EFFECT OF DIVIDEND POLICY ON SHAREHOLDER WEALTH AND COMPANY PERFORMANCE OF NEPALESE COMMERCIAL BANKS

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

PRATIMA RAI

Shanker Dev Campus

Campus Roll Number: 3105/077

Exam Roll No: 35868/21

T.U Registration No: 7-2-580-54-2016

July, 2024

Certification of Authorship

I hereby confirm that I have conducted thorough research and submitted the final draft of my dissertation entitled **"EFFECTS OF DIVIDEND POLICY ON SHAREHOLDER WEALTH AND COMPANY PERFORMANCE OF NEPALESE COMMERCIAL BANKS ".** This dissertation is entirely my own work and has not been previously submitted for any academic degrees or used for any other academic purposes. I would like to acknowledge and express my gratitude for the assistance and cooperation I received during the course of this research work.

……..

Pratima Rai

July, 2024

REPORT OF RESEARCH COMMITTEE

Miss Pratima Rai has defended research proposal entitled **"EFFECTS OF DIVIDEND POLICY ON SHAREHOLDER WEALTH AND COMPANY PERFORMANCE OF NEPALESE COMMERCIAL BANKS"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Kiran Thapa and submit the thesis for evaluation and viva voce examination.

.....
Kiran Thapa
Dissertation Supervisor

Dissertation Proposal Defended Date:
.....

Dissertation Submitted Date :
.....

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Research Department

Dissertation Viva-voce Date:
.....

APPROVAL SHEET

We have examined the dissertation entitled **"EFFECTS OF DIVIDEND POLICY ON SHAREHOLDER WEALTH AND COMPANY PERFORMANCE OF NEPALESE COMMERCIAL BANKS''** presented by Pratima Rai for the degree of **Master of Business Studies (MBS Semester)**. We hereby certify that the dissertation is acceptable for the award of degree.

.....
Kiran Thapa
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

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

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

ACKNOWLEDGEMENTS

First of all, I would like to express my heartfelt gratitude to the Shanker Dev Campus, Tribhuvan University for providing an opportunity to carry out research project. This project has been prepared for the partial fulfillment of the requirement for the degree of Master of Business Studies (MBS). This research work is not completed by only individual effort but several helpful hands have contributed in the completion of the report. I express my deep appreciation to everyone who helped me during this study.

My sincere gratitude goes to my esteemed thesis advisor and supervisor, Kiran Thapa, whose unwavering support, insightful feedback, and patience guidance have been indispensable in shaping this research. Your expertise and mentorship have played a pivotal role in the development of this work, and I am truly thankful for your valuable contributions.

I would like to express cordial gratitude to Asso.Prof. Dr.Sajeeb Kumar Shrestha (Chairperson, research committee) for his timely and continuous guidance throughout the study. Likewise, I am grateful to Asso. Prof. Dr. Sajeeb Kumar Shrestha, the head research management of Shanker Dev Campus, Dean, Assistant Dean, and also highly appreciate the efforts of all teacher and other members of Shanker Dev Campus, libraries staffs who inspired and provided the needed materials to complete this thesis.

Lastly, my heartfelt thanks go to my parents, family members, and friends, whose unwavering encouragement and inspiration have been a driving force throughout this journey. I am also thankful to previous scholars whose research has significantly contributed to shaping the foundation of this thesis.

Thank you.

Sincerely,

Pratima Rai

TABLE OF CONTENTS

Page No.

LIST OF TABLES

LIST OF FIGURE

Page No.

ABBREVIATIONS

ADBL	Agriculture Development Bank
ASE	Amman Stock Exchange
ASX	Australian Stock Exchange
BFIs	Bank and Financial Institutions
BOD	Board of Director
DPOR	Dividend Payout Ratio
DPR	Dividend Payout Ratio
DPS	Dividend per Share
DY	Dividend Yield
EBL	Everest Bank Limited
ECMs	Emerging Capital Markets
EPS	Earning Per Share
FS	Firm Size
FTSE	Financial Time Stock Exchange
GMS	General Meeting of Shareholders
IDX	Indonesia Stock Exchange
IRA	Individual Retirement Account
KSE	Karachi Stock Exchange
MBL	Machhapuchchhre Bank Limited
MLR	Multiple linear regression
NBL	Nabil Bank Limited
NEPSE	Nepse Stock Exchange Limited
NPAT	Net Profit after Tax
NPV	Net Present Value

NRB	Nepal Rastra Bank
NSE	Nepal Stock Exchange
PBL	Prabhu Bank Limited
PER	Price Earnings Ratio ratio
PSX	Pakistan Stock Exchange
ROA	Return on Assets
ROE	Return on Equity
S. D.	Standard Deviation
SPSS	Statistical Package for Social Sciences
TA	Total Assets
TATO	Total Assets Turnover Ratio

ABSTRACT

This study examines the impact of dividend policy on shareholder wealth and company performance in six Nepalese commercial banks: Nabil Bank Limited (NBL), Machhapurchhe Bank Limited (MBL), Agriculture Development Bank Limited (ADBL), Prabhu Bank Limited (PBL), Nepal Bank Limited (NBL), and Everest Bank Limited (EBL). These banks were selected from a total of 20 through convenience sampling. The analysis uses data from annual reports, financial statements, and other relevant documents over the fiscal years 2013/14 to 2022/23.

The findings reveal that dividend per share, firm size, and dividend payout ratio significantly influence shareholder wealth and company performance. Earnings per share (EPS) and return on assets (ROA) are directly affected by these variables, highlighting their importance in dividend decisions. Regression analysis shows that firm size does not significantly impact EPS, while dividend per share and dividend payout ratio do, with the former increasing EPS and the latter decreasing it. Similarly, for ROA, firm size has no significant impact, but dividend per share increases ROA, and dividend payout ratio decreases it. These results underscore the critical role of dividend policies in the Nepalese banking sector.

Overall, the study highlights the importance of dividend-related metrics in predicting and understanding financial performance, particularly their impact on EPS and ROA. These findings underscore the significant role of dividend payout policies in enhancing shareholder wealth and performance in Nepalese commercial banks.

Key words= Dividend payout ratio, Dividend Per share, Firm size, Return on Assets, Earning Per share

CHAPTER I

INTRODUCTION

1.1Background of the study

The rapid economic development in Southeast Asia is evident on the global stage. Investors aim for capital gains or dividend income, including profits from the difference between purchase and sale prices of shares. These investors, particularly those focused on dividends, prefer a relatively stable dividend distribution as it reduces the uncertainty associated with their investments. The dividend payout ratio measures the proportion of net profit distributed to shareholders as dividends, either annually or from retained earnings. Since the consistency of dividend payouts is crucial, investors are keen to evaluate the sustainability of a company's dividend flow (Sunaryo & Lestari, 2022).

Relative to accounting information users and corporations, the financial markets are regarded as a crucial and significant element that serve as the primary channel of communication. Economic progress is facilitated by savers who gather their resources and turn them into investments. Thus, the economy has a strong foundation. Extensive research has been conducted on financial decisions aimed at maximizing a corporation's value, encompassing not only the distribution of profits to shareholders but also the challenging conditions faced by corporations. These precarious conditions complicate decision-making processes and can significantly impact both company performance and financial outcomes. Following recent changes in the economics and financial field, companies have been searching for ways and methods to continue achieving acceptable levels of performance, especially financial performance. As a result, choosing a dividend policy is regarded as one of the most significant financial choices that can influence a business's financial success. If the company's investment decisions are based on the cash flow from operations, dividends are regarded as a significant factor that influences both the process of self-financing and the potential impact of those decisions on the opportunities for investment that the company has access to. Dividend policy is marked by ambiguity and an inability to fully comprehend all of its components, even if researchers and financial professionals continue to disagree over it. By analyzing the effect of dividend policy on the financial performance of companies in rising economies like Jordan, the current study attempts to eliminate these uncertainties and bring this problem into sharp perspective (Kanakriyah, R, 2020).

Profit maximization and increasing shareholder value are two of a company's main goals (Pandey, 2005). Capital investment decisions, capital structure changes, profit margin improvements, and sales growth all have a major impact on shareholders' wealth (Azhagaiah & Priya, 2008). Here, a company's ability to increase shareholder wealth and provide returns on their capital investments might be considered indicators of its performance. Following Baker et al. (2001), a dividend policy may have an impact on the firm's value and, consequently, shareholders' wealth. One of the conditions for companies to be listed on the Nairobi Securities Exchange is to have a defined dividend policy going forward (Kibet, T. W., Kenya Gazette Legal Notice No 60 May, 2016). As a result, management should give dividend policy careful thought.

Essentially, dividend policy is the choice that impacts the amount of earnings that are distributed to shareholders following the deduction of all costs and taxes from the company's overall profits. To put it simply, it's the profit that can be earned on all common stocks during a given time frame, usually on an annual basis. Investors want to maximize wealth with every investment they make, and shareholders often invest to generate profits. One way for shareholders in a corporation to get paid for their investment is through dividend payments. The market price of the company’s common stock serves as a proxy for the wealth of its shareholders and is determined by the company’s actions regarding financing, investments, and dividends. The decisions an organization makes regarding dividends are among the most important ones that must be made in order to operate efficiently and accomplish its goals. Because of the growing significance of finances in the company's overall growth plan, decisions about dividends are seen as being crucial. The goal of the finance manager need to be to determine the best dividend policy that will increase the company's worth. A commonly held belief is that a decrease in dividend payments tends to lower a company's share price. Discloses regarding dividend hikes result in anomalous gains in securities, while those regarding reductions in dividends lead to anomalous losses in securities. As a result of dividends' signaling effect, share prices decline. Managers set a dividend level to communicate their superior and confidential knowledge about future prospects, in accordance with the signaling impact. A consistent dividend payment ratio could result from the company's management making such a calculation. Kapoor (2009).

Risks and uncertainty are intrinsic to investing; while they cannot be completely foreseen, they may be partially comprehended with sufficient knowledge. To lessen the severity of these risks and uncertainties, investors must be aware of a company's performance in addition to the nation's

overall political and economic circumstances. Financial reports are usually used during annual general meetings to convey details about a company's performance, according to Khan, Nadeem, Islam, Salman, and Gill (2016). These reports aid in investors' understanding of the company's profitability potential and performance.

A crucial component of business decision-making is the dividend policy, which is approved by the Board of Directors and adopted by management at a general shareholder meeting (GMS). It includes choices on the following: (1) amount of distributions; (2) manner of distribution (cash, shares, or assets); and (3) consistency of dividends. These choices are made based on established guidelines, rules, and business customs. While there is no set rule dictating the percentage of profits that must be distributed to shareholders, empirical data from Table 1 indicates that a significant number of companies listed on the Indonesia Stock Exchange (IDX) distribute dividends; roughly 41–45% do so annually, and roughly 60% continue to do so for a period of four years. Even though dividend income is subject to taxation, investors often favour dividend-paying investments as compensation for their monetary contributions. Accordingly, dividend policy has a big impact on stock prices (Baker & Powell, 2012).

1.2 Statement of the problem

In the field of corporate finance, dividend policy is one of the most controversial and hotly discussed topics. It is still one of the top ten unsolved problems in corporate finance, according to Brealy et al. (2008), and more research is necessary to fully understand its complexities. There is still no agreement on dividend policy despite a plethora of international studies examining different aspects of it. Similar factors used in different businesses but by researchers in different nations have produced somewhat different results.

Gill, Biger & Tibrewala (2010), for example, examined the US manufacturing and service sectors and found unique key characteristics for each. In light of these differences, this research aims to pinpoint industry-specific variables impacting dividend payouts by concentrating on the banking sector, a crucial area in Nepalese business. The banking industry was chosen because of its distinct dividend distribution policies in comparison to other banks and financial institutions in Nepal. However, it is acknowledged that certain of the factors affecting dividend distribution show patterns that are constant throughout research projects.

The Nepalese organizations have different understanding about dividend payout decision and there is a big issue while distributing dividend to their shareholders. There is a different strategy

and rules of making dividend policy for different organization and various factors i.e. independent variable affects directly or indirectly to dividend payout decision. Therefore, there is a need of meticulous analysis to find out the actual result of dividend decision of Nepalese banking sector. Therefore this research raises some of following question:-

i. What is the status of dividend policy to enhance shareholder wealth and company performance in Nepalese commercial banks of Nepal?
ii. What is the relationship between dividend policy indicators (DPS, DPR, and FS) and company performance, as measured by earnings per share (EPS), return on assets (ROA) in Nepalese commercial banks?
iii. What is the impact of dividend policy, measured by dividend per share (DPS), dividend payout ratio (DPR), and firm size (total assets, FS), on shareholder wealth, measured by earnings per share (EPS), company performance measured by return on assets (ROA) in the context of Nepalese commercial banks?

1.3. Objectives of the study

The general objective of the this study is to compare and determines the factors that dividend policy on shareholder wealth and company performance of selected banks as a sample and it helps to identify present trend in dividend policy of these banks. The study have following specific objectives:

i. To examine the dividend policy to enhance shareholder wealth and company performance in Nepalese commercial banks of Nepal.
ii. To analyze the relationship between dividend policy indicators (DPS, DPR, and FS) and company performance, as measured by earnings per share (EPS), return on assets (ROA) in Nepalese commercial banks.
iii. To examine the impact of dividend policy, measured by dividend per share (DPS), dividend payout ratio (DPR), and firm size (total assets, FS), on shareholder wealth, measured by earnings per share (EPS), company performance measured by return on assets (ROA) in the context of Nepalese commercial banks.

1.4. Rationale of the study

The proposed study aims to investigate the complex relationship between dividend policy, firm size, and shareholder wealth within the context of corporate finance. Dividend policy decisions,

including metrics such as dividend per share (DPS) and dividend payout ratio (DPR), play a pivotal role in determining how firms distribute profits to their shareholders. Concurrently, firm size, typically assessed by total assets (TA), can influence these dividend policy choices. Larger firms may exhibit different dividend policies compared to smaller counterparts due to variations in cash flow stability and growth objectives. Through an examination of these variables, particularly their impact on shareholder wealth as reflected by earnings per share (EPS), this study seeks to provide a comprehensive understanding of how dividend policies interact with firm size to affect investor returns. By shedding light on these dynamics, the research endeavors to offer valuable insights for investors, financial managers, and policymakers, ultimately contributing to the optimization of shareholder value in corporate decision-making processes. (Ozuomba, et al., 2016)

This study can play the vital role in understanding the current trend of dividend policy of the selected sample banks and it also helps to compare the dividend policy of selected banks with each-other. It also tries to explore the better dividend policy in practices. It helps to provide information about factors affecting dividend policies of BFIs in Nepal. This study also helps to analyze the affecting factors that determines the dividend payout decision in Nepalese bank and financial institutions.

