DIVIDEND POLICY OF COMMERCIAL BANKS IN NEPAL

(With Reference to Prime Commercial Bank Limited and Laxmi Bank)

A Thesis Submitted By:

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June, 2025

RECOMMENDATION

This is to certify that the thesis

Submitted By

Anita Khadka

Entitled

DIVIDEND POLICY OF COMMERCIAL BANKS IN NEPAL

(With Reference to Prime Commercial Bank Limited and Laxmi Bank)

has been prepare as approved by this department in the prescribed format of the Faculty of management. This is forwarded for the examination.

.....	.....	.....
Prof. Prakash Singh Pradhan	Asso. Prof. Dr. Sajeeb Kumar Shrestha	Asso. Prof. Dr. Kapil Khanal
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VIVA-VOCE SHEET

We have conducted the viva voce examination of the thesis

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and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of Master of Business Studies (MBS).

Viva-Voce Committee

Chairperson (Research Department) ……

Member (Thesis Supervisor) ……

Member (Thesis Supervisor) ……

Member (External Expert) ……

DECLARATION

I hereby declare that the work of reported in this thesis entitled **Dividend Policy of Commercial Banks (With Reference to Prime Commercial Bank Limited and Laxmi Bank)** submitted to Research Department of Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Masters of Business Studies under the supervision of **Prof. Prakash S Pradhan** of Shanker Dev Campus, T.U.

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Anita Khadka
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LIST OF ABBREVIATIONS

AD	Anno Domini
AM	Arithmetic Mean
ATMs	Automatic Teller Machines
B.S	Bikram Sambat
BAFITA	Banking & Financial Act
CV	Coefficient of Variation
DPR	Dividend Payout Ratio
DPS	Dividend per Share
DYR	Dividend Yield Ratio
EBIT	Earnings Before Interest & Tax
EBL	Everest Bank Limited
EPS	Earning Per Share
FY	Fiscal Year
GNP	Gross National Production
HBL	Himalayan Bank Limited
INGO	International Non-Governmental Organization
JVBs	Joint Venture Banks
KM	Kilometers
KYC	Know Your Customers
Ltd	Limited
MM	Modigliani & Miller
MPS	Market Price per Share
MVPS	Market Value per Share

NE	Net Earning
NW	Net worth
NEPSE	Nepal Stock Exchange
NRB	Nepal Rastra Bank
PE ratio	Price Earnings Ratio
ROSE	Return on Shareholder Equity
SCBL	Standard Chartered Bank Limited
SD	Standard Deviation
Sq. km	Square kilometer
T.U	Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 Background of the study

Despite extensive research on dividend policy, there has been longstanding disagreement among managers, policymakers, and academics regarding its influence on stock prices. For various stakeholders, including investors, managers, and lenders, dividend policy holds significant importance. Investors rely on dividends not only as a source of income but also as a metric for assessing companies' financial health. It serves as an indicator of a company's cash flow generation capabilities. The selection of an appropriate dividend policy is vital, as it affects the company's capacity to fund future projects based on the dividends distributed to shareholders. A higher dividend payout can limit the funds available for reinvestment in upcoming initiatives. Additionally, other stakeholders, particularly claim-holders, benefit from a well-structured dividend policy that helps mitigate agency costs. Lenders also pay attention to the declared dividends, as increased payouts reduce the funds available for servicing and repaying obligations. The financial market can be categorized into two segments: the capital market, which encompasses long-term financing options like the stock and bond markets, and the money market, which deals with short-term financing instruments such as Treasury bills and commercial paper. Within the capital market, a distinction can be made between primary and secondary markets.

In primary markets, newly issued securities are bought or sold, particularly during initial public offerings, while secondary markets allow investors to trade existing securities. Transactions in the secondary market occur among investors, whereas primary markets involve exchanges between issuers and investors. Dividends represent the monetary distributions that corporations make to their shareholders, reflecting a portion of the company's earnings. When a corporation generates profit or surplus, it faces two choices: reinvest the earnings back into the business (retained earnings) or distribute them to shareholders.

Shareholders primarily aim to maximize their returns, which can manifest as dividends or capital gains. The company's dividend policy significantly influences investors' decisions regarding their return on investment. As noted by Arnokl (2008), the main objective of dividend policy is to enhance shareholders' wealth by increasing their purchasing power. Thus, the effectiveness of maximizing shareholder wealth is closely tied to the company's dividend policy, as satisfied shareholders are more likely to maintain their consumption and spending patterns. Companies consider various critical factors when formulating their dividend policies, including managerial and behavioral dynamics, profitability ratios, and the company's willingness to distribute dividends (Brigham & Houston, 2004: 147).

Dividend policy has been a challenging topic in corporate finance for many years. The relationship between a company's share price and its dividend level is one of the most extensively researched aspects of dividend policy. Gordon (1959:37) suggested that an increase in dividend payments should correlate with an increase in a firm's value, while Miller and Modigliani (1961:149) argued for the dividend irrelevance theory, which posits that current and future dividend decisions do not affect a company's value.

A firm's financial management strategy encompasses its dividend policy. There is substantial empirical evidence indicating a strong correlation between dividend policy and stock market prices. Managers face the dilemma of whether to retain earnings for future investments or distribute a portion of their profits as dividends, whether large, small, or none at all. This situation arises from the diverse interests of shareholders. Some shareholders prefer to reinvest dividends for future growth, while others seek regular dividend payments for their investments in other profitable ventures. Generally, most investors favor companies with high dividend payouts due to their lower risk compared to potential future capital gains. Consequently, this study aims to explore the conflicting interests of different shareholders, the type of dividend policy adopted by management, and its effects—both positive and negative—on the company's share prices.

The influence of a company's dividend policy on its current share price is a critical concern for management, who must establish the policy, as well as for investors building portfolios and economists striving to understand and assess the capital market's functioning. Based on this premise, the study utilized the dividend policies of Prime Commercial Bank Ltd. and Sunrise

Bank Ltd. as a case study to evaluate the effects of dividend policy on market share value within the Nepalese banking sector (Miller and Modigliani 1961:156). The market price of a company's common stock, which is influenced by the company's investment, financing, and dividend decisions, serves as a proxy for share value. Dividend decisions are recognized as crucial due to the increasing significance of finances in the overall growth strategy of the firm. Managers must consider the potential impact of their decisions on share prices, alongside determining how much of the company's earnings should be allocated for investment (Chandra 1997:136). "Whenever dividend payments are reduced, share prices of the company generally decline. When a dividend increase is announced, stock returns are abnormally positive, and when a dividend decrease is announced, stock returns are abnormally negative (Hampton 2001:57).

1.2 Profile of the organisation

1.2.1 Prime Commercial Bank Limited

Prime Commercial Bank Ltd. was founded in September 2007, becoming the 21st commercial bank in Nepal. It is recognized as a Category ‘A’ Financial Institution under the “Banks and Financial Institutions Act” of Nepal. The bank was established by distinguished business leaders and professionals from various fields, aiming to provide 'Banking Services to Everyone' in a country where a significant portion of the population lacks access to such services.

The bank has positioned itself as a rising entity in the financial industry, emphasizing exceptional customer service and fostering strong relationships with its valued clients. It is ranked among the top 10 commercial banks in Nepal according to independent evaluators and publications within the nation.

The Bank’s shares are listed and actively traded on the Nepal Stock Exchange (NEPSE).

Board Of Directors

Mr. Rajendra Das Shrestha	Chairman
Mr. Udaya Mohan Shrestha	Director
Mr. Narendra Bajracharya	Director
Mr. Gajendra Bista	Director – Public
Prof.Dr. Mangala Shrestha	Independent Director
Mr. Prachanda Man Shrestha	Director - Public
Mr. Manoj Paudel	Director – Public
Mr. Santosh Baral	Company Secretary

1.2.2 Laxmi Bank

In a success-oriented economy, Laxmi Bank is characterized by innovative services and products. Established by esteemed entrepreneurs, we recognize the demands of a developing economy and are fully prepared to address them. Our team of experienced banking and management experts is committed to creating an institution focused on meeting the needs of everyone, regardless of size.

The primary goal of the bank is to aid in Nation Building while fulfilling the expectations of its shareholders, depositors, customers, and other stakeholders. The bank is dedicated to persistently working towards achieving its goals by leading the banking sector in various aspects with:

• A broader presence both domestically and internationally

• Focusing on underserved or promising service sectors such as SMEs and Retail businesses

• Revamped and reorganized banking infrastructures and systems

• Supported by skilled and knowledgeable staff

• A strong emphasis on compliance and risk management.

Board Of Directors

Mr. Raman Nepal	Chairman
Mr. Dinesh Poudel	Director
Dr. Manish Thapa	Director
Ms. Swati Roongta	Director
Mr. Vishwa Karan Jain	Director
Ms. Bidya Basnyat	Director

1.3 Statement of the Problem

A significant and debated aspect of managerial finance is the decision regarding dividends. A large segment of the financial community lacks a clear understanding of corporate dividend policies. When it comes to the influence of dividend policies on a company's stock price, there are mainly two differing perspectives among finance scholars. One perspective argues that dividend policy is inconsequential as it does not influence a company's stock price or its capital costs. Conversely, the other perspective asserts that dividend policy is significant because it impacts stock value in practical scenarios. The alignment of dividend policy with bank earnings can be effectively established. Companies utilize their earnings as a financing source. Retaining profits allows a company to lower its leverage ratio, grow its operations, and enhance future profits. On the other hand, if a company opts to distribute dividends, it may have to seek additional capital from the market, which could dilute existing shareholders' ownership and control. In such cases, the company may issue debentures or secure loans, which can affect its risk profile. In Nepal, particularly among joint venture banks, there are few firms that generate sufficient profits to distribute dividends. The challenges of the study include the following questions in addition to those previously mentioned:

● What is the connection between dividends, earnings per share, share price, the dividend payout ratio, and the company's net profit?

● Are the sample banks capable of paying an appropriate dividend?

● What is the financial condition regarding dividends among the selected commercial banks?

● What does the trend analysis of dividends look like for the selected commercial banks?

1.4 Objectives of the study

The purpose of this study is to evaluate the potential impacts of a company's dividend policy on the market value of its common stock as well as the factors that generally affect a company's dividend policy. Further attempts are made to pinpoint additional variables influencing the sampled companies' share price behaviour on the Nepalese stock market. The following are the study's goals:

- To investigate the relationship between the dividend policy and different financial indicators, such as the net profit and EPS, DPS, MPS, DPR, DY, and P/E ratio of the selected Commercial Banks.
- To compare PCBL and SBL bank's dividends and financial metrics.
- To learn the trend analysis for PCBL and SBL bank's dividend.

1.5 Significance of the study

Investments in financial market products, such as money market and capital market instruments, are a recent development in the Nepalese investment sector and demonstrate the country's financial market's expanding positive trends. Due to a number of factors, Nepalese investors are more drawn to investing in financial market instruments. A very large crowd gathers to apply for an owner's certificate whenever a new company issues (floats) shares on the capital markets. It demonstrates that people expect a higher return on their stock investments. One of the crucial factors is that choosing a dividend is one of the most significant financial management decisions. It works well to maintain current investors and the firm's controlling position while luring in new ones. Generally speaking, there are two ways to earn a return in the capital market:

- dividends and
- capital gains.

Therefore, taking into account all of these facts, a study is conducted to fill a gap in the literature relating to dividend decision-making and the variables influencing dividend policy that affect stock value. Therefore, understanding dividend policy is crucial for anyone looking to invest in stock or other capital market instruments. We are confident that the study will be helpful to a wide range of parties, including shareholders, bank management, financial institutions, the general public (depositors, potential clients, investors, etc.), and other policy-making bodies that are involved in the banking industry. It is also anticipated that it will give future researchers useful information.

1.6 Limitations of the study

The most crucial area of financial management is dividends. Financial managers need to consider a number of decision-making factors in order to accomplish the management objective. Dividend, investment, and financing decisions all fall under the category of financial management decisions. Only the dividend decision and its impact on share price are among these three major managerial financial decisions.

This study will interpret and examine how dividend decisions are made in practise and how they relate to things like earnings per share and market price per share. This study only fulfils a portion of the requirements for Tribhuvan University's MBS programme. Therefore, the following factors limit this study:

- The majority of the secondary data used in this study. The outcome is therefore dependent on the validity of secondary data.
- For the studies from 2015–16 to 202–12, only data from five fiscal years were collected.
- Even though there are numerous commercial banks, only two are used in the study as a sample.

There are many factors that affect the dividend decision and valuation of the firms. However, only those factors related to dividend would be considered in this study.

1.7 Organization of the study

There are five chapters in this study. The headings under which the entire study has been divided into the following categories are listed below:

Chapter I: Introduction

The first chapter covers the subject matter and includes an introduction, the study's background, a list of problems, its objectives, its scope, and how it was organised.

Chapter II: Literature Review and Conceptual Framework

The second chapter discusses literature reviews, which cover conceptual frameworks, variables influencing dividend policy, reviews of significant studies, reviews of journals and articles, reviews of unpublished theses, and reviews of research gaps.

Chapter III: Methodology of the study

The third chapter describes the study's research methodology. Introduction, research design and data sources, population and sample, method of analysis, definition of tools for specific financial indicators, and list of statistical tools used are all included.

Chapter IV: Analysis and Presentation of Data

The fourth chapter discusses simple regression analysis, correlation matrices, means and standard deviation analysis, financial indicator analysis, and key findings.

Chapter V: Summary, conclusions, and recommendations

Conclusions, recommendations, and a summary are included in the fifth chapter.

The study concludes with an appendix and bibliography.

CHAPTER II

LITERATURE REVIEW

The connection between dividend policy and financial metrics has been extensively explored in various comparative studies on dividend policies over the years. These investigations assist new researchers in their study of dividend policy. A literature review is an analysis of the existing research within a specific academic area. It plays a crucial role in the research cycle of knowledge generation, dissemination, and publication. To define and refine the research question, identify the contributions of other significant researchers in the field, justify and clarify the research question and conceptual framework, assess and discuss the literature, and convince the reader of the literature's significance to the research question, conducting a literature review in the research domain is essential. There have been few investigations into dividend payouts in the context of Nepal. This study aims to uncover a mechanism through which dividend policy influences market price per share, thus providing valuable insights to financial scholars. Furthermore, given the rapid developments in Nepal's financial market, previous studies on dividends require updating (Joshi, 2007:297). A literature review considers the key aspects of the latest scientific knowledge, encompassing both substantive findings and theoretical and methodological contributions to a specific subject. Literature reviews are secondary sources and do not introduce any new or original experimental work. They can also be viewed as an assessment of an abstract achievement. Their main goals are to situate the current study within the broader literature and to provide the reader with specific context.

