1 = I + E + nD_1$$

I = Total new investments to be financed during period.

E = Total earnings of the firm during the period.

ΔnP1 = The amount obtained from the sale of new shares to finance investment opportunities.

E – nD1 = Retained earnings.

Step 5

By substituting the value of ΔnP1 from equation (IV) to equation (III) we get,

$$nP_o = \frac{D_1 + (n+\Delta n)\, P_1 - I + E - nD_1}{(1 + K_e)}$$

Given that dividend is not explicitly stated in the formula and because E, I, (n + Δn) P1 and Ke are taken to be independent of dividend, MM came to the conclusion that the dividend policy has no impact on the firm's value. Moreover, MM maintained that the firm's worth is established by the earning potential of its assets and that the

distribution of the earnings stream between retained profits and dividends has no bearing on this value.

Black and Scholes Model

To determine the impact of dividend policy on stock prices, Black and Scholes (1974) looked at the link between dividend yield and stock returns. In order to evaluate the long term estimate of dividend yield effects, they extended the capital asset pricing model (CAPM) and created 25 portfolios of common stocks listed on the New York Stock Exchange (NYSE). The research utilized the subsequent regression model:

$$E(Ri)=yo+[E(Rm)-yo]\ \beta i+y1(\sigma i-\sigma m)/\ \sigma m+\varepsilon i$$

Where,

E(Ri) is the expected return on portfolio i

E(Rm) is the expected return on the market portfolio,

γo is an intercept to be compared with short-term risk-free rate *R*, βi is the systematic risk of portfolio i γ1 is the impact of dividend policy,

δi is the dividend yield on portfolio *i*,

δm is the dividend yield on the market, and εi is the error term.

Dividend yield was defined long-term by Black and Scholes (1974) as the dividends paid out in the preceding year divided by the share price at year's end. Their findings demonstrated that throughout the full period (1936–1966) as well as for any of the shorter sub-periods, the dividend yield coefficient (γ1) does not deviate substantially from zero. In other words, there is no difference in the predicted return between high-yield and low-yield equities. Thus, "we are unable to show that differences in yield lead to differences in stock prices," came to the conclusion drawn by Black and Scholes.. Put another way, their research indicated that a company's high- or low-yield payment strategy had no effect on stock prices. The finding given by Black and Scholes provided significant empirical backing for M&M's dividend irrelevance claim. The dividend irrelevance hypothesis was supported by other research conducted by eminent financial economists, including Miller and Scholes (1978, 1982), Hess (1982), Miller (1986), and, more recently, Bernstein (1996).

2.2 Conceptual Review

2.2.1 Meaning of Dividend

The goal of financial management is to reduce the cost of capital through fund raising. Another choice that has to be made is how much profit should be retained and paid to shareholders as dividends. Given that capital gains and dividends are coupled to create risk for the company's owners. Therefore, choosing whether to pay a dividend or to invest funds only for capital gains in the firm is crucial for operating a business. Therefore, careful management is required of the precise portion of earnings—that is, the profit—that the company will distribute as dividends. The optimal choice for dividend distribution is the one that maximizes the wealth of shareholders through rising share prices. The choice on dividend payments must be made regarding the amount and form of distribution of dividends. In addition, we must analyze the many investment strategies and financing alternatives that are accessible (Waraich, 2020).

If an organization generates more revenue than it needs, it can choose to either invest the excess in growing the business or distribute it as a dividend to its owners. Consequently, dividends are the sums of money that a corporation pays to its shareholders. They are regarded as assets by the shareholders as well. Put simply, it's the company's profits that are dispersed to the shareholders in accordance with the amount they have paid for their shares, and which are not retained in the firm. Thus, The dividend per share, or the amount given to each share, can be used to determine a company's dividend.

Typically, dividends are paid out either regularly or yearly. The board of directors announces it when they choose the allocation of earnings. It may be defined as the percentage of the company's earnings that is allocated to shareholders based on choices made by the board of directors. Generally speaking, businesses that are growing steadily only pay dividends when the value of their shares reaches a stable level. Both quarterly and yearly dividends are possible.

The choice of paying out dividends versus keeping them to reinvest in the company is known as dividend policy. Any modification to the dividend policy affects the stock price of the company in both positive and negative ways. Increased dividends provide investors with larger cash flows now, which is positive, but they can hinder future

growth, which is bad. In order to optimize stock price and balance competing pressures, the dividend policy should be ideal. The management should work to keep the dividend consistent. The company will make enough money to pay a dividend on a regular basis. In comparison with companies that have similar average profits but less volatility, management will set a lower regular dividend rate. When earnings are strong and finances are available, management may also decide to issue additional dividends (Thapa & Gautam, 2008).

2.2.2 Forms of Dividend

A firm may pay out dividends to its shareholders in the form of cash, stock, or a mix of these. However, dividends are distributed in Nepali in the form of cash or shares. The dividend is paid out by the financial institution on a monthly, quarterly, semiannual, or annual basis. Dividends are often given out annually in Nepal. In Nepal, there are no strict guidelines for the payment of dividends. The smallest and least developed nation is Nepal. Nepal's capital market is currently a tiny, unorganized developing market. Public firms are not allowed to give dividends to the government.

In accordance with the company's strategy, dividends are dispersed in a variety of ways to reflect the evolving needs, objectives, and policies of the financial institution. In addition to the cash and stock dividends mentioned above, there are several more types of dividends, including the following:

- Cash dividend
- Stock dividend (Bonus Share) and stock split
- Bond dividend
- Script dividend
- Property dividend

Cash Dividend

The primary type of dividend that is given to shareholders in cash from earnings is the cash dividend. funds budget preparation allows for the forecasting of needed funds for dividend payments. Most of the time, the market price of the share decreases by the

amount of the paid cash dividend (Hasting, 1996). When a cash dividend is given, a company's reserves account and cash amount are deducted. As a result, when the cash dividend is paid, the company's net value and total assets are both decreased. When a dividend is announced, a company's bank account should be sufficiently funded.

Stock Dividend (Bonus Share)

Stock dividends are the second most common type of dividend that businesses give. Another name for it is the bonus share. Stock dividends, also known as bonus shares, are dividends that are given to current stockholders in the form of shares or stock. There are more outstanding shares once the stock dividend is paid. According to Van Horne (1997), a stock dividend is only the issuance of new shares to shareholders, which serves as a recapitalization of the business without altering the proportionate ownership of stockholders.

Instead of receiving a cash dividend, stockholders got an extra share of the business under the stock dividend plan. Firms pay stock dividends in lieu of cash payouts, even though stock dividends have no intrinsic value.

Stock Split

A stock split is a type of stock dividend in which a corporation divides its shares by dividing their par value in half. Split occurs in two different ways. Straight split and reverse split are the two types.

Straight Split

In this instance, the corporation raises the number of shares by dividing the stock and proportionately reducing the par value of the stock. A stock split and a stock dividend are comparable. The par value of the stock is the only thing that changes in a stock split; the common stock paid in capital, retained earning accounts, and shareholders' equity all stay the same. Expect that stock splits and dividends will be treated similarly in accounting. For instance, a 2-for-1 stock split yields two shares of one stock, while a 3-for-2 stock split yields three shares of two stocks.

Reverse Stock Split

By combining the par value of the stock, the corporation lowers the number of shares that are outstanding in a reverse stock split. In contrast to a normal stock split, a reverse stock split increases par value while keeping the same amount of common shares, retained earnings, and extra capital invested in.

One for four reverse split, for instance, would result in one share of four stocks, while one for six reverse split would result in one share of six stocks (Bhattarai, 2009).

Bond Dividend

Bond dividends are given out as bonds to the company's stockholders. Postponing dividend payments for a while is another goal and objective of bond dividends. The somewhat longer maturity data of bonds compared to script dividends is the sole distinction between the two.

Scrip Dividend

A dividend paid in scrip, or promissory notes, is referred to as a scrip dividend. Sometimes the company requires the cash from its earnings to satisfy various criteria due to a brief financial shortfall. Scrip dividends are offered in exchange for those requirements, with the promise that they would be paid in the future (Bhattarai, 2009).

2.2.3 Determinants of Dividend

The following is an explanation of the key dividend determinants:

Type of Industry: Rather than considering industries with uneven dividends, those whose revenues are stable may develop a more consistent policy.

Level of Share Distribution: A large sector company may encounter difficulties in this situation because a small company may suspend its dividend with the consent of its shareholders, but a large company cannot reduce its dividend without the consent of all of its shareholders, which will be quite high.

The Age of Enterprise: This is the most advantageous factor in determining dividends because companies in this sector have been around for a long time and are familiar with dividend policies and distribution procedures. However, new companies may

find this factor challenging because they need to use their earnings for a variety of purposes, including business expansion and plant improvements. As a result, they are unable to give dividend distribution more attention.

Business Cycle: The business cycle has always played a significant role in determining dividend payments. This is because, in a boom, while high dividend rates are utilized to market the company, good management builds reserves for times of crisis.

economic Cycle: The economic cycle has always played a significant role in determining dividend payments. This is because, in a boom era, savvy managers save aside funds to deal with financial crises, and they also utilize high dividend rates as a marketing strategy for their companies.

Additional Capital Requirements: An organization's dividend policy may also be impacted by how much of its profits are reinvested in the company, since these earnings may be set aside to cover working capital requirements for potential future growth.

Profit Trends: To determine the average profits for the company, a thorough examination of the organization is required, which entails examining the organization's historical profit trends.

Government Policies: This factor may have an impact on the whole business as governments may set limitations on the pace at which companies issue dividends, either overall or in certain divisions.

Tax Policies: Taxes undoubtedly have an impact on dividends, either directly or indirectly. The announced dividend amount is now tax-free for shareholders.

Cash Balance: As the cash dividend policy is dependent on an organization's working capital, a low working capital level prevents us from adopting the policy; in this instance, payments to members must be made in the form of bonus shares. This makes cash balance another crucial factor in determining dividends. The consistency of

dividend payments and rate stability are the two main goals of corporate management, since they are related to the organization's credit status (Waraich, 2020).

2.2.4 Essentials of Dividend Policy

The following are crucial factors to take into account while determining an organization's dividend policy:

Early on in an organization, the dividend should be minimal since, although the company is making a profit, it is still paying out dividends to its stockholders.