1.5. Limitations of the study

It is critical to understand that external forces as well as internal considerations can influence dividend policy. Internal determinants include investment possibilities, profitability, and liquidity, whereas external elements include macroeconomic variables including economic development, stability, technical advancements, and changing customer preferences (Roberto, 2002). The goal of this study is to determine the variables that affect the banking industry's dividend policy.

The relationship between the dividend payout ratio (DPR), dividend per share (DPS), earnings per share (EPS), return on assets (ROA), and business size (total assets, TA) is the specific focus of our investigation. These factors were chosen according to how significant they were thought to be in determining a company's dividend policy. We have therefore limited our research to these five elements since we believe that they are essential to comprehending the dynamics of dividend distribution in the selected sector.

i. Most of the data are based on secondary sources to analyze and interpret the results, and they may not be timely. The study is based on the annual reports of the particular banks and trading reports published by the NEPSE.

ii. Only six commercial banks are taken as a sample, so results cannot be generalize to its population.

iii. This study has only considered ten years data since 2013/14 to 2022/2023 for analysis.

iv. The completeness and accuracy of the yearly reports published by the pertinent banks have a major bearing on the dependability of secondary data.

CHAPTER II

LITERATURE REVIEW

The researcher collected relevant material for the study through searching through a variety of publications, including books, periodicals, articles, journals, newspapers, and earlier research studies. A literature review is a procedure that involves examining several sources that are relevant to the study topic of choice.

2.1 Conceptual Review

A company's dividend policy specifies the payouts that a manager may choose to pay to shareholders, often known as dividends per share. For investors, the dividend payment guarantees a lengthy holding period for stocks. This is a clear relationship between the dividend policy and the choice to pay the dividend continuously. Maintaining a positive reputation for a business greatly depends on dividend payments to shareholders. The choice to distribute the dividend will boost the business's earnings. Generally speaking, a portion of earnings will be used to pay the dividend, with the remainder being retained. The dividend payment indicates the company's capacity to cover both its own and borrowing expenses. The transfer of profits to shareholders in the form of earnings toward the goal of maximizing shareholder value is referred to as a dividend (Ullah & Arif 2019).

A company's dividend payment policy is to distribute its net profit to its shareholders after deducting taxes and reserving a portion of the earnings for future business use. One of the most significant decisions in a company's financial management is the dividend policy. Enterprises are required to choose the portion of their profits to hold, allocate for growth and development, and distribute to shareholders. Dividend payout policy: determines how retained earnings and profit are distributed to shareholders in order to pay dividends (Lee & peng, 2022).

The aim of dividend policy is to allocate retained earnings for reinvestment and dividends for shareholders. Retained earnings provide investors a source of potential future profit growth through reinvestment, while dividends provide them a current distribution. It determines how much the company's after-tax profit will be distributed, how much retained earnings for reinvestment will be, and how much dividends for shareholders will be. Thus, dividend policy will affect the share of capital in the capital structure of the business and the cost of capital used by the business (Hung & Binh, 2018).

This study aims to analyze the effect of dividend policy on shareholders' wealth in Shariah-compliant (SC) and non-compliant (NC) nonfinancial firms in Pakistan. Dividend policy decisions, including Dividend per Share (DPS), Dividend Yield (DY), and Dividend Payout Ratio (DPOR), significantly influence firm performance and shareholder value. SC firms, adhering to Islamic financial principles, may exhibit different dividend behaviors compared to NC firms. Theories such as Dividend Irrelevance, Bird-in-the-Hand, Signaling, and Agency Theory provide varying perspectives on dividend policy's impact on firm value. This study utilizes the fixed-effect and pooled OLS models to analyze data from 2016 to 2021, revealing that DPS, DY, and EPS are significant for SC firms, while DPOR, DPS, and DY are critical for NC firms. The findings contribute to understanding the optimal dividend policy for maximizing shareholders' wealth in different firm types, offering practical insights for managers and investors (Akbar, et al., 2023).

The allocation of earnings between payments to shareholders and internal business reinvestment is determined by the dividend policy. While dividends give investors cash flows, retained earnings are a vital source of funding for business expansion (Weston & Copeland, 1990). Increased dividend payments have the potential to draw in new investors, but it can be difficult to manage cash for the company's development while figuring out how much of the earnings should be distributed as dividends. Therefore, in order to solve the problem of striking a balance between profit retention and shareholder distributions, an effective dividend policy is required.
Since dividend policy has a direct impact on the organization's structure, cash flows, corporate liquidity, and investor mood, it is essential for optimizing the value of common stock. Consequently, it is the responsibility of management to sustain consistent dividend payments, which necessitates enough revenues. In years with strong earnings and ample cash, the company may also issue additional dividends. Before adopting an effective dividend policy, it is crucial to thoroughly consider the issues surrounding dividend payments and earnings retention because they are inversely connected. The idea of a lesser payout should be used while concentrating on business development, even though a greater dividend is in line with the objective of wealth maximization (Weston & Brigham, 1989).

2.1.1 Major forms of dividend

A company might choose to distribute income to shareholders in ways other than paying out cash dividends. The two most widely utilized types of dividend payments in Nepal are cash dividends

and stock dividends. In the event that a company is cash-strapped, it may choose to give its stockholders dividends in alternative ways.

Cash Dividend

A cash dividend is the most common type of dividend, and its how many businesses choose to share their profits. It entails giving investor's cash equivalent to their ownership stake in the company's earnings. Cash dividends are the most popular type of payout in Nepal and are embraced by many businesses. The company's cash account and reserve account are both depleted when a cash dividend is given, which lowers the company's total assets and net value. A business has to have enough cash on hand to guarantee that it can pay cash dividends when they are announced. A business that maintains a consistent dividend policy should also create a cash budget for the next quarter in order to estimate how much money will be needed for dividend payments on a regular basis.

Stock Dividend

When the Board of Directors approves a stock dividend, more common stock is distributed to stockholders. With this kind of payout, the total value of the company remains unchanged while the number of outstanding shares rises.

Scrip Dividend

A business may declare a scrip dividend if its cash situation is temporarily insufficient but its earnings warrant a distribution. Transferable promissory notes, which may or may not carry interest, are given to shareholders as a type of dividend. When a business is profitable but requires time to wait for other current assets to be converted into cash, scrip dividends make sense.

Bond Dividend

Rather than cash, bonds are given to shareholders as a bond dividend. By issuing its own bonds to prevent sudden financial withdrawals, this strategy enables the corporation to postpone cash payments.

Property Dividend

Distributing assets or property to shareholders in lieu of cash is known as a property dividend. When a corporation has assets that are no longer required for its operations, or in extraordinary circumstances, it uses this strategy. Distributing the company's own goods or subsidiary stocks as property dividends are two examples.

2.1.2 Factors Affecting Policy for Dividends

The dividend policy of a company is influenced by several things. Legal provisions, liquidity positions, bondholder constraints, projected rate of return, earnings stability, and personal taxes paid by shareholders are all significant factors that impact dividend policy. Below is a description of each of these factors:

Capital Structure

A company's financial structure includes both debt and equity finance. The capital structure, often known as long-term finance, shows how much a business depends on debt. Financial leverage is the term for this dependence, which may provide tax benefits like interest deductions and maybe raise return on equity. Leveraging debt, however, comes with hazards since the business has to pay fixed costs, such as principle and interest. If these responsibilities are not met, the business may have to be liquidated. As a result, high levels of financial leverage may restrict dividend payments since businesses must maintain internal cash flow rather than distribute it to satisfy these commitments. Furthermore, highly leveraged corporations generally pay out smaller dividends in order to reduce the transaction costs associated with obtaining outside funding, according to Rozeff (1982). It is realistic to anticipate an inverse link between debt levels and dividend payments because certain covenants also limit dividend payments. According to a number of research, debt and dividends are negatively correlated (Jensen et al., 1992; Gugler and Yurtoglu, 2003).

Position of Profitability

A company's choice to pay dividends is essentially influenced by its profitability. Profitability is a crucial threshold factor that affects stock prices as well as dividend payments. According to theoretical viewpoints, the ability of the business to pay dividends is reflected in the dividends that are normally paid from annual earnings. As a result, businesses that face losses are unlikely to provide dividends. Net profit was cited by Lintner (1956) as a major factor influencing stock prices and dividend payments. Profitability, dividend payments, and stock prices have been found to positively correlate in several research (Han et al., 1999; Fama and French, 2002). Empirical research provides evidence in favour of the theory that profitability has a significant role in determining stock prices and dividend policy (Pandey, 2001; Aivazian et al., 2003). According to the pecking order concept, businesses would rather finance initiatives internally first. If they need outside funding, they would choose debt over equity in order to reduce

transaction expenses and asymmetric information (Myers, 1984). Decisions on dividends may be influenced by this economic hierarchy. In particular, because of the expenses involved in issuing debt and equity, less profitable businesses could decide not to pay dividends. Highly profitable businesses, on the other hand, are in a better position to produce retained earnings for investment funding and to pay dividends. When Fama and French (2002) used anticipated returns on assets to test the pecking order hypothesis, they discovered a positive correlation between stock prices, dividends, and profitability, which supported the pecking order hypothesis.

Size and Investment Opportunities

Bigger organizations may raise money more quickly and cheaply than smaller organizations because they usually have better access to the financial markets. This implies that when a business expands in size, it becomes less dependent on internal funding. Greater companies are probably going to provide their shareholders more dividends, all other things being equal. According to empirical research, there is a favourable association between dividend payments and firm size, which plays a crucial role in determining dividend policy (Fama and French, 2001). There are two primary motivations for this study's investigation of the link between bank size, dividend policy, and stock prices. First, firm size is incorporated into the study as a control variable in accordance with earlier research. Second, studies on the effect of business size on dividend payments in the Egyptian setting are conspicuously lacking. A company's size may be determined in a number of ways, including capitalization, assets, employment, and sales. This study measures size using total assets, a technique often used in earlier studies (Deshmukh, 2003). It is expected that there would be a positive correlation between business size, dividend distributions, and stock prices based on the debate and available research.

Board Composition

Setting basic policies, directing corporate activities, approving large expenditures, and approving the corporation's strategic goals and plans are the main responsibilities of the board of directors. Typically, the board consists of both external and internal directors. According to Gitman and Zutter (2015), outside directors might include important investors, executives from other firms, and well-known local or national leaders. Inside directors often comprise senior company executives. Board composition often deals with topics like diversity, which includes the racial, gender, and age makeup of board members; board independence, which includes the autonomy

of board committees; and the dual function of the Chief Executive Officer (CEO). The board of directors has the last say over whether or not to pay dividends to shareholders.

Laws

Different national legal frameworks have an impact on a company's dividend choices. Dividend payment restrictions under the law often fall into two groups. Statutory limitations fall under the first category and may prohibit a business from paying dividends in specific circumstances. The second group comprises of certain restrictions that differ according to the jurisdiction. Generally speaking, a company may not be allowed to pay dividends if the following circumstances exist:

i. When the company's debt surpasses its equity.

ii. In the event that the suggested dividend exceeds total earnings (retained earnings).

iii. If the company's capital was used to fund the dividend.

Restrictions included in each company's particular financing agreements and preferred stock arrangements may also result in particular constraints.

Getting into the Capital Market

Large, well-known companies with a track record of consistent profits growth and profitability are usually better able to access capital markets and other external finance sources. Smaller and recently established businesses, on the other hand, pose a greater risk to prospective investors, which restricts their capacity to get debt or equity financing from capital markets. Smaller businesses must so frequently hold onto greater revenues in order to finance their investment potential. Because of this, compared to younger, smaller companies, established companies often have a larger dividend payment ratio.

In control

Excessive cash dividend payments may result in insufficient capital to support investment possibilities, hence requiring the issue of new securities. The current shareholders' level of control may be impacted by this issue. Instead than issuing new shares, shareholders frequently choose to finance new investments through debt and retained earnings in order to maintain control. if a result, the dividend payout can be decreased if owners try to limit dividend payments in order to maintain control over the business.

Shareholders' Tax Situation

The dividend policy of a firm is influenced by the tax status of its shareholders. Large taxpayers in higher income tax rates typically hold corporations with lower dividend distributions. On the other hand, companies with fewer shareholders typically pay out more dividends.

Rate of Asset Growth

Businesses that are expanding quickly need additional funding to finance their growth. The higher the expected future cash requirements, the higher the probability that the company would hold onto its earnings instead of paying out dividends. Thus, a propensity for holding onto money rather than disbursing dividends is frequently the result of a high pace of asset expansion.

2.2 Theoretical Review

There are two major theories related to the relevance and irrelevance of dividends, namely the dividend relevance theory and the dividend irrelevance theory.

2.2.1 Irrelevance Theory

The dividend irrelevance theory suggests that the payment of dividend has no effect on the value of the firm. The theory is based on the idea that investors are indifferent between current dividends and future capital gains. Therefore, the payment of dividends by a company does not increase the value of the firm or the wealth of the shareholders. The various theories supporting this thought are as follows:

i. Residuals Theory of Dividends
ii. Modigliani and Millers Approach

Residual Dividend Theory

Theoretically, managers that prioritise value maximization will only make investments when opportunities with positive net present value (NPV) arise. Any cash flow that remains after these possibilities are completely utilized will be distributed as dividends by the company. Zero dividends, however, can occur if a company has financial limitations and more investment opportunities than cash flow. The idea behind a residual dividend policy is that payouts of dividends are contingent upon the fulfilment of specific requirements. These prerequisites include not intending to retire shares or debt and having fewer investing options than cash flow. Companies may infrequently fulfil these requirements, giving the impression that their dividend policy is steady. Preinreich (1932) and Sage (1937) were the first to explain the idea of a residual

dividend policy, albeit they did not refer to it by that name. According to Preinreich (p. 284), after taking reinvestment prospects into consideration, the optimal dividend policy from the standpoint of the investor would distribute all excess wealth as cash dividends. Sage (pp. 245-246) describes a "middle-of-the-road" strategy in which management strikes a balance between dividend distributions and investments in order to avoid going too far.

Remaining dividend policies might send forth unusual signals to investors. Changes in the dividend may be seen by investors as a sign of potential investment possibilities for the company. For example, a rise in dividends can be interpreted as an indication of less investment alternatives, which could be interpreted negatively. Such signals would be preferred to be avoided by rational managers, whose remuneration is frequently correlated with stock performance. Although this isn't always a drawback of a residual policy, managers should be prepared for its possible effects.

Modigliani and Miller's Model

The MM hypothesis was put out by Modigliani and Miller (MM) to show that a company's dividend policy has no impact on the value of the company as a whole or the wealth of its shareholders. This model states that the only factors influencing a company's share value are its investment choices. The MM hypothesis is predicated on a number of important premises:

i. The company works in a perfect capital market where there are no transaction costs, all investors are rational, information is freely available, securities are endlessly divisible, and no investor has the ability to affect the market price of securities.
ii. There are no taxes, hence there is no tax rate difference between capital gains and dividend income.
iii. The company has a set investing strategy.
iv. One discount rate is applied to all securities and time periods, and there is no risk or uncertainty, enabling investors to confidently forecast future profits, dividends, and share prices.