This research investigates the dividend practices of Nepalese commercial banks and their impact on share prices, particularly focusing on PCBL Bank Ltd. and Sunrise Bank Ltd. Reviewing relevant literature in this area will clarify ideas, perspectives, and other concepts for this purpose. What has been previously stated? What have others accomplished? Additionally, what have others documented? This research has gained insights from the review of these and other related inquiries. The literature addressing this relationship is emphasized in this chapter. Consequently, the conceptual frameworks proposed by various authors and scholars on this subject, along with books, journals, research papers, and prior theses related to dividend policies and practices, are

reviewed in this chapter. Moreover, the rules governing dividend policy have been analyzed and presented accurately.

2.1 Conceptual Framework

The primary objective of financial management is to enhance shareholder wealth. To achieve this, management, acting as the stewards of shareholders' interests, must address three key decision-making areas: investment, financing, and dividend decisions. The nature and quantity of a company's assets are influenced by its investment choices. Financing decisions shape the company's capital structure and also lay the groundwork for investment decisions. This study focuses on dividend decisions, which involve determining the payout policy that management uses to decide the size and timing of cash distributions to shareholders. Since these decisions are interrelated, they must be made simultaneously. Ideally, the combination of these policy decisions should maximize shareholder wealth. A dividend policy should strive to enhance shareholders' returns to increase investment value. Shareholders' returns consist of dividends and capital gains, both of which are directly affected by the dividend policy (Pandey, 2000:444).

The firm's dividend decisions are another vital aspect of financial management. It is essential to determine how much profit will be distributed to shareholders and how much will be retained by the company. Retained earnings are a crucial internal funding source for the company's growth. Shareholders often view dividends positively as they tend to enhance their current returns. However, dividends represent a use of company funds (Pandey, 2000:444).

Equity shares, or stocks, are fundamental components of a company's capital structure and are considered the primary source of capital. They confer ownership to the holder, who is referred to as an equity shareholder. Dividends are paid to these shareholders, who are the true owners of the company. Investors seek to benefit from dividends and capital gains upon selling their shares. Various factors, including company performance, industry performance, profits, future profit projections, dividend declarations, management changes, and more, can influence stock prices. Investor sentiment is also affected by market conditions, interest rates, inflation, deflation, and political factors.

All companies operate within the capital market to generate profits. Shareholders invest in equity capital with the expectation of earning returns through dividends or capital gains. Therefore, either dividends or capital gains can enhance a shareholder's wealth. Once profits are earned, the company must decide how to allocate them—whether to retain them internally or distribute them as dividends to shareholders.

Dividends are payments made to stockholders as a return on their investment from the company's earnings. The dividend policy determines how much of the earnings will be distributed to shareholders and how much will be retained or reinvested in the business. The goal of a dividend policy should be to maximize shareholder wealth.

A dividend is defined as the portion of a company's net income distributed to its shareholders. According to Khan and Jain (1999:136), companies should aim to adopt an optimal dividend policy that maximizes shareholders' wealth over the long term.

A company's dividend policy dictates how much of its earnings are paid out as dividends and how much is reinvested in the business. If a company's capital budgeting decisions are made independently of its dividend policy, higher dividend payments will lead to a greater reliance on external financing. Thus, the choice of financing is influenced by the dividend policy. Conversely, if a company's dividend decision is considered in its capital budgeting, higher dividend payments will result in smaller capital budgeting and vice versa. In this case, dividends impact capital budgeting decisions.

The calculation of earnings directly affects a company's dividend payout ratio. The primary objective of corporate financial management is to increase the market value of equity shares. The relationship between dividend policy and the market price of equity shares is a key question of interest. This issue is one of the most debated and unresolved topics in corporate finance, as noted by Chandra (2008) on page 152.

Dividends are payments made from a company's profits to stockholders as a return on their investment. The dividend policy aims to specify how much of the company's earnings will be distributed to shareholders and how much will be retained for potential future business expansion. The goal of a dividend policy should be to enhance the shareholder's wealth position.

Retained earnings are invested in profitable opportunities, contributing to the company's growth rate.

Dividends are often a contentious issue, as shareholders expect higher dividends while companies must ensure they retain sufficient funds to maximize the wealth of all shareholders. Management is thus focused on corporate actions that affect shareholders' well-being. While the received dividend can indicate this well-being, the market value of the stock serves as a more accurate measure. Shareholders perceive dividend yield as less risky than capital gains (Hampton, 2001:58).

Corporations are obligated to pay dividends to their shareholders, which represent a portion of the company's earnings distributed to stockholders. A corporation's profit or surplus can either be reinvested in the company (retained earnings) or distributed to shareholders as dividends. Many companies retain a portion of their profits while distributing the remainder as dividends.

Despite extensive research on dividend policy, there has been long-standing disagreement among managers, policymakers, and researchers regarding its impact on stock prices. Dividend policy is significant for investors, managers, lenders, and other stakeholders. It matters to investors as they use dividends to assess companies from an investment perspective and as a source of income. It serves as a means of evaluating a company's cash flow generation. Choosing an appropriate dividend policy is crucial, as the amount of dividends paid to shareholders affects the company's ability to invest in future projects. If a company pays out more dividends, less money will be available for future investments. This is also important for other stakeholders, particularly claimholders, as it helps reduce agency costs. Lenders are interested in the declared dividend amount, as higher dividends mean less money available for servicing and redeeming their claims.

Corporate finance has grappled with dividend policy for many years. The relationship between dividend levels and a company's share price is one of the most extensively studied topics related to dividend policy. The dividend discount model (Gordon, 1959:61) suggests that an increase in dividend payments should correlate with an increase in a company's value. The well-known dividend irrelevance theory posits that a firm's value is unaffected by its current and future dividend payment decisions (Miller and Modigliani 1961: 62). According to this theory,

shareholders should not be concerned about how much money is distributed or retained within the company. However, the assumption of perfect capital markets does not hold true, leading to the conclusion that dividend policy is indeed relevant (Miller and Modigliani, 1961:17).

Research indicates that both current earnings and past dividends are subject to mitigating relationships with dividend cash flow (Lintner, 1956:26). He found evidence that retained earnings, dividends, and other determinants have a dynamic relationship with market share prices (Khan, 2009). The study suggests that dividends generally exert a greater influence on stock prices than retained earnings. There are two opposing views regarding the relationship between dividend strategy and stock price. Proponents of the view that dividends significantly impact share price argue that shareholders prefer current returns over future returns and that dividend distribution signals future earning potential.

The basis for these opposing viewpoints lies in the importance of retained earnings. Advocates of retained earnings argue that they signify potential future investment opportunities. Retained earnings provide tax advantages to shareholders, as they are not taxed until utilized. Numerous studies on the effect of dividends on stock prices have been conducted globally, particularly in developed countries. Most earlier studies highlight the significance of dividend policy on stock price. To maximize shareholder value, corporate firms should implement an appropriate dividend policy. The definition of dividend states that it is "the portion of net income paid out to shareholders," which is distributed in cash and stock in exchange for investments and risk assumption. The firm's dividend decisions are a crucial aspect of financial management, as they impact shareholder wealth and the firm's value. The dividend payout ratio represents the portion of earnings distributed as cash dividends. A company may retain a portion of its profits to finance new investments. The retention ratio measures the earnings kept within the company. The goal of dividend policy is to determine how much of an organization's earnings should be retained and how much should be distributed as cash dividends. A company has three options regarding cash dividend payments (Paudel et al., 2011:69).

- It can distribute all of its earnings as cash dividends to shareholders,
- retain all of them for reinvestment, or

● distribute some as dividends and retain the rest for investment.

2.1.1 Major factors affecting stock price

The anticipated future returns from a stock are what drive its price. For instance: Let's say the best investment I can find right now has a 2% annual return.Let's say I find a stock with a 1-rupee annual return on each share. I would be willing to pay up to Rs.50 for each share given that to earn this much money, I would need to invest Rs.50 in the next best alternative for a year. It goes without saying that estimating a stock's future return is a difficult task that relies heavily on optimism, speculating, and other difficult-to-measure factors. Because of trader confidence, stock prices can change so drastically so quickly. Demand and Supply are the factors that determine stock prices. When more people want to purchase stock X while fewer want to sell it, the price of that stock rises. In the opposite scenario, the stock's price decreases. Therefore, when there is greater demand for a stock, its price increases, and vice versa when there is greater supply of a stock, its price decreases. Other factors that either directly or indirectly affect stock prices include;

- Market Sentiment
- The industry’s performance
- The company's performance
- Dividend decision of the company
- Any strategic decisions taken by the company
- Change in management
- Merger and Acquisition

2.1.2 Dividend Payout Scheme and Theories

Residual Theory of dividend policy

The fundamental tenet of the residual theory of dividend policy is that the company will only distribute dividends from residual earnings, or earnings that remain after financing all appropriate (positive NPV) investment opportunities. For the majority of businesses, retained earnings are the most crucial source of funding. A residual approach to the dividend policy is used because funding for investment projects will be the first use of retained earnings. The management of the company is, in fact, more concerned with investments than dividends under

the residual dividend policy. When dividend policy is viewed as a passive rather than an active decision variable, it loses all relevance. In this situation, management believes that investing the earnings in the right investment projects rather than paying out dividends to shareholders will maximise the value of the company and the wealth of its shareholders. As a result, managers will actively look for investment projects that are expected to raise the firm's value and will fund them with earnings from the company. Only when retained earnings are greater than the sum needed to finance the appropriate investment projects will dividends be paid. In contrast, no dividend will be paid if the total amount of investment funds required is greater than retained earnings. A residual policy, or high retentions, dividend policy is frequently justified by:

- A high retention policy lessens the need to raise new capital (debt or equity), which saves on related problems and floatation costs.
- A new equity issuance could weaken current ownership control. If retention rates are consistently high, this may be avoided.
- A company may be able to finance a faster and higher rate of growth if it has a high retention policy.
- Due to their individual tax situations, some shareholders may prefer a high retention/low payout policy when the effective rate of tax on dividend income is higher than the tax on capital gains.

Dividend Irrelevance Theory

According to the dividend irrelevance theory, a company's dividend policy has no bearing on either its market value or cost of capital. The main proponents of the dividend irrelevance theory, Modigliani and Miller (often referred to as M&M), presented it in a seminar paper in 1961 in perhaps its most elegant presentation. They claimed that a firm's need for investment capital determines the "passive residual" that determines dividend policy.

Therefore, it is irrelevant how a firm allocates its earnings between dividend payments to shareholders and internal retention, in accordance with M&M's irrelevance theory. According to the M&M perspective, managers do not need to agonise over choosing the best dividend policy because there is no such thing as an ideal dividend policy. The same set of fundamental presumptions that M&M used to construct their theory of capital structure irrelevance served as the foundation for their theory of dividend irrelevance. For instance, they believed: Perfect

capital markets would have no corporate or personal taxes, no transaction costs for securities, rational investors, and symmetrical information, whereby all investors would have access to the same data and hold the same future expectations for the company as its managers. The firm's dividend policy is unrelated to and separate from its fixed investment policy.

The Bird-In-The-Hand Theory

In 1962, John Litner and in 1963, Myron Gordon articulated that the core principle of the bird-in-the-hand theory regarding dividend policy is that shareholders tend to be risk-averse, preferring dividend payouts to possible capital gains. The saying "a bird in the hand is worth more than two in the bush" illustrates how investors perceive dividend payments as more reliable compared to uncertain future capital gains. Gordon posits that receiving dividends now alleviates investor uncertainty. Investors favor a guaranteed income today over the chance of a larger but less reliable income later. Litner and Gordon suggest that since dividends carry less risk, shareholders and investors will apply a lower discount rate, "r," to the firm's dividend stream, thereby increasing the firm's share value. The worth of a common share, SV0, is calculated using the constant growth dividend valuation model, also referred to as Gordon's growth model, which is expressed as follows:

$$\mathrm{SV0} = \mathrm{D1}/(\mathrm{r} - \mathrm{g})$$

In this context, g represents the constant growth rate of dividends, while r signifies the required return rate for investors, and D1 indicates the upcoming dividend payments.

Consequently, when r is lower compared to the dividend payment D1, the value of the shares increases. According to Linter and Gordon, investors perceive the returns from dividends as less risky than the anticipated growth rate g. However, M&M challenged this perspective, labeling it the bird-in-the-hand fallacy. In their irrelevance model, M&M propose that the required return rate or cost of capital, r, does not depend on dividend policy. They argue that a firm's risk, which affects the investor's required return rate, r, is determined by its investment and financing choices rather than its dividend policy. M&M assert that investors do not differentiate between dividends and capital gains; they see r and g as interchangeable in the dividend valuation model. M&M explains that this indifference arises because shareholders typically reinvest their dividends into shares of companies with similar or equivalent risk.

Dividend Signalling Theory

Practically speaking, change in a company's profit strategy can be seen to affect its portion cost - an expansion in profit delivering a rising in share cost and a decrease in profits creating a diminishing in share cost. This example drove numerous spectators to close, in opposition to M&M's model, that investors in all actuality do to be sure to favor profits to future capital additions. Obviously M&M conflicted. The adjustment of profit instalment is to be deciphered as a sign to investors and financial backers about the future income possibilities of the firm. By and large an ascent in profit instalment is considered a positive sign, passing on certain data about a company's future profit possibilities bringing about an expansion in share cost. On the other hand a decrease in profit instalment is seen as a regrettable sign about future profit possibilities, bringing about a lessening in share cost.

Constant DPS policy

Under the steady DPS approach, a consistent rupee for every offer profit is paid. This approach might be expressed as NRs 25 profit for each offer or NRs 35 profit for every offer, etc. This proper measure of profit per share is paid on yearly basis regardless of procuring of the year. The acquiring might vacillate from one year to another yet profit per share stays steady. Anyway it doesn't imply that profit per share stays fixed for every one of the periods to come. How much profit per share is probably going to increment throughout the year alongside the expansion in acquiring. When the profit is expanded the firm attempts to keep up with the profit consistent at that new level.

Constant DPR policy

This approach alludes to the proportion of profit per offer to the income per share. Under this approach a firm attempts to keep up with consistent profit payout proportion throughout the long term. For instance, on the off chance that the DPR of a firm is set at 60%, the organisations generally pay 60% of its yearly profit as profits. On account of fixed DPR, profit per share under this approach vacillates from one year to another as the acquiring varies. That is, assuming the profit increments profits additionally and assuming that acquiring diminishes profit likewise diminishes in definite extent.

Low regular plus extra dividend policy

The firm applying this strategy decides a base consistent profits in addition to a few additional measures of profits relying on the income. The base furthest reaches of profit per share is fixed and extra profit is delivered over the normal low profits in the long stretches of moderately high income. When the income declines to a typical level the firm cuts its additional profit and pays just the typical or least profit.

2.1.3 Major forms of divided

Cash Dividend

The organisation offers specific percent of profit as far as money to its investors out of its benefit which was known as money profit. The financial backers particularly the old and resigned financial backers rely upon this type of instalment for need of current pay (John and Litner, 1962:316).

Stock-Dividend

Organisations, not having a great money position, for the most part deliver profit as offered by underwriting the benefits of current year and of previous years. Such offers are given as opposed to delivering profit in real money and called 'Extra Offers'. Essentially there is no adjustment of the value of investors. Certain rules have been utilised by the organisation Regulation Board in regard to Extra Offers (John and Litner, 1962:317).