A progressive dividend increase: As the company matures, it should continue to boost the dividend proportionately, as this fosters more shareholder confidence and trust.

Stability in dividends: One of the greatest ways for a company to keep its shareholders in the market and draw in the majority of investors is by providing a steady return to them in the form of dividends.

2.2.5 Factors Affecting Dividend Decision

A policy like that is dependent on a lot of things. Making dividend decisions has become one of the most difficult tasks for directors and management in commercial banks and manufacturing enterprises. One of the study's primary foci is the element influencing dividend policy. A company's choice on dividends may be influenced by a variety of factors. There are those that are exclusive to that firm and those that are universally applicable. Since the majority of publicly held businesses are run at a loss, paying dividends is not an option; instead, the minimal loss must be incurred. However, privately held businesses and joint venture banks/companies operate for profit. As a result, it is crucial to outline the broad aspects that influence dividend decisions. These are as follows:

Legal Rules

The most important things to the company are the laws and regulations. It is essential to the restriction on the dividend amount. According to legal regulations, dividends

must be paid from either the current year's earnings or the cumulative earnings of previous years.

Generally speaking, a business cannot pay dividends.

- In the event that the company's obligations surpass its assets.
- Should the dividend amount surpass the total earnings. (retained earnings)
- If the company's capital is being used to pay a dividend. The structure that legal regulations offer allows for the formulation of dividend policies, which makes them important.

Position of Liquidity

The most crucial consideration when choosing a dividend is cash availability. A dividend payment is a cash outflow; a company is better able to pay dividends if it has greater liquidity. A stock dividend will be paid out if the company's financial situation is weak; if it is strong, the cash dividend can be paid out.

The Corporate Age

The corporation's age plays a significant role in determining its dividend policy. While an older firm can have a more defined and consistent dividend policy, a freshly created company could use a large portion of its revenues for plant improvements and development, and might adopt a strict dividend policy.

Prospective Investment

The firm's dividend choice is influenced by the successful investment options that are available. If the business has several of these possibilities, it will require surplus capital to support them. As a result, the business keeps more of its profit and pays out smaller dividends.

Requirement to Pay Back Debt

If the firm has debt to pay off in the current year, it will require more capital and keep more of its profit instead of giving out as much in dividends.

Getting A stable income When a company's earnings are expected to remain consistent in the future, it may afford to pay out larger dividends. However, a business

with erratic revenues has to reduce dividend payments in order to prepare for future financial challenges.

In charge

In order to maintain their position, the current ruling group wishes to give out less dividends while keeping more of the profit. There is a greater likelihood of diluting the control position if the firm generates extra funds through the sale of new common shares. In a similar vein, raising the loan amount raises the risk for current stockholders. A corporation can keep more of its profit and pay less dividends as a result of this.

The aspiration of the investors It is possible for shareholders to have distinct interests in capital gains and dividend income. In general, the business ought to implement a dividend policy that benefits the dominant group. It does not, however, completely disregard the interests of other stockholders.

Previous Dividend Rates

The board carefully consider the dividend that has been paid out in previous years while creating the dividend policy. The appropriate rate at this time is the board carefully consider the dividend that has been paid out in previous years while creating the dividend policy. The present rate need to be comparable to the historical average. There will be speculation about the shares if there has been an unusual increase. The corporation have to take into account the competition organization's dividend policy as a fresh problem.

Restricted Covenants

The dividend choice is impacted by restrictive covenants included in leasing contracts, preferred stock agreements, term loans, bond indentures, and short-term borrowing arrangements. The total amount of dividends that a company is able to pay is restricted by certain rules (Bhattarai, 2009).

2.3 Empirical Review

The impact of management ownership, financial leverage, profitability, business size, and investment opportunity on dividend policy and firm value was investigated by Dwita (2013). The purpose of this study was to investigate and analyze the effects of investment opportunity, company size, profitability, managerial ownership, and financial leverage on dividend policy, as well as the effects of all those factors on firm value. A sample was chosen using the census technique, and the populations were all manufacturing businesses that went public and were listed on the Indonesian Stock Exchange between 2006 and 2011. The findings of the study demonstrated the impact of management ownership and investment opportunity on dividend policy. However, business size, profitability, and financial leverage have little bearing on dividend policy. These findings provided more evidence for the impact of the research factors on company value, including managerial ownership, financial leverage, profitability, firm size, investment opportunity, and dividend policy.

Adhikari (2015) looked into a study on the factors that influence Nepali business dividend payouts. This study investigates if the attributes of businesses have an impact on the dividend payments made by businesses that are listed on Nepal Stock Exchange Ltd. Based on a theoretical framework and other empirical studies, an a priori hypothesis was developed regarding the relationship between the dividends paid by the enterprises and their characteristics, such as net profits, size, lagged dividends, liquidity, risk, investment opportunity set, and number of shareholders. The regression model was then used to test the hypothesis on 22 listed enterprises over a 5-year period, from 2009 to 2013. The study's firms are chosen through the application of the purposeful sample approach. The correlations between the variables were examined for the financial and non-financial sectors as well as for the sector as a whole. Pooled cross-sectional data are used to do overall sector analysis. Further, sector-wise regression analysis is carried out to verify sect oral disparities. All told, the findings point to profitability, scale, and liquidity as the three main factors influencing corporate dividend distribution in Nepal. This analysis also shows that the factors influencing corporate dividend distribution in Nepal have significance that varies by industry.

Research on leverage, dividend policy, profitability, and market value linkages was done by Pradhan and Shrestha (2017) using a case study of Nepalese commercial banks. The market price per share and the value of commercial banks expressed in terms of dividends per share are the dependent variables. The following are considered independent variables: return on assets, debt to equity, book value per share, price earnings ratio, earnings per share, size, and taxes. The information was gathered from a number of Banking and Financial Statistics publications, the Bank Supervision Report that Nepal Rastra Bank releases, and the yearly reports of particular commercial banks. Based on data from 14 Nepalese commercial banks from 2003 to 2014, 168 observations in total were made for the study. The relevance and importance of the effects of debt, dividend policy, and profitability on the value of Nepalese commercial banks are tested using estimated regression models. The findings indicate a favorable correlation between bank size, earnings per share, and financial leverage and dividends per share. This indicates that a rise in bank size, earnings per share, return on assets and tax liabilities share, reserve and surplus, and financial leverage all contribute to a rise in dividend per share.

Additionally, the results demonstrate that a greater dividend per share would be associated with a higher reserve, return on assets, and tax obligations. Likewise, there exists a positive correlation between market price per share, reserve, earning per share, and financial leverage.

Tahu and Budi (2017) conducted a study on the impact of profitability, leverage, and liquidity on the firm value of manufacturing companies listed on the Indonesian stock exchange (using dividend policy as a moderating variable). The purpose of this research is to ascertain how liquidity, leverage, and profitability affect a company's valuation while using its dividend policy as a moderating factor. The manufacturing enterprises registered on the BEI comprise the populations under investigation. Saturated sampling is used in the sampling process, and the number of samples is a sample of 30 manufacturing companies' consecutive dividends that are gathered from the Indonesian Stock Exchange and ICMD. The sampling technique is based on predefined criteria. Studies including hypothesis testing included analytical methods, including multiple regression analysis that was moderated, and SPSS (Statistical

Product and Service Solutions) as an application tool. The findings demonstrated that:1) liquidity had no discernible positive effect on firm value;2) dividend policy was unable to significantly moderate the effect of liquidity on the value company;3) leverage had no discernible negative effect on firm value;4) dividend policy was unable to significantly moderate the effect of leverage on firm value; and5) profitability had a discernible positive effect on firm value. The findings demonstrated that the single major factor positively influencing a company's worth is its profitability. As seen by the rising value of Tobins Q, strong profitability can therefore increase value to the business. Next-generation research suggests adding In 2018, Febriani and Margaretha conducted a study on the variables influencing the dividend policy of Indonesian stock exchange banks. This study's focus was on banking companies that were listed between 2010 and 2017 on the Indonesian Stock Exchange. The research employed purposive sampling as its approach. The Indonesian Stock Exchange provided the secondary data used in this analysis. There are 27 firms in all that are samples. This test aims to demonstrate how the independent factors affect the dependent variable. The study's findings demonstrate that financial factors, including profitability, liquidity, and free cash flow, have a major impact on dividend decisions. The dividend decisions are independent of asset tangibility, age, size, leverage, and growth potential. Decisions on dividends were significantly influenced by ownership structure, including government and institutional ownership. Additionally, independent directors have a major impact on dividend choices made by the board structure. The management implications of this research include how the business handles its liquidity and free cash flow, as well as how to run the business profitably and efficiently.

Researchers Garg and Bhargaw (2019) studied the factors influencing dividend policy in the Indian business sector. This article aimed to investigate the factors that influenced the dividend policy of Indian corporations during a 12-year period, spanning from 2002–2003 to 2013–2014. Out of the 200 listed businesses in the Bombay Stock Exchange's BSE-500 index, 200 have paid dividends for at least ten of the twelve fiscal years in the sample. The link between the research variables is tested using the well-known dividend models based on multiple regression analysis, namely Lintner's (1956) dividend model. The empirical findings demonstrate the suitability of

Lintner's dividend model for predicting the dividend behavior of the sample companies, indicating that lagged dividends and current year profits after tax are the most significant factors that positively affect the companies' current dividend policy. Other explanatory variables, such as investment demand, net debt flow, interest payment, and sales change, have been included in addition to Lintner's dividend model to provide a more thorough analysis of the factors influencing dividend policy. It is discovered that none of these additional variables significantly influences the dividend decisions made by Indian corporates. Practically speaking, the study makes the case that data on profitability and lagged dividend would be beneficial.

Shastri and Mishra (2019) examined the Indian banking industry and a research on the factors that influence dividend policy. The goal of this study is to examine the variables that affect Indian banking companies' dividend policies. Two regression models, one with dividend payout ratio and the other with dividend rate as a dependent variable, have been presented using panel data related to Indian banks. The study takes into account both macroeconomic and bank-specific internal variables as explanatory factors impacting Indian banks' dividend policies. The findings of the factors influencing the dividend payout ratio of Indian banks demonstrate that the growth rate of real GDP has a positive and significant impact on the dividend payout ratio. They also demonstrate the return on assets and the ratio of total deposits to total assets of Indian banks. According to the dividend rate determinants study, the dividend payout ratio is a more accurate indicator of an Indian bank's dividend policy than the dividend rate itself. No variable emerged as a major driver.