Because the MM model makes several unrealistic assumptions, it could not be fully appropriate to the Nepalese setting. Specifically, in this context, the presumptions of a perfect capital market, unfettered information, and rational investors are not valid. Furthermore, the model does not account for the influence that capital gains taxes and flotation expenses might have on dividend policy.

2.2.2 Relevance theory

According to the relevance theory of dividends, payout decisions are significant since they impact the firm's market value. According to this hypothesis, investors are often risk adverse and would prefer dividends now (or "bird-in-the-hand") than potential future share gains and dividends. According to the relevance theory of dividends, the share price is impacted by dividend policy. Consequently, this theory suggests that the best dividend policy should be chosen in order to maximize shareholder value. The following models can be used to explore relevance theory. The following are the several theories that provide credence to this idea:

i. Pecking Order Theory;
ii. Bird in Hand Theory;
iii. Signaling Theory

Theory of the Bird-in-Hand

According to the "bird-in-hand" idea, investors would rather get dividends from their assets than perhaps make capital gains because of the uncertainty surrounding the latter. This idea, which takes its cue from the proverb "a bird in the hand is worth two in the bush," contends that dividend payments are more important than the potential for larger financial gains in the future. Among the main ideas of the "bird-in-hand" hypothesis are:

i. Due to the increased uncertainty associated with capital gains, investors choose stock dividends over possible capital gains.
ii. The Modigliani-Miller dividend irrelevance hypothesis, which contends that investors don't care whether their rewards come from capital gains or dividends, was challenged by the development of this idea.
iii. In this perspective, dividends are thought of as the "bird in the hand," and capital gains as the "two in the bush."
iv. The bird-in-hand idea was developed by Myron Gordon and John Lintner as a refutation of the Modigliani-Miller theory. The bird-in-hand argument states that stocks with larger dividend payments typically have higher market values because they are more appealing to investors.

Theory of Pecking Order

The pecking order hypothesis describes a cost-based hierarchy for financing sources. It was first put out by Donaldson in 1961 and subsequently improved upon by Stewart C. Myers and

Nicolas Majluf in 1984. This idea states that corporations prioritise their financing alternatives, using debt first, internal funds second, and equity as a last resort.

This theory is based on the idea of asymmetric information, which holds that management of a company are more aware of the prospects, dangers, and worth of the organization than are outside investors. This disparity affects the decision to issue debt or equity and whether internal or external funding is preferred. Since issuing debt demonstrates management confidence in the investment's success and signals that the present stock price is undervalued, debt is favored over equity. On the other hand, issuing equity can be interpreted as a sign of mistrust towards the company's future, which might result in a drop in share price as a result of perceived overvaluation. This dynamic, however, may not apply to high-tech businesses, where the intangible character of assets and high cost of financing may make stock issuance more alluring.

Theory of Signaling

Like previous dividend signaling models, Bhattacharya's (1979) model of signaling theory investigates how, in asymmetric information environments, dividends might function as an efficient signal of a firm's real worth to investors. Bhattacharya's model suggests that any penalties are indirect and would take the form of possible declines in the firm's value as a result of dividend signaling, in contrast to Kalay's (1980) model, which assumes a direct penalty on managerial remuneration connected to dividend signaling.

In Bhattacharya's model, managers are chosen by shareholders to speak on their behalf, and it is expected that they would make choices that will maximize shareholder value. The declaration of dividends functions as a cue to investors to evaluate the firm's value (V(D)). This valuation is predicated on the idea that dividend payments and the firm's actual value are related, in accordance with the Spence-type (1974) signaling equilibrium. In Bhattacharya's model, the effect of personal taxes on dividends is also taken into account. It is assumed that capital gains are tax-exempt and dividends are taxed at a rate of [1(∘α)]. The model also includes a large refinancing penalty (β) in the event that future cash flows are insufficient to pay the dividends that have been declared. Recognizing that the assets of the company outlive the shareholders' investment horizon, it is assumed that any undistributed cash flows be reinvested in long-term investment initiatives.

2.3 Empirical Review

Kakkar and Sharma (2023) examined at how the top 5 companies chosen based on market capitalization in the Indian automobile industry fared in terms of dividend policy and shareholder wealth. Based on prior research, data was gathered from 2011–12 to 2015–16 using profits per share and dividend per share as proxy for shareholders' wealth and dividend policy. For data analysis, correlation and the basic regression approach were used. The study's findings support the relevance hypothesis of dividend policy by indicating that dividend policy has a major influence on shareholders' wealth. It supports the idea that the company's future prospects are signalled by dividend announcements, which raises the common stock's perceived worth.

Hanafi et al., (2023) investigated how listed businesses' share prices performed in relation to their dividend policies under the FTSE FBM100. The dependent variable in this study is share price. The independent factors are dividend policies, which comprise dividend yield, volume traded, dividend payout, and firm size. The control variables are return on invested capital, free cash flow yield, and volume traded. One of the most hotly debated subjects in corporate finance is how dividend policies affect share price movement. The most frequent consideration for investors when choosing which shares to purchase was the share price. The impact of dividend policy on share prices has been the subject of several empirical research, although the findings have been mixed. The influence of dividend policy on share prices of firms listed on the FTSE (Financial Time Stock Exchange) FBM100 index between 2011 and 2020 was the main subject of this study. After filtering, a total of 56 firms are picked in this study, and the regression model was used to analyse the data. The panel data regression model's results showed that while dividend yield has a negative and significant impact on share price, dividend distribution has no influence on share prices. Share prices are significantly impacted by return on invested capital, volume traded, and firm sizes as measured by market capitalization; free cash flow yield had no discernible impact. Dividend policy thus has a big influence on share prices. The outcome was crucial as a result.

K. O. et al. (2022) investigated the impact of dividend policy on shareholder wealth among listed deposit money banks in Nigeria for the period from 2011 to 2020. The study aimed to assess how dividend per share affects the market share price of these banks and to evaluate the influence of dividend payout on their market price. The analysis was based on secondary data obtained from the annual reports of nine banks over the specified period. Using descriptive

statistics, correlation analysis, and fixed effects panel regression methods, the study found that dividend policy had a positive effect on market share price and earnings per share (F-stat. 12.782; P-value = 0.001). The findings revealed that both dividend per share and market share had a significant positive impact on market share price. The study concluded that dividends per share positively influence shareholder wealth by increasing the market share price of banks, indicating that investors consider dividend information when making investment decisions, which is reflected in the share price. The study recommended that banks should prioritize dividend per share and dividend payout in their dividend policies, as these factors can enhance shareholder value.

Sunaryo and Lestari (2022) explored the impact of the current ratio, total assets turnover (TATO), and firm size on the cash dividend payout ratio, with return on investment (ROI) as an intervening variable. The study focused on retail sub-sector companies in Southeast Asia from 2012 to 2019. Using a purposive sampling technique, the research analyzed data from 17 companies out of a population of 136. Analytical methods included the R-square test, multiple linear regression analysis, t-tests, F-tests, path analysis, and the Sobel test. The findings revealed that the current ratio had a significant effect on the dividend payout ratio, while TATO and firm size did not significantly impact the dividend payout ratio. The study suggests that these results should be considered when determining dividend payments and can aid financial managers in deciding the amount of cash dividends to be distributed.

Lee, Peng, and Nguyen (2022) investigated the factors influencing dividend payout policies in the Vietnamese stock market. This explanatory research utilized EViews 8.0 for data analysis and adopted a quantitative approach. Secondary data was collected from the Ho Chi Minh Stock Exchange's official website and company annual reports, supplemented by information from existing articles, journals, and textbooks. The study found that the debt-to-equity ratio, return on assets, firm size, financial leverage, free cash flow, and insider ownership significantly impacted the dividend payout ratio. In contrast, the current ratio and earnings per share had an effect on the dividend payout ratio, but it was not statistically significant. The results highlighted a positive and significant impact of profitability and return on assets on dividend policies, with return on assets serving as an indicator of how effectively a company uses its assets to generate earnings. The study also revealed that larger firms tend to pay lower dividends.

Kanakriya (2020) examined the relationship between dividend policy and financial performance in emerging countries, focusing on 92 industrial and service companies listed on the Amman Stock Exchange (ASE) from 2015 to 2019. Using panel data analysis, cross-sectional time-series data, and both simple and multiple linear regression models, the study explored variables such as Dividend Yield, Dividend Pay-out Ratio, Firm Size, Leverage Ratio, and Current Ratio. The data was sourced from annual reports and the ASE website. The findings indicated a strong relationship between Dividend Yield, Dividend Pay-out Ratio, and Firm Size with financial performance. Additionally, the Leverage Ratio was negatively and significantly associated with Return on Assets and Asset Ownership Equity. No significant relationship was found between the Current Ratio and financial performance. The study concluded that dividend policy significantly influences a company's financial performance, underscoring the statistical importance of dividend policy in determining financial outcomes.

Bhattarai (2020) explored the factors influencing the dividend payout decisions of commercial banks in Nepal, using secondary panel data from 12 banks over the period 2013/14 to 2017/18, totaling 60 observations. The study focused on the dividend payout ratio as the dependent variable, with return on assets, bank size, market value per share, and inflation rate as independent variables. Analysis using both the Pooled OLS and Random Effects models revealed that profitability, bank size, and inflation rate were negatively associated with dividend payout decisions. Specifically, higher profitability, larger bank size, and increased inflation rates were linked to lower dividend payouts. Conversely, market value per share had a positive relationship with dividend payouts, indicating that an increase in market value per share leads to higher dividend payouts. The study concluded that market value per share is a major determinant of dividend payout decisions.

Alajekwu et al. (2020) investigated the impact of dividend policy on shareholders' wealth in Nigeria, examining 19 financial and 41 non-financial firms over an eleven-year period from 2006 to 2016. The study used Chow and Hausman tests to apply Fixed Effect models for financial services firms and Random Effect models for non-financial services firms. The findings indicated that dividend policy and its related variables accounted for 70% and 67% of the variation in shareholders' wealth for the financial and non-financial sectors, respectively. For financial services firms, dividend payout and dividend yield did not significantly impact shareholders' wealth. In contrast, for non-financial services firms, dividend payout had a positive

and significant effect on shareholders' wealth. The study identified firm size and growth opportunities as positive moderators of dividend policy effects in the financial sector, while firm size and profitability were significant for the non-financial sector. The results suggest that investors in non-financial firms prefer dividend returns over other investment returns, such as capital gains.

Ullah and Arif (2019) studied at the variables affecting Pakistani food industry businesses' dividend policies. Over a six-year period, from 2011 to 2016, the study looked at 20 food firms listed on the Pakistan Stock Exchange (PSX). The firms' annual reports, which are accessible on individual websites as well as the PSX website, provided the data, which were then gathered and analysed using E-Views software and a quantitative research methodology. The results of the research showed that dividend distribution was positively and significantly impacted by profitability, liquidity, and leverage. On the other hand, dividend payment was adversely and strongly correlated with company risk and growth potential. The study made clear how important these elements are to the Board of Directors in developing and evaluating dividend policy. For example, it is crucial to carefully assess aspects like profitability, debt, liquidity, company risk, and growth potential when thinking about raising dividend payments.

Masry (2018) used a deductive method based on theory to guide the study design and analyze data as it investigated the determinants influencing dividend policy in emerging capital markets (ECMs). The study entailed gathering quantitative financial information from income statements, balance sheets, and other pertinent records in order to evaluate bank performance and comprehend how dividends and stock values change over time. The research examined a range of financial factors pertaining to bank operations over the years 2003 to 2016, including cash balances with the Central Bank, balances between banks, total deposits, total assets, total debts, net profit, earnings per share, year-end closing share prices, number of shares, and dividends.

Nambukara et al. (2018) investigated the impact of dividend policy on shareholder wealth using a sample of 13 companies from the Australian retail sector listed on the Australian Stock Exchange (ASX) over the period from 2012 to 2017. In this study, the dividend payout ratio was utilized as a proxy for dividend policy, while the market value per share served as a proxy for shareholder wealth. The analysis, based on secondary data and employing regression techniques, aimed to explore the relationship between these variables. The findings revealed a positive and moderate correlation between dividend policy and shareholder wealth, aligning with the dividend

relevance, bird-in-the-hand, and signaling theories. The results corroborate existing literature suggesting a strong connection between dividend policy and shareholder wealth, although some previous studies have critiqued these theories and their conclusions.

Nadeem et al. (2018) analyzed the determinants of dividend policy within the Pakistani banking sector from 2005 to 2015. Utilizing panel data techniques, the study focused on 24 banks listed on the Karachi Stock Exchange (KSE) and examined the impact of Basel Accord regulations on bank performance. The study found that profitability, investment opportunities, and dividends paid in the previous year have a significant positive effect on dividend payouts by Pakistani banks. Conversely, growth and the loan-to-deposit ratio were found to have a significant negative influence on dividend payouts. Notably, the dividend paid in the previous year emerged as the most significant determinant of the current dividend payout ratio. The research also indicated that there was no significant difference in the factors affecting dividend payouts before and after the financial crisis. Additionally, the transition from Basel II to Basel III capital regulations did not significantly impact the dividend policies of Pakistani banks. The findings supported several dividend theories, including the dividend smoothing hypothesis, life cycle theory, signaling theory, and pecking order theory.

Hafeez et al. (2018) evaluated the connection between company performance and dividend policy. Design and methodology: From 2014 to 2017, the sample consisted of fifteen manufacturing enterprises. The financial statements of the chosen manufacturing companies were used to compute time series data. The independent variables in the model were dividend payout ratio (DPOR), earnings per share (EPS), and price earnings ratio (PER), whereas the dependent variables were return on equity (ROE) and return on asset (ROA). Descriptive and correlation multiple regressions were employed as data analysis methods. The results show that every independent variable and every dependent variable have a positive connection. Return on investment is favorably impacted by dividend payout ratio, earnings per share, and price earnings ratio.

Wijaya and Felix (2017) investigated the factors influencing dividend policy among non-financial companies in Indonesia. The study encompassed a range of variables including liquidity, leverage, growth, price/earnings ratio, and firm size, earnings per share, price-to-book ratio, ownership, firm age, floating rate, profitability, and free cash flow. Utilizing purposive sampling, the study focused on 105 non-financial firms listed on the Indonesian Stock Exchange

from 2011 to 2015. Through multiple regression analysis, the study revealed that earnings per share, price-to-book ratio, and floating rate significantly impacted dividend policy, whereas liquidity, leverage, growth, price/earnings ratio, firm size, ownership, firm age, profitability, and free cash flow had no significant effect. The findings provide insights for companies to craft effective dividend policies that align with both future growth prospects and investor interests.