Interim Dividend

Assuming Articles so licence, the chiefs might choose to deliver profit out of the blue between the two Yearly Regular gatherings prior to concluding the records. It is by and large pronounced and paid when the organisation has acquired weighty benefits or unusual benefits during the year and chiefs which pay the benefits to investors. Such instalment in the middle of between the two Yearly Comprehensive gatherings prior to concluding the records is called Break Profit. No In-between time Profit can be announced or paid except if devaluation for the entire year (not proportionately) has been accommodated. It is, consequently, an additional profit paid during the year requiring no need of endorsement of the Yearly Comprehensive gathering. It's paid in real money (John and Litner, 1962:318).

Scrip Dividend

Scrip profits are utilised when income legitimises a profit, yet the money position of the organisation is briefly frail. Thus, investors are given offers and debentures of different organisations. Such an instalment of profit is called Scrip Profit. Investors for the most part could do without such profit on the grounds that the offers or debentures, so paid, are useless for the investors as chiefs would utilise just such speculation which were not . Such profit was permitted prior to passing of the Organizations, however from there on this unfortunate practice was halted (John and Litner, 1962:318).

Bond Dividend

In uncommon examples, profits are paid as debentures or limits or notes for a drawn out period. The impact of such profit is equivalent to that of delivering profit in scrip's. The investors become the gotten leaders are the bonds has a lien on resources (John and Litner, 1962:321).

Property Dividend

Some of the time, profit is paid as a resource rather than instalment of profit in real money. The dispersion of profit is made at whatever point the resource is not generally needed in the business like speculation or load of completed products (John and Litner,1962:316).

2.1.4 Factor affecting dividend policy

Size of the profit

A firm that has an elevated degree of procuring will for the most part pay a bigger piece of its profit in profits. In the event that the size of profit is little, a more modest measure of the benefits might be disseminated to investors. Subsequently, size of income influences the profit strategy of the firm (Khan, and Jain, 1999:217).

Lawful necessities

There are sure circumstances forced by regulation with respect to the method of profit are conveyance.

The net benefit rule

The net benefit states that profit can be paid out of present or past procuring. It implies that the profit paid can't surpass the amount of current acquiring and past collected income. In the event that there is aggregated misfortune it should be set off out of the current acquiring prior to delivering out any profits (Khan, and Jain, 1999:218).

The capital impedance rule

This standard expresses that the firm can't deliver profit out of its settled up capital, since it antagonistically influences the association's value base. The fundamental thought behind this standard is to safeguard the case of loan bosses by keeping up with an adequate value base. The profit payout that hinders capital is considered unlawful and coordinated and is by and by considered liable for such unlawful profit instalment (Khan, and Jain, 1999:219).

Indebtedness rule

In the event that a company's liabilities surpass its resources or on the other hand assuming it can't pay the ongoing commitments, the firm is viewed as monetarily ruined. Assuming the firm is bankrupt, it is completely restricted by regulation to deliver profit. The essential thought behind this standard is to safeguard the interest of leaders (Khan, and Jain, 1999:222).

Association's liquidity position

Profit pay-out additionally impacted by the company's liquidity position. Despite adequate held profit, firms will most likely be unable to deliver cash profit if the income are not held in real money.

Reimbursement need

A firm proposes a few types of obligation funding to meet its speculation needs. These obligations should be reimbursed at the development. The firm has commonly two options with respect to the reimbursement of obligation: possibly it can give elective protections or it can make arrangements out of its procuring. Thus, assuming that the firm needs to hold benefits for the arrangements reimbursing obligations at development, the profit instalment limit of the firm diminishes (Khan, and Jain, 1999:224).

Limitations forced by bondholders and favoured investors

Bondholders and favoured investors might force specific limitations upon firms with respect to profit instalment. For instance the obligation agreement might disallow the firm to deliver profit out of past held income or the firm might be limited by favoured investors to deliver any profits on normal stock except if the firm delivers its whole accumulated profit on favoured stock (Khan, and Jain, 1999:227).

Anticipated pace of return

How much profit instalment additionally relies upon the normal pace of return of new ventures. On the off chance that a firm has a generally higher expected pace of profit from the new venture, the firm likes to hold the income for reinvestment rather than conveying cash profits (Khan, and Jain, 1999:229).

Solidness of procuring

On the off chance that a firm somewhat stable procuring it is bound to deliver moderately ale profit than a firm with generally fluctuating procuring. The organisations with unsteady acquiring are moderately questionable about its future procuring so it likes to hold more structured current procuring.

Longing for control

At the point when the requirements for extra funding emerge the current administration of the firm may not like to give extra normal stock as a result of the feeling of dread toward weakening in charge of administration of the organisation. Likewise extra obligation funding may likewise not be performed in light of the fact that it also increments monetary gamble. Subsequently a firm likes to hold more procuring to fulfil extra supporting needs (Khan, and Jain, 1999:230).

Admittance to the capital business sectors

In the event that a firm has simple admittance to capital business sectors in raising extra funding, it doesn't need more held profit. More modest and recently settled firms don't have simple admittance to the capital market. As such they by and large face hardships in raising assets from capital business sectors. Thus they would need to depend on inside wellsprings of funding.

Subsequently they don't really want to make a bigger profit instalment (Khan, and Jain, 1999:232).

Investors individual expense circumstance

For a firmly held organisation, investors generally favor lower cash profit in view of higher expense to be delivered on profit pay. The investors in the higher individual assessment section lean toward capital addition as opposed to profits gains.

2.1.5 Standards in regards to profit strategy in Nepal

According to the Securities Trade Act of 1983, the Nepal Stock Exchange is the sole entity responsible for safeguarding the interests of investors. However, this organization is not fully equipped to protect investors' interests, as the interests and attitudes of the board of directors play a significant role in the management of public limited companies, and they are typically in the majority who are appointed to public limited companies. Furthermore, they are generally in the majority who were appointed by the government in 1997. The Nepal Company Act of 2001 has been amended, and the Company Directive of 2006 has established some legal provisions for profit distribution; these provisions are as follows:

Section 179 (1): A company may issue bonus shares to its shareholders from the amount available for distribution as decided in the general meeting.

Sub-section (2): The company must notify the office prior to issuing bonus shares as per sub-section (1).

Section 182 (1): Except in the following situations, dividends must be distributed to shareholders within 45 days from the date of the resolution approving the dividend payment.

a) If any law prohibits the distribution of dividends.

b) If there is a dispute regarding the right to receive the dividend.

c) If dividends cannot be distributed within the specified period due to circumstances beyond the company's control or for any other reason.

Sub-section (2): A company that is wholly or partially owned by the Nepal Government may only distribute dividends with prior approval from the Nepal Government, which may issue necessary directives regarding such distribution.

Sub-section (3): If dividends are not paid within the timeframe specified in sub-section (1), they must be paid along with interest at the prescribed rate.

Sub-section (4): The shareholder whose name is registered at the time of the dividend declaration, or their successor, is entitled to receive the dividend payment.

Sub-section (5): A company may not pay or distribute dividends except from profits designated for that purpose.

Sub-section (6): A company must eliminate pre-incorporation expenses, deduct depreciation as per the accounting standards set by the competent authority under applicable law, and allocate any amounts to be paid from profits. Under applicable law, and after eliminating accumulated losses from previous years, dividends may not be distributed unless the amount is transferred to the reserve fund.

Sub-section (7): Subject to the provisions of this section, the board of directors of a company may distribute interim dividends from the profits of previous years under the following conditions:-

a) If there is a provision in the articles of association regarding the distribution of interim dividends.

b) If the board of directors has approved the annual financial statements certified by the auditor for the relevant financial years from which the interim dividend will be distributed from the net profit.

Sub-section (8): A company may not make any cash or other benefit payments to its shareholders except in the form of dividends approved by the general meeting.

Sub-section (9): Any dividend that remains unclaimed for more than five years after its declaration shall be transferred to the investor protection fund established under section 183.

Sub-section (10): The company shall, while transferring unclaimed dividends pursuant to sub-section (9) to the fund established under section 183, publish a notice in a national daily newspaper providing at least one month's notice to collect the unclaimed dividend at least one month before the expiration of the period mentioned in sub-section (9).

Sub-section (11): The company shall create a separate account for depositing the dividend amount within forty-five days of its declaration, shall distribute the dividend from this account, and shall not use this amount for any other purpose (Sources: Nepal Company Act 2006).

2.2 Review of Related Models

After the profit superfluity hypothesis proposed by Modigliani and Mill operator (MM) in 1961, numerous speculations have arisen throughout the time like Gordon (1962), . A few speculations upheld MM's hypothesis of profit unimportance while the vast majority of the speculations went against.

2.2.1 Linter Study

Linter (1956) introduced a view to distinguishing the determinants of corporate profit installment practice with the meeting of the top administrations of 28 firms. The review reasoned that corporate administration will in general lay out target profit payouts as an extent of profit and to set their profit instalments to change over the long haul toward the ideal part of profit. Laying out a steady profit speculation, Lintner showed the accompanying connection among profits and income:

$Dt* = rEt$…….. (1)

Where,

$Dt*$is the dividend payment per share during the period t

r is the payout ratio

Et is the firm's earnings per share during period t

Lintner then developed his above observation as under:

$Dt - Dt - 1 = a + c\,(Dt* - Dt - 1)$..... (2)

Where,

a = constant

c = constant speed of adjustment factor.

However, Lintner further developed the equation to explain the corporate dividends Payment practice by adjusting the above observations to obtain a partial adjustment Model as follows:

$Dt = a + b1Et + b2Dt - 1 + Et$ ..... (3)

Where,

b1 = cr

b2 = 1- c

Et = error term during period t

Lintner utilised the above condition to make sense of the way of behaving of corporate profit strategy alongside different factors making sense of the stock costs involving total information in the greater part of his tests.

2.2.2 Modigliani and Mill operator (MM) Study

MM hypothesised that the profit strategy is unimportant like in the capital-structure insignificance suggestion without any assessments or liquidation costs. This is known as the "profit immateriality hypothesis", demonstrating that there is no impact from profits on an organisation's capital design or stock cost. MM contended that the worth of the firm depends on its essential acquiring power and its business risk, not how it conveys profit to investors.

- The suppositions with respect to the Mill operator and Modigliani model are:
- There is an ideal capital market where all financial backers act objectively.
- Organisation charge doesn't exist in this manner; there is no distinction between charge rates in capital additions and profits.
- The floatation costs on protections are disregarded.
- There is neither a consistent profit strategy of the firm, which won't change the gambling colouring nor the pace of return even in situations where the speculations are subsidised by the held profit.

In light of these presumptions and utilising the course of exchange Mill operator and Modigliani have made sense of the superfluity of the profit strategy. Firms have two choices for usage of its benefit after charge for example

a) To hold the profit and furrow back for venture purposes.

b) Circulate the profit as money profits.

In the event that the firm chooses the subsequent choice and pronounces profit, it should raise capital for funding its venture choices by selling new offers. Here, the exchange cycle will kill the expansion in the offer worth because of the money profits by the issue of extra offers. This makes the financial backer apathetic regarding the profit income and the capital additions since the offer worth of the firm relies more upon the future profit of the firm than on its profit strategy. Subsequently, assuming there are two firms having comparable gamble and return profiles the market worth of their portions will be comparable disregarding unique payout proportions.

Emblematically, the model is given as:

Step I: The market cost of an offer before all else is equivalent to the PV of profits followed through on and market cost toward the finish of the period.

$$\mathrm{Po} = 1/(1 + \mathrm{Ke}) * (\mathrm{D1} + \mathrm{P1})$$

Where,

Po is the current market price

P1 is market price at the end of period 1

D1 is dividend to be paid at the end of period 1

Ke is the cost of equity capital

Step II: Assuming there is no external financing, the value of the firm is:

$$\mathrm{nPo} = 1/(1 + \mathrm{Ke}) * (\mathrm{nD1} + \mathrm{nP1})$$

Where,

N is number of out-standing shares

Step III: Assuming that the company's interior wellsprings of funding its venture potential open doors fall shy of assets required, new offers are given toward the finish of year 1 at value P1. The

promoted worth of the profits to be gotten during the period in addition to the worth of the quantity of offers remarkable is not exactly the worth of new offers.

$$nPo = 1/(1 + Ke) * (nD1 + (n + n1) P1 - n1P1)$$

Firms should raise extra cash-flow to support their venture necessities subsequent to using their held income, or at least,

$$n1P1 = I - (E - nD1)$$

Where,

I is the total investment required

nD1 is total dividend paid

E is earning during the period

(E - nD1) is retained earning

Step IV: The value of the share is thus:

$$nPo = 1/(1 + Ke) * (nD1 + (n + n1) P1 - I + E - n1P1$$

2.2.3 Gordon's Study

Myron Gordon (1962) gave significance to the profit strategy of the firm. Gordon utilised the profit capitalization way to deal with concentrating on the impact of the association's profit strategy on the stock cost. Gordon's model depends on the accompanying presumptions:

- No outside funding is accessible for the company and held profit would be utilised to back development too.
- Profit from Venture (r) and the expense of value capital (ke) stay consistent.
- Firm has a limitless life.
- The maintenance proportion stays consistent and consequently the development rate is additionally steady (g=br).
- k > g i.e., cost of value capital is more prominent than the development rate.

Gordon's model expects financial backers to be objective and hazard loath. Financial backers favour specific re-visitations of unsure returns and hence give a premium to the steady returns and markdown to dubious returns. As such, they mark down future profit. Held income is

assessed by the investors as dangerous and accordingly the market cost of the offer would be antagonistically impacted.

Gordon inferred that the profit strategy of a firm influences its worth. The finish of the review is that financial backers give more worth to the current profits instead of future capital addition. This contention demanded that an expansion in profit payout proportion prompts an expansion in the stock cost for the explanation that financial backers consider the profit yield (D1/P0) is safer than the normal capital addition. Gordon's model can be emblematically communicated as:

$$P = E(1 - b)/Ke - br$$

Where,

P is the price of the share

E is the Earning per share

b is the Retention ratio

(1-b) is the Dividend payout ratio

Ke is the cost of equity capital

br is the Growth rate in the rate of return on investment.

2.2.4 Walter Study

Prof. James E. Walter (1963) thinks that profits are important and have a direction of the offer cost of the firm. He further expressed that venture strategies of a firm can't be isolated from its profit strategy and both are connected. The decision of a proper profit strategy influences the worth of the firm.

Walter's model showed the connection between the inside pace of return (r) and the expense of capital of the firm (k), to give a profit strategy that boosts the investors' riches. The firm would have the ideal profit strategy that will upgrade the worth of the firm. The Walter's model depends on following suppositions;

- Held profit are the main wellspring of money accessible to the firm, with no outside obligation or extra value utilised.
- r and k are thought to be consistent and hence extra speculations made by the firm won't change its gamble and bring profiles back.
- Firm has a boundless life.