Ayodeji and Kysburn (2020) looked at a study on the dividend policy and company attributes of listed manufacturing companies in sub-Saharan Africa. The study looked at how business characteristics in listed manufacturing firms in Sub-Saharan Africa affected dividend policy. Over a ten-year period (2008-2017), panel data were collected from twenty (20) manufacturing enterprises that were quoted on the Nigerian Stock Exchange, Ghana Stock Exchange, Lusaka Stock Exchange, Johannesburg Stock Exchange, and Nairobi Stock Exchange. Both descriptive and inferential statistics were used in the analysis of the data. While liquidity, ownership structure, company size, and leverage were utilized as proxies for business

characteristics, dividend payout ratio was employed as a stand-in for dividend policy. The results of the study showed that the following factors had positive, non-significant effects on dividend payout ratios: liquidity; ownership structure; firm size; positive, non-significant impact; leverage; and, combined, positive, significant impact. Consequently, it was suggested that manufacturing companies should manage their working capital as efficiently as possible to boost liquidity and reduce the risk of financial trouble. a resource allocation strategy that maximizes performance, profitability, and dividend payment capacity. Before making an investment, investors should keep an eye out for patterns in dividend payments.

In 2020, Waraich examined a study on the dividend policy and pattern of BSE corporations. The study's goals were to examine and evaluate the dividend practices and policies of various BSE-listed firms as well as to determine and examine the relationship between earnings per share, dividend per share, and dividend pay-out ratio. The dividend policy is a key component of the mechanism that can be used to lower agency costs because it reduces the amount of arbitrary funds that the organization's management has available for investment opportunities and prerogative consumption. This necessitates capital market financing, which forces the managers to exercise discipline. The most significant finding was that, out of the firms under investigation and the several more companies registered on the BSE, the majority of Additionally, the corporation primarily bases its ownership patterns on a quarterly basis. Only long-standing enterprises in the sector may compete in the battle for the largest dividend payments; newer players cannot compete since they initially lack the profits to distribute to their shareholders.

In 2020, Dixit, Gupta, and Saurabh looked at a study that attempted to reconcile theory and data on dividend policy in India. This study aims to investigate the dividend distribution practices of Indian companies and investigate the extent to which the three main theories of dividend policy—life-cycle, catering, and signaling—explain the dividend policy of Indian companies. The authors used the pooled and Fama–Macbeth regressions to regress the change in profits on the rate of change in dividends in order to evaluate the signaling theory. A logistic regression of the dividend payment decision on two proxies of the life cycle, as determined by the

ratio of earnings to total equity, is used to evaluate the life cycle theory. Lastly, the link between the dividend premium and the choice to pay a dividend is examined by the catering theory. Based on a sample of Indian enterprises from 1992 to 2017, the findings demonstrate that the life-cycle theory may account for the dividend policy of Indian firms. On the other hand, the signaling and catering ideas are unsupported by any data. It sheds light on Indian companies' dividend policies. While some research has been done on dividend payout in India, none of the studies that are currently available test these beliefs. Existing studies that employ Indian data offer circumstantial support for the life-cycle hypothesis. This study is the first to examine how these theories may be applied to Indian businesses.

Bhattarai (2020) studied the factors that influence Nepalese commercial banks' choices to issue dividends. The goal of this study is to identify the variables influencing Nepalese commercial banks' decisions to issue dividends. Based on secondary balance panel data from 12 commercial banks with 60 observations from 2013–14 to 2017–18, the analysis was conducted. While return on assets, bank size, market value per share, and inflation rate are considered independent factors, the dividend payout ratio is considered a dependent variable. This study estimates the outcomes of panel data analysis using the Random Effects and Pooled OLS models. These models' regression results show that dividend payout is adversely correlated with profitability, bank size, and inflation rate.. It demonstrated that decisions on dividend payout will be made with greater profitability, bank growth, and reduced inflation rates in mind. Nonetheless, the findings indicate a favorable correlation between the choice to pay dividends and market value per share. This suggests that the choice to enhance dividend distribution is influenced by an increase in market value per share. According to the study's findings, the market value per share is a key factor in determining whether to pay dividends.

A profit technique was used in Rola, Christian, and Mona's (2020) study to determine the dividend distributions of the MENA banking sector. This cross-country study's goal is to identify the key factors that influence payment policies in the banking industry across a sample of MENA nations between 2011 and 2016. The bank uses dividends as a signaling strategy to communicate its general stability and promising

future growth. Dividend payments are more likely to come from big, successful institutions. On the other hand, managers prioritize high liquidity risk in order to achieve profitability and dividend distribution. In the MENA area, competition is the most significant factor influencing dividend distribution, whereas dividends serve as a control tool to lower agency costs between shareholders and management.

A research on the factors influencing dividend policy in Jakarta Islamic index (JII) firms was carried out by Sintiya, Ruhadi, and Edman (2020). This study set out to investigate the variables that may influence dividend policy. The firm size as measured by total assets, liquidity as measured by current ratio, leverage as measured by debt to assets ratio (DAR), profitability as measured by return on assets (ROA), and dividend policy as measured by dividend payout ratio are the factors examined in this study. Explanatory research is the kind of study that is employed. Islamic businesses that are listed on the Jakarta Islamic Index (JII) for the years 2014–2018 make up the study sample. Partial Least Square-Structural Equation Model (PLS-SEM) analysis is the method of analysis employed. The data analysis's findings indicate that leverage has an impact on ROA.

Bhide (2020) carried out research on the factors that influence banking businesses' dividend policies. Companies provide dividends to their investors as a thank you for putting their money into the company's operations. Two reasons to invest are capital gains and dividends. The author of this research examined Indian banks' dividend policies using MLRM and SLRM analysis, paying particular attention to financial measures. The author assessed the influence of major financial measures on dividend policy using them as independent variables. Out of all the financial factors, EPS typically has the biggest impact on how banks set their dividend policy. The updated regression model accounts for almost 65% of the variability of the independent variable in the majority of institutions. The value of the intercept is less than 0.05 in two of the 10 banks, indicating. Five out of ten banks have large EPS, which suggests that EPS has an effect on the dividend policy of the banking organization. Since EPS is a stand-in for a banking company's earnings, it shows how earnings impact dividend policy. Only one bank saw a substantial cash or deposit (%) out of ten firms, indicating a dearth of instances in which a banking company's choice to pay a

dividend depends heavily on liquidity. It has been demonstrated that banking companies' dividend policies vary from bank to bank. Therefore, it is not possible to extrapolate the results to all Indian banks. Variability in dividend policy can be explained by factors such as market capitalization and return on equity (ROE). Nonetheless, more research on this is needed.

Ivan, Olga, and Lyudmi (2021) examined a study on how the dividend policy affects the company's market value. The focus of the essay is on analyzing and evaluating how dividends affect the company's market value. The research is predicated on information derived from business reports and Moscow Exchange statistics. This study offers a regression analysis of a selection made up of 1- 20 systems of Russian businesses and 2- the top 5 oil and gas corporations from 2013 to 2019. According to the regression results, dividends only increase capitalization if the policy is based on the residual principle. The work's results, which include suggestions and a statistical evaluation of reliance, may be found

A research on dividend policy and business value was carried out by Jean and Edouard (2021) using a sample of companies that are listed on the Rwanda Stock Exchange. This research study's main goal was to determine how dividend policy and business value are related. The financial market is significant because it aids businesses in obtaining sufficient funding. Numerous studies have shown that there are too many disparities in dividend policies between corporations and competing hypotheses. Therefore, these theories fall short in explaining how to set the dividend policy, how to optimize profits for shareholders, and how investors would split up generating earnings that fluctuate over time. The study comes to the conclusion that, at a considerable level of 5%, there is a positive correlation between business profitability, financial leverage, and shareholders' money and the dividend policy. At the 5% threshold of insignificance, firm size is negatively connected to decide the dividend policy. It suggests the managers of the company think on raising sales and cutting yearly expenses. Second, in order to increase the market value of enterprises, both the stock market and company management have to take the dividend signaling theory into account.

A study on dividend policy and its effect on share market price was examined by Khatri (2021). The primary goals of the research were to determine how dividend policy affected market price per share and to examine the relationships between financial indicators including EPS, DPS, MPS, PE Ratio, DY, and DPR.

The analysis discovered that the banks' dividend policies were inconsistent. Consequently, the outcomes of various analyses sometimes support the theoretical presumptions and other times do not. The researcher comes to the conclusion that bank earnings play a big role in determining dividend policy. The distribution of dividends is also influenced by the banks' earning potential. This study also indicates that Nepalese investors place a higher value on dividend distribution than they do on retained earnings. The market price per share is determined by a number of factors, including DY, P/E ratio, DPS, DPR, EPS, and more. Fundamentally, the market price is positively impacted by the positive correlations between EPS, DPS, DPR, and P/E ratio, while the market price is negatively impacted by the negative correlation between DY and the market price. It demonstrates that market value is not primarily determined by EPS or DPS. Determining the market value also involves analyzing the relationships between other factors. Nepalese investors place a higher value on dividends, which suggests that management may be able to boost market price by increasing dividends to some degree. In 2021, Emeka and Ogochukwu conducted research on the effect of dividend policies on the share prices of listed ICT companies in Nigeria. The influence of dividend policies on the share prices of companies listed on the ICT sector of the Nigerian Stock Exchange was experimentally studied in this study. The study employed dividend policy key proxy variables to ascertain the association between dividend policy and business share price.

specifically Dividend Payout (DPO), Dividend Per Share (DPS), and Dividend Yield (DY); in contrast, Market Price of Shares (MPS) was used to determine Share Price (SP). Three hypotheses were developed to direct the research, and STATA 15 was used to perform an OLS Model statistical test of parameter estimations. The study used an ex post facto design, and the data came from the Nigerian Stock Exchange Face book, as well as the annual reports and accounts of listed ICT companies in

Nigeria for the years 2016 through 2020. The results show that, at a 1% significant level, dividend yield, payout, and per share have all had a major beneficial influence on the share price of the company. This leads the study to the conclusion that dividend policy has the power to affect Nigerian companies' share prices. This suggests that while irrelevant theories of dividends do not apply to Nigeria, the evidence supports the pertinent theories of dividend policy examined in this study. The report suggests, among other things, that companies aiming to maximize share price should continuously raise their dividend payments as this informs investors about the company's performance in the market and financial stability.