Wanjohi (2017) examined how different dividend policies impact firm value, focusing on registered insurance firms in Kenya. The study aimed to assess the effects of regular dividend payout, irregular dividend payout, and non-dividend payout policies on share prices. The sample comprised 9 insurance firms from a population of 49, with secondary data collected from the Nairobi Securities Exchange (NSE), Insurance Regulatory Authority (IRA), and company financial statements for the period 2008 to 2015. Using a random effects model, the study found a positive relationship between earnings per share and dividend policy, with regular dividend payers showing a stronger impact compared to non-dividend payers. The study also highlighted that retained earnings negatively affect shareholders' wealth.

Farrukh et al. (2017) explored the impact of dividend policy on shareholders' wealth and firm performance in Pakistan. The study analyzed how dividend policy, shareholder wealth, and firm performance interact, using dividend per share and dividend yield as measures of dividend policy, and earnings per share and share price as proxies for shareholder wealth. Return on equity was used to assess firm performance. The regression results indicated a positive and significant impact of dividend policy on both shareholders' wealth and firm performance. The study supported theories such as dividend relevance, signaling effect, bird-in-the-hand, and clientele-effect theories. It recommended that firms implement stable, effective, and managed dividend policies, complemented by a robust supervisory framework, to enhance firm performance and shareholder wealth in Pakistan.

Kumaresan (2014) studied the impact of dividend policy on shareholders' wealth, focusing on the top ten firms in the hotel and travel sector in Sri Lanka from 2008 to 2012. The study utilized earnings per share (EPS) as the dependent variable and examined predictors such as return on equity (ROE), dividend payout ratio (DPR), dividend per share (DPS), and retention ratio (RR). Through correlation and regression analysis, the study found a positive relationship between ROE, DPS, and DPR with shareholders' wealth. Conversely, a negative relationship was observed between retention ratio and shareholders' wealth. The findings suggest that higher

dividend payouts and returns on equity contribute positively to shareholders' wealth, while higher retention ratios may have an adverse effect.

2.4 Research Gap

The researcher has through the purpose of literature review and article and found out the topics in the area of interest. After passing through the literature, researcher has found out the area of contradiction that has been taken as topic for the further research.

Thapa (2021) analyzed the effects of five key dividend determinants on 19 Nepalese commercial banks, using secondary data from the banks' annual financial statements over five fiscal years, totaling 95 observations. Employing a causal comparative research design and regression analysis, the study found a positive and significant impact of the market-to-book value ratio and slack on the dividend payout ratio. Additionally, it revealed a positive relationship between firm size and dividend payout ratio. Conversely, profitability and cash flows showed a negative effect on the dividend payout ratio.

Ozuomba et al. (2016) investigated how dividend policies influence shareholders' wealth, focusing on public companies in Nigeria. This study aimed to assess the impact of dividend policies on shareholder value, examine the relationship between dividend payouts and information asymmetry, and analyze the effect of various dividend policies on shareholder wealth. Based on a one-year survey of 10 companies listed on the Nigerian Stock Exchange, and employing ANOVA for analysis, the study demonstrated that dividend policies are relevant significantly affect shareholders' wealth in Nigeria.

The previous study related on the topic of dividend policy have been analyzed and identified that all the studies are concentrated on finding the what dividend policy and factors affecting dividend payout by the commercial banks taking four to six year data only, but this study is related to identify on the topic of effect of dividend policy on shareholder wealth and company performance of Nepalese commercial banks taking six different banks. None of the existing research provides a comparative analysis of the factors influencing dividend policies in Nepalese banks. To address this gap, the present study aims to identify relevant findings and review the literature comprehensively. While previous studies typically focus on dividend payout data over a span of only five years, this research incorporates a more extensive ten-year period to provide a more current and relevant analysis.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is the systematic process used to address the research problem and is considered the science of conducting research correctly. This chapter outlines the techniques used in this study, highlighting the sources of data and their limitations. At its core, research methodology involves the procedures, rules, and practices for presenting collected data in an analyzable manner. Researchers follow a series of sequential steps when investigating a problem with specific objectives. This chapter details the methodology employed to study the impact of dividend policy on shareholder wealth and firm performance in Nepal's Banking and Financial Institutions (BFIs) sector. The focus is on six selected commercial banks. This section discusses the data collection methods, analytical tools, and the rationale behind choosing these particular banks for the study.

3.1 Research Design

The study achieves its goals using a descriptive research design, which helps in analyzing the relationships between various dependent and independent variables. The research is descriptive, analytical, and comparative, utilizing historical secondary data to explore factors related to the dividend policies of Nepalese commercial banks.

To conduct the analysis, the study gathers data from annual reports, financial statements, and other relevant sources from the firms. This approach combines both analytical and descriptive research methods. The data spans ten years, from the fiscal years 2013–14 to 2022–23, providing a comprehensive basis for drawing reliable conclusions.

3.2 Population and Sample

This study focuses exclusively on commercial banks in Nepal. To understand the banks' overall financial actions, secondary data is collected from their financial reports. According to Nepal Rastra Bank (NRB), there are 20 commercial banks currently operating in Nepal, which represents the study's total population. From this population, six banks are selected using convenience sampling. These banks are chosen for their significant investment scope, historical importance, and nationwide presence. This sampling strategy aims to provide a reliable basis for deriving meaningful findings from the study.

Sample Commercial banks are:

i. Nabil Bank Ltd.
ii. Everest Bank Ltd.
iii. Machhapurchhe Bank Ltd
iv. Nepal Bnak Ltd
v. Prabhu Bank
vi. Agriculture Bank Ltd

3.3 Nature and Sources of data

The nature and sources of data is related to the effecting of dividend policy of shareholder wealth and company performance of Nepalese commercial banks in Nepal and secondary sources of data were used to collect and analyze on this topic.

3.3.1 Secondary Sources of data collection

Secondary sources of data are used in this investigation. In Nepal, there were twenty operational commercial banks as of May 16, 2023. Six of these banks were chosen to serve as the study's sample. As necessary to meet the objectives of the study, the raw secondary data were updated. Bank annual reports, pertinent books, journals, articles, bulletins, publications from Nepal Rastra Bank, and associated websites are important sources of secondary data. The Central Library and the NRB Library were two of the libraries the researcher visited in order to collect this data. To achieve accurate and meaningful results, all data and information were methodically compiled, arranged, tabulated, and analyzed.

3.4 Data Analysis Method

Financial data from Nepalese commercial banks covering a 10-year period (2013/14 to 2022/23) is used to meet the study's goals. The time-series data does a good job of showing how financial factors are dynamic. With the use of SPSS software, descriptive statistics are used to analyse the data that has been gathered. Tables are used to compute and display descriptive statistics including correlation coefficients, means and standard deviations. The methodical approach to data analysis uses a range of statistical and financial methods to guarantee consistency and dependability. The financial statement data is cleaned up and divided before analysis to make comparisons and interpretations easier.

3.4.1 Statistical Tools

This study uses a number of statistical techniques in addition to financial instruments. The analysis's findings are systematically totaled, compared, examined, and explained. The study looks at the link between dividend policy and other variables using certain statistical approaches.

i. Arithmetic Mean (X)

The process of calculating the arithmetic mean involves adding up all of the values in a series and dividing the result by the total number of items in the series. Because of its ease of use and efficacy, this measure is frequently employed in statistical analysis. By taking the entire sum of the values and dividing it by the count of those values, the arithmetic mean offers a simple method for figuring out the average value in a dataset. One of the most popular and practical instruments for data summarization in statistical research is this one.

Where,

$\bar{X}$ = $(\sum X)/N$

X = Arithmetic Mean

$\sum X$ = Sum of Elements

N = Numbers of Observations

ii. Standard Deviation (ϭ)

A statistical tool used to quantify a dataset's dispersion with respect to its mean is the standard deviation. It is computed as the average squared departure of each data point from the mean, or the square root of the variance. Since the data points are farther dispersed from the mean, a higher standard deviation denotes greater variability within the collection. On the other hand, a smaller standard deviation denotes less dispersion and a greater proximity of the data points to the mean.

$$\text{S. D.} = \sqrt{\frac{\sum(X-\bar{X})^2}{N}}$$

iii. Correlation Coefficient (r)

A statistical metric used to evaluate the direction and degree of a link between two variables is the correlation coefficient. It is an essential tool for figuring out how much a variable is linearly

associated with another. The Pearson correlation coefficient is the approach most frequently employed to quantify this relationship. as two variables have a positive correlation, it means that as one grows, the other does so in proportion. On the other hand, a negative correlation means that one variable falls as the other rises. According to scientific jargon, a correlation coefficient of +1 denotes a perfect positive connection, while a value of -1 denotes a perfect negative correlation. A correlation value of 0, on the other hand, denotes the absence of a linear relationship between the variables.The following formula is used to get the correlation coefficient (r) between two variables, X and Y (Gupta, 2002).

$$r = \frac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum Y)^2}}$$

Where

r is the correlation coefficient of X and Y properties between two variables:

The range it is in is -1 to +1.

There is complete positive correlation if r = +1.

There is complete negative correlation if r = -1.

There isn't any association if r = 0.

When r ranges from 0.7 to 0.99 (or from 0.7 to -0.99), a strong positive or negative correlation is present.

iv. Multiple Regression Analysis

Multiple linear regression is a popular statistical method for analysing the relationship between a single continuous result variable and several predictor factors. This approach is often used in research to investigate the quantitative relationships between variables. These independent variables might be classified or continuous. By simulating the linear connection between the dependent variable and many explanatory factors, multiple linear regression (MLR) aims to predict the response variable's result. This method makes it possible to examine the ways in which several factors affect the response variable at the same time. The following is a mathematical representation of the relationship:

$$EPS = a0 + b1DPS + b2DPR + b3FS + \ldots\ldots + ei$$

$$ROA = a0 + b1DPS + b2DPR + b3FS + \ldots\ldots + ei$$

Where,

EPS = Earnings per share i. e. dependent variable

ROA = Return on assets i. e. dependent variable

a0 = intercept i.e. constant term

b1 = slope coefficient of Dividend per share (DPS)

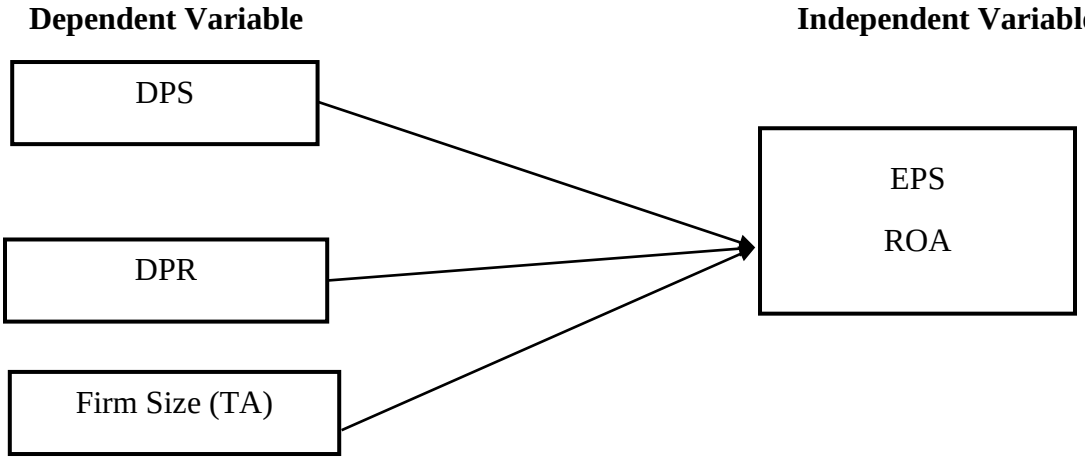
b2 = slope coefficient of Dividend payout ratio (DPR)

b3 = slope coefficient of Firm size (FS)

ei = error term

3.5 Research Framework

Various writers utilized different variables to determine the outcome based on journal and article reviews. This analysis's variables were taken from the academic article "Factor effecting dividend policy: an empirical investigation of Pakistan." The following are the chosen dependent and independent variables for this study:



Sources: Ali (2011), Farrukh (2017), Kanakriya (2020)
Figure 3.1 Research framework

Definition of Variables

Dividend per share

Dividend per share indicates the portion of earning distributed in the shareholders on per share basis. It gives financial soundness of the company. Only financially strong companies can distribute dividend. It attracts investors to invest in shares of stock and maintains goodwill. It is an investment in shares of stock and maintains goodwill. It is calculated by dividing the total dividend to equity shareholders by the number of ordinary share outstanding.

$$\text{DPS} = \frac{\text{Total amount of dividend paid to equity share holders}}{\text{Number of ordinary shares outstanding}}$$

Dividend payout ratio

DPR is the proportion of earnings paid in the form of dividend. This ratio reflects what percentage of profit is distributed as dividend and what percentage of profit is retained as reserve and surplus for the growth of the company. It is calculated by dividing by EPS. Thus,

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

Size of the Bank (Total Assets)

There has been increasing interest in financial analysis that distinguishes between large firms on the one hand, small and medium-sized enterprises on the other hand and the micro firm as a third option. Examined capital structure of these differently sized firms and found that firm's size is negatively related to the proportion of the debt used by the firms.

Earnings per share

A bank's profitability is shown by its earnings per share (EPS). It's the percentage of earnings allotted to each outstanding share of ordinary stock in a bank. The one factor that is usually thought to be the most significant in influencing a share's price is its earnings per share. It plays a significant role in the price-to-earnings valuation ratio computation as well. It is computed as follows:

$$\text{EPS} = \frac{\text{NPAT - Dividend paid on preference share}}{\text{Number of ordinary shares outstanding}}$$

Return of assets

Return on assets (ROA), which is often called the bank's return on total assets, measures the overall effectiveness of management in generating profit with its available assets. The higher the bank's return on assets the better it is doing in operation and vice versa. It is calculated as net income available to common stockholders divided by total assets.

$$\text{ROA} = \frac{\text{NPAT}}{\text{Total assets}} \text{ x } 100$$

CHAPTER-IV

RESULTS AND DISCUSSION

The presentation and analysis of the collected data are covered in this chapter. Its main goals are to present the results and examine the financial implications, then go over the findings in conversation. In this chapter data and information are presented and analyzed using different financial and statistical tools in order to achieve the objectives of the study. In data presentation and analysis, the study is focused on Bank Specific Factors/Internal Factors.

4.1 Descriptive Analysis

4.1.1 Total Assets

The total value of the belongings that a person or organization has is represented by their total assets. These assets are usually documented in the financial records of businesses and appear on their balance sheets. These assets gain economic worth over time. Common asset classes include cash and marketable securities, inventories, fixed assets, accounts receivable, prepaid expenses, goodwill, and other miscellaneous assets. The aggregate assets of banks are displayed in Table 4.1.1. These assets include cash, marketable securities, accounts receivable, prepayment of expenditures, inventories, fixed assets, intangible assets, goodwill, and other specified assets.