- For a given worth of the firm, the profit per share and the income per share
- stay consistent.

The model concentrated on the importance of the profit strategy in three circumstances:

a. r > ke, the company's procuring can be held as the firm has better and productive venture open doors and the firm can acquire beyond what the investors could by re-contributing on the off chance that acquiring are dispersed. Firms which have r > ke are called development firms and such firms have a zero compensation out proportion.

b. r< ke, the company ought to have a 100 percent pay-out proportion as the financial backers have preferred speculation open doors over the firm. Such a strategy will expand the firm's worth.

c. r = ke, the association's profit strategy will not affect the company's worth. The profit pay-outs can go somewhere in the range of nothing and 100 percent and the firm worth will stay steady for all situations. Such firms are called typical firms.

Walter's model can be emblematically communicated as:

$$P = D/Ke + r/Ke(E - D)/Ke$$

Where,

P is the market price per share

D is the dividend per share

Ke is the cost of capital

E is the Earning per share

r is the Internal rate of Return

At the point when the profit from speculation is more noteworthy than its expense of value capital, the firm can hold the income, since it has better and more beneficial venture potential open doors than the financial backers. It suggests that the arrival of re-speculation of the profit is higher than whatever they procure by effective money management the profits pay. In the subsequent case, the profit from venture is not exactly the expense of value capital and in such

circumstances the financial backers will have a preferred speculation opportunity over the firm. This recommends an ideal profit strategy of 100 percent payout. This strategy of a full compensation out proportion will expand the worth of the firm. At long last, when the firm has a pace of return equivalent to the expense of value capital, the organisations' profit strategy won't influence the worth of the firm.

2.3 Audit of related examinations

2.3.1 Survey of Article and Diaries

Poudel (2013) Concentrated on securities exchange conduct in a little capital market: An instance of Nepal, depended on the information gathered for 17 endeavours from 1986 through 1990. The targets of this study were to survey the securities exchange conduct in Nepal and to analyse the relationship of market value, market worth to book esteem, value profit, and profits with liquidity, productivity, influence, resources, turnover, and premium inclusion.

Chawala and Srinivasan (2014) concentrated on the effect of profit and maintenance on share cost. They took 18 Synthetic substances and 13 sugar organisations and assessed cross segment relationships for the year 2006 to 2010. The fundamental targets of the review where to set a model to make sense of offer costs, profit and held profit relationship, to test the profit and held profit speculation, to look at the underlying changes in assessed relations after some time and to accomplish previously mentioned goals they utilised synchronous condition model as evolved by Ojha (2015) did a concentrate on Profit strategy of Business Banks. The fundamental goals of his exploration were to study and look at the distinction of monetary execution and stock costs, to analyse the relationship of profits and stock value and to investigate the flagging impacts in stock cost.

Williams (2016) has shielded The Profit Model on the thinking that the pieces of profit which are not delivered out as profits are reinvested in the business and which eventually would create more profits through development. On the off chance that profits not delivered out in profits are all effectively reinvested at build revenue to help the investor, as pundits suggest, then, at that point, these income ought to give profits later; on the off chance that not, then they are cash lost. Moreover, on the off chance that these reinvested profit will deliver profits, our equation will

assess them when it takes records of every future profit; however in the event that they will not, then, at that point, our recipe will properly forgo remembering them for a limited annuity of advantages.

2.3.2 Audit of Past Exploration Works

In such a manner, there are not many articles distributed in Nepal under this subsection. The significant examinations are audit as follows:

G.C (2012) directed "A concentrate on Profit Strategy and Its Effect on Offer Value: (Investigation of Chosen "A" Class Recorded Organizations)".

The Primary Targets were:

- To look at the effect of profit strategy on market cost of load of "A" class recorded organisations of Nepal.
- To investigate the predominant practices and exertion made in profit strategy among
- the organisations.
- To recognize the consistency and consistency of profit paying monetary foundations.

The Key Findings were:

● The business banks in Nepal are typically generating profits. As "A" class financial institutions, the larger entities under development banks, financial institutions, and insurance companies have struggled to provide returns to their shareholders.

● These organizations are distributing cash dividends and bonus shares. There is a notably low correlation between all listed companies and those paying cash dividends, indicating inconsistency in cash dividend payments.

● The ex-dividend stock price usually declines by less than the dividend amount. This observation aligns with the investor behavior where individuals in higher tax brackets prefer capital gains over dividends, and vice versa.

● There is a significant disparity in the average cash dividend payments between business banks and manufacturing and processing companies; for instance, cash dividend payments from

business banks and those from manufacturing and processing companies are not uniform, and there is no significant difference in the average cash dividend payments of development banks, indicating homogeneity in cash dividend payments among development banks.

Devkota (2013) conducted a study titled "Profit Strategy of Business Banks in Nepal" covering the fiscal years 2004/05 to 2011/12. The Main Objectives were:

● To analyze the current dividend practices of sample banks in terms of DPS, DPR, and DY.

● To determine the impact on MVPS due to DPS and EPS.

● To examine the relationship between dividends and EPS, NWPS, MVPS of business banks.

● To assess the significance of differences between the means of DPS, DPR, and DY of sample banks.

The Key Findings were:

There is consistency in the DPS of sample banks regarding dividend payments. HBL's dividends are comparatively better than those of the other two banks. The CV ranges from 22.99% to 51.88%, indicating inconsistency in dividend payments. HBL's CV is more stable than that of the other three sample banks' DPS. HBL is in a stronger position.

● The sample banks' DPR is inconsistent. Among the sample banks, HBL has a higher DPR of 64.45% with moderate fluctuation, while HBL's DPR is 57.56% with the least fluctuation. NIBL's DPR is 55.97%, showing the highest variance among the three sample banks.

● In analyzing the dividend yield ratio, HBL also outperformed the other two banks. The average dividend yield of the bank is between 2% and 2.6%, with NIBL showing a CV of 0.33, which is more variable than the other sample banks, with HBL at 0.28 and HBL at 0.23.

● The relationship between the DPS of all sample banks and EPS is positively correlated. The correlation coefficient between DPS and NWPS for two sample banks is positive, while HBL

shows a negative correlation. Similarly, the relationship between DPD and MVPS for all sample banks is also positively correlated.

● The regression coefficient of DPS on EPS for HBL, HBL, and NIBL shows positive values.

Giri (2014) conducted research titled "A Comparative Study of the Profit Strategy of SCBL Bank Ltd, Standard Chartered Bank Nepal Ltd, and Investment Bank Ltd" covering the fiscal years 2005/06 to 2012/13.

The Primary Goals were:

● To identify the profit strategies of selected banks.

● To analyze the relationship between financial indicators such as DPS, EPS, DPR, Price-earning ratio, Liquidity ratio, and profitability ratio on market value per share (MVPS).

● To determine if there is any consistency among DPS, EPS, and DPR across the three sample joint venture banks.

● To assess the impact of dividends on share prices.

The Key Findings were:

● The DPS of all concerned banks is favorable. SCBNL provided the highest average EPS to its shareholders at Rs.124, while SCBL offered the lowest average DPS at Rs.31.76.

● The average EPS during the period studied is also satisfactory, with SCBNL having the highest average EPS at Rs.145.65, while SCBL has the lowest at Rs.51.30.

● The analysis of the coefficient of variation indicates fluctuations in DPS, while the EPS of SCBL bank, SCBNL, and NIBL shows minimal changes in the coefficient of variation.

● Simultaneously, the coefficient of variation for SCBL indicates significant variability in the Price-earning ratio.

In general, SCBNL adopted an aggressive dividend payout ratio, while SCBL applied a moderate payout ratio, and NIBL followed a moderate dividend payout ratio.

Based on the coefficient of variation, the MPS in the market is significantly fluctuating across all sample banks. The coefficient of variation for NIBL is the most variable, while SCNBL is the most stable in MVPS.

The relationship between DPS and MVPS of SCBL bank is positive, while the relationship between DPS and MPVS of SCBNL and NIBL is negative. The relationship between EPS and MVPS of SCBL bank is positive, while the relationship between EPS and MVPS of SCBNL and NIBL is negative, similar to the relationship between the Price-earning ratio and MVPS of SCBL, SCBNL, and NIBL, which are positive. The relationships between DPR and MVPS of all three banks are positive, but the relationship between dividend yield and MVPS for SCBL is positive, except for the other two banks. Similarly, the relationship between the liquidity ratio of SCBL and NIBL banks is positive, while SCBNL is negative.

Paudel (2015) conducted research titled "A Comparative Study on the Profit Strategy of Himalayan Bank Ltd and Nepal Investment Bank Ltd" covering the fiscal years 2006/07 to 2012/2013.

The Main Objectives were:

● To examine the comparative dividend practices of banks.

● To analyze the nature of the dividend strategies followed by the selected banks.

● To explore the relationship between DPS and other significant factors, such as EPS and stock price, and the relationship between stock price and the price-dividend ratio and dividend yield ratio.

● To provide recommendations and potential guidelines to address various issues based on findings.

The Key Findings were:

● Comparing the DPS of the two sample banks, it is found that HBL has a higher average than SCBL, even though both banks are not providing regular dividends. The performance of SCBL is satisfactory in terms of DPS with a higher consistency level than HBL.

● The average EPS of HBL is greater than that of NIBL. The analysis of the coefficient of variation indicates that there is greater variability in the EPS of SCBL bank compared to HBL, suggesting that HBL has a generally consistent EPS.

● On average, both HBL and NIBL followed a moderate dividend strategy. The pooled average of DPR for both sample banks is also moderate.

● The variability rate of HBL (0.5778) is higher than that of NIBL (0.22). Therefore, based on DPR, SCBL has a higher coefficient than HBL in terms of dividend distribution on MPS. Additionally, NIBL performs better in terms of dividend yield, as it has a lower CV of 350(46%), which is not favorable compared to HBL at 21.32%. The average Price-earning ratio of NIBL is higher than that of HBL, indicating that NIBL is in a better position for its owners. Thus, in this regard, the performance of NIBL can be considered satisfactory compared to HBL.

● The correlation coefficient between EPS and DPS in the case of HBL is positively associated with both banks. The level of correlation between EPS and DPS of HBL is very high, while the level of correlation between EPS and DPS of NIBL is low. There is a significant correlation between EPS and DPS in the case of NIBL, and a significant correlation between EPS and DPS in the case of HBL, as the correlation coefficient (r) is greater than 6PE.

Bista (2016) conducted research titled "Profit Strategy and Its Effect on Market Price of Stock," covering the fiscal years 2007/08 to 2014/15.

The Main Objectives were:

● To analyze the overall profit strategy adopted by sample banks.

● To examine the effect of dividends on market price per share.

● To analyze the relationship of financial indicators such as EPS, DPS, DPR, PE ratio, Liquidity ratio, Profitability ratio, and market value per market cost.

● To investigate the consistency of DPS, EPS, and DPR of the two sample banks.

The Key Findings were:

● The profit per market cost of all concerned banks is satisfactory, with SCENL providing the highest average DPS relative to its market cost.

● The average EPS market cost for the period studied is also satisfactory.

● The analysis of the coefficient of variation indicates fluctuations in DPS, while EPS of SCBL and SCBNL shows variability.

● SCBNL adopted an aggressive dividend payout ratio, while SCBL applied a moderate payout ratio.

● Based on the coefficient of variation, the market value of market cost is fluctuating across all sample banks.

● The relationship between DPS and MVPS of SCBL bank is positive, while the relationship between DPS and MVPS of SCBNL is negative.

Rajbhandari (2017) conducted research on "Profit Strategy Comparative Study among Banks and Insurance Companies."

The Primary Objectives were:

● To examine the relationship between profit and market price of the stock.

● To identify the appropriate profit strategy followed by banks and insurance companies.

● To analyze the relationship between the profit strategy choices of banks and insurance companies.

The Key Findings were:

- The average acquisition per share appears favorable for all sample organizations.
- There is a positive relationship between profit per share and earnings per share.
- The co-productive relationship between earnings per share and market price is negative.
- The relationship between market price per share and profit is positive.
- - Dividend payments are not consistent across all six sample organizations.

2.4 Exploration hole

This is an unmistakable review structure of past examinations as far as test size, nature of the example firms and approach utilised. This study takes care of just two business banks. Most recent five years information have been investigated with due thought of EPS, DPS, DPR, MPS, P/E proportion and DY. Taking as a primary concern for more intricate and broad investigation has been made. To evaluate the effect of profit on market cost of offer accessible data from concerned banks were explored and investigated.

Relapse investigation has been finished among DPR and different monetary pointers. Thus, it is accepted that this study is very unique. There have been numerous public and worldwide examinations in the field of profit strategy to date. Not all ideas and practices of unfamiliar creators' models about profit rehearses are used in our Nepalese profit strategy. Those reviews have attempted to figure out the near-concentration between two business banks' profit strategy. Nonetheless, as the Nepalese capital market is in the beginning phase of advancement, the end made by the global examinations may not be significant in the Nepalese setting. So it is prescribed to dedicate a few endeavours and think unfamiliar model profit rehearses in Nepalese profit Strategy.

CHAPTER III

RESEARCH METHODOLOGY

Research approach alludes to the different consecutive moves toward be embraced by the specialists in concentrating on the issue with specific targets in sees. It is the most common way of showing up to the arrangement of the issue through arranged and efficient managing the assortment, examination and translation of the reality and figures. It comprises exploration plan, populace and inspected wellspring of information, information handling method and instruments and procedures of information investigation.

The part is connected with the Exploration Philosophy utilised in the whole part of the review. Research is characterised as the precise and logical insightful cycle utilised to increment or update ebb and flow information by finding new realities. By and large it is separated into two classifications; one is fundamental examination which depends on asking to expand logical information and other is applied exploration which is utilised for critical thinking or growing new cycle, items or strategies.

3.1 Exploration Plan

The primary goal of this examination work is to discover the profit practice and its effect on financial backers of business banks. To finish this review, the following plan and organisation has been taken on.

As a matter of some importance, data and information are gathered. Auxiliary information is gathered. The significant data and information are chosen. Then information is organised in a valuable way. From that point forward, information is examined by utilising fitting monetary and enlightening and scientific apparatuses. In the examination part, understanding and remarks are likewise made any place vital.

3.2 Populace and Test

There are many banks whose offers are exchanged at financial exchange and profit rehearses, subsequently It is beyond the realm of possibilities to expect investigation of a bank with respect to the review point. The absolute 28 business banks work in the Nepalese financial industry as of

28/12/2015 among them just two banks are chosen as the examples of this review. Their admission examination will be finished choosing a firm populace. To give an unmistakable image of specific circumstance to the populace.