Pokharel (2021) studied how the firm's value was affected by its dividend policy. The study's primary goals were to evaluate the dividend policies of sample banks, look at the trajectory in commercial bank dividend payouts, and determine how profits and market value relate to one another.

The analysis comes to the conclusion that bank profits are trending upward. When it comes to earnings, SCBL is the top bank in the sample. Because neither company appears to be adhering to the best dividend policy, which calls for consistent dividend payments in accordance with shareholder expectations, shareholders may become concerned. According to the study, there is some evidence to support the theory that the negative correlation between average stock returns and Tobin's q can be explained by investment possibilities. According to Baskin's (1989) research, there is a substantial inverse link between stock price volatility and dividend yield and payment.

While there is a negative correlation between stock price volatility and dividend payout, Allen and Rachim (1996) found a positive correlation between stock price volatility and dividend yield. The purpose of this study was to examine the degree of association between stock price and business performance and if dividend amount has an impact on it. It was discovered that the stock price in the sample of high dividend stocks was more reliant on company performance than the sample of low dividend companies after running a regression model and correlation analysis on the dataset.

Thapa (2022) evaluated the impact of commercial banks' dividend policies on stock prices, specifically focusing on a few chosen commercial banks. Examining the dividend pattern and its impact on stock price in the context of Nepalese commercial banks was one of the study's goals. Just five commercial banks, or 18.52 percent of the total of 27 commercial banks, were chosen for the study's purposes using the judgmental sampling approach. From FY 2013/14 to FY 2020/21 AD, eight years' worth of annual reports and websites from five chosen commercial banks in Nepal have provided the necessary data. The information is analyzed using a range of financial and statistical tools, including growth in assets (GA), market price per share (MPS), earnings per share (EPS), dividend per share (DPS), regression, probable error (PE), correlation coefficient (r), and standard error of r SE(r). The study discovered a negligible yet favorable effect of asset growth on the market share price of Nepal's commercial banks. The analysis has demonstrated that the effects of EPS, DPS, and GA on commercial banks' share prices are consistent with the conclusions made in earlier research.

Pandey (2022) looked at a research on how Nepali commercial banks' market prices per share were affected by their dividend policies. Finding Nepalese commercial banks' dividend policies and stock prices was the study's main goal. Six of the 26 firms are chosen to be included in the study's sample. Tools from finance and statistics have been utilized to analyze the information gathered. A few examples of financial instruments include price earnings ratio, market price per share, retention ratio, dividend yield, earnings per share, dividend pay-out ratio, and dividend yield. The arithmetic mean, standard deviation, coefficient of variation, coefficient of correlation, and other statistical tools are similar. coefficient of determination, multiple regression analysis, T-test, and standard error of estimate. The stronger reliance of MPS on EPS and DPS is demonstrated by the positive relationship between MPS and DPS. In addition, the negative relationship between MPS and the market price and the variables DPR, P/E ratio, DY, and RR illustrates the opposite relationship.

A study on the impact of dividend policy on the share price of Nepali commercial banks was carried out by Pandey in 2023. The impact of dividend policies on the

share prices of Nepali commercial banks has been investigated in this study. For this study, the descriptive and causal comparative research designs have been used. Regression analysis has been performed on data from 13 commercial banks for the fiscal years FY2014–15–2019–20. The sampled commercial's dividend policy significantly affects its share price, according to the regression results. According to the study, DPS, DPR, PER, and EPS significantly increase share price (MPS). The lack of significance in the outcome suggests that bank size is not a factor that influences share price. The study's findings indicate that Nepalese commercial banks require

A research on the factors influencing dividend policy: evidence from Malaysian public listed businesses was discovered by Anuar, Haniff, and Azero (2023). Examining the variables that will influence Malaysian public listed firms' decisions on dividend policy is the goal of this study. This research takes into account a number of variables, including corporation tax, company size, profitability, leverage, and liquidity. This study used a quantitative research design, and a sample size of eighty-three (83) publicly traded firms in Malaysia were chosen using yearly data from 2013 to 2017. Hypotheses for the research were tested using multiple regression analysis. In this investigation, additional tests were carried out as well, such as the Pearson's Correlation Coefficient Analysis, Multicollinearity, Autocorrelation, Normality, and Diagnostic tests.. The results showed that the dividend policy, as determined by the dividend payout ratio, is not significantly impacted by leverage or liquidity, as shown by the debt to equity ratio and current ratio, respectively. Additionally, this research offers fresh perspectives on business size, taxation, and profitability as determined by return on equity (ROE), corporation tax, and ln (total assets), all of which significantly positively correlate with dividend policy. Different governance structure types may be taken into consideration in future study on the factors influencing dividend policy. This is because different organizations operate in different governance structures across different industries, countries, and types of businesses, which can lead to different dividend policy representations.

In a research published in 2023, Daulay et al. examined the variables influencing dividend policy in a consumer products business listed on the Indonesian stock

exchange, using firm size as a moderating variable. This study explores how dividend policy is impacted by profitability, liquidity, leverage, free cash flow, and management ownership in consumer products businesses listed between 2016 and 2020 on the Indonesia Stock Exchange. Another moderating element that is discussed is firm size. The 50 observation data are from the consumer goods firms that were listed on the Indonesia Stock Exchange between 2016 and 2020, which makes up the population. Using panel data regression analysis, multiple linear regression testing, and interaction moderation testing with EViews software, this study analyzes the. The results show that dividend policy is significantly and favorably impacted by profitability. The dividend policy is adversely and significantly impacted by managerial ownership. Conversely, dividend policy is unaffected by liquidity, leverage, and free cash flow. Additionally, it is discovered that managerial ownership of dividend policy, profitability, liquidity, leverage, and free cash flow cannot be moderated by business size.

In 2023, Damayanti and Palinggi conducted research on the variables influencing dividend policy using data from financial institutions in Indonesia. This study's primary goal is to investigate the relationship between Tobin's Q Ratio, Corporate Governance, and Profitability and dividend policy. The Board of Directors, the Proportion of Independent Commissioners, and Institutional Ownership were employed in the study as surrogates for corporate governance. This research analyzes return on equity and return on assets to evaluate profitability. In addition, Tobin's Q Ratio is the other indication. Twenty organizations with 100 units of data analysis were chosen from the research population, which consisted of 94 financial sector enterprises. IBM SPSS Statistics was used to do multiple linear regression analysis on the study's data. The study's findings show that the Dividend Pay Out Ratio is significantly impacted by Corporate Governance, Profitability, and Tobin's Q Ratio all at the same time. The Dividend Pay Out Ratio is significantly impacted negatively by the Board of Directors, the Proportion of Independent Commissioners, and Return on Asset. In the meantime, the dividend payout ratio is trending positively and significantly in the direction indicated by institutional ownership, return on equity, and Tobin's Q Ratio. The findings of this study may serve as a primary suggestion or

a source of information for decision-makers prior to investing in a firm, particularly in the case of financially listed enterprises.

Table 1

Summary of Empirical Review

S.No	Authors	Variables	Methodology	Findings
1.	Dwita (2013)	Independent variables: - managerial ownership investment opportunity financial leverage, profitability, and firm size Dependent variables: - dividend per share	2006-2011, 15 manufacturing companies, Data were analyzed by SPSS	Financial leverage, profitability, and business size have little bearing on dividend policy; management ownership and investment opportunities do.
2.	Adhikari(2015)	Independent variables:-profitability Size liquidity Dependent variables: - dividend payout ratio	22 listed enterprises, 2009 to 2013, Purposive sampling	In Nepal, the three main factors influencing company dividend distribution are profitability, size, and liquidity.
3.	Pradhan and Shrestha(2017)	Independent variables:-bank size earning per share financial leverage Dependent variable:- Dividend per share	2003 to 2014, 14 commercial banks, 168 observations regression models	favorable correlation between bank size, earnings per share, and financial leverage and dividend per share

4.	Tahu and Budi (2017)	Independent variables:-cash ratio Debt to equity ratio Return on equity ratio Dependent variable: dividend payout ratio	30 manufacturing companies, SPSS, saturated sampling method	Dividend policy is unable to meaningfully mitigate the impact of liquidity on the value of the company, and liquidity has no appreciable beneficial influence on firm value.
5.	Fedriani and Margaretha(2018)	Independent variables:- financial characteristics, profitability, liquidity, free cash flow Growth opportunity Age Size leverage asset tangibility Dependent variables:- dividend per share	2010-2017, 27 companies, purposive sampling	financial attributes, profitability, liquidity, and free cash flow all have a major impact on dividend selections. The dividend decisions are unaffected by growth potential, age, size, leverage, and the tangibility of the assets.
6.	Garg and Bhargaw(2019)	Independent variables:- debt equity ratio, total debt to capital, total debt to total assets and long term debt to total assets Dependent variables:- dividend per share	2002-03 to 2013-14, 200 companies, multiple regression	The two most significant elements that favorably influence the firms' current dividend policy are current year profits after taxes and lagged dividends.

7.	Shastri and Mishra(2019)	Independent variables:-Return on Equity Debt Equity Ratio Net Cash Flow from Operations Earnings per Share Price Earnings Ratio Dependent variables:- Dividend payout ratio	two regression models, 59 companies, 2007-08 to 2016-17, MS-EXCEL	The growth rate of real GDP has a positive and considerable impact on the dividend payout ratio of Indian banks. Additionally, the payout ratio is adversely and considerably impacted by return on assets and the ratio of total deposits to total assets of Indian banks.
8.	Ayodeji and Kysburn (2020)	Independent variables:_ Liquidity Ownership Structure Firm Size Leverage Dependent variables:- dividend payout ratio	20 manufacturing firms, 2008-2017, descriptive and inferential statistics	liquidity to positively and insignificantly affect the dividend payout ratio, and ownership structure to positively and insignificantly affect the dividend payout ratio
9.	Waraich (2020)	Independent variables:- EPS Revenue Return on net worth Debt Equity Dependent variables:- DPS Dividend Payout	10 companies, 5 years data	Their public shareholdings are typically less than 35 percent.