Table 4.1 Total Assets (In millions)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	88519	87274	70445	48723	21190	77980
2014/15	100928	115985	100034	48753	46510	88211
2015/16	111785	131347	113885	59456	69784	103479
2016/17	126866	144017	116510	68925	92624	112057
2017/18	135419	160978	144811	84787	112586	113467
2018/19	151457	201138	170078	105246	137886	171515
2019/20	179320	237680	185023	124519	167517	191162
2020/21	222440	291238	211646	158213	210041	222645
2021/22	246184	419818	225381	178727	232753	260077
2022/2023	265670	481203	249983	186574	347976	296735

(Source: Annual Report of related banks)

In the data provided, table 4.1 NABIL has the highest total assets value of Rs. 481,203 million. In the fiscal year 2022/2023. NABIL's high total assets position it as a leading player in the banking sector, capable of driving growth, innovation, and value creation for its stakeholders. PBL (Prabhu Bank Limited) has the minimum total assets value across all fiscal years. In the fiscal year 2013/14, PBL's total assets amounted to Rs. 21,190 million and it faces challenges related to lending capacity, competitiveness, and financial stability, necessitating strategic etc.

4.1.2 Total Dividend

Total dividend refers to the aggregate amount of dividends paid out by a company to its shareholders over a specific period, typically a fiscal year. Dividends are a portion of a company's profits that are distributed to its shareholders as a reward for their investment in the company. The total dividend represents the sum of all dividends declared and distributed by the company during the given period. Total dividend payouts are often reported in financial statements and annual reports, providing transparency and insight into the company's dividend policy and performance.

Table 4.2 Total Dividend(In Millions)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	144	480	797	0	0	0
2014/15	561	1795	902	15	0	0
2015/16	509	159	133	28	0	0
2016/17	448	397	98	42	0	0
2017/18	400	1442	22	393	0	0
2018/19	1343	882	306	781	34	0
2019/20	2133	2729	1531	886	74	981
2020/21	630	220	1573	285	54	451
2021/22	665	200	76	63	71	379
2022/2023	1588	2625	146	0	190	298

(Source: Annual Report of related banks)

In the provided data, NABIL has the highest dividend value across all fiscal years. In the fiscal year 2019/20, NABIL's dividend amounted to Rs 2,729 million. It signals strong financial

performance, investor confidence, and effective capital management strategies, positioning the bank well for future growth and value creation. NBL has the lowest dividend value across all fiscal years. In multiple fiscal years, NBL's dividend value is zero and it highlights potential issues with profitability, investor confidence, and strategic direction, prompting the need for remedial actions to address these concerns and enhance the bank's performance.

4.1.3 Number of Share Outstanding

The number of shares outstanding for a company is equal to the number of shares issued minus the number of shares held in the company's treasury. If a company buys back in own stock, those repurchased shares are called treasury stock.

Table 4.3 Number of Share Outstanding(In Millions)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	32	30	16	24	20	39
2014/15	39	36	18	27	32	64
2015/16	39	47	20	38	58	64
2016/17	70	61	26	65	58	80
2017/18	85	80	45	80	82	80
2018/19	90	90	80	80	88	98
2019/20	95	100	84	84	103	112
2020/21	109	138	88	90	113	126
2021/22	131	228	94	102	127	144
2022/2023	134	270	106	102	235	146

(Source: Annual Report of related banks)

Table 4.3 presents the number of shares outstanding for various banks over different fiscal years. NBL (Nabil Bank Limited) has the highest number of shares outstanding across multiple fiscal years. For instance, in the fiscal year 2022/2023, NBL had 270 million shares outstanding and it reflects its significant presence in the market and may influence investor perceptions, liquidity dynamics, and capital management strategies. EBL has the lowest number of shares outstanding across several fiscal years. For instance, in the fiscal year 2013/14, MBL had 16 million shares outstanding and it underscores unique considerations related to market

capitalization, ownership structure, liquidity, and capital management that may influence its overall financial performance and attractiveness to investors.

4.1.4 Profitability

Profitability is a situation in which an entity is generating a profit. Profitability arises when the aggregate amount of revenue is greater than the aggregate amount of expenses in a reporting period. Net profit of the respective banks are shown as follows:

Table 4.4 Net Profit (In Millions)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	2464	233	1545	708	304	716
2014/15	2565	2093	1574	966	1018	483
2015/16	2973	2819	1730	1422	1117	2882
2016/17	3442	3702	2006	2046	1486	3117
2017/18	3653	3981	2582	1249	967	3215
2018/19	4191	4238	3054	1697	1783	2596
2019/20	3332	3463	2516	1265	1194	2332
2020/21	3527	4527	1770	1607	1720	2961
2021/22	2225	4256	2479	1686	1902	2923
2022/2023	1323	6404	3393	1625	2802	3437

(Source: Annual Report of related banks)

Table 4.4 presents data on the net profit of various banks across different fiscal years. NABIL has the highest net profit value across multiple fiscal years. For instance, in the fiscal year 2022/2023, NABIL reported a net profit of Rs. 6,404 million and it signifies strong financial health, investor confidence, and growth potential, positioning the bank well for continued success and value creation. NABIL bank has the lowest net profit value across multiple fiscal years. In the fiscal year 2013/14, NABIL bank reported a net profit of Rs.233 million and it indicates potential challenges in financial performance and profitability, requiring strategic measures to address these issues and improve the bank's overall stability and growth prospects.

4.2 Descriptive Analysis of variables of the study

Whether a dataset is representative of the full population or only a sample, descriptive statistics are succinct summary metrics that describe its properties. In particular, the dependent and independent variables pertaining to dividend policy are described in this research.

4.2.1 Earnings per Share

Earnings per share (EPS) are one of the most important financial indicators, which measure the earning capacity of a firm. The EPS generally influences the share price in positive direction. It measures the profit available to the ordinary shareholders on a per share basis. EPS is calculated by dividing net income available to the common stockholders by the total number of common shares outstanding.

Table 4.5 Earnings per Share (In Rupees)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	35.19	83.68	86.04	18.34	15.24	18.08
2014/15	78.83	57.24	78.04	22.20	31.73	7.48
2015/16	52.79	59.27	65.97	25.20	26.75	44.59
2016/17	31.59	59.86	44.32	24.00	27.17	38.77
2017/18	36.91	51.84	32.78	15.81	12.58	39.98
2018/19	42.88	50.57	38.05	21.07	21.03	26.99
2019/20	31.45	36.16	29.71	14.96	11.58	20.68
2020/21	29.13	33.57	19.91	17.76	15.17	23.43
2021/22	14.41	18.64	26.30	16.44	14.97	20.29
2022/2023	7.42	23.67	31.43	15.85	1.19	23.39
Mean	36.06	47.45	45.26	19.16	17.74	26.67
S.D	19.82	19.57	23.12	3.69	9.04	11.47

(Source: Annual Report of related banks)

In Table 4.5, the mean earnings per share (EPS) values reveal important insights into the average profitability of each bank over the years. NABIL stands out with the highest mean EPS of Rs. 47.45 and indicating consistent strong profitability and financial performance. Conversely, PBL exhibits the lowest mean EPS at Rs. 17.74 and suggesting comparatively weaker profitability among the listed banks.

Additionally, examining the standard deviation (S.D) values offers insights into the stability or volatility of EPS across fiscal years. MBL demonstrates the lowest S.D at Rs. 3.69 and suggesting relatively stable earnings per share over time. Conversely, EBL (Everest Bank Limited) exhibits the highest S.D at Rs.23.12 and indicating greater variability or fluctuations in its EPS values. This variability may pose additional risks and uncertainties for investors compared to banks with more stable EPS trends. Overall, understanding both the mean and standard deviation of EPS provides valuable information about each bank's average profitability and the consistency or volatility of its earnings over time, aiding investors in making informed decisions.

4.2.2 Dividend per share

The total declared dividends for all issued common shares are the dividend per share. It's computed by dividing the total dividends distributed to shareholders for a given year by the total number of shares that were issued and remain outstanding. The analysis has taken into consideration the cash and stock dividends that have been announced by each commercial bank. In table number 4.7, the dividend per share of the sample banks is examined.

Table 4.6 Dividend per share (In Rupees)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	4.47	15.78	49.81	0	0	0
2014/15	14.26	49.10	50.11	0.56	0	0
2015/16	12.95	3.36	6.65	0.73	0	0
2016/17	6.32	6.43	3.76	6.39	0	0
2017/18	4.71	17.93	0.48	4.88	0	0
2018/19	14.89	9.79	3.83	9.69	0.39	0
2019/20	20.33	27.03	18.23	10.47	0.73	8.69
2020/21	0.57	1.59	17.87	3.15	0.48	3.57
2021/22	5.04	0.88	0.81	0.61	0.56	2.63
2022/2023	11.81	9.70	1.38	0	0.81	2.03
Mean	9.54	14.16	15.29	3.65	0.29	1.69
S.D	6.18	14.73	19.38	4.03	0.34	2.80

(Source: Annual Report of related banks)

This table 4.6 provides data on the dividend per share (DPS) for various banks over several fiscal years. The bank with the highest mean DPS is EBL, with a mean DPS of 15.29 Rupees. This indicates that, on average, EBL has paid out the highest dividend per share over the specified fiscal years. The bank with the lowest mean DPS is PBL, with a mean DPS of only 0.29 Rupees. This indicates that PBL has historically paid out the lowest dividend per share on average among the listed banks.

Additionally the bank with the highest standard deviation is EBL, with an S.D of 19.38 Rupees. This suggests that EBL's dividend per share has shown the most variability or fluctuation over the given years. It could imply that EBL's dividend payments have not been consistent or stable compared to the other banks. The bank with the lowest standard deviation is PBL, with an S.D of 0.34 Rupees. This implies that EBL's dividend per share has shown the least variability or fluctuation over the given years, suggesting a relatively more consistent dividend payment pattern compared to the other banks.

4.2.3 Dividend payout Ratio

DPR is the proportion of earnings paid in the form of dividend. This ratio reflects what percentage of profit is distributed as dividend and what percentage of profit is retained as reserve and surplus for the growth of the company.

Table 4.7 Dividend payout ratio (In Percentage)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	12.7	18.86	57.89	0	0	0
2014/15	18.08	85.78	64.21	2.52	0	0
2015/16	24.53	5.67	10.08	2.92	0	0
2016/17	20.01	10.74	8.48	26.63	0	0
2017/18	12.76	34.59	1.46	30.85	0	0
2018/19	34.72	19.36	10.05	45.98	1.85	0
2019/20	71	74.76	61.34	69.98	6.30	42.02
2020/21	1.96	4.74	89.78	17.74	3.55	15.24
2021/22	34.98	4.72	3.07	3.71	3.74	12.96
2022/2023	159.17	40.98	4.38	0	68.07	8.68
Mean	38.99	30.02	31.07	20.03	8.35	7.89
S.D	46.26	29.31	33.24	23.58	21.09	13.41

(Source: Annual Report of related banks)

Table 4.7 presents data on the dividend payout ratio (DPR) for various banks over several fiscal years. The bank with the highest mean DPR is ADBL, with a mean DPR of 38.99% and indicates that, on average, ADBL distributes a higher proportion of its earnings as dividends compared to the other banks listed. The bank with the lowest mean DPR is NBL, with a mean DPR of 7.89% and indicates that NBL distributes a lower proportion of its earnings as dividends on average compared to the other listed banks.

Again, the bank with the highest standard deviation is ADBL, with an S.D of 46.26%. This suggests that ADBL's dividend payout ratio has shown the most variability or fluctuation over the given years. It could imply that ADBL's dividend distribution policy has not been consistent or stable compared to the other banks. The bank with the lowest standard deviation is NBL, with an S.D of 13.41%. This implies that NBL's dividend payout ratio has shown relatively less variability or fluctuation over the given years, suggesting a more consistent dividend distribution pattern compared to the other banks.

4.2.4 Return on Assets (ROA)

Return on Assets (ROA) is a financial ratio that measures a company's ability to generate profits relative to its total assets. It is a crucial indicator of a company's efficiency in using its assets to generate earnings. ROA is expressed as a percentage and is calculated by dividing a company's net income by its total assets.

4.8 Table of Return on Assets (In percentage)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	2.78	2.67	2.19	1.45	1.44	0.92
2014/15	2.54	1.81	1.57	1.98	2.19	0.55
2015/16	2.66	2.15	0.02	2.39	1.6	2.79
2016/17	2.71	0.26	1.72	2.97	1.6	2.78
2017/18	2.69	2.47	1.78	1.47	0.86	2.83
2018/19	2.77	2.11	1.79	1.61	1.29	1.51
2019/20	1.86	1.46	1.36	1.02	0.71	1.22
2020/21	1.59	1.55	0.84	1.02	0.82	1.33
2021/22	0.91	1.01	1.09	0.94	0.82	1.24
2022/2023	0.49	1.33	1.360	0.87	0.081	1.15
Mean	2.1	1.68	1.29	1.57	1.14	1.63
S.D	0.84	0.72	0.64	0.69	0.59	0.85

(Source: Annual Report of related banks)

This table provides data on the return on assets (ROA) in percentage for various banks over several fiscal years. The bank with the highest mean ROA is ADBL, with a mean ROA of 2.1% and this indicates that, on average, ADBL generates a higher return on its assets compared to the other banks listed. The bank with the lowest mean ROA is PBL, with a mean ROA of 1.14% and this indicates that PBL, on average, generates a lower return on its assets compared to the other listed banks.

The bank with the highest standard deviation is NBL, with an S.D of 0.85%. This suggests that NBL's return on assets has shown the most variability or fluctuation over the given years. It could imply that NBL's asset management or profitability has been less stable compared to the other banks. The bank with the lowest standard deviation is PBL, with an S.D of 0.59%. This implies that PBL's return on assets has shown relatively less variability or fluctuation over the given years, suggesting a more stable performance in terms of asset utilization and profitability compared to the other banks.

4.3 Descriptive Statistics

With the purpose of summarizing a dataset, descriptive statistics are brief statistical measurements that can be used to represent a sample or the complete population. In relation to variables impacting dividend policy analysis, they provide insights into both dependent and independent variables.