The example bank to be chosen is as per the following:

1. Prime Business Bank LTD
2. Dawn Bank Ltd.

3.3 Nature and Wellsprings of Information

The study involves a comparative analysis of the profit strategies employed by Nepalese commercial banks and their effects on stock price behavior. It primarily relies on secondary data. Information regarding the profit strategies of these two banks has been directly sourced from the respective banks. Valuable data and insights have been gathered from the annual reports and websites of NEPSE and SEBON. Additional information has been sourced from various institutions and regulatory bodies such as the Central Bank, Securities Exchange Board, Ministry of Finance, and the National Planning Commission, among others. Furthermore, data has been collected from multiple sources including,

- Yearly reports of concerned example banks
- www.nepalstock.com
- www.nrb.gov.np
- Nepal Stock Trade Restricted
- Security Leading body of Nepal
- Concerned banks

3.4 Information Handling Strategy

The information investigation instruments are applied as straightforwardly as could really be expected. Information from the different sources can't straightforwardly be utilised in their unique structure. They need to additionally be confirmed and improved with the end goal of investigation. Information, data, figures and realities so acquired should be checked, reviewed, altered and classified for calculation. As per the idea of information, they have been embedded in significant tables, which have been embedded in significant Tables, which have been displayed in supplements. Homogeneous information has been arranged in one table and also different

tables have been arranged in a justifiable Way, odd information is rejected from the table. Information has been broken down and deciphered utilising monetary and factual apparatuses. The detailed computations that can't be displayed in the body of a piece of the report are introduced in supplements toward the finish of the report.

3.5 Technique for Investigation

Different monetary and factual devices have been utilised in this review. The investigation of information will be finished by example of information accessible. Monetary apparatuses and basic relapse examination are utilised in the examination. The connection between various factors connected with concentrating on point would be long utilising monetary and factual devices. The different determined results obtained through monetary and measurable apparatuses are classified under various headings; they are contrasted with one another to decipher the outcome.

3.5.1 Monetary Instruments

a) Income per Offer (EPS)

EPS represents the portion of an organization's distributable profit allocated to each outstanding share of common stock. It serves as an indicator of a company's profitability and is one of the most widely used metrics for assessing financial performance. The earnings per share (EPS) is a significant measure of profitability, and when compared to the EPS of similar companies, it offers insight into the relative earning capacity of those firms. Analyzing EPS over multiple years reveals whether a company's earning capacity has improved or declined. Investors typically seek companies with consistently rising earnings per share. EPS calculations conducted over time indicate whether the trend in earnings power on a per-share basis has shifted during that period. EPS is calculated by dividing the net profit after taxes by the total number of outstanding common shares.

$$\text{EPS} = \frac{\text{Net benefit after charges}}{\text{No. of normal offers outstanding}}$$

b) Profit Per share (DPS)

DPS shows the piece of acquiring disseminated to the investors on per share premise. It is determined by partitioning the all out profit to value investors by the absolute no. of value shares.

$$\text{DPS} = \frac{\text{Total profit to common investors}}{\text{No. of conventional offers outstanding}}$$

c) Profit payout Proportion (DPR)

The profit payout proportion is how much profits paid to investors comparative with how much all out net gain of an organisation. This shows which level of the benefit is disseminated as profit and which rate is held as hold and surplus for development of the banks. It is computed by separating the DPS by the EPS.

$$\text{DPR} = \frac{\text{DPS}}{\text{EPS}}$$

d) Value Income Proportion (P/E proportion)

The price-to-earnings ratio (P/E ratio) represents the relationship between the market price per share and the earnings per share. This ratio serves as a valuation metric, comparing the current market price of a company's stock to its earnings per share. It indicates how much investors are willing to pay for each rupee of earnings currently reported per share (EPS). The calculation involves dividing the market value per share (MVPS) by the earnings per share (EPS).

$$\text{P/E} = \frac{\text{Market esteem per share (MVPS)}}{\text{Acquiring per share (EPS)}}$$

e) Profit yield (D.Y)

The profit yield mirrors the rate connection between profit per offer and market esteem per share. It is determined by separating the money profits per share (DPS) by the market esteem per share (MVPS).

$$\text{Profit Yield } = \frac{\text{Profit Per Share(DPS)}}{\text{MarketValue Per Share(MVPS)}}$$

f) Market Cost of Offer (MPS):

MPS refers to the value of stock that a company can obtain from the market. The market value of shares is influenced by factors such as earnings per share and the company's income. When earnings per share and profits are high, the market value of shares tends to be elevated as well. The market value of shares can be either above or below the book value. If a company is experiencing growth, its earning potential will surpass its cost of capital, leading to a market value of shares that exceeds the book value. Conversely, if the company's earning capacity is less than its cost of capital, the MPS will fall below the book value.

3.5.2 Measurable Instruments

Measurable instruments are the numerical methods used to work with the examination and understanding of mathematical information and structure gatherings of people or gathering of perception from a solitary person. Measurements is an investigation of the standards and strategy utilised in assortment, show examination and translation of mathematical information in any circle of request. In the current review, following factual devices have been utilised to reach one significant determination.

a) Mean or Normal ($\bar{x}$):

A normal is esteem, which addresses a gathering of values. It shows the attributes of the entire gathering. For the most part the normal worth lies some in the middle of between the two limits, for example the biggest and the littlest things. It is otherwise called straightforward normal.
Where,

$$\text{Mean or Normal } (\bar{x}) = \frac{\sum fx}{N}$$

b) Standard Deviation (σ):

The standard deviation represents the positive square root of the average of the squared deviations from the mean of a distribution. It is a widely recognized and useful measure of variability, providing consistent, accurate, and reliable results. The concept of standard deviation was introduced by Karl Pearson in 1823 and is denoted by the lowercase Greek letter sigma. "The standard deviation quantifies the overall dispersion or variability of the distribution; a higher degree of dispersion or variability corresponds to a larger standard deviation, indicating a greater extent of deviation of the values from their mean. Conversely, a smaller standard deviation indicates a high level of consistency and homogeneity within a dataset; a larger standard deviation suggests the opposite." (Gupta; 1991) In this context, the standard deviation is calculated for selected dependent and independent variables as outlined in the previously presented model.

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum fx^2}{N} - \left(\frac{\sum fx}{N}\right)^2}$$

c) Coefficient of variety (C.V):

The estimation of general scattering is conducted by Karl on an individual basis. The inconsistency of at least two series is employed for comparison. The series that exhibits a higher coefficient of variation is considered to be more variable, less reliable, less consistent, less stable, and less homogeneous. Conversely, the series with a lower coefficient of variation is regarded as less variable, more reliable, more consistent, more stable, and more homogeneous. This is referred to as C.V and is calculated as follows.

Where,

$$\text{Coefficient of Variety } (CV) = \frac{\text{S. D.}}{\text{Mean}} \times 100$$

e) Connection Investigation:

Connection investigation is the measurable apparatus that can be utilised to portray how much one variable is directly connected with another. In the current review, both straightforward relationships and various connections have been utilised. Relationships co-productive between the accompanying monetary factors have been determined and deciphered.

f) Straightforward connection coefficient between

- DPS and EPS
- DPS and Net Benefit
- DPS and MPS
- DPR and MPS
- DPS and Price-earning relationship

g) Likely Blunder [PE(r)]:

The likely blunder of the coefficient of relationship helps in deciphering its worth. It assists with deciding the dependability of the worth of coefficient. To cross check the legitimacy of the outcome, we can take help of following recipe:

Where;

Likely Blunder of Connection Coefficient P.E (r) = $0.6745 \times \frac{1-r^2}{\sqrt{n}}$

P. E (r) = Likely blunder of r.

r = connection coefficient among X and Y

- Assuming the worth of r is under multiple times, the likely mistake for example r < 6 P.E (r), there is no critical connection among X and Y.
- In the event that the worth of r is in excess of multiple times the plausible mistake for example r > 6 P.E (r), there is the most huge connection among X and Y.
- In the event that P.E (r) < 6 P.E(r), there is moderate connection among X and Y.

In the current review, a likely mistake has been determined to decide the unwavering quality of coefficient of EPS and DPS, DPS on Net Benefit and DPS and MPS.

h) Regression analysis:

Relationship examination tells the heading of development however it doesn't tell the overall development in that frame of mind under study. Relapse examination assists with knowing the overall development in the factors. Relapse examination of the accompanying factors have been determined and deciphered in the current review.

I) **Simple Regression Analysis:**

In this review, straightforward relapse examination has been utilised to concentrate because of free factors on subordinate factors. It helps in concentrating on the impact and the extent of the impact of single free factors on subordinate factors.

Profit per share on Procuring per share

The model: Y= a + b X

Where,

Y = Market cost per share

a = Relapse consistent

b = Relapse coefficient

X = Profit per share

This model empowers us to know regardless of whether EPS is the impacting component of profit per share.

j) **DPS on Net Benefit:**

Y=a+bX

Where,

Y = Profit per share

a = Relapse consistent

b = Relapse coefficient

X = Net Benefit

This model demonstrates the reliance of DPS on Net Benefit.

k) MPS on DPR

Y= a + b X

Where,

Y = Market cost per share

a = Relapse consistent

b = Relapse coefficient

X = Profit Payout proportion

This model has been built to inspect the connection between market cost per offer and Profit payout proportion.

l) MPS on DPS:

Y= a + b X

Where,

Y = Market cost per share

a = Relapse steady

b = Relapse coefficient

X = Profit per share.

This examination tests the reliance of market cost per share on profit per share.

m) Coefficient of Connections (r):

Connection is characterised as the "relationship" (of relationship) between (Among) the one ward variable (or element) and (at least one than one) autonomous variable (s) or component (s). In different words, connection is the connection between (or among) at least two factors (for example just a single variable reliant and at least one variable (s) free).

$$\textit{Connection of coefficient, } r = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum Y)^2}}$$

Where,

N = Number of sets of perception.

X= Variable

Y = Variable

r = connection of coefficient

n) Coefficient of Determination (r^2):

The coefficient of assurance is the essential way we can quantify the broadening, or strength of affiliation that exists between two factors. It is the proportion of the level of direct relationship between factors, one of which ends up being autonomous and other being a reliant variable. It estimates the rate of absolute variety in subordinate variables made sense of by autonomous factors. The coefficient of assurance worth can be going from zero to one. In the event that relapse line is awesome

assessor, $\square^2$ is zero when there is no connection. In this study coefficient of assurance is determined to know the level of connection of profit per share with procuring per share, net benefit, market cost per offer and total assets.

o) Regression consistent (a):

The relapse steady (a) which is the capture of the model addresses the typical degree of the ward variable when the free factor has a worth of nothing. All in all, it shows the mean or normal impact on subordinate variables in the event that every one of the factors precluded from the model. This term has halfway significance provided that no incentive for the free factor is conceivable.

p) Regression coefficient (b):

The relapse coefficient (b) is a boundary, which shows the minor connection between free factor upsides of ward variables holding steady impact of any remaining free factors in the relapse model. The 2 coefficient determines a piece of progress in the reliant variable in regards to part of progress in the free factors.

q) Standard Blunder of Evaluations (S.E.E.):

With the assistance of a relapse condition, wonderful expectation is for all intents and purposes unimaginable. Standard Blunder of Gauge is the proportion of unwavering quality of the assessing condition, demonstrating the fluctuation of the noticed focus around the relapse line,

that is the degree to which noticed values contrast from their predicted values on the relapse line. The more modest the worth of the standard blunder of gauge, the nearer will be the anticipated dabs to the relapse line. On the off chance that SEE is zero, then there is no variety about the line and the connection will be great. In this way with the assistance of SEE, it is possible to learn how well an agent the relapse line is as a portrayal of the typical connection between two factors.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

In this analytical chapter, an effort has been made to present an analysis of data that has been gathered related to various variables using both financial and statistical tools. The goal of this study is achieved by analysing the data collected using a variety of presentations and interpretations. This chapter aids in:

- Analysing the sample banks' methods for paying dividends;
- Analysing the relationship between dividends and other important variables.
- The effect of a dividend on a stock's market price.

4.1 Dividend Practices of the sample banks

One of the goals of this study is to analyse and assess how the dividend decision was applied in the chosen commercial bank. The financial indicators that are directly or indirectly related to the dividend payments of the banks have been examined in this section. Without complex information, this makes it easier to understand these banks' dividend practises. As part of this analysis,

- Net Profit (NP)
- Earnings Per Share (EPS)
- Market Price Per Share (MPS)
- Dividend Per Share (DPS)
- Dividend Payout Ratio (DPR)
- Dividend yield (DY)
- Price Earnings Ratio (P/E ratio)

4.1.1 Analysis of Net Profit (NP)

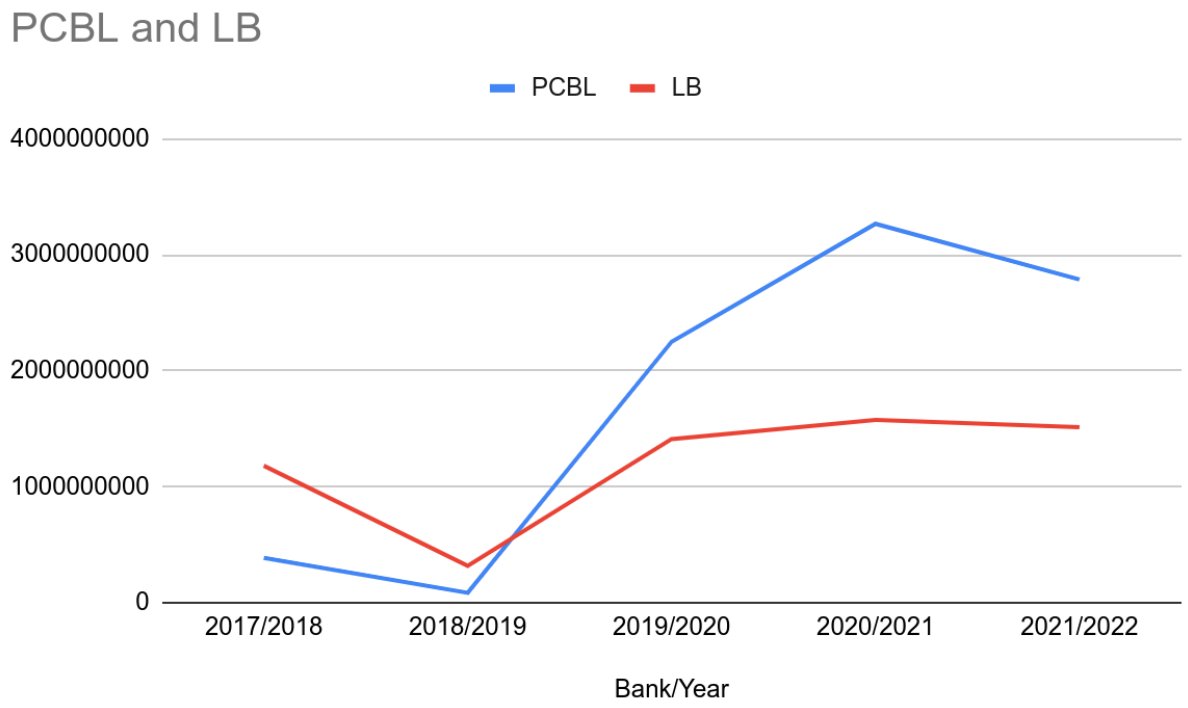
After all costs have been taken into account, a company's net profit, also known as net income or net earnings, is a gauge of its profitability. The table below shows the sample banks' Net Profit over the years.