11.	Bhattarai (2020)	Independent variables:- profitability, size of banks and Inflation rate Dependent variables:- dividend payout	2013/14 to 2017/18, 12 commercial banks with 60 observations	Nepalese commercial banks' decisions to pay dividends are adversely impacted by their profitability, bank size, and inflation rate, as evidenced by
12.	Rola,et al.(2020)	Independent variables:-agency costs shareholders and managers Dependent variables Dividend payout	2011-2016, sample of MENA countries	Dividends serve as a check on the agency costs that arise between management and shareholders.
13.	Sintiya,et al.(2020)	Independent variables :-leverage affects ROA, current ratio, leverage, and Return on Assets (ROA) Dependent variables DPR	2014-2018, explanatory research	Return on Assets (ROA) influences DPR, and leverage influences ROA, current ratio, and leverage.
14.	Bhide (2020)	Independent variables:- EPS, Cash-Deposit change in Cash and Cash equivalent, ROE Net Non-Performing Assets	50 BSE firms listed between 1999-2000 and 2013-14 Regression	Each banking business has a different dividend policy. Therefore, the findings cannot be applied to all Indian banks.

		Dependent variables:- Dividend		
15.	Ivan, et al.(2021)	Independent variables: - return on equity ROE, leverage Dependent variables:- dividends per share	regression analysis, 2013-2019, 20 systems of Russian companies	On the dividend policy, there is a positive correlation between business profitability, financial leverage, and shareholders' money at a considerable level of 5%.
16.	Jean and Edouard(2021)	Independent variables: -firm profitability, firm size financial leverage, and shareholders' funds Dependent variables:- dividend pay out ratio	2015 – 2019 eight companies Descriptive research design panel regression model	On the dividend policy, there is a positive correlation between business profitability, financial leverage, and shareholders' money at a considerable level of 5%.
17.	Khatri (2021)	Independent variables:- EPS, DPS, DPR, P/E ratio Dependent variables:- market price per share	5 years, 5 sample banks,	The market price is positively impacted by the positively connected EPS, DPS, DPR, and P/E ratio, while the market price is negatively impacted by the negatively correlated DY.
18.	Emeka and	Independent	OLS Model	dividend policy has the

	Ogochukwu(2021)	variables:- Dividend payout Dividendyield Dividend per share Dependent variables:- Market price per share	STATA 15 2016-2020	power to affect Nigerian companies' share prices.
19.	Pokharel(2021)	Independent variables firm performance Dependent variables:- Divident per share	3 Banks, regression, 10 years data	the degree of reliance that the stock price has on the success of the company and if the dividend amount affects this connection
20.	Thapa (2022)	Independent variables:- EPS, Market price of share and growth in assets (GA) Dependent variables: DPS	27 commercial, only 5 banks 2013/14 to 2020/21 regression	Growth in assets has a negligible yet favorable effect on market share price. the effect of GA, DPS, and EPS on commercial banks' share prices
21.	Pandey(2022)	Independent variables:-,EPS,DPS, DPR, P/E ratio Dependent variables Market price per share	26 companies, 6 companies Financial and statistical tools	A positive correlation between MPS and EPS and DPS indicates that MPS is more reliable when it comes to EPS and DPS.

22.	Pandey(2023)	Independent variables:-DPS,DPR, PER and EPS Dependent variables:-MPS	13 commercial banks 2014/15 to 2019/20 regression model	The dividend policy of a company has a big impact on the share price.
23.	Anuar,et al.(2023)	Independent variables:-profitability Liquidity Leverage Firm size and Corporate tax Dependent variables:-dividend per share	83 public listed companies 2013-2017 Multiple regression analysis	Dividend policy significantly positively relates to profitability, taxation, and company size as determined by return on equity (ROE), corporation tax, and ln (total assets).
24.	Daulay, et al(2023)	Independent variables:-profitability Liquidity Leverage Free cash flow Managerial ownership Dependent variables:-dividend policy	2016-2020 50 observation data regression analysis EViews software	Dividend policy is positively and significantly impacted by profitability. The dividend policy is adversely and significantly impacted by managerial ownership.
25.	Damayanti and Palinggi(2023)	Independent variables:- Profitability Liquidity Leverage ROA	20 companies with 100 units of data analysis multiple	The study's findings show that the Dividend Pay Out Ratio is significantly impacted by Corporate Governance,

	ROE Dependent variables:- Dividend per share	linear regression IBM SPSS Statistics	Profitability, and Tobin's Q Ratio all at the same time.

2.4 Research Gap

This research presents the most recent findings on financial indicators, statistics, and the actual share price of financial organizations. Researchers gathered the most recent data or modifications that transpired throughout the 2013–14–2022–23 time periods in order to present the most recent picture of financial indicators. Therefore, this study closes the current research vacuum on the thorough examination of the dividend policy, which is stakeholders' main concern. This study focuses on providing informational analysis to prospective secondary market investors. It was discovered during the evaluation of earlier theses that no study had been completed using more than five sample banks. Similarly, only 10 fiscal year data from 5 sample banks were evaluated from 2013/14 to 2022/23 to get the most recent information or changes that occurred throughout their periods. Only secondary data were taken into consideration in the mainstream. As a result, this study closes the current research vacuum on the thorough examination of the dividend practice, which is the main area of concern for stakeholders.

CHAPTER III
RESEARCH METHODOLOGY

Research methodology aids in the solution of systematic issues by describing the approach and procedure used in all study-related areas. Research methodology lays forth the general approach for a research and is used to gather information and data. Publications, surveys, interviews, and other research methods, as well as current and historical data, might all be a part of the process. It offers the fundamental structure around which the research is built. The research technique must be explained before the analysis and interpretation of the results are presented. Thus, the study design, population and sample, kind and source of data, data analysis technique, statistical tools, and conceptual framework are all described in this chapter.

3.1 Research Design

Descriptive and causal-comparative research designs form the foundation of the investigation. The descriptive study approach has been used to gather facts and look for sufficient information on the underlying problems connected to the variables influencing the deposits of commercial banks in Nepal. It explains the factual and true state, circumstance, and circumstances. As a result, a descriptive research approach was used for this study. In order to determine the cause and effect link between leverage, size, and dividend policy of Nepalese commercial banks, the study also utilized a causal comparative research approach. More precisely, the paper examines how Nepalese commercial banks' dividend policies were affected by factors such as profitability, debt, age of the company, and profits per share between 2013–14 and 2022–23.

3.2 Population, Sample and Sampling Design

Banks that have provided financial services for at least ten years have been included for the study's sample. Twenty commercial banks will operate in Nepal until June 2024; thus, five distinct Nepalese commercial banks were selected as a sample for the years 2013–14 through 2022–2023. The sample data were gathered between the fiscal years of 2022–2023 and 2013–2014.

Table 2

List of sample banks selected for the study:

SN	Name of the banks	Study period
1	Everest Bank Limited	2013/14 to 2022/23
2	Nepal Bank Limited	2013/14 to 2022/23
3	Nepal SBI Bank Limited	2013/14 to 2022/23
4	Prime Commercial Bank Limited	2013/14 to 2022/23
5	Standard Chartered Bank Nepal Limited	2013/14 to 2022/23

3.3 Nature and Source of Data

This research is based on secondary data. Secondary source of data includes annual report of sample banks. The variables used in the study are dependent variables (dividend payout ratio and dividend per share) and independent variables (firm size, profitability, leverage, inflation rate, liquidity, age of the firm, and earnings per share).

3.4 Method of Data Analysis

The statistical and economic models used to analyze secondary data are covered in this section. In this study, descriptive and correlational methods of analysis are employed. The variables' mean, standard deviation, minimum and maximum values are included in the descriptive statistics in order to explain the features of the sample businesses. The direction and strength of the link between dependent and independent variables are determined using the correlation analysis. The link between the dependent and independent variables is displayed via regression analysis.

3.5 Statistical Tools

Descriptive Statistic

Arithmetic Mean

The sum of the observations divided by the total number of observations is the arithmetic mean of a given collection of data. In this situation, each thing has equal importance. In this study, the simple arithmetic mean is employed as needed for analysis.

We have,

Mean ($\overline{X}$) = $\frac{\Sigma x}{n}$

Where,

$\sum x$ = sum of all values of the observations

n = Number of observation

x = Value of variables

Standard Deviation

The characters (□) are often used to represent the standard deviation. Karl Pearson defined it as the provided observations from their arithmetic mean of a group of values and proposed it as a commonly used measure of dispersion. Another name for it is the root mean square deviation. In this study, the standard deviation has been employed to quantify the degree of variation in the interest rate and other variables based on the analysis's requirements.

We have,

Standard Deviation $\sigma = \sqrt{\frac{\sum (x-\underline{x})^2}{n}}$

Where,

σ = Standard Deviation

x = Value of variables

n = Number of observation

Coefficient of Variation (C.V.)

The coefficient of standard deviation is the relative measure of dispersion based on standard deviation, while the coefficient of variation is the coefficient of standard deviation multiplied by 100. It's indicated by C.V. Consequently,

C.V. = $\frac{\sigma}{\bar{x}} x100\%$

Where

□ = Standard Deviation

$\overline{X}$ = Mean Value of Variables

The distribution having less C.V. is said to be less variable or more consistent. A distribution having greater C.V. is said to be more variable or less consistent.

Correlation Coefficient (r)

One of the statistical methods commonly used to characterize the degree of relationship between our variable and another is correlation analysis. This tool may be used to determine the strength or size of a linear connection between two variables, X and Y, where "r" is often used to indicate the relationship.

$$r = \frac{\sum xy}{\sqrt{(x)^2}\sqrt{y^2}}$$

Where,

r = Coefficient of correlation between variable X and Y

N = Number of pairs in observation

$\sum XY$ = Sum of product of the variables X and Y

$\sum X$ = Sum of the X

$\sum Y$ = Sum of the Y

$\sum x^2$ = Sum of $(X- \underline{X})^2$

$\sum y^2$= Sum of $(Y-\underline{Y})^2$

$\sum xy$ = Sum of $(X- \underline{X})* (Y-\underline{Y})$

Regression Analysis

The link between two variables is ascertained by regression analysis. There are two variables: an independent variable and a dependent variable. Multiple regression analysis was employed in this study to ascertain the correlation between the dividend per share and dividend determination. The following regression equation model has been applied to this query.