Table 4.9 Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	60	.02	2.97	1.5832	.75554
DPS	60	.00	50.11	7.4373	11.63889
DPR	60	.00	159.17	23.2370	30.68904
EPS	60	1.19	86.04	32.0042	19.37132
TA(FS)	60	48510.00	1111785.00	177654.1500	151039.70870
Valid N (listwise)	60				

Source: Annual report of selected banks and Results were drawn using SPSS Program

Table 4.9 presents descriptive statistics for five key variables: Return on Assets (ROA), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Earnings per Share (EPS), and Total Assets (TA), also referred to as Firm Size (FS). With a sample size of 60 observations for each variable, the table outlines the range of values observed, from the minimum to the maximum. The mean values offer insight into the average performance or measurement across the dataset, such as the average return on assets or the average earnings per share. Additionally, the standard deviation values indicate the degree of variability or dispersion around the mean for each variable. A higher standard deviation suggests greater variability in the data. It's worth noting that there are no missing values in the dataset, as indicated by the "Valid N (listwise)" row, which underscores the completeness of the dataset and the reliability of the reported statistics.

4.4 Correlation between dependent and independent variables

Correlation analysis using Karl Pearson correlation was performed. The Correlations analysis shows the relationship between capital structure indicators and profitability of commercial banks in Nepal. A negative coefficient indicated a negative relationship between the variable correlated. In this case an increase in one variable would result into a decrease in the other variable and vice versa. A positive coefficient indicates that a positive relationship in the variables. In this case, variables move together. An increase in one variable would result into an increase in other variable and vice versa.

Table 4.10 Relationship between EPS and independent variables

Correlations					
		EPS	FS	DPS	DPR
EPS	Pearson Correlation	1	-.046	.597**	.029
	Sig. (2-tailed)		.729	.000	.828
	N	60	60	60	60
FS	Pearson Correlation	-.046	1	-.004	.101
	Sig. (2-tailed)	.729		.978	.444
	N	60	60	60	60
DPS	Pearson Correlation	.597**	-.004	1	.637**
	Sig. (2-tailed)	.000	.978		.000
	N	60	60	60	60
DPR	Pearson Correlation	.029	.101	.637**	1
	Sig. (2-tailed)	.828	.444	.000	
	N	60	60	60	60

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

Source: Annual report of selected banks and Results were drawn using SPSS Program

This table 4.10 presents the correlations between different financial metrics: EPS (Earnings per Share), FS (Firm Size), DPS (Dividend Per Share), and DPR (Dividend Payout Ratio).

EPS and Firm Size (FS): The correlation coefficient between EPS and FS is -0.046, with a p-value of 0.729. This indicates a very weak negative correlation between EPS and FS, and the correlation is not statistically significant. In other words, there is no meaningful relationship between a company's earnings per share and its firm size.

EPS and DPS (Dividend per Share): The correlation coefficient between EPS and DPS is 0.597, with a highly significant p-value of 0.000. This indicates a strong positive correlation between EPS and DPS. As earnings per share increase, dividends per share also tend to increase. This suggests that companies with higher earnings are more likely to distribute higher dividends to their shareholders.

EPS and DPR (Dividend Payout Ratio): The correlation coefficient between EPS and DPR is 0.029, with a non-significant p-value of 0.828. This indicates a very weak positive correlation between EPS and DPR, and the correlation is not statistically significant. In other words, there is no meaningful relationship between a company's earnings per share and its dividend payout ratio.

4.4.1 Correlation between ROA and Independent Variables

Table 4.11 Relationship between ROA and Independent Variables

Correlations					
		ROA	FS	DPS	DPR
ROA	Pearson Correlation	1	-.067	.162	-.164
	Sig. (2-tailed)		.608	.217	.211
	N	60	60	60	60
FS	Pearson Correlation	-.067	1	-.004	.101
	Sig. (2-tailed)	.608		.978	.444
	N	60	60	60	60
DPS	Pearson Correlation	.162	-.004	1	.637**
	Sig. (2-tailed)	.217	.978		.000
	N	60	60	60	60
DPR	Pearson Correlation	-.164	.101	.637**	1
	Sig. (2-tailed)	.211	.444	.000	
	N	60	60	60	60

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

Source: Annual report of selected banks and Results were drawn using SPSS Program

Table 4.11 presents the correlations between different financial metrics: ROA (Return on Assets), FS (Firm Size), DPS (Dividend per Share), and DPR (Dividend Payout Ratio).

ROA and FS (Firm Size): The correlation coefficient between ROA and FS is -0.067, with a p-value of 0.608. This indicates a very weak negative correlation between ROA and FS, and the correlation is not statistically significant. In simpler terms, there is no meaningful relationship between a company's return on assets and its firm size.

ROA and DPS (Dividend per Share): The correlation coefficient between ROA and DPS is 0.162, with a p-value of 0.217. Although the correlation is positive, it's still quite weak, and the p-value indicates that it's not statistically significant. This suggests that there is no meaningful relationship between a company's return on assets and its dividend per share.

ROA and DPR (Dividend Payout Ratio): The correlation coefficient between ROA and DPR is -0.164, with a p-value of 0.211. Similar to the relationship with DPS, this correlation is negative and weak, and it's also not statistically significant. Therefore, there's no significant relationship between a company's return on assets and its dividend payout ratio.

4.5 Regression Analysis between dependent and independent variables

Regression is the statistical tool which is used to determine the statistical relationship between two or more variables and to make estimation or prediction of one variable on the basis of the other variables. In other words, regression is that statistical tool with the help of which the unknown value of one variable can be estimated or predicted on the basis of known value of the other variable. Thus, regression determines the average probable change in one variable based on a certain amount of change in another.

4.5.1 Regression analysis of Dependent and Independent Variable

Table 4.12 Model summary of EPS and independent variables

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.565	.542	13.11394

a. Predictors: (Constant), DPR, FA, DPS

b. Dependent Variable: EPS

Source: Annual report of selected banks and Results were drawn using SPSS Program

Table 4.12 shows the model summary of different dimension of independent variables of bank and EPS. Here correlation coefficient is 0.752 and adjusted R square is 0.565 which implies 56.5% variation in EPS of banks are explained by independent variables.

Table 4.13 ANOVA of EPS and independent variables

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12509.019	3	4169.673	24.246	.000[b]
	Residual	9630.622	56	171.975		
	Total	22139.641	59			

a. Dependent Variable: EPS

b. Predictors: (Constant), DPR, FS, DPS

Source: Annual report of selected banks and Results were drawn using SPSS Program

This ANOVA table summarizes the results of a regression analysis conducted with EPS (Earnings per Share) as the dependent variable and DPR (Dividend Payout Ratio), FS (Firm Size), and DPS (Dividend per Share) as predictors. The table reveals that the regression model significantly explains the variability in EPS, as evidenced by a significant F-statistic of 24.246 ($p < 0.001$). This suggests that the combined influence of DPR, FS, and DPS has a notable impact on EPS. The residual component represents unexplained variability in EPS, while the total sum of squares reflects overall variability.

Table 4.14 Coefficient of EPS and Independent Variables

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	28.236	2.893		9.762	.000
	FS	2.3016	.000	.018	.202	.841
	DPS	1.624	.191	.976	8.504	.000
	DPR	-.375	.073	-.595	-5.155	.000

a. Dependent Variable: EPS

Source: Annual report of selected banks and Results were drawn using SPSS Program

Table 4.14 shows that the coefficients reveal the relationships between the predictors (Firm Size, Dividend per Share, and Dividend Payout Ratio) and the dependent variable (Earnings per Share, EPS).

Constant: The constant term (28.236) represents the expected value of EPS when all predictor variables are zero. It signifies the baseline EPS value.

Firm Size: The coefficient for FS is 2.3016, indicating that for every unit increase in Firm Size, EPS is expected to increase by 2.3016 units. However, this relationship is not statistically significant ($p = 0.841$), suggesting that FS may not significantly impact EPS.

Dividend per Share (DPS): The coefficient for DPS is 1.624, meaning that for every unit increase in DPS, EPS is expected to increase by 1.624 units. This relationship is statistically significant ($p < 0.001$), indicating that DPS has a significant positive impact on EPS.

Dividend Payout Ratio (DPR): The coefficient for DPR is -0.375, indicating that for every unit increase in DPR, EPS is expected to decrease by 0.375 units. This relationship is statistically significant ($p < 0.001$), revealing that DPR has a significant negative impact on EPS.

In summary, while Total Assets may not significantly affect EPS, Dividend per Share positively influences EPS, while Dividend Payout Ratio negatively impacts EPS. These findings provide insights into the factors affecting EPS and can inform decision-making processes within the context of financial analysis and forecasting.

$Y_{EPS} = 28.236+2.3016\ (FS) +1.624\ (DPS) -0.375(DPR) +Ɛ$

Table 4.15 Model summary of ROA and independent variables

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.412[a]	.394	.313	12.8025

a. Predictors: (Constant), DPR, FA, DPS

b. Dependent Variable: ROA

Source: Annual report of selected banks and Results were drawn using SPSS Program

Table 4.15 shows the model summary of different dimension of independent variables of bank and ROA. Here correlation coefficient is 0.412 and adjusted R square is 0.313 which implies 31.3% variation in ROA of banks are explained by independent variables.

Table 4.16 ANOVA of ROA and independent variables

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.930	3	1.643	3.201	.030[b]
	Residual	28.750	56	.513		
	Total	33.680	59			

a. Dependent Variable: ROA

b. Predictors: (Constant), DPR, FS, DPS

Source: Annual report of selected banks and Results were drawn using SPSS Program

The Table 4.16 shows that the regression model significantly explains variability in ROA, as indicated by a significant F-statistic of 3.201 ($p = 0.030$). This suggests that the combined influence of DPR, FS, and DPS has a statistically significant impact on ROA. Conversely, the

residual component reflects unexplained variability in ROA. Overall, the findings highlight the importance of these predictors in understanding changes in ROA within the analyzed context.

Table 4.17 Coefficient of ROA and Independent Variables

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.642	.158		10.387	.000
	FS	-1.0497	.000	-.021	-.168	.867
	DPS	.029	.010	.445	2.769	.008
	DPR	-.011	.004	-.445	-2.756	.008

a. Dependent Variable: ROA

Source: Annual report of selected banks and Results were drawn using SPSS Program

This table displays the coefficients resulting from a regression analysis with ROA (Return on Assets) as the dependent variable and FS (Firm Size), DPS (Dividend Per Share), and DPR (Dividend Payout Ratio) as predictors.

Constant: The constant term (1.642) represents the intercept of the regression equation, indicating the expected value of ROA when all predictors are zero.

Firm Size (FS): The coefficient for FS is -1.0497, indicating that for every unit increase in Firm Size, ROA is expected to decrease by -1.0497 units. However, this relationship is not statistically significant ($p = 0.867$), suggesting that FS may not significantly impact ROA in this model.

Dividend per Share (DPS): The coefficient for DPS is 0.029, suggesting that for every unit increase in DPS, ROA is expected to increase by 0.029 units. This relationship is statistically significant ($p = 0.008$), indicating that DPS has a significant positive impact on ROA.

Dividend Payout Ratio (DPR): The coefficient for DPR is -0.011, indicating that for every unit increase in DPR, ROA is expected to decrease by 0.011 units. Similar to DPS, this relationship is statistically significant ($p = 0.008$), suggesting that DPR has a significant negative impact on ROA.

In summary, while Firm Size does not appear to significantly influence ROA, both Dividend per Share and Dividend Payout Ratio have significant impacts on ROA. This analysis provides insights into the factors affecting ROA and their respective contributions to asset profitability within the given context.

$Y_{ROA} = 1.642 - 1.0497\ (FS) + 0.029\ (DPS) - 0.011\ (DPR) + Ɛ$

4.7 Major Findings

i. The overall mean of EPS, NABIL stands out with the highest mean EPS of Rs. 47.45 and indicating consistent strong profitability and financial performance. Conversely, PBL exhibits the lowest mean EPS at Rs. 17.74.

ii. EBL has the highest mean DPS at 15.29 Rupees, indicating it consistently pays out the highest dividend per share. Conversely, PBL has the lowest mean DPS at Rs. 0.29, suggesting it historically offers the lowest dividend per share among the listed banks.

iii. ADBL has the highest mean DPR at 38.99%, signifying it distributes a larger proportion of earnings as dividends compared to other banks. Conversely, NBL has the lowest mean DPR at 7.89%, indicating a lower average dividend distribution among the listed banks.

iv. ADBL exhibits the highest mean ROA at 2.1%, indicating it generates a superior return on assets among the listed banks. Conversely, PBL has the lowest mean ROA at 1.14%, suggesting comparatively lower asset efficiency.

v. The correlation analysis reveals significant insights into the relationships between EPS (Earnings Per Share) and financial metrics. While EPS and Firm Size show no meaningful relationship, EPS and Dividend per Share exhibit a strong positive correlation, indicating higher earnings coincide with increased dividends. Conversely, the correlation between EPS and Dividend Payout Ratio is weak and insignificant, suggesting no clear association between earnings and the proportion of dividends paid out. These findings underscore the complex dynamics between earnings and dividend-related metrics in assessing a company's financial performance and shareholder returns.

vi. The correlation analysis between ROA (Return on Assets) and financial metrics reveals several key insights. Firstly, ROA exhibits a very weak negative correlation with Firm Size, indicating no meaningful relationship between a company's return on assets and its size. Additionally, the correlations between ROA and both Dividend per Share (DPS) and Dividend Payout Ratio (DPR) are positive but weak, with p-values indicating no statistical

significance. This suggests that there is no significant association between a company's return on assets and its dividend-related metrics. Overall, these findings highlight the nuanced nature of the relationship between ROA and financial performance metrics.

vii. In the model summary for EPS, the correlation coefficient is 0.752, indicating a strong positive relationship between the independent variables of banks and EPS. The adjusted R-square of 0.565 suggests that 56.5% of the variation in EPS among banks can be explained by these independent variables. Similarly, for the model summary of ROA, the correlation coefficient is 0.412, indicating a moderate positive relationship between the independent variables of banks and ROA. The adjusted R-square of 0.313 suggests that 31.3% of the variation in ROA among banks can be explained by these independent variables.

viii. The regression analysis provides key insights into the relationship between predictor variables and both EPS and ROA. For EPS, while Firm Size (FS) does not significantly impact EPS, Dividend per Share (DPS) and Dividend Payout Ratio (DPR) have notable effects. An increase in DPS positively impacts EPS, while a rise in DPR negatively affects it, as indicated by their statistically significant coefficients. Similarly, for ROA, FS shows no significant impact, while both DPS and DPR significantly influence ROA. A higher DPS corresponds to an increase in ROA, whereas a higher DPR leads to a decrease in ROA. These findings highlight the importance of dividend-related metrics in predicting and understanding the financial performance of the analyzed context, particularly their impact on EPS and ROA.

4.8 Discussion

The overall objective of this study is to examine the effects of dividend policy on shareholder wealth and company performance of Nepalese commercial banks in Nepal. To achieve these objectives ten fiscal year data for commercial banks has been analyzed using correlation coefficient and linear multiple regression model.