Table 1***Table 4.1: Net Profits of sample Commercial Banks***

Bank/ Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	386376000	84749000	2251478300	3268400687	2787336347	351133613.4	1437485522	4.093
LB	1,181,090,925	318,014,855	1,411,549,380	1,575,760,520	1513452887	1,199,973,713	515377814.5	0.429

(Source: Appendix- A)

1Figure 4.1 Trends of Net Profit of sample Banks



The average net profit (NP) for PCBL during the period from 2017/18 to 2021/22 is NRs. 351,133,613.4, while for Laxmi Bank (LB) it stands at NRs. 1,199,973,713. In terms of consistency, Laxmi Bank's NP is more stable compared to that of PCBL and LB, as indicated by a standard deviation of 143,748,552 for Laxmi Bank and 515,377,814.5 for PCBL, with coefficients of variance of 4.093 and 0.429, respectively.

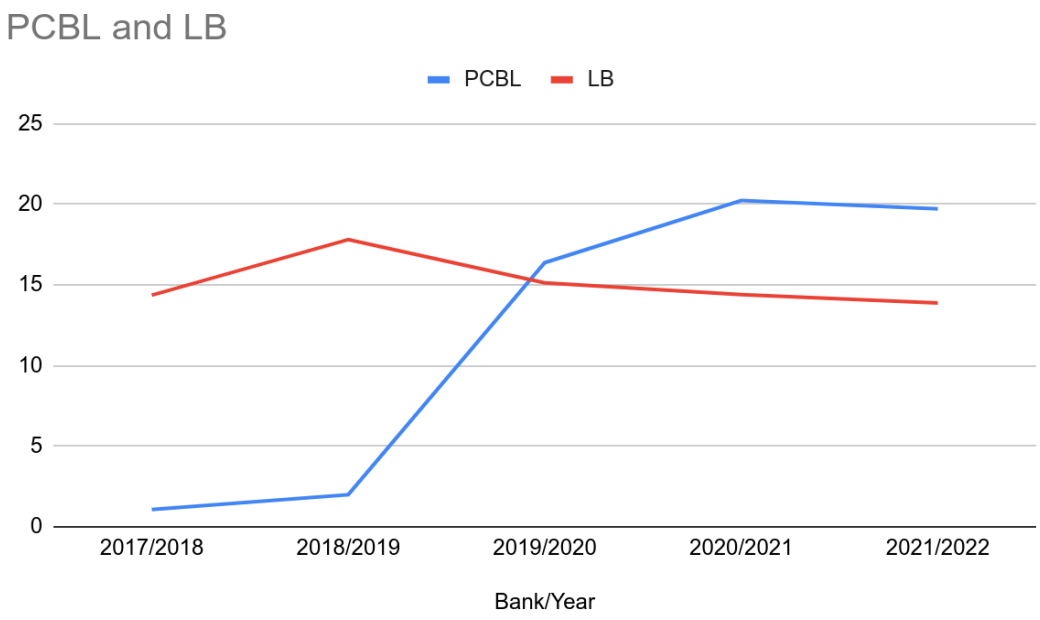
4.1.2 Analysis of Earning Per Share

EPS serves as an important indicator of the performance of commercial banks. If the financial markets and the broader economic conditions continue to be positive, showcasing the advantages of banks and other enterprises, EPS is expected to steadily increase throughout the year. A rise in EPS indicates that the bank's performance is enhancing, which positively affects its standing in the stock market.

Table 2***Table 4.2 Earnings per share of sample Banks***

Bank/Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	1.07	1.99	16.39	20.24	19.73	2.3768	9.572	4.027
LB	14	18	15	14	13.88	15	1.572	0.104

2Figure 4.2 Trends of Earnings per share of sample Banks



The table and figure above indicate that the Earnings Per Share (EPS) of the banks fluctuates inconsistently throughout the year. The average EPS for the period from 2017/18 to 2021/22 for PCBL is 2.3768, while for Laxmi Bank (LB) it is NRs 15. In terms of consistency, Laxmi Bank

demonstrates greater stability compared to PCBL Bank Ltd, as evidenced by the standard deviation and coefficient of variation; PCBL's figures are 9.572 and 4.027, respectively, while LB's are 1.572 and 0.10.

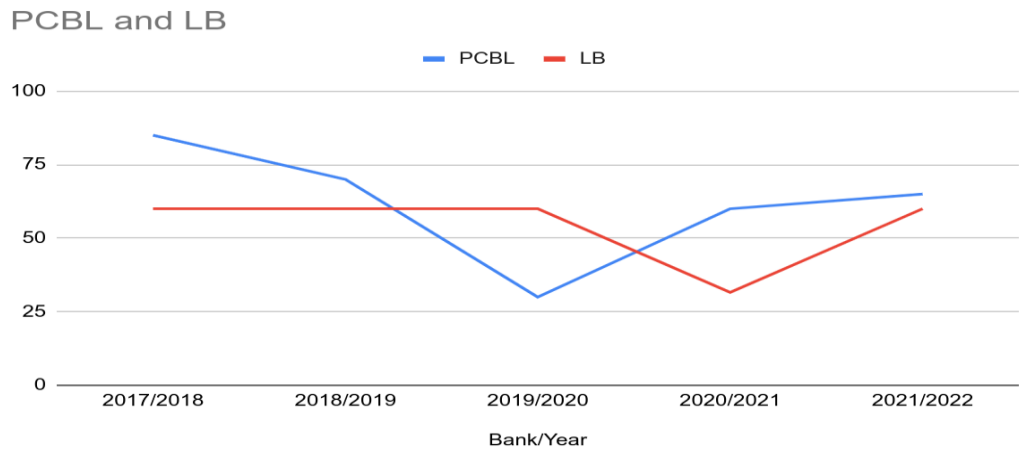
4.1.3 Analysis of Dividend per share

The dividend per share reflects the amount of earnings allocated to shareholders for each share they own. Typically, a higher DPS fosters a favorable perception among shareholders regarding the bank, which in turn can enhance the market value of its shares. Below is a table presenting the information related to dividends (both cash and stock) per share for the sample banks.

Table 3***Table 4.3 Dividend per share of sample Banks (Rs. In millions)***

Bank/Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	85	70	30	60	65	12.4	20.186	1.627
LB	60	60	60	32	60	54	12.709	0.233

3Figure 4.3 Trends of Dividend per share of sample Banks



The table and figure presented indicate that the Average D.P.S for PCBL and LB stands at NRs.62 and NRs.52.32, respectively, with standard deviations of Rs.20.18 and Rs.12.71. This suggests that PCBL bank offers a higher DPS in comparison to LB. During the study period, the highest and lowest DPS recorded for PCBL were RS.85 and 30, while LB recorded 60 and 31.58,

respectively. The standard deviations and coefficients of variation for PCBL and LB are 20.18 and 32.55, and 12.12 and 24.29, respectively, indicating that PCBL Bank exhibits more inconsistency than LB. Although the DPS of both banks shows inconsistency, LB's DPS is lower than that of PCBL. Furthermore, after the fiscal year 2018/19, the DPS of PCBL has been on the rise, showing an upward trend, while the DPS of LB has also been increasing after the fiscal year 2018/19.

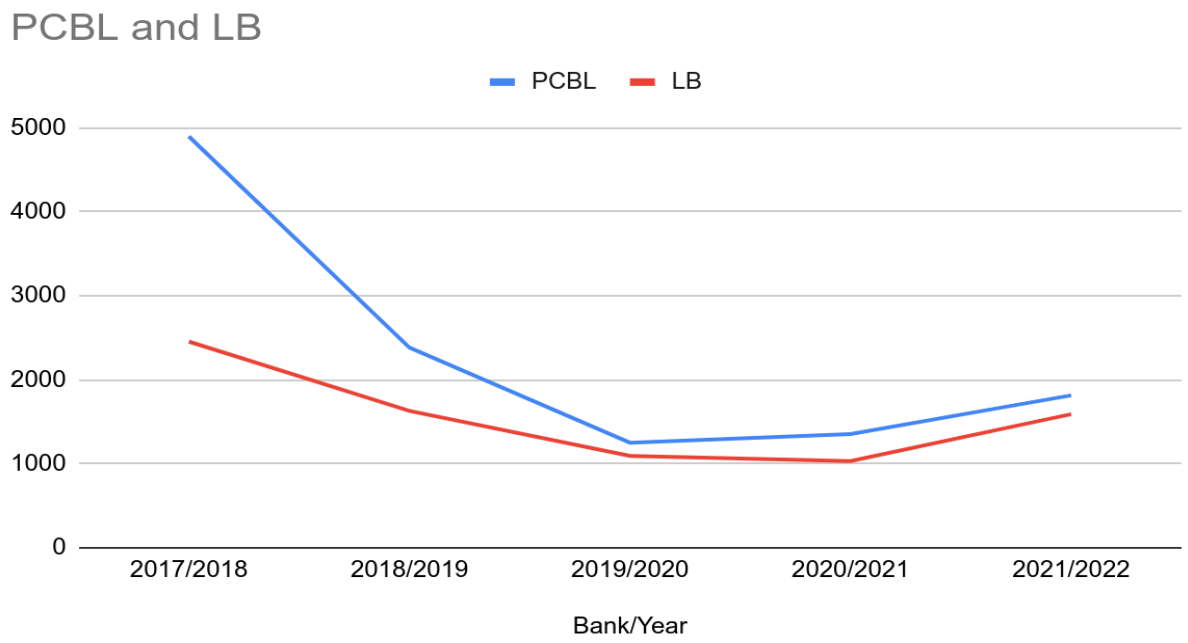
4.1.4 Analysis of Market Price Per Share

MPS is responsive to market price of the share. This is dependent on market process and performance of the banks. Generally, MPS of banks with better economic performance is expected to increase.

Table 4***Table 4.4 Market Price per share of sample Banks (Rs. In millions)***

Bank/Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	4899	2384	1252	1355	1815	468.2	1498.332	3.2001
LB	2,455	1,630	1,094	1,033	1591	1,561	570.475	0.365

4 Figure 4.3 Trends of Market Price per share of sample Banks



The table and figure presented indicate that the Market Price per Share (MPS) of the banks has been fluctuating inconsistently throughout the years. The average MPS for the period from 2017/18 to 2021/22 for PCBL stands at NRs.2341, while for Laxmi Bank (LB), it is NRs.1560.60. When comparing the variations in MPS, Laxmi Bank demonstrates greater consistency compared to PCBL Bank Ltd, as evidenced by the standard deviation and coefficient of variance; PCBL's figures are 1498.00 and 64.00, respectively, while LB's are 470.00 and 36.57. The MPS of both banks showed a downward trend until the fiscal year 2018/19, with PCBL experiencing a more significant decline than LB. Following the fiscal year 2018/19, the MPS for both banks began to rise.

4.1.5 Analysis of Price Earnings Ratio

The bank's relative performance is evaluated by comparing the market value of its shares to its earnings per share at the year's conclusion. This ratio rises when both EPS and MPS go up, or when EPS falls relative to MPS. An increase in the P/ER due to a decline in EPS is viewed

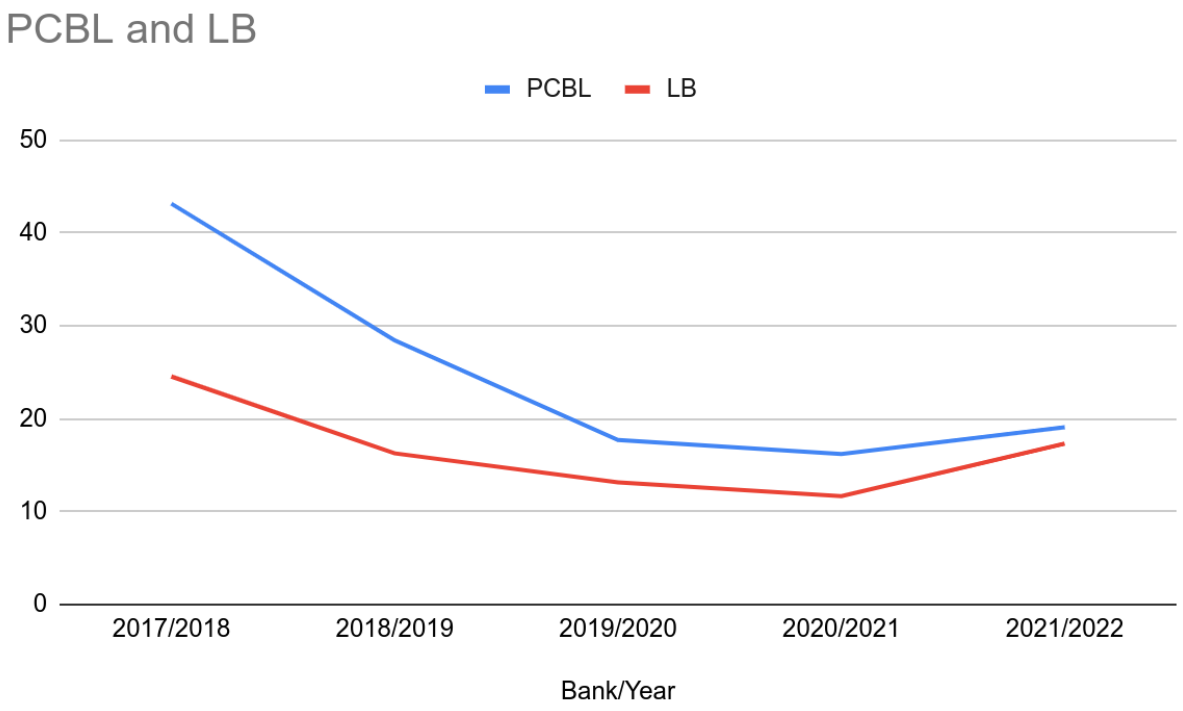
negatively. Consequently, the enhancement of a bank's financial performance is indicated by a rise in P/ER resulting from increases in both EPS and MPS.

Table 5 ***Table 4.5 P/E Ratio of sample Banks (in percentage)***

Bank/Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	43.16	28.45	17.72	16.21	19.08	4.9848	11.257	2.258
LB	25	16	13	12	17.32	17	5.0009	0.301

(Source: Appendix- A)

5Figure 4.5 Trend of Price Earnings Ratio of sample Banks



The table and figure indicate that the P/E ratios of both sample banks have shown inconsistent fluctuations throughout the year. The highest and lowest P/E ratios for PCBL and LB were 43.19% in 2017/18 and 16.21% in 2019/20, as well as 24.55% in 2017/18 and 11.67% in 2018/19, respectively. When assessing the consistency of the P/E ratios, PCBL demonstrates greater stability compared to LB, as evidenced by the coefficient of variance, which is 45.21% for PCBL and 6.03% for LB. The P/E ratio of PCBL exceeds that of LB, and the P/E ratios for

both banks declined until 2018/19 before rising in 2020/20. However, in terms of consistency, LB maintains a more stable P/E ratio compared to that of PCBL.