The models listed below are specified by this study:

DPS=f (EPS, ROE, LEV, BS, LIQ)

Where,

DPS- Dividend Per Share

EPS - Earnings per share

ROE- Return on Equity (Profitability)

LEV- Leverage (Total Debt/ Total Assets)

BS- Bank Size (Total Assets)

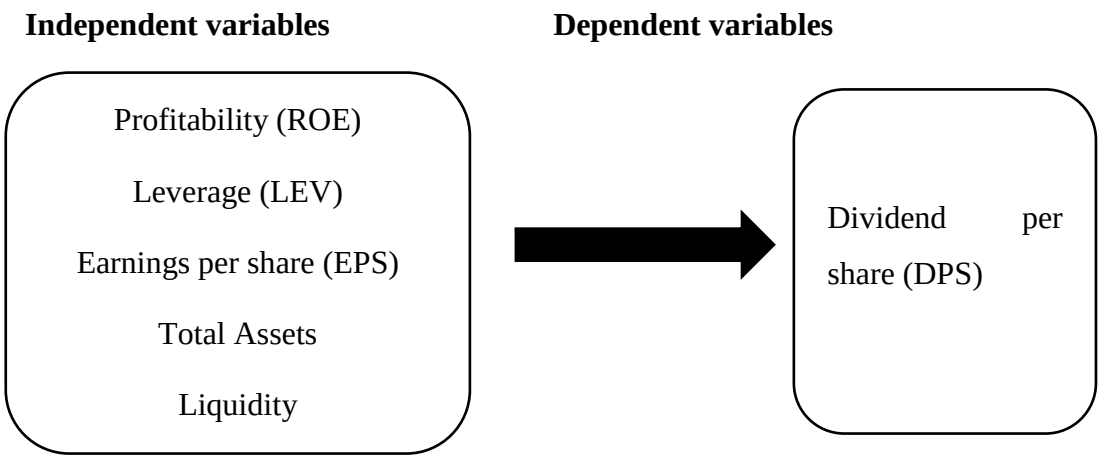
LIQ- Bank Liquidity

3.6 Conceptual Framework

A conceptual framework is a fundamental structure of concepts centered on a theory. It outlines the categories of variables that will be applied to the investigation. The theoretical viewpoint on how leverage, earnings per share, and profitability affect a Nepalese commercial bank's dividend policy is reviewed in the section on the conceptual framework. The study's conceptual framework demonstrates how the link between the independent and dependent variables is systematically explained in order to understand an organization's dividend behavior. It aids in identifying and defining the research problems' emphasis and objective. The following conceptual framework is established to summarize the primary emphasis and scope in terms of variables covered, based on the study's objectives and the literature research.

The dependent variable is the dividend per share. Profitability, leverage, liquidity, earnings per share, and total assets are examples of independent variables. The dependent variable is anticipated to be impacted by each independent variable.

Figure No:1



Source of Variables Daulay(2023),Anuar(2023),jean(2021),Bhide(2020)

The definition of each variables used in the study are as follows:

Return on Equity (ROE)

ROE is a measure of a bank's capacity to turn a profit with its own capital. This is a measure of the bank's ability to make money or manage investors' funds. Return on Equity (ROE) measures how successfully a company has utilized its owners' resources. The most ideal goal for a firm is to achieve an acceptable return, since ordinary or common shareholders are entitled to the remaining earnings. It is computed by dividing earnings (after taxes) by equity held by shareholders.

$$\text{Return on equity ratio} = \frac{\text{NPAT}}{\text{Shareholders'Equity}} * 100\%$$

Cash and Bank Balance to Total Deposits Ratio (CBBTDR)

Cash held by banks relative to total deposits is known as CBBTDR (Mishra & Pradhan, 2019). It is the proportion of loans made by a financial organization to the amount of deposits it has raised. It implies how much of the money held by a financial organization is allocated to lending, which is the main function of banks. A greater ratio indicates a bank's stronger liquidity position, which is more beneficial for novel investment opportunities. According to Shrestha (2012), the ratio of bank balance to deposit and cash have no appreciable effect on profitability. By dividing cash and bank balance by total deposits, this ratio may be calculated. This might be shown like this:

$$\text{Cash and Bank balance to Total Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}} * 100\%$$

Earnings Per Share (EPS)

One of the elements influencing a company's dividend policy and stock price is earnings per share. The computation of earnings per share (EPS) can be useful in determining the earning capability of the company. The dividend and market price will both increase with higher EPS. Therefore, it is assumed to be an independent variable in determining the stock's market price and dividend. It is computed by

dividing the total number of outstanding common shares by the earning available to the common shareholder.

Symbolically,

$$\text{EPS} = \frac{\text{Earnings Available to Common Shareholders}}{\text{No. of Common Stock Outstanding}}$$

Dividend Per Share (DPS)

DPS is the earnings that are given to shareholders as a percentage of EPS. It has an impact on stock market pricing as well. DPS will increase if EPS increases. The computation involves dividing the entire dividend disbursed to equity owners by the total quantity of equity shares. In a symbolic sense,

$$\text{DPS} = \frac{\text{Total Dividend to ordinary shareholders}}{\text{No. of Common Stock Outstanding}}$$

Total Assets (Bank Size)

One of the elements of dividend policy that must be taken into account is company size. In order to have a greater dividend payment ratio than small firms, large organizations that have been created with a solid level of profit and profit stability will readily have the chance to access the capital market. According to Daulay (2023), a company's size is determined by its total assets, sales, and profits. This information influences the company's social performance and contributes to the attainment of its objectives.

Total Debt/ Total Assets Ratio

A company's total debt is determined by dividing its total assets by its total debt, often known as the total debt-to-total-assets ratio. Another name for it is the debt-to-assets ratio. The leverage ratio indicates the amount of debt a business has relative to the value of its assets .this in the manner described below:

$$\text{Total debt/total assets ratio} = \frac{\text{Total debt}}{\text{Total assets}} * 100\%$$

CHAPTER - IV
RESULTS AND DISCUSSION

The study's most significant chapter is this one. The gathered data will be examined and given mathematically in this chapter. The data will be presented using all of the financial and statistical techniques that were previously stated. In accordance with the study approach described in the preceding chapter, the researcher has examined and evaluated pertinent and readily available data of sample commercial banks in this chapter. The process of arranging, tabulating, and assessing the gathered data is called data analysis.

4.1 Results

Business managers and investors can examine and contrast the financial links between the accounts on the company's financial statements with the use of financial ratios, which are helpful tools. They are among the instruments that enable financial analysis spanning the history of a company, an industry, or a business sector. Using the information gleaned from the ratios' computation, financial ratio analysis helps decision-makers enhance a company's profitability, solvency, and liquidity. One popular method for financial analysis is ratio analysis. It is described as the methodical application of ratios to the interpretation of financial accounts in order to ascertain a company's strengths and weaknesses, past performance, and present financial situation.

4.1.1 Cash and Bank Balance to Total Deposit Ratio

This ratio assesses the bank's ability to process depositor payments right away. In order to safeguard the banking industry's viability and fulfill its immediate commitments, enough liquidity is also essential. Therefore, the bank's cash and bank balance should be sufficient for the whole amount of deposits. An elevated ratio signifies an enhanced liquidity position and the bank's capacity to service deposits, and vice versa.

Table 3

Cash and bank balance to total deposit ratio

(Ratio in %)

Fiscal Year	**EBL**	**NBL**	**NSBI**	**PCBL**	**SCBNL**
2013/14	6.00	5.39	5.07	5.08	5.02
2014/15	9.62	5.54	7.31	4.99	3.95
2015/16	10.65	5.26	6.08	6.10	4.41
2016/17	7.23	4.57	7.32	6.86	3.12
2017/18	7.88	4.66	6.28	5.75	3.00
2018/19	5.38	3.67	5.11	5.45	2.43
2019/20	3.91	3.49	6.00	6.93	2.48
2020/21	3.84	3.89	4.57	3.09	3.08
2021/22	4.10	3.26	2.55	6.69	2.27
2022/23	4.17	2.52	2.40	3.95	1.91
Mean	6.28	4.23	5.27	5.49	3.17
S.D.	2.48	1.01	1.73	1.26	1.00
C.V.	39.52	24.02	32.75	23.03	31.67

Source: Appendix- I

The table 3 shows the cash and bank balance to total deposit ratio of EBL, NBL, NSBI, PCBL and SCBNL during the study period 2013/14 to 2022/23. The cash and bank balance to total deposit ratios of EBL is higher in the fiscal year 2014/15 and lower in SCBNL in the fiscal year 2022/23 with compare to other sample years and banks. The average cash and bank balance to total deposit ratio of EBL, NBL, NSBI, PCBL and SCBNL is 6.28%, 4.23%, 5.27%, 5.49% and 3.17% respectively. On the basis of cash and bank balance to total deposit ratio, it can be concluded that EBL had the practice of higher percentage of total deposit collected in the form of cash and bank balance than NBL, NSBI, PCBL and SCBNL to meet the immediate cash requirement. The cash and bank balance to total deposit ratios of EBL, NBL, NSBI, PCBL and SCBNL are in fluctuating trend due to change in cash and bank balance maintained by banks. The cash and bank balance to total deposit ratio of PCBL are more consistent than EBL, NBL, NSBI and SCBNL as the coefficient of variation of PCBL is lower.

4.1.2 Total Debt to Total Assets Ratio

The link between creditors' funds and total assets is expressed by the debt to total assets ratio. All loans are included in the debt, and all of the company's assets are included in the total assets. This ratio indicates how much of the company's assets have been financed by borrowed money. Both current and long-term debt are included in the overall debt. To calculate this ratio, just divide the entire debt of the company by its total assets.

Table 4

Total debt to total assets Ratio

(Ratio in %)

Fiscal Year	**EBL**	**NBL**	**NSBI**	**PCBL**	**SCBNL**
2013/14	92.42	98.93	92.57	90.49	90.46
2014/15	93.17	95.68	90.38	90.48	90.84
2015/16	91.47	94.41	90.86	89.87	88.46
2016/17	88.77	91.21	89.48	87.70	84.86
2017/18	88.86	83.25	87.52	88.21	83.24
2018/19	89.64	82.93	88.04	86.89	83.99
2019/20	89.93	84.29	88.84	86.51	87.03
2020/21	90.17	85.08	88.78	87.25	85.86
2021/22	89.98	86.36	88.82	87.16	85.30
2022/23	89.86	87.69	90.18	87.69	86.69
Mean	90.43	88.98	89.55	88.23	86.67
S.D.	1.46	5.71	1.49	1.50	2.58
C.V.	1.62	6.42	1.66	1.70	2.97

Source: Appendix- I

Table 4 presents the debt-to-asset ratios for EBL, NBL, NSBI, PCBL, and SCBNL for the fiscal years 2013–14 through 2022–23. There is a shifting trend in the debt to total assets ratios of EBL, NBL, NSBI, PCBL, and SCBNL. Among the sample banks in NBL, the debt to total assets ratio has varied from 82.93% in the fiscal year 2018/19 to 98.93% in the fiscal year 2013/14.