In this study the effect of dependent variable of the bank are EPS and ROA and furthermore independent variables are DPS, FS and DPR have been evaluated. It is found that bank independent variables significantly affect the bank’s dependent variable. It indicates that model is reasonably fit for this research analysis. While the coefficient for Firm Size (FS) suggests a positive relationship with EPS, the lack of statistical significance implies that FS may not significantly impact EPS. Conversely, Dividend per Share (DPS) demonstrates a significant

positive impact on EPS, with each unit increase in DPS leading to a corresponding increase in EPS. On the other hand, the significant negative coefficient for Dividend Payout Ratio (DPR) indicates that an increase in DPR is associated with a decrease in EPS and which is similar to Kumaresan (2014), Wijaya and Felix (2017), Hafeez, et al., (2018), Nambukara, et al., (2018), Bhattrai (2020), K. O .et al., (2022), Kakkar and Sharma (2023).

The regression analysis on Return on Assets (ROA) and its predictors reveals significant insights. While Firm Size (FS) shows no significant impact on ROA, Dividend per Share (DPS) positively influences ROA, while Dividend Payout Ratio (DPR) negatively affects it and which is similar to Hafeez, et al., (2018) ,Nadeem, et al., (2018),Alajekwu, et al., (2020), Lee, Peng and Nguyen (2022), Sunaryo and Lestari (2022), K. O .et al., (2022).

In this study and previous research findings are difference due to the sample size, variables, years to be choose the data and tools that is used. So, the findings of this research study is different to previous study findings. It shows this contradictory of the study. The results are inconsistent because of difference in the pace of time and tools used in analysis of data are different.

CHAPTER-V

SUMMARY AND CONCLUSION

This capital includes summary, conclusion, implications and implications for further research.

5.1 Summary

A dividend is the portion of a firm's net earnings distributed to shareholders as a return on their investment in shares. The policy governing dividend payments is known as the dividend policy. Changes in this policy can have both positive and negative effects on the firm's stock price. An optimal dividend policy balances these opposing forces to stabilize the stock price. This policy dictates how earnings are divided between shareholder payments and reinvestment in the firm. Retained earnings are crucial for financing corporate growth, whereas dividends provide cash flows to shareholders.

The board of directors has the discretion to decide on corporate dividend payments, which can be issued quarterly, semi-annually, or annually, and in various forms such as cash, stock, or merchandise. Cash dividends are the most common, while merchandise dividends are the least common. In Nepal, most companies pay dividends yearly. In finance, determining dividends is a key decision for distributing profits to shareholders. This process involves deciding whether to share profits, determining the amount, and setting the timing and method of payment. The challenge is to balance between retaining earnings for future needs and paying out cash dividends.

Management must decide between distributing profits to shareholders and reinvesting them in the business. This decision hinges on the objective of wealth maximization—if retaining profits will maximize shareholder wealth, it is preferable to reinvest. If not, distributing profits to finance investment programs is a better option. The relationship between dividends and firm value should guide the dividend decision.

The main objective of this study is to investigate the factors that impact dividend policy in Nepali banks and financial institutions (BFIs), with a particular emphasis on a number of significant commercial banks. The study specifically uses Nabil Bank Limited (NBL), Everest Bank Limited (EBL), Prabhu Bank Limited (PBL), Machhapurchhe Bank Limited (MBL), Nabil Bank Limited (NBL), and Prabhu Bank Limited (PBL) as representative samples from the total population of 20 commercial banks. The research aims to provide important insights into the operational performance and dividend distribution plans of these listed banks by examining key

financial variables. NABIL emerges with the highest mean EPS, indicating consistent profitability, while PBL shows the lowest mean EPS. EBL leads in mean DPS, reflecting its consistent dividend payouts, while PBL lags behind. ADBL tops in mean DPR, signifying higher dividend distributions, while NBL trails. ADBL also exhibits the highest mean ROA, indicating superior asset efficiency, whereas PBL records the lowest mean ROA. Correlation analysis reveals a strong positive relationship between EPS and DPS, highlighting the significance of dividends in earnings. However, the correlation between EPS and DPR is weak, suggesting a complex dynamic. Similarly, ROA shows weak correlations with DPS and DPR, underscoring the nuanced nature of financial metrics' relationship. Regression analysis confirms the impact of DPS and DPR on EPS and ROA, emphasizing the importance of dividend-related metrics in understanding financial performance.

5.2 Conclusion

The study conclude that composition of DPS, FS and DPR as an independent variables have the significant impact on dividend payout decision of Nepalese commercial banks. EPS and ROA as a dependent variable are directly affected by above independent variable which means they can play major role in dividend decision of the Nepalese banking organization.

According to the first objective of our study is to assess the dividend policy's impact on enhancing shareholder wealth and company performance in Nepalese commercial banks. This assessment involves examining key financial metrics across banks. NABIL stands out with the highest mean EPS, indicating strong profitability and financial performance. Conversely, PBL exhibits the lowest mean EPS, suggesting comparatively weaker performance. EBL leads in mean DPS, consistently paying out the highest dividend per share, while PBL lags behind. ADBL distributes the largest proportion of earnings as dividends, reflected in its highest mean DPR, while NBL distributes the lowest. Additionally, ADBL demonstrates superior asset efficiency with the highest mean ROA, whereas PBL shows relatively lower asset efficiency with the lowest mean ROA.

The second goal of the research is to assess the relationship between corporate performance metrics, such as return on assets (ROA) and earnings per share (EPS), and dividend policy metrics, such as financial soundness (FS), dividend payout ratio (DPR), and dividends per share (DPS), among Nepalese commercial banks. The purpose of this study is to examine the relationships between and potential effects on the financial performance metrics, ROA and EPS,

across the banks in Nepal that were sampled. The correlation analysis highlights significant insights into these relationships. While EPS and Firm Size show no meaningful relationship, EPS and Dividend per Share exhibit a strong positive correlation, suggesting higher earnings coincide with increased dividends. Conversely, the correlation between EPS and Dividend Payout Ratio is weak and insignificant, indicating no clear association between earnings and the proportion of dividends paid out. Similarly, the correlation analysis between ROA and financial metrics reveals no significant association between a company's return on assets and its dividend-related metrics. These findings underscore the complex dynamics in assessing a company's financial performance and shareholder returns, emphasizing the nuanced nature of these relationships.

According to the third objective the impact of dividend per share (DPS), dividend payout ratio (DPR), and firm size (total assets, FS) on shareholder wealth and company performance was analyzed. The findings reveal significant relationships between these variables and both earnings per share (EPS) and return on assets (ROA). Specifically, dividend per share (DPS) exhibited a notable positive effect on EPS, indicating that an increase in DPS corresponded to a substantial increase in EPS. Conversely, the dividend payout ratio (DPR) displayed a negative impact on EPS, suggesting that higher DPR values were associated with decreased EPS. Similarly, regarding return on assets (ROA), DPS showed a positive influence, indicating that higher dividend per share values were linked to increased ROA. Conversely, DPR demonstrated a negative impact on ROA, with higher DPR values associated with decreased ROA. Interestingly, firm size (FS) did not significantly affect either EPS or ROA. These results underscore the crucial role of dividend-related metrics in shaping both shareholder wealth and company performance within the Nepalese commercial banking sector.

5.3 Implications

The implications drawn from the study are multifaceted and offer valuable insights for both the theoretical understanding of dividend policy and its practical implications for Nepalese commercial banks. Firstly, the analysis underscores the significance of dividend policy in influencing shareholder wealth and company performance.

The findings demonstrate that dividend payouts have a positive impact on important financial metrics by showing that dividends per share (DPS) considerably enhance earnings per share (EPS) and return on assets (ROA).Conversely, the negative association between dividend payout ratio (DPR) and EPS, as well as ROA, suggests the importance of maintaining an optimal

balance between dividend payments and retained earnings to maximize shareholder value and company performance.

Secondly, the study sheds light on the complex dynamics inherent in dividend policy decisions within the Nepalese banking sector. While dividend per share (DPS) demonstrates a strong positive correlation with EPS, indicating higher earnings coincide with increased dividends, the weak and insignificant correlation between EPS and dividend payout ratio (DPR) suggests a nuanced relationship between earnings and the proportion of dividends paid out. Similarly, the lack of significant association between return on assets (ROA) and dividend-related metrics underscores the multifaceted nature of financial performance evaluation, emphasizing the need for a comprehensive understanding of the factors influencing company performance beyond dividend policy alone.

Furthermore, the study highlights the importance of considering firm size (total assets, FS) in the analysis of dividend policy and its impact on shareholder wealth and company performance. Although firm size did not significantly affect EPS or ROA in the model, its inclusion provides a comprehensive perspective on the factors influencing dividend policy decisions and financial outcomes within Nepalese commercial banks.

Overall, the implications drawn from the study emphasize the need for Nepalese commercial banks to carefully consider their dividend policy decisions in light of their impact on shareholder wealth and company performance. By maintaining an optimal balance between dividend distributions and retained earnings, banks can effectively enhance shareholder value and financial sustainability in the dynamic banking landscape of Nepal.

5.4 Implication for further study

This research study has been considered on past ten year's data of selected Nepalese commercial banks in the specific framework with some factors based on the secondary data. This study is limited with six commercial banks only. Further researcher can increase the sample size for the study purpose relative to effect of dividend policy on shareholder wealth and company of Nepalese bank and institutions. There is a need for research to examine how dividend policies affect shareholder wealth and company performance in the context of financial institutions, service providers, insurance providers, and non-listed businesses that are listed on the Nepal Stock Exchange.

In addition, the variable used in this study is limited so; further researcher can broaden their study with other remaining variables which may directly or indirectly effect the dividend payout decision of organizations. Subsequent studies may also investigate the variables affecting dividend distribution choices made by Nepali businesses.

REFERENCES

Adhikari, N. (2014). Determinants of corporate dividend payout in Nepal. *NRB Economic Review*, *1*(1), 53-74.

Ahemd, Hand Javid, A. (2009) 'Dynamics and determinants of dividend Policy in Pakistan: evidence from Karachi stock exchange non-financial listed firms,' *Journal of Independent Studies and Research, 7*(1), 1-30.

Ahmed, S., & Murtaza, H. (2015). Critical analysis of the factors affecting the dividend payout: Evidence from Pakistan. *International Journal of Economics, Finance and Management Sciences*, *3*(*3*), 204-212.

Aivazian, V., Booth, L., & Cleary, S. (2003). Do emerging market firms follow different dividend policies from US firms? *Journal of Financial research, 26*(3), 371-387.

Akbar, S., Khan, S., Haq, Z. U., & Amin, M. Y. (2023). The purpose of this study is to comparatively analyze the effect of dividend policy on shareholders' wealth in Shariah-compliant (SC) and noncompliant (NC) nonfinancial firms in Pakistan. *Journal of Islamic Accounting and Business Research, 15*(6), 120-155.

Angelia, N., & Toni, N. (2020). The analysis of factors affecting dividend Policy in food and beverage sector manufacturing companies listed in Indonesia stock exchange in 2015-2017. *Budapest International Research and Critics Institute-Journal, 3*(2), 902-910.

Arora, A., & Bodhanwala, S. (2018). Relationship between corporate governance index and firm performance: Indian evidence. *Global Business Review*, *19*(3), 675-689.

Baker, H. K. & Powell, G. (2012). Determinants of corporate dividend policy: a survey of NYSE firms. *Finance Practice and Education, 10* (1), 29-40.

Baker, H. K., and Weigand, R. (2015). Corporate dividend policy revisited. *Managerial Finance*, *41*(2), 126-144.

Brealey, R. A. and Meyers, S. C. (2003). Principles of corporate finance (7thed.).

Bhattacharaya S., (1979) “Imperfect information, dividend policy, and” the bird in the Hand Fallacy” *Bell Journal of Economics, 10*(4), 259-270.

Bhattarai, B. P. (2020). Determinants of dividend payout decisions of commercial banks in Nepal. *Journal of Global Economics, Management and Business Research*, *25*(2), 12-20.

Bulla, D. (2013). An empirical analysis of selected factors affecting dividend policy of listed firms at the Nairobi securities exchange (2000-2010). *African Journal of Accounting, Economics, Finance and Banking Research*, *9*(9), 276-291.

Deshmukh, Sanjay, 2003, “Dividend initiations and asymmetric information: *A Hazard Model”, Financial Review 38* (4), 351-368.

DeAngelo, H., DeAngelo, L. & Skinner, D. (2004). Are dividends disappearing? Dividend concentration and the consolidation of earnings. *Journal of Financial Economics*, *72*(12), 425-456.

Fama, E., and French K. (2002) “Testing tradeoff and pecking order predictions about dividends and debt”, *Review of Financial Studies 3*(15), 1-33.

Frank, M. Z., &Goyal, V. K. (2007). Trade-off and pecking order theories of debt. *Available at SSRN* 670543.

Gill, A., Biger, N., & Tibrewala, R. (2010). Determinants of dividend payout ratios: evidence from United States. *The Open Business Journal*, *3*(1), 41-57.

Gitman, L.J. and Zutter, C.J. (2012). Principles of managerial finance, 13th Edition, Pearson Education, Inc, ISBN: 978-0-27-375428-2.

Gugler, K., & Yurtoglu, B. B. (2003). Corporate governance and dividend pay-out policy in Germany. *European economic review*, *47*(4), 731-758.

Han, K. C., Lee, S. H., & Suk, D. Y. (1999). Institutional shareholders and dividends. *Journal of Financial and Strategic Decisions*, *12*(1), 53-62.

Hung, D. N., Ha, N. V., & Binh, D. T. (2018). Factors influencing the dividend policy of Vietnamese enterprises. *Asian Journal of Finance & Accounting*, *10*(2), 16-29.

Jensen, G., Solberg, D., and Zorn, T. (1992) "Simultaneous determination of insider ownership, debt, and dividend policies", *Journal of Financial and Quantitative Analysis 27*(3), 247-263.

Jozwiak, BK (2014) 'Determinants of dividend policy: *Evidence from Polish Listed Companies,'Procedia Economics and Finance, 37*(2), 473-477.

Kania, S., & Bacon, F. (2005). W. (2005). What factors motivate the corporate dividend decision? *American Society of Business and Behavioral Sciences E-Journal*, *1*(1), 97-107.

Khadija Farrukh, Sadia Irshad, Maria Shams Khakwani, Sadia Ishaque & Nabeel Younus Ansari | (2017). Impact of dividend policy on shareholders wealth and firm performance in Pakistan, *Cogent Business & Management*, *4*(1), 1-11.

Kuzucu, N. (2015). Determinants of dividend policy: A panel data analysis for Turkish listed firms. *International Journal of Business and Management*, *10*(2), 163-195.

Okeke, V. C., Anike, C. A., & Onuora, V. D. J. (2021). Dividend policy and shareholders wealth in Nigeria. *International Journal of Innovative Finance and Economics Research 9*(1), 81-91.