4.1.6 Analysis of Dividend Payout Ratio

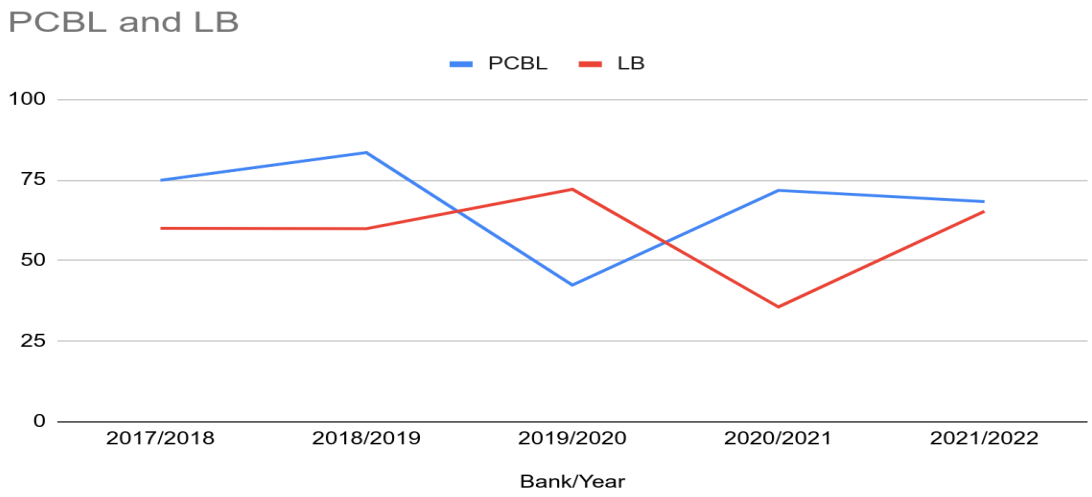
This ratio indicates the proportion of dividends relative to the earnings available for equity shareholders. It illustrates the connection between a bank's earnings per share and the dividends distributed to shareholders. The ratio rises when the dividend per share (DPS) grows at a quicker pace than the earnings per share (EPS), which is anticipated. Additionally, the dividend payout ratio (DPR) can increase if the EPS declines, although this situation is undesirable as it does not provide a favorable indication of the banks' financial stability.

Table 6 ***Table 4.6: Dividend Payout Ratio of sample Banks (in percentage)***

Bank/Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	74.93	83.52	42.45	71.8	68.32	13.6408	15.459	1.133
LB	60	60	72	36	65.3	59	13.764	0.234

(Source: Appendix- A)

6Figure 4.6 Trends of Dividend Payout Ratio of sample Banks



The table and figure presented indicate that the average DPR for PCBL and LB stands at 68.62% and 56.43% respectively. When comparing the two banks, PCBL exhibits a higher DPR than LB;

however, in terms of consistency in DPR, LB demonstrates greater stability compared to PCBL, as evidenced by the coefficient of variance results, which show PCBL at 22.63% and LB at 23.48%. While both banks display inconsistency in their DPR, LB shows a more stable DPR in comparison to PCBL. Following the fiscal year 2019/20, the DPR for PCBL has been trending upwards, whereas LB's DPR has been declining.

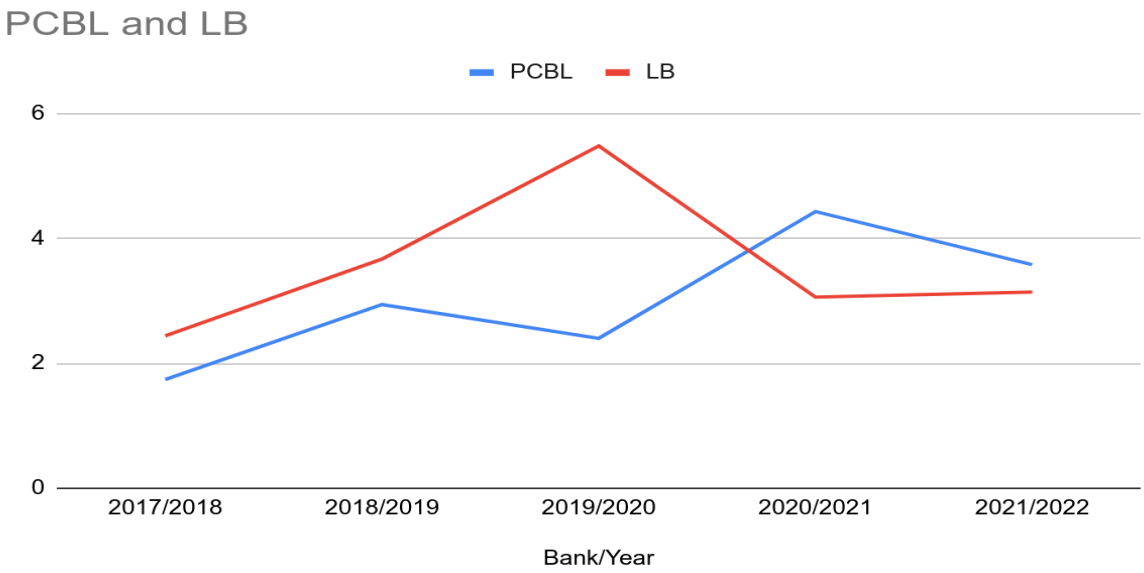
4.1.7 Analysis of Dividend Yield Ratio

The ratio indicates the dividend that investors receive compared to the market value of the share. Dividend yield represents the percentage of dividends per share relative to the market value per share. This ratio is anticipated to rise when the dividend per share and the market value of the share increase, particularly if the former grows at a faster rate. If the dividend yield rises due to a drop in the market value of the share, it is viewed as undesirable and does not reflect the stock market's health. Since the dividend per share and the market value per share are interrelated, they affect one another. For instance, when a bank announces a substantial dividend per share, the demand for that bank's shares increases, leading to a rise in the market value of the share.

Table 7 ***Table 4.7 Dividend Yield Ratio of Sample Banks (in percentage)***

Bank/Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Mean	SD	CV
PCBL	1.74	2.94	2.4	4.43	3.58	0.6036	1.040	1.723
LB	2.44	3.67	5.48	3.06	3.14	3.56	1.159	0.325

7Figure 4.6 Trends of Dividend Yield Ratio of sample Banks



The table and figure above indicate that the average Dividend Yield (D/Y) for PCBL and LB stands at 3.02% and 3.56%, respectively. When comparing the two banks, PCBL exhibits a lower D/Y than LB; however, in terms of consistency in D/Y, PCBL shows greater variability compared to LB, as evidenced by the standard deviation and coefficient of variation results of 1.04 and 34.44% for PCBL, and 1.16 and 25.58% for LB, respectively. The Dividend Yield Ratios for both banks are trending upwards, with PCBL's Dividend Yield Ratio exceeding that of LB until the fiscal year 2018/19. After this period, PCBL's Dividend Yield Ratio begins to decline. Meanwhile, LB's dividend payout ratio is on the rise, while PCBL's is decreasing in the fiscal year 2019/20.

4.2 Relationship between the financial indicators

Correlation analysis helps explore the relationship between the financial indicators. Simple correlation analysis is used to explore the relationship between the financial indicators.

- EPS and DPS
- DPS and MPS
- DPR and MPS
- DPR and Net Profit
- DPS and PE ratio

4.2.1 Relationship between EPS and DPS

DPS represents the share of profits allocated to shareholders on a per-share basis. Typically, a higher DPS fosters a favorable perception among shareholders regarding the bank, which in turn can enhance the market value of its shares. EPS serves as a crucial metric for evaluating the performance of commercial banks. It is anticipated that EPS will gradually rise throughout the year, provided that the financial market and overall economic conditions remain positive, reflecting the banks' strengths. An increase in EPS indicates improved performance of the bank, suggesting a stronger position in the stock market.

Table 8 ***Table 4.8 Correlation between EPS and DPS***

Bank	R	r^2	S.E(r)	P.E	Sig./Insig.
PCBL	0.84	0.7	0.13	0.02	Sig
LB	0.32	0.1	0.4	0.27	Insig

(Source: Appendix- B)

The table above illustrates a notable correlation between the EPS and DPS of PCBL bank, indicated by a positive correlation value of 0.84, meaning r > 6P.E. This suggests that an increase in EPS is associated with an increase in DPS. Conversely, while there is also a positive correlation between the EPS and DPS of LB, this relationship is deemed insignificant due to the value of r being less than 6 P.E. This indicates that although an increase in EPS is linked to an increase in DPS, the effect is not significant.

4.2.2 Relationship between DPS and MPS

MPS reacts to the market price of shares, which relies on market dynamics and the banks' performance. Typically, banks that demonstrate stronger economic results are anticipated to see an increase in their MPS. DPS reflects the share of earnings allocated to shareholders on a per-share basis. In general, a higher DPS fosters a favorable perception among shareholders regarding the bank, which in turn contributes to an increase in the market value of its shares.

Table 9 ***Table 4.9 Correlation between DPS and MPS***

Bank	R	r^2	S.E(r)	P.E	Sig./Insig.
PCBL	0.78	0.61	0.28	0.19	Insig
LB	0.52	0.27	0.33	0.22	Insig

The table above indicates a notable correlation between the DPS and MPS of PCBL bank, evidenced by a positive correlation value of 0.78, meaning that an increase in DPS corresponds with an increase in MPS. However, this relationship is deemed insignificant with respect to the increase in DPS. Conversely, there is also a positive correlation between the DPS and MPS of LB, but this relationship is considered insignificant due to a value of 0.52, suggesting that while an increase in DPS leads to an increase in MPS, it is not significant in relation to the increase in DPS.

4.2.3 Relationship between DPR and MPS

The Dividend Payout Ratio (DPR) represents the proportion of earnings allocated as dividends to equity shareholders. It illustrates the connection between a bank's earnings per share (EPS) and the dividends paid to its shareholders. The DPR tends to rise when the Dividend per Share (DPS) grows at a rate that outpaces the EPS, which is a typical scenario. Additionally, the DPR may also increase if the EPS declines, although this situation is undesirable as it does not reflect a bank's financial stability positively. The Market Price per Share (MPS) is influenced by the share's market price, which is contingent upon market dynamics and the bank's performance. Typically, banks that demonstrate stronger economic results are anticipated to see an increase in their MPS. The DPS signifies the share of earnings that is distributed to shareholders on a per-share basis. In general, a higher DPS fosters a favorable perception among shareholders regarding the bank, which in turn can enhance the market value of its shares.

Table 10 ***Table 4.10 Correlation between DPR and MPS***

Bank	R	r^2	S.E(r)	P.E	Sig./Insig.
PCBL	0.46	0.21	0.43	0.29	Insig
LB	0.23	0.053	0.45	0.3	Insig

The table above illustrates a positive correlation between the DPR and MPS of PCBL and LB, with correlation coefficients of 0.46 and 0.23, respectively. This suggests that a one percent rise in DPR corresponds to a 46% and 23% increase in the MPS of PCBL and LB, respectively. However, the correlation between the DPR and MPS for the sample bank is deemed insignificant, as the value of r is less than 6 P.E. This indicates that while an increase in DPR does lead to an increase in MPS, the effect is not significant in relation to the increase in DPR.

4.2.4 Relationship between DPS and PE ratio

DPS represents the amount of earnings allocated to shareholders on a per-share basis. Typically, a higher DPS fosters a favorable perception among shareholders regarding the bank, which in turn can enhance the market value of its shares. The price-to-earnings ratio (P/E ratio) compares the market price of a share to its earnings per share.

The P/E ratio serves as a valuation metric that assesses a company's current share price in relation to its earnings per share. This indicates the price that the market is willing to pay for each rupee of the earnings currently reported per share (EPS).

Table 11 ***Table 4.11 Correlation between DPS and PE ratio***

Bank	R	r^2	S.E(r)	P.E	Sig./Insig.
PCBL	0.75	0.56	0.29	0.148	Insig
LB	0.63	0.34	0.22	0.19	Insig

The evaluation reveals a positive relationship between the PE ratio and the DPR of PCBL, quantified at 0.75. Conversely, there exists a negative relationship between the PE ratio and the DPR of LB. This suggests that a 1% change in DPS results in a 75% change in the PE ratio of PCBL bank. In contrast, a 1% increase in DPS leads to a 63% decrease in the PE ratio of LB.

The correlation between DPS and the PE ratio for the sample bank is deemed insignificant, with values below 6 indicating an insignificant correlation for LB as well.

4.2.5 Relationship between DPR and Net Profit

The Dividend Payout Ratio (DPR) indicates the proportion of earnings distributed as dividends to equity shareholders. It reflects the connection between a bank's earnings per share (EPS) and the dividends paid to its shareholders. The DPR rises when the Dividend per Share (DPS) grows at a rate that outpaces the EPS, which is a typical scenario. Additionally, the DPR can also increase if the EPS declines; however, this situation is undesirable as it does not provide a favorable indication of a bank's financial stability. Net profit, also known as net income or net earnings, represents a company's profitability after all expenses have been deducted.

A table illustrates the correlation between the Dividend Payout Ratio and Net Profit.

Table 12 ***Table 4.12 Correlation between DPR and Net Profit***

Bank	R	r^2	P.E	Sig./Insig.
PCBL	0.36	0.13	0.30	Insig
LB	0.34	0.12	0.29	Insig

From the analysis of correlation coefficient, it is seen that the relationship between DPR and net profit is negative. It means increase or decrease in Net Profit does not have a positive relationship with DPR. The value of $\square^2$ of PCBL is 0.13 and LB is 0.12 which means that the change in DPR is not simultaneously change as net profit.

4.3 Impact of dividend policy on market price of stock

Analysis and interpretation of dividend payment practices and the relationship between the financial indicators of the sample bank have been presented in the above. The purpose of the study is not complete yet. The main important analysis is the effect of dividend on stock price, which is still to be carried out. Therefore, this part of the study is purely devoted in this regard. Based on these sample sizes it is hoped that the study will adequately shed light on the impact of dividend on stock price.

4.3.1 DPS AND MPS

To assess the impact of dividend on market price of stock the simple correlation regression has been done. Here the MPS is a dependent variable and DPS is an independent variable.
Regression equation: Y = a +bx

The result of the regression analysis has been presented in the following table:

Table 13 ***Table: 4.13 Dividend per Share and Market Price per Share***

Banks	a	B	r^2	S.E.E	S_b	T
PCBL	1250.66	57.93	0.61	1081.7	26.79	2.16
LB	299.83	23.21	0.27	59.66	23.24	0.99

The above table shows that the coefficient of dividend is positive of both sample banks. In case of PCBL, the coefficient of dividend is 57.93, which indicates that a one- rupee increase in DPS leads to an average Rs.57.93 increase in stock price. In case of LB the coefficient of dividend is 23.21, which indicates that one-rupee increase in DPS leads to the average Rs23.21 increase in stock price.