EBL, NBL, NSBI, PCBL, and SCBNL had average debt to total assets ratios of 90.43%, 88.98%, 89.55%, 88.23%, and 86.67%, respectively. This indicates that all of the sample banks have significant levels of debt financing. Because of the lower coefficient of variation and greater mean ratio of EBL compared to NBL, NSBI, PCBL, and SCBNL, it can be assumed that the latter has less debt financing than the former. Additionally, EBL has been able to maintain consistency.

4.1.3 Return on Equity Ratio

After paying the government's tax and the creditors' fixed interest rate, shareholders receive their return. The profit for the shareholders is their earnings after taxes. As a result, equity is used to determine this ratio. The ratio of a company's profit to the total amount of shareholder equity shown on the balance sheet is called return on equity.

Table 5

Return on Equity Ratio

(Ratio in %)

Fiscal Year	EBL	NBL	NSBI	PCBL	SCBNL
2013/14	29.04	86.09	20.35	15.30	26.27
2014/15	23.25	12.68	18.68	17.09	21.69
2015/16	18.60	42.94	18.55	20.24	17.18
2016/17	16.13	15.26	14.87	15.45	13.06
2017/18	16.00	14.03	15.81	15.40	15.73
2018/19	17.33	8.87	16.20	16.40	16.31
2019/20	13.50	7.77	10.44	10.97	13.16
2020/21	9.38	8.92	6.26	13.45	8.62
2021/22	10.77	8.24	9.57	10.32	12.44
2022/23	13.25	9.41	10.77	3.78	17.20
Mean	16.73	21.42	14.15	13.84	16.17
S.D.	5.88	25.02	4.65	4.56	4.99
C.V.	35.13	116.79	32.83	32.95	30.88

Source: Appendix- I

The return on equity ratios for EBL, NBL, NSBI, PCBL, and SCBNL from 2013–14 to 2022–23 is displayed in Table 5. The EBL, NBL, NSBI, PCBL, and SCBNL return on equity ratios exhibit varying patterns. Among the sample banks and sample fiscal year, the return on equity ratio is greater in the fiscal year 2013–14 (86.09%) and lower in the fiscal year 2022–2023 (3.78%).

Equity ratios EBL, NBL, NSBI, PCBL, and SCBNL had average returns of 16.73%, 21.42%, 14.15%, 13.84%, and 16.17%, in that order. When comparing the return on equity for shareholders, it can be seen that EBL's shareholders were happier than those of NBL, NSBI, PCBL, and SCBNL. This is because EBL generated a higher percentage of return from shareholders' equity than NBL, NSBI, PCBL, and SCBNL, and its ratios are more consistent due to a lower coefficient of variation. The shift in equity from negative to positive is reflected in the fluctuations in the return on equity ratios for EBL, NBL, PCBL, and SCBNL.

4.1.4 Earning Per Share (EPS)

One of the most frequently cited figures in discussions about a company's share value performance is earnings per share. It is the profit after taxes divided by the total number of outstanding common shares. The earnings per share owned by common shareholders are measured by this ratio.

Table 6

Earning Per Share

(Ratio in Rs.)

Fiscal Year	**EBL**	**NBL**	**NSBI**	**PCBL**	**SCBNL**
2013/14	86.04	18.08	34.83	20.97	65.47
2014/15	78.04	7.48	34.48	23.74	57.38
2015/16	40.33	44.59	36.78	30.11	45.96
2016/17	32.48	38.77	33.46	23.21	35.49
2017/18	32.78	39.98	25.16	21.49	27.33
2018/19	38.05	26.99	27.13	23.60	30.39
2019/20	29.71	20.68	17.23	16.10	24.81
2020/21	19.91	23.43	10.15	20.32	14.83
2021/22	26.30	20.29	16.19	14.94	23.92
2022/23	31.43	23.39	19.44	5.30	36.75
Mean	41.51	26.37	25.49	19.98	36.23
S.D.	22.18	11.47	9.36	6.66	15.81
C.V.	53.43	43.49	36.73	33.35	43.65

Source: Appendix- I

The earnings per share for EBL, NBL, NSBI, PCBL, and SCBNL from 2013–14 to 2022–23 are displayed in Table 6. The trajectory of earnings per share for PCBL, SCBNL, NSBI, NBL, and EBL has been inconsistent. Among the sample banks and sample fiscal year, the earning per share of EBL is greatest in fiscal year 2013/14, or Rs.86.04, and lowest in PCBL in fiscal year 2022/23, or Rs. 5.30. EBL, NBL, NSBI, PCBL, and SCBNL had average earnings per share of Rs. 41.22, Rs. 26.37, Rs. 25.49, Rs. 19.98, and Rs. 36.23, respectivelyIn order to generate a high profit per share, SCBNL is more successful at utilizing the equity of its shareholders. Because of this, it's possible that both current and prospective investors were drawn to the SCBNL because they wanted to purchase shares in it.

4.1.5 Dividend Per Share Analysis

A dividend is the fraction of net profit that is distributed to shareholders as a cash payout. DPS is the amount of earnings after taxes that is distributed as a cash dividend to shareholders based on the total number of outstanding ordinary shares. The following table displays the ratio for each bank;

Table 7

Dividend Per Share

(Ratio in %)

Fiscal Year	**EBL**	**NBL**	**NSBI**	**PCBL**	**SCBNL**
2013/14	62.63	0.00	22.07	21.00	93.00
2014/15	36.58	0.00	28.42	20.00	63.42
2015/16	70.00	0.00	29.53	19.16	36.84
2016/17	33.00	0.00	16.34	27.00	105.26
2017/18	20.00	0.00	15.79	16.00	17.50
2018/19	25.00	25.00	16.84	16.00	22.50
2019/20	10.53	16.00	9.47	15.00	11.84
2020/21	10.32	17.00	5.31	16.00	13.06
2021/22	20.68	12.00	10.53	8.95	16.51
2022/23	20.53	0.00	10.55	0.00	19.00
Mean	30.93	7.00	16.49	15.91	39.89
S.D.	20.48	9.57	8.09	7.29	34.88
C.V.	66.23	136.69	49.08	45.83	87.44

Source: Appendix- I

The dividends per share paid by EBL, NBL, NSBI, PCBL, and SCBNL during the fiscal year that began in 2013–14 and ended in 2022–23 are displayed in Table 7.

There are variations in the dividend per share for EBL, NBL, NSBI, PCBL, and SCBNL. For EBL, NBL, NSBI, PCBL, and SCBNL, the average dividend per share is 30.93%, 7.00%, 16.49%, 15.91%, and 39.89%, in that order. In summary, SCBNL pays an average dividend per share that is larger than the average dividends given by PCBL, NBL, EBL, and NSBI. Therefore, SCBNL has had substantially greater success in fostering a favorable perception of the bank among its shareholders.

4.2 Statistical Analysis

4.2.1 Descriptive Statistics

Table 8 provides an overview of the descriptive statistics for each variable included in the investigation. A data set, which represents the study's total population or a portion of it, is described by a collection of descriptive coefficients known as descriptive statistics. The values of these coefficients are arranged according to descriptive statistics. The following calculations have been made using tools that assess central tendency and measures of variability (spread), including minimum, maximum, average, median, and standard deviation. These tools have been used in descriptive analysis. Any sample's data points are dispersed in a range from the lowest value to the greatest value. This section contains the dependent and independent variables' standard deviations as well as their lowest, maximum, and average values.

Table 8

Results of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CBBTD	50	1.91	10.65	4.89	1.88
TDTA	50	82.93	98.93	88.77	3.17
ROE	50	3.78	86.09	16.46	11.88
EPS	50	5.30	86.04	29.91	15.72
DPS	50	0.00	105.26	22.04	21.92

Source: Appendix- I

Table 8 displays the descriptive statistics for the sample banks. The sample banks' research variables all have positive means. The average cash and bank balance to total

deposit ratio (CBBTD) for commercial banks in Nepal is 4.89%. In a similar vein, commercial banks' average total debt to total asset ratio is 88.77%.

The sample banks' ROE ranges from 3.78% at the least to 86.09% at the greatest. A commercial bank's average return on equity is 16.46. In a similar vein, sample banks' earnings per share range from Rs. 5.03 to Rs. 86.04. The sample banks' mean earnings per share is 29.91%. The DPS of commercial banks in Nepal varies between 0.00% and 105.25%, with a mean of 22.04%.

4.2.2 Correlation Analysis

Indicators of the firm's characteristics are correlated with DPS, which is taken into consideration as dependent in this study, using correlation analysis.

Table 9

Correlations of DPS with firm's characteristics of sample banks

	CBBTD	TDTA	ROE	EPS	BS	DPS
CBBTD	1					
TDTA	.419**	1				
ROE	0.217	.640**	1			
EPS	.308*	0.25	.294*	1		
BS	-.337*	-.287*	-.389**	-.362**	1	
DPS	0.208	0.003	0.063	.616**	-.400**	1

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

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

The correlation study between the variables of EBL, NBL, NSBI, PCBL, and SCBNL is presented in Table 9. For EBL, NBL, NSBI, PCBL, and SCBNL, the correlation values between cash and bank balance, deposit ratio, total debt to total assets ratio, earning per share, and bank size and dividend per share are 0.208, 0.003, 0.063, 0.616, and -0.400, respectively. The findings demonstrate a strong association between the ratios of cash and bank balance to deposits, total debt to assets, and earnings per share and dividends per share. Likewise, there is a negative correlation between bank size and dividend per share. The correlation values demonstrate the

considerable and positive relationship between earnings per share and dividends per share of PCBL, SCBNL, NBL, EBL, and NSBI. In a similar vein, the results indicate that, at the 5% level of significance, there is a negative and significant association between bank size and dividend per share in EBL, NBL, NSBI, PCBL, and SCBNL, indicating that there is no true impact of bank size on dividend per share.