Lee, C. W., Hsu, H. H., Peng, S. J., & Nguyen, T. N. H. (2022). Exploring the determinants of company's dividend payout policy in Vietnamese stock market. *Journal of Applied Finance & Banking*, *12*(2), 1-25.

Lintner, J. (1956) "Distribution of incomes of corporations among dividends, retained earnings and taxes", *American Economic Review*, *46* (12), 97–113.

Lotto, J. (2020). Towards extending dividend puzzle debate: What motivates distribution of corporate earnings in Tanzania? *International Journal of Financial Studies*, *8*(1), 18-21.

Masry, M., Sakr, A., & Amer, M. (2018). Factors affecting dividend policy in an emerging capital markets (ECM's) country: Theoretical and empirical study. *International Journal of Economics, Finance and Management Sciences*, *6*(4), 139-152.

Meyers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, *13*(2), 187-221.

Manandhar, K.D. (2017). A study of dividend policy and value of the firm in small stock market: A case of Nepal. *Management Dynamics, 8*(1)15-20.

Mehta, A. (2012). An empirical analysis of determinants of dividend policy-evidence from the UAE companies. *Global review of accounting and finance*, *3*(1), 18-31.

Miller, M. H. & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *The Journal of Business*, *34*(4), 411-433.

Muda, I. (2021). Analysis of the effect of good corporate governance, company size and liquidity on dividend policy and company value with profitability as an intervening variable in state-owned companies listed on the IDX 2011–2019. *Jurnal Mantik, 5*(1), 292-302.

Myers SC, and Majluf NS (1984). Corporate financing and investment decisions when firms have information that investors do not have. *J. Finance. Econ. 13*(2). 187-221.

Nadeem, N., Bashir, A., & Usman, M. (2018). Determinants of dividend policy of banks: Evidence from Pakistan. *The Pakistan Journal of Social Issues, 9*(4), 51-60.

Napitupulu, B. R. S., & Djajanti, A. (2021). The factors affecting dividend policy of manufacturing companies in indonesia stock exchange. *Jurnal Aplikasi Bisnis dan Manajemen (JABM), 7*(*3*), 592-592.

Nuhu, E. (2014) 'Revisiting the determinants of dividend payout ratios in Ghana,' International *Journal of Business and Social Science, 58*(1), 230-238.

Oyedeko, Y. O., Zubairu, M., & Mamidu, A. I. (2021). Board inclusion in financial reporting and dividend policy: Evidence from static and dynamic panel VAR models. *Journal of Finance & Corporate Governance, 5*(2), 55-71.

Pandey, I. M., 2001, "Corporate dividend policy and behavior: The Malaysian experience", working paper No. 2001-11-01, (Indian Institute of Management Ahmedabad).

Pradhan, P., Shyam, R., & Dahal, S. (2016). Factors affecting the share price: *Evidence from Nepalese commercial banks, 9*(5), 125-137.

Pradhan, P., Shyam, R., & Manandhar, M. (2017). Impact of firm specific variables on dividend payout of Nepalese banks. *International Research Journal of Management Science*, *3*(1*)*, 107-122.

Preinreich, Gabriel A. D. 1932. "Stock yields, stock dividends and inflation." *Accounting Review*, *7*(4), 273-289.

Rafique, M. (2012). Factors affecting dividend payout*: Evidence from listed non-financial firms of Karachi stock exchange. Business Management Dynamics*, *1*(11), 76-92.

Ringborg, F., & Dai, J. (2016). Determinants of dividend policy in Sweden. *The Journal of Finance*, *55*(6), 2499-2536.

Roberto, M. A. (2002). Making difficult decisions in turbulent times: In their own way, complexity and ambiguity tyrannize decision-making. *What managers need are strategies for making clear, accurate judgments under stressful conditions Ivey Business Journal*, *6*6(*3*), 15-20.

Rozeff, M. S. (1982). Growth, beta and agency costs as determinants of dividend payout ratios. *Journal of financial Research*, *5*(3), 249-259.

Sage, George H. 1937. "Dividend policy and business contingencies." *Harvard Business Review 15*(*2)*, 245-252.

Shyam-Sunder, L., & Myers, S. C. (1999). Testing static tradeoff against pecking order models of capital structure. *Journal of financial economics*, *51*(2), 219-244.

Sunaryo, D., & Lestari, E. P. (2022). The effect of current ratio, total assets turn over, firm size on debt payout ratio with return on investment as intervening variables. *International journal of economics, management, business, and social science (ijembis)*, *2*(1), 46-61.

Thapa, M. (2021). Effects of financial determinants on dividend payout: *Evidence from Nepalese retail banks. The Batuk*, *7*(1), 24-37.

Ullah, K., Bagh, T., & Arif, M. (2019). Factors affecting dividend policy: An empirical investigation of food sector of Pakistan. *Research Journal of Finance and Accounting*, *10*(5), 2222-1697.

Wanjohi, M. M. (2017). Effects of dividend policy on shareholders wealth: Evidence from insurance firms in the Kenya. *International Academic Journal of Economics and Finance, 2*(3), 183-205

Watson, D., and Head, A. (2004).Corporate finance: principles & practice (3rded.*). Harlow, England: Pearson Education Limited, 6*(6), 248-252.

Weston, J. F and Brigham, E.F. (1989) Managerial finance, Tokyo, The Dryden press (Holt Saunders int. Editions)

Weston, J. Fred and Thomas E. Copeland (1990). Managerial finance: ninth edition. Fort Worth: Dryden Press.

Wijaya, N., & Felix, A. (2017). Factors affecting dividend policy on non-financial companies in Indonesia. *Accounting and Finance Review*, *2*(3), 12-21.

Zameer, H., Rasool, S., Iqbal, S and Arshad, U. (2013) 'Determinants of dividend policy: A case of banking sector in Pakistan, 'Middle-East. *Journal of Scientific Research, 18*(3), 410-424.

Zeidan, R., Galil, K., & Shapir, O. M. (2018). Do ultimate owners follow the pecking order theory? *The Quarterly Review of Economics and Finance*, *67*(11), 45-50.

APPENDICES

Appendix-I

Earnings per Share (Rupees)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	35.19	83.68	86.04	18.34	15.24	18.08
2014/15	78.83	57.24	78.04	22.20	31.73	7.48
2015/16	52.79	59.27	65.97	25.20	26.75	44.59
2016/17	31.59	59.86	44.32	24.00	27.17	38.77
2017/18	36.91	51.84	32.78	15.81	12.58	39.98
2018/19	42.88	50.57	38.05	21.07	21.03	26.99
2019/20	31.45	36.16	29.71	14.96	11.58	20.68
2020/21	29.13	33.57	19.91	17.76	15.17	23.43
2021/22	14.41	18.64	26.30	16.44	14.97	20.29
2022/2023	7.42	23.67	31.43	15.85	1.19	23.39
Mean	36.06	47.45	45.26	19.16	17.74	26.67
S.D	19.82	19.57	23.12	3.69	9.04	11.47

Dividend per share (In Rupees)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	4.47	15.78	49.81	0	0	0
2014/15	14.26	49.10	50.11	0.56	0	0
2015/16	12.95	3.36	6.65	0.73	0	0
2016/17	6.32	6.43	3.76	6.39	0	0
2017/18	4.71	17.93	0.48	4.88	0	0
2018/19	14.89	9.79	3.83	9.69	0.39	0
2019/20	20.33	27.03	18.23	10.47	0.73	8.69
2020/21	0.57	1.59	17.87	3.15	0.48	3.57

2021/22	5.04	0.88	0.81	0.61	0.56	2.63
2022/2023	11.81	9.70	1.38	0	0.81	2.03
Mean	9.54	14.16	15.29	3.65	0.29	1.69
S.D	6.18	14.73	19.38	4.03	0.34	2.80

Dividend payout ratio (In Percentage)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	12.7	18.86	57.89	0	0	0
2014/15	18.08	85.78	64.21	2.52	0	0
2015/16	24.53	5.67	10.08	2.92	0	0
2016/17	20.01	10.74	8.48	26.63	0	0
2017/18	12.76	34.59	1.46	30.85	0	0
2018/19	34.72	19.36	10.05	45.98	1.85	0
2019/20	71	74.76	61.34	69.98	6.30	42.02
2020/21	1.96	4.74	89.78	17.74	3.55	15.24
2021/22	34.98	4.72	3.07	3.71	3.74	12.96
2022/2023	159.17	40.98	4.38	0	68.07	8.68
Mean	38.99	30.02	31.07	20.03	8.35	7.89
S.D	46.26	29.31	33.24	23.58	21.09	13.41

Return on Assets (In percentage)

FY	ADBL	NABIL	EBL	MBL	PBL	NBL
2013/14	2.78	2.67	2.19	1.45	1.44	0.92
2014/15	2.54	1.81	1.57	1.98	2.19	0.55
2015/16	2.66	2.15	0.02	2.39	1.6	2.79
2016/17	2.71	0.26	1.72	2.97	1.6	2.78
2017/18	2.69	2.47	1.78	1.47	0.86	2.83
2018/19	2.77	2.11	1.79	1.61	1.29	1.51
2019/20	1.86	1.46	1.36	1.02	0.71	1.22

2020/21	1.59	1.55	0.84	1.02	0.82	1.33
2021/22	0.91	1.01	1.09	0.94	0.82	1.24
2022/2023	0.49	1.33	1.360	0.87	0.081	1.15
Mean	2.1	1.68	1.29	1.57	1.14	1.63
S.D	0.84	0.72	0.64	0.69	0.59	0.85

Appendix-II

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	60	.02	2.97	1.5832	.75554
DPS	60	.00	50.11	7.4373	11.63889
DPR	60	.00	159.17	23.2370	30.68904
EPS	60	1.19	86.04	32.0042	19.37132
TA(FS)	60	48510.00	1111785.00	177654.1500	151039.70870
Valid N (listwise)	60				

Appendix-III

Relationship between EPS and independent variables

Correlations

		EPS	FS	DPS	DPR
EPS	Pearson Correlation	1	-.046	.597**	.029
	Sig. (2-tailed)		.729	.000	.828
	N	60	60	60	60

FS	Pearson Correlation	-.046	1	-.004	.101
	Sig. (2-tailed)	.729		.978	.444
	N	60	60	60	60
DPS	Pearson Correlation	.597**	-.004	1	.637**
	Sig. (2-tailed)	.000	.978		.000
	N	60	60	60	60
DPR	Pearson Correlation	.029	.101	.637**	1
	Sig. (2-tailed)	.828	.444	.000	
	N	60	60	60	60

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

Relationship between ROA and Independent Variables

Correlations

		ROA	FS	DPS	DPR
ROA	Pearson Correlation	1	-.067	.162	-.164
	Sig. (2-tailed)		.608	.217	.211
	N	60	60	60	60
FS	Pearson Correlation	-.067	1	-.004	.101
	Sig. (2-tailed)	.608		.978	.444
	N	60	60	60	60
DPS	Pearson Correlation	.162	-.004	1	.637**
	Sig. (2-tailed)	.217	.978		.000
	N	60	60	60	60

DPR	Pearson Correlation	-.164	.101	.637**	1
	Sig. (2-tailed)	.211	.444	.000	
	N	60	60	60	60

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

Appendix-IV

Model summary of EPS and independent variables

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.565	.542	13.11394

a. Predictors: (Constant), DPR, FA, DPS

b. Dependent Variable: EPS

ANOVA of EPS and independent variables

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12509.019	3	4169.673	24.246	.000[b]
	Residual	9630.622	56	171.975		
	Total	22139.641	59			

a. Dependent Variable: EPS

b. Predictors: (Constant), DPR, FS, DPS

Coefficient of EPS and Independent Variables

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	28.236	2.893		9.762	.000
	FS	2.3016	.000	.018	.202	.841
	DPS	1.624	.191	.976	8.504	.000
	DPR	-.375	.073	-.595	-5.155	.000

a. Dependent Variable: EPS

Appendix-IV

Model summary of ROA and independent variables

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.412[a]	.394	.313	12.8025

a. Predictors: (Constant), DPR, FA, DPS

b. Dependent Variable: ROA

ANOVA of ROA and independent variables

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.930	3	1.643	3.201	.030[b]
	Residual	28.750	56	.513		
	Total	33.680	59			

a. Dependent Variable: ROA

b. Predictors: (Constant), DPR, FS, DPS

Coefficient of ROA and Independent Variables

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.642	.158		10.387	.000
	FS	-1.0497	.000	-.021	-.168	.867
	DPS	.029	.010	.445	2.769	.008
	DPR	-.011	.004	-.445	-2.756	.008

a. Dependent Variable: ROA

EFFECT OF DIVIDEND POLICY ON SHAREHOLDER WEALTH...

By: PRATIMA RAI

As of: Jul 23, 2024 12:47:35 PM
17,685 words - 36 matches - 5 sources

Similarity Index
3%

Mode: Summary Report

sources:

147 words / 1% - Internet from 14-Jan-2023 12:00AM
elibrary.tucl.edu.np

139 words / 1% - from 26-Jan-2024 12:00AM
elibrary.tucl.edu.np

122 words / 1% - from 09-Jul-2024 12:00AM
elibrary.tucl.edu.np

120 words / 1% - Internet from 22-Jun-2022 12:00AM
www.researchgate.net

104 words / 1% - Internet from 12-Dec-2022 12:00AM
elibrary.tucl.edu.np

paper text:

i Abstract This study examines

the impact of dividend policy on shareholder **wealth and** company **performance in**

six Nepalese commercial banks: Nabil Bank Limited (NBL), Machhapurchhe

Bank Limited (MBL), **Agriculture Development Bank Limited (ADBL**), Prabhu **Bank Limited** (PBL), Nepal **Bank Limited** (NBL), **and** Everest **Bank Limited**

(EBL). These banks were selected from a total of 20 through convenience sampling. The analysis uses data from annual reports, financial statements, and other relevant documents over the fiscal years 2013/14 to 2022/23. The findings reveal that dividend per share, firm size, and dividend payout ratio significantly influence shareholder wealth and company performance. Earnings per share (EPS) and return on assets (ROA) are directly affected by these variables, highlighting their importance in dividend decisions. Regression analysis shows that firm size does not significantly impact EPS, while dividend per share and dividend payout ratio do, with the former increasing EPS and the latter decreasing it. Similarly, for ROA, firm size has no significant impact, but dividend per share increases ROA, and dividend payout ratio decreases it. These results underscore the critical role of dividend policies in the Nepalese banking sector. Overall, the study highlights the importance of dividend-related metrics in predicting and understanding financial performance, particularly their impact on EPS and ROA. These findings underscore the significant role of dividend payout policies in enhancing shareholder wealth and performance in Nepalese commercial banks. Key words= Dividend payout ratio, Dividend Per share, Firm size, Return on Assets, Earning Per share CHAPTER I INTRODUCTION 1.1Background of the study The rapid