The test of "t" statistics concluded the result is not significant except in PCBL bank in 5% level of significance since the value of "t" calculated is smaller than the tabulated value. The value of r^2 is 0.61 and 0.27 of PCBL and LB respectively. These values of r^2 indicate 61%, and 27% variation in the stock price of PCBL and LB.

As regards the regression model: Y = a +bX and the above explanation, the conclusion drawn is that the coefficient of dividend is high in PCBL as compared to LB. This indicates that there is a positive relationship between dividend and stock price so the dividend has a predominant influence on stock price as per the result of the analysis.

4.3.2 DPR and MPS

Regression result of market price per share on dividend payout ratio.

Regression equation: Y = a +bx

Table 14 ***Table 4.14: Dividend Payout Ratio and Market Price per Share***

Banks	a	B	r^2	S.E.E	S_b	T
PCBL	677.53	44.26	0.21	1539	49.54	0.89
LB	992.75	9.68	0.053	641.69	23.3	0.41

The above table shows that a coefficient of dividend ratio is positive i.e. 0.21 and 0.053, which indicates that 1% increase in DPR leads to Rs.44.26 and Rs.9.68 increase in stock price.

The value of r^2 is very low of LB and compare to PCBL. This value of r^2 indicates that very low satisfactory level of explained for the model as a whole the value of r^2 in PCBL, and LB is 0.21 and 0.053 respectively which indicates that 21% and 5.3% of variation in the stock has been explained by the regression model.

The test of "t" statistics concluded the result is not significant at the 5% level of significance since the value of "t" calculated is smaller than the tabulated value.

As regards the regression model: Y = a +b. X and the above explanation, the conclusion drawn is that the coefficient of DPR is positive and the effect of DPR on market price of stock has been found positive in all sample banks

4.4 Major Findings

The primary conclusions of the research are presented in numerical order:

The net profit of the banks has shown an upward trend over the years. The average net profit for the period from 2017/18 to 2021/22 for PCBL is NRs. 351,133,613.4, while for LB it is NRs. 1,199,973,713. In terms of consistency, Laxmi Bank's net profit is more stable compared to

PCBL Bank Ltd, as indicated by a standard deviation of 1,437,485,522 for PCBL and 515,377,814.5 for LB, with coefficients of variance of 4.09 and 0.429, respectively.

The earnings per share (EPS) of the banks have fluctuated inconsistently over the years. The average EPS for the period from 2017/18 to 2021/22 for PCBL is NRs. 89.33, while for LB it is NRs. 92.75. In terms of consistency, Laxmi Bank's EPS is more stable compared to PCBL Bank Ltd, with standard deviations and coefficients of variance of 16.01 and 17.92 for PCBL, and 7.37 and 7.95 for LB, respectively.

The highest and lowest dividends per share (DPS) for PCBL during the study period are NRs. 85 and 30, while LB has NRs. 60 and 31.58, respectively. The DPS of both banks is inconsistent, but when comparing the two, LB's DPS is lower than that of PCBL. After the fiscal year 2019/20, the DPS of PCBL has been on the rise, showing an upward trend, while LB's DPS has also been increasing after the fiscal year 2020/21.

The market price per share (MPS) of the banks has also changed inconsistently over the years. The average MPS for the period from 2017/18 to 2021/22 for PCBL is NRs. 2,341, while for LB it is NRs. 1,560.60. In terms of fluctuations, Laxmi Bank's MPS is more stable compared to PCBL Bank Ltd, with standard deviations and coefficients of variance of 1,498.00 and 64.00 for PCBL, and 470.00 and 36.57 for LB, respectively. The MPS of both banks was on a downward trend until the fiscal year 2019/20, with PCBL experiencing a greater decline compared to LB. After the fiscal year 2019/20, the MPS of both banks has started to rise.

The price-to-earnings (P/E) ratio for both banks has fluctuated inconsistently over the years. The highest and lowest P/E ratios for PCBL and LB are 43.19% in 2017/18 and 16.21% in 2020/21 for PCBL, and 24.55% in 2017/18 and 11.67% in 2020/21 for LB, respectively.

The average dividend payout ratio (DPR) for PCBL and LB is 68.62% and 56.43%, respectively. When comparing the two banks, PCBL has a higher DPR than LB, but in terms of consistency, LB exhibits more stability in its DPR compared to PCBL, as shown by the coefficients of variance of 22.63% for PCBL and 23.48% for LB.

The average dividend yield (D/Y) for PCBL and LB is 3.02% and 3.56%, respectively. In comparing the two banks, PCBL has a lower D/Y than LB, but in terms of consistency, PCBL shows more inconsistency compared to LB, as indicated by the standard deviations and coefficients of variance of 1.04 and 34.44% for PCBL, and 1.16 and 25.58% for LB, respectively.

The correlation between EPS and DPS for PCBL shows a positive correlation value of 0.84, indicating that an increase in EPS leads to an increase in DPS. Conversely, there is also a positive correlation between EPS and DPS for LB, but the relationship is insignificant due to the value of r being less than 6 P.E, indicating that while an increase in EPS leads to an increase in DPS, the effect is not significant.

The correlation between DPS and MPS for PCBL shows a positive correlation value of 0.78, indicating that an increase in DPS leads to an increase in MPS, although this is also insignificant. Similarly, there is a positive correlation between DPS and MPS for LB, but the relationship is insignificant with a value of 0.52, indicating that an increase in DPS leads to an increase in MPS, but not significantly.

There is a positive correlation between DPR and MPS for both PCBL and LB, with values of r being 0.46 and 0.23, respectively. This indicates that a 1% increase in DPR results in a 46% and 23% increase in MPS for PCBL and LB, respectively. However, the correlation relationship between DPR and MPS for both banks is insignificant, indicating that while an increase in DPR leads to an increase in MPS, the effect is not significant.

Regarding the correlation coefficient, it is observed that the relationship between DPR and net profit is negative. This means that changes in net profit do not have a positive relationship with DPR. The r2 value for PCBL is 0.13 and for LB is 0.12, indicating that changes in DPR do not correspond with changes in net profit.

The coefficient of dividend for both banks is positive. For PCBL, the coefficient of dividend is 57.93, indicating that a one-rupee increase in DPS results in an average increase of Rs. 57.93 in stock price. For LB, the coefficient of dividend is 23.21, indicating that a one-rupee increase in DPS results in an average increase of Rs. 23.21 in stock price.

The t-statistics test concluded that the results are not significant except for PCBL at the 5% level of significance, as the calculated t-value is smaller than the tabulated value. The r2 values are 0.61 and 0.27 for PCBL and LB, respectively.

The coefficient of dividend ratio is positive, at 0.21 and 0.053, indicating that a 1% increase in DPR leads to increases of Rs. 44.26 and Rs. 9.68 in stock price for PCBL and LB, respectively.

The r2 value for LB is very low compared to PCBL, indicating a low level of satisfaction in explaining the model as a whole. The r2 values for PCBL and LB are 0.21 and 0.053, respectively, indicating that 21% and 5.3% of the variation in stock price has been explained by the regression model.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter aims to summarize the research conducted, presenting conclusions and recommendations based on the findings. Three key aspects of the study are discussed in this section. Initially, a summary and conclusions are formulated based on the results. The identified gaps and the factors contributing to these gaps are also outlined. This chapter holds significant importance because, following the restoration of democracy in 1990 A.D., Nepal adopted a liberal economic policy. Consequently, numerous companies have been established across various sectors, including industry, tourism, transportation, trade, and predominantly in the financial sector, all of which contribute to the country's economic development.

5.1 Summary

This document seeks to examine the dividend practices of commercial banks. The analysis is grounded in secondary data spanning from 2017/18 to 2021/22. To evaluate the dividend payment behaviors of banks, various financial ratios have been computed and analyzed. For a more comprehensive assessment, an analysis by company has also been conducted. Nepal is striving to enhance its economy through global trends and partnerships with developed nations. Investors put money into equity capital with the hope of earning returns in the form of dividends or capital gains. A high payout meets the dividend requirements, while an increase in stock market price boosts capital gains. Consequently, companies should strike a proper balance between dividends and retained earnings. Dividend distribution is a crucial element for any organization aiming to achieve its goals and satisfy shareholders. The board of directors decides and declares dividends. A firm’s post-tax profits can either be allocated for dividend payments or retained to bolster shareholders' equity. This may require weighing the costs of paying dividends against the costs of retaining earnings. In fact, distributing dividends to shareholders is an effective strategy to attract new investors to purchase shares. The decision regarding a company's earnings between dividend payouts and retention significantly impacts the market value of

shares, making it a vital consideration. Therefore, a prudent policy should be upheld that aligns with both shareholders' interests and corporate objectives. Occasionally, funds may not be utilized due to a lack of investment opportunities. In such cases, distributing dividends to shareholders is viewed as the best option, as shareholders may have alternative investment opportunities.

To evaluate the available information on dividends, data from various sectors were reviewed and analyzed. For this purpose, different descriptive, financial, and statistical analyses were conducted using various methodologies. Simple regression analysis was employed to enhance the reliability of the research. Ultimately, hypotheses were tested. The study revealed that banks are distributing dividends, but there is a lack of consistency in their dividend distribution. The findings indicate that none of the banks have a clearly defined and suitable dividend policy. They do not appear to adhere to an optimal dividend policy that meets shareholders' expectations for regular dividends, which could lead to uncertainty among shareholders. Variations in dividend per share and payout ratios influence share prices differently across various banks. The correlation between DPS, EPS, and net profit is positive in all banks.

In Nepal, only a limited number of listed companies provide regular dividends to their shareholders. Moreover, these companies have not been maintaining a stable dividend policy. Conversely, the dividend payout ratio of listed companies in Nepal has failed to deliver equitable dividends. The theoretical premise of this study is to investigate the dividend practices of selected banks; thus, it is concluded that the dividend policy is largely contingent on the earnings per share of a company: the positive relationship between earnings per share and dividends per share may also influence the market price of shares. To support this argument, two multiple regression models were utilized. From the simple regression analysis of DPR and MPS, as well as DPR and net profit of both sample banks, it can be inferred that changes in dividend per share affect share prices differently across various banks. The market price of shares is influenced by the financial health and dividends distributed by firms. In this context, the MPS of the sample banks appears to be volatile, indicating that Nepalese investors are not treated equitably. The lack of financial literacy and market inefficiencies have adversely impacted the market price of shares in all the sample banks.

5.2 Conclusions

This section outlines the gaps identified in this study as conclusions. It also discusses the issues related to dividends and other pertinent factors discovered during the analysis of the variables. The research did not succeed in pinpointing a specific dividend policy for either of the two commercial banks examined, with the board of directors determining dividend payouts on an annual basis. This decision regarding dividend distribution is likely influenced by the company's financial performance from the previous year. Due to the absence of established dividend policies in these companies, the analysis revealed some unusual patterns in their financial performance. The examination of the financial data from the two selected commercial banks did not establish a definitive link between dividend policies and practices in Nepal. While there are some general trends, no universal rules apply to all companies. Additionally, a few unexpected results appeared to contradict economic principles. The potential reasons for this gap will be explored as thoroughly as possible. By reviewing the financial and statistical indicators of both commercial banks, the following conclusions regarding the current dividend payout practices of publicly listed companies in Nepal have been reached.

The dividend practices of the sampled banks are neither consistent nor steadily increasing; a random approach to distribution amid growth trends is evident. These banks do not adhere to a specific dividend payment strategy. Cash and stock dividends are distributed without prudent managerial decisions. There are no legal obligations for companies to pay dividends when they are profitable. Not only do these companies lack a clear dividend decision policy, but there is also no provision in the company act. There is a deficiency of rules and regulations that compel companies to distribute dividends annually. Furthermore, the government lacks a definitive policy regarding dividends.

The dividend payout ratio exhibits instability and lacks coordination with other variables. These banks do not possess a strategic dividend policy. There is inconsistency and unpredictability in the banks' dividend payments. Each year, earnings per share (EPS) and market prices per share (MPS) show significant fluctuations. Similarly, the market prices per share are also unstable. These variations undermine public trust in the companies. Shareholders in Nepal are often not well-informed. Taking advantage of these uninformed shareholders, company management fails

to uphold the commitments made in prospectuses when raising capital. Promoters entice investors with promises of attractive dividends when the company is profitable. However, in practice, many companies deviate from the commitments stated in their prospectuses. The government does not have clear policies regarding dividends or measures to enhance the efficiency of companies. Many companies struggle to generate sufficient profits, and bureaucrats attribute the lack of efficiency to the managers, which is an unfounded claim. Most investors in Nepal's capital markets lack sound economic judgment when it comes to investing in the stock market. Many invest without even considering the basic financial indicators of the companies they are investing in.

5.3 Recommendations

In light of the key findings and issues identified throughout this research, several recommendations are outlined below.

Upon reviewing the history of companies that pay dividends, it becomes clear that net profit after tax serves as the primary basis for dividend distribution. Therefore, it is recommended that investors seeking immediate returns should consider investing in shares of companies with high profit margins.

All companies must acknowledge a crucial fact: Earnings Per Share (EPS) should be a key factor in determining the dividend amount. The analysis indicates an inability to definitively state whether there is a significant or insignificant relationship between EPS and Dividend Per Share (DPS) on average. It is essential to prioritize earnings when making dividend-related decisions.

The main focus of this research is to examine the dividend policies and practices in the relatively underdeveloped capital markets of Nepal, highlighting both the opportunities and challenges present in the current practices. Based on the findings, this study offers recommendations to all key stakeholders in the share market.

Stock brokers need to stay informed about the performance of the companies whose shares they handle. They should be aware of the capital market's prospects, contribute to the healthy growth of the country's capital market, adhere to ethical standards, and avoid influencing others. They

should consider establishing an Information Centre to provide accurate information to potential investors regarding investments.

Despite the sample bank's payout ratio fluctuating annually, there is a lack of a systematic approach to determining the payout. The entire organization should evaluate the internal rate of return and the cost of capital when deciding on the Dividend Payout Ratio (DPR), which aids in maximizing shareholder wealth.

A systematic approach is necessary for determining the payout. The entire organization should assess the internal rate of return and the cost of capital when deciding on the DPR, which contributes to maximizing shareholder wealth.

Banks should maintain a long-term perspective on earnings and dividend payments to navigate the competitive challenges of today's market. Various internal and external factors must be taken into account before making decisions.

Shareholders should have the option to choose between stock dividends and cash dividends rather than having stock or cash declared arbitrarily. This dividend declaration should be presented for approval at the annual general meeting of shareholders.

Banks should establish target earnings and target payout ratios to enhance their reputation in the stock market, making it easier for investors to make informed investment decisions.

It is essential to implement legal regulations that govern companies' current dividends; such legal frameworks for dividend management are crucial for the smooth growth of businesses and the national economy. To achieve this, the Nepal Government, NEPSE, SEBON, and other relevant parties should collaborate.

The government should promote the establishment of organizations dedicated to advocating for and protecting investor interests. Currently, there are no organizations fully committed to safeguarding investors' rights.

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