4.2.3 Regression Analysis

The regression model took into account DPS, which is based on four factors for independent firms: bank size, earning per share, total debt to total assets, cash and bank balance to deposit ratio, and return on equity ratio.

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682	0.466	0.405	16.91

a. Predictors: (Constant), BS, TDTA, EPS, CBBTD, ROE

Table 10 indicates that the multiple correlation coefficient (R), which measures how well the independent variable predicts the dependent variable, is 0.682. EBL, NBL, NSBI, PCBL, and SCBNL may all be explained by the five independent variables in the model, according to the R-square, or coefficient of determination. Table 10's modified R2 value indicates that the explanatory variables—cash and bank balance to deposit ratio, total debt to total assets ratio, earning per share, and bank size—account for 40.05% of the variance in the dependent variable, or DPS.

Table 11

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10960.878	5	2192.176	7.667	.000[b]
	Residual	12580.883	44	285.929		
	Total	23541.761	49			

Comparably, Table 11 demonstrates that the F-statistic is 7.667, indicating significance at a level below 5%. Therefore, it can be said that the ratios of cash and bank balance to deposits, total debt to assets, return on equity, earnings per share, and bank size all have a big influence on the dividend per share of Nepalese commercial banks.

Table 12

Regression Coefficient

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	107.833	90.012		1.198	0.237
CBBTD	0.335	1.505	0.029	0.222	0.825
TDTA	-1.077	1.070	-0.156	-1.006	0.320
ROE	-0.222	0.281	-0.120	-0.789	0.434
EPS	0.814	0.171	0.584	4.760	0.000
BS	0.00	0.000	-0.270	-2.110	0.041

The P values for the ratios of cash and bank balance to deposit, total debt to total assets, and return on equity with dividend per share are greater than 0.05, indicating an insignificant connection with dividend per share (0.825, 0.320, and 0.434, respectively). It is discovered that there is a positive and substantial correlation between dividend per share and the P values for earning per share and bank size, both of which are less than 0.05. This suggests that rising EPS and BS cause dividends per share (DPS) to rise.

4.3 Discussion

In order to satisfy its immediate financial needs, EBL collected a larger percentage of its total deposit in cash and bank balance than NBL, NSBI, PCBL, and SCBNL. Due to variations in the cash and bank balance that banks retain, the cash and bank balance to total deposit ratios of EBL, NBL, NSBI, PCBL, and SCBNL exhibit a shifting pattern. All of the banks in the sample have large debt financing. Because of the lower coefficient of variation and greater mean ratio of EBL compared to NBL, NSBI, PCBL, and SCBNL, it can be assumed that the latter has less debt financing than the

former. Additionally, EBL has been able to maintain consistency. EBL remained more satisfied than NBL, NSBI, PCBL and SCBNL equity compared to NBL, NSBI, PCBL, and SCBNL, and since NSBI has a smaller coefficient of variation, the ratios there are more constant. In order to generate a large profit per share, SCBNL is more successful at leveraging the equity of its shareholders. Because of this, it's possible that both current and prospective investors were drawn to the SCBNL because they wanted to purchase shares in it. The average dividend paid by SCBNL per share is more than the average dividends paid by PCBL, NBL, EBL, and NSBI per share. Therefore, SCBNL has had substantially greater success in fostering a favorable perception of the bank among its shareholders.

Descriptive and multiple regression analysis were employed in this study to examine the impact of business factors on Nepalese commercial banks' dividend practices. For a sample of chosen Nepalese commercial banks' annual report, secondary data has been gathered. Many statistical and financial methods are employed to get the study's findings.

The study's regression analysis reveals that the ratio of total debt to total assets and dividend per share are not significantly correlated. This result is comparable to that of Anuar et al. (2023), who discovered a negligible correlation between dividend policy and leverage. In a similar vein, the outcome demonstrates that Nepalese commercial banks' dividend per share is significantly impacted by bank size. The findings of this investigation do not support those of Saitri et al.'s (2023) study.

The study's regression model revealed a strong positive correlation between Nepalese commercial banks' earnings per share and dividend per share. This implies that dividends per share rise in response to increases in earnings per share and vice versa. The study's findings are in line with those of Anuar et al. (2023) and other studies that found a strong negative correlation between dividend yield and market price per share and a significant positive correlation between dividend per share and market price per share.

CHAPTER – V
SUMMARY AND CONCLUSION

This is the last chapter, which includes the research work's summary and findings. This chapter presents the data and conclusions from the secondary data analysis.

5.1 Summary

The study's goal was to determine how business factors affected the dividend policies of Nepalese commercial banks that were listed on the NEPSE. By doing this, the research has the potential to make a significant contribution to the limited body of knowledge on Nepalese commercial banks inside the country. The first chapter provided a thorough overview of dividends, their effect on stock prices, and the goals of the research. Additionally, the chapter included. The chapter also covered the limitations, structure, and importance of the study.

The researcher is assisted in providing information about conceptual reviews and reviews of national and worldwide research by the second chapter. The theoretical analysis and a brief overview of relevant and related literature are included in the second chapter. When doing an empirical and theoretical review of a study, it is common to discuss relevant literature such as prior theses, journals, papers, and reports.

The research techniques used in the study are covered in the third chapter. This covers the study design, data types and sources, data collecting and analysis techniques, research methodology, and the definition and significance of statistical tools.

The fourth chapter discusses data analysis using a defined research technique. This chapter's primary function is to compare the financial and statistical analyses of secondary data using EBL, NBL, NSBI, PCBL, and SCBNL. It will also display the main debate of the research. A concise synopsis of the whole study report and its conclusion are included in the fifth chapter.

In order to satisfy its immediate financial needs, EBL collected a larger percentage of its total deposit in cash and bank balance than NBL, NSBI, PCBL, and SCBNL. All of the banks in the sample have large debt financing. More satisfied than NBL, NSBI, PCBL, and SCBNL was EBL. SCBNL pays a greater dividend per share than the average dividend per share.

5.2 Conclusion

Various methodologies and techniques are employed to assess the impact of business characteristics on dividend practice. The following results have been reached after the data was analyzed and interpreted. For EBL, NBL, NSBI, PCBL, and SCBNL, the average cash and bank balance to total deposit ratios are 6.28%, 4.23%, 5.27%, 5.49%, and 3.17%, respectively. In order to satisfy the urgent cash demand, EBL collected a greater proportion of total deposits than NBL, NSBI, PCBL, and SCBNL in the form of cash and bank balance. This conclusion may be drawn based on the ratio of cash and bank balance to total deposits. EBL, NBL, NSBI, PCBL, and SCBNL had average debt to total assets ratios of 90.43%, 88.98%, 89.55%, 88.23%, and 86.67%, respectively. This indicates that all of the sample banks have significant levels of debt financing. Since the ratios don't change much, it can be said that EBL has more debt financing than NBL, NSBI, PCBL, and SCBNL.

The average return of equity ratios EBL, NBL, NSBI, PCBL and SCBNL are 16.73%, In that order, 21.42%, 14.15%, 13.84%, and 16.17%. By comparing the return on shareholders' equity, it is possible to determine that EBL's shareholders were happier than those of NBL, NSBI, PCBL, and SCBNL since EBL produced a higher percentage of return on shareholders' equity. The shift in equity from negative to positive is reflected in the fluctuations in the return on equity ratios for EBL, NBL, PCBL, and SCBNL. EBL, NBL, NSBI, PCBL, and SCBNL had average earnings per share of Rs. 41.22, Rs. 26.37, Rs. 25.49, Rs. 19.98, and Rs. 36.23, respectively. In order to generate a large profit per share, SCBNL is more successful at leveraging the equity of its shareholders. Because of this, it's possible that both current and prospective investors were drawn to the SCBNL because they wanted to purchase shares in it. For EBL, NBL, NSBI, PCBL, and SCBNL, the average dividend per share is 30.93%, 7.00%, 16.49%, 15.91%, and 39.89%, in that order. In summary,

SCBNL pays an average dividend per share that is larger than the average dividends given by PCBL, NBL, EBL, and NSBI. Therefore, SCBNL has had substantially greater success in fostering a favorable perception of the bank among its shareholders.

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ABSTRACT This study analyzes effect of firm characteristics on dividend practice in Nepalese commercial banks. The ten-year data was collected from Everest Bank Limited, Nepal Bank Limited, Nepal SBI Bank Limited, Prime Commercial Bank Limited and Standard Chartered Bank Nepal Limited covering the period of time 2013/14 to 2022/23. Data are collected from annual report of the selected sample organization. In the study, the researcher used various types of tools for data analysis, descriptive analysis, correlations and regression analysis to find out the relationship between dividend with firm characteristics. Dividend per share is dependent variable while, return on equity, total assets, Cash and bank to total deposit ratio, total debt to total assets and earning per share are independent variables. The research study shows that cash and bank balance to deposit ratio, total debt to total assets ratio, return on equity ratio, earning per share and bank size have significant impact on dividend per share of Nepalese commercial banks.
Keywords: ROE, EPS, DPS, Cash and Bank Balance, total assets. CHAPTER I INTRODUCTION 1.1 Background of the Study Companies in the sector are now engaged in fierce rivalry as a result of the current economic climate. Every business is driven by competition to increase performance, which means the objective may still be met. The corporation's primary goal is to raise corporate value in order to boost owners' or shareholders' prosperity. Because it reflects the company's performance, which may have an impact on investors' impression of the business, the company's worth is extremely significant. Stated differently, the significance of the company's worth lies in the fact that a high value corresponds with great prosperity for its shareholders (Brigham & Houston, 2006). The way a company's financial performance develops, which is determined by using its financial statements as a source of financial information, reveals the worth of the organization. Stated differently, financial ratios such as leverage, activity, profitability, and liquidity ratios of the firm are often calculated by analysts or investors using the financial information supplied by the company as a basis for investment choices. Liquidity ratios, leverage, and profitability are used in this study (Riyanto, 2001). The capacity of a business to satisfy its immediate financial commitments is referred to as liquidity. The amount of dividends paid to shareholders will depend on liquidity. As dividends are a cash outflow, a company's capacity to pay dividends is correlated with its cash availability, which is a measure of its strong liquidity (Riyanto, 2001). Elevated levels of liquidity signify a robust business, which will fuel demand for its