IMPACT OF DIVIDEND POLICY ON SHARE PRICE 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 of Business Studies (M.B.S.)

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June, 2024

CERTIRFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **IMPACT OF DIVIDEND POLICY ON SHARE PRICE OF NEPALESE COMMERCIAL BANKS.** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Indira Adhikari has defended research proposal entitled "**IMPACT OF DIVIDEND POLICY ON SHARE PRICE OF NEPALESE COMMERCIAL BANKS".** The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Kamal Prakash Adhikari and submit the thesis for evaluation and vice-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis **IMPACT OF DIVIDEND POLICY ON SHARE PRICE OF NEPALESE COMMERCIAL BANKS** presented by Indira Adhikari a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva- Voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ACKNOWLEGMENT

First of all, I would like to thank Tribhuvan University for giving chance to prepare the thesis for a partial requirement to the fulfillment of Master Degree of Business Studies program held under Tribhuvan University. After many months of hard work and sincere effort from my side, this research has been conducted. I would like to acknowledge the following notable personalities who have contributed their valuable efforts in different ways in creation of this research. I would express my profound gratitude to my desertation supervisor, Kamal Prakash Adhikari,Shanker Dev Campus for his valuable guidance and kind support to me all the way through this dissertation his co-operation in the revision of this dissertation has precisely helped me to groom and bring it in this form. I also owe deep gratitude to all reputed authors whose writings have provided me the necessary guidance and invaluable materials for the enrichment of my research papers in all possible ways..

Indira Adhikari

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURE

ABBREVIATIONS

ADBL	Agriculure Development Bank Limited
AM	Arithmetic Mean
CV	Coefficient of Variation
DPS	Dividend Per Share
EPS	Earning Per Share
FY	Fiscal Year
GA	Growth in Assets
HBL	Himalayan Bank Limited
MM	Modigliani &Miller
MPS	Market Price Per Share
NABIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange
NIBL	Nepal Investment Bank Limited
NRB	Nepal Rastra Bank
SBL	Sunrise Bank Limited
SD	Standard Deviation

ABSTRACT

The "IMPACT OF DIVIDEND POLICY ON SHARE PRICE OF NEPELASE COMMERCIAL BANK" is the subject of this study. The purpose of the research is to investigate the impact of dividend policy on share price of Nepalese commercial bank. Five commercial banks were selected as a sample bank from a total of 20 banks. The secondary data was gathered over the course of ten years, from 2013/14 to 2022/23, from the yearly reports that commercial banks published. With SPSS, the data is analyzed and interpreted using a descriptive study approach. GA, DPS, and EPS are included in the regression model to look into potential associations with MPS. The major conclusion of the study is that Dividends per share (DPS) and earnings per share (EPS) have a significant impact on the market price per share (MPS) of commercial banks in Nepal; however, firm's growth has insignificant impact .Therefore, the findings suggested that market share price is significantly positively impacted by the commercial bank's dividend policy. This study's findings will help investors and portfolio analysts to access the information about aspects to consider while making investment decisions and forecasting future dividends .The study's implications would be helpful recommendations for the bank's directors of finance and board of directors who should think about which aspects are more influential when deciding on dividends.

Key words: Share price on the market, Growth in Assets, Dividend per Share, and Earning Price per Share

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

In order to attract investment, Nepal has been working to improve the business climate in profitable sectors including hydropower, industrial manufacturing, services, tourism, building, agriculture, minerals, and energy. Commercial banks and other financial institutions have been essential in this circumstance by helping to mobilize deposits through investments in productive fields that yield profits. A business may choose to retain, reinvest, or distribute its earnings in one of three ways. A dividend is a payment made to shareholders that represents a piece of the earnings. These dividends play a significant role in the investment strategy of many investors and have a significant impact on the firms they choose to invest in. A crucial choice in financing is the dividend policy, which deals with paying shareholders back for their investments. Every company in a certain industry has a dividend payment schedule or policy, which is undoubtedly a financial indication of the company. As a result, the firm's dividend policy should influence share demand to some degree (Masum, 2014).

For lenders, managers, investors, and other stakeholders, dividend policy is crucial. It is a method of determining whether or not the business could turn a profit. Shareholders, prospective investors, staff, financial brokerage services, and the company management all adhere to the dividend policy (Ajanthan, 2013).

A company's policy about the amount of earnings it will distribute to its shareholders as compensation for their investment is known as its dividend policy. Dividend-related ideas, such as the birds on the hands theory, the signaling effect theory, the clientele effect, the tax preference theory, the agency cost theory, the behavioral theory, and the firm cycle theory, have been used to explain the impact of a company's dividend policy decision. The most crucial factor that investors consider when deciding whether or not to purchase a specific share is its share price. Maximizing projected return at minimal risk is their primary goal while investing in the stock market. Conversely, the systematic risk that owners of stock assets confront is share price volatility. Due to their risk aversion, investors should be aware of the volatility of their investments as it indicates the degree

of risk to which they are exposed while owning stock in listed firms (Zakaria, Muhammad, & Zulkifli, 2012).

Additionally, businesses understand that investors closely monitor dividend returns and that the riskiness of their investments may have a long-term impact on the share price of the company. Because of this, stock price volatility affects businesses just as much as it does investors. One of the most extensively studied subjects in finance is dividend policy, but whether or not it influences stock prices has long been a source of debate for managers, decision-makers, and scholars alike. The dividend yield, which is determined by dividing the current share price by the yearly dividend income per share, is a metric that many investors find interesting (Masum, 2014).

The amount of income received in relation to the share price is measured by the dividend yield. A low dividend yield relative to other companies in the same industry can indicate one of two things: either the market believes the company has promising future prospects and isn't overly concerned about the dividend payments, which would explain the high share price, or the company is having financial difficulties and won't be able to pay reasonable dividends. However, a high dividend yield may also indicate a troubled business with a declining share price. For growing businesses, dividend yield is less significant because retained revenues will be spent in chances for expansion, generating returns for shareholders in the form of capital gains (Ajanthan, 2013).

The bank must carefully consider its options when choosing a dividend policy since the amount of dividends it pays to shareholders will determine how much flexibility it has to invest in future initiatives. Less money will be available for investments in upcoming initiatives if the corporation pays out higher dividends. Lenders are particularly concerned about how much a firm declares as dividends since if a corporation pays out more, it will have less money available to pay down its debt. Therefore, the study looks into how dividend policy affects the share's market performance on the Nepal Stock Exchange (NEPSE). The study investigated if the dividend policy has any bearing on the factors that determine the firm's share price, similar to dividend payment patterns, using a sample of commercial banks that are listed on the NEPSE. The dividend policy is the only particular aspect that is the subject of the investigation.

One of the most widely researched subjects in finance is dividend policy, but whether or not it influences stock prices has long been a source of dispute for managers, decision-makers, and scholars alike. Therefore, the study looks at the payout pattern and how it affects the share price of five major Nepali commercial banks.

1.1.1 Profile of the sample commercial banks

Himalyan Bank Limited (HBL)

Himalayan Bank, one of the leading commercial banks in Nepal, offers a variety of products and services through multichannel distribution networks. The Bank's competitive edge is sustained by a highly motivated personnel, a vast network of distribution channels, and modern technology. Established in 1993 as a joint venture between Pakistan's Habib Bank LTD, the bank has effectively controlled the banking sector ever since. This bank has become one of the most respected and well-liked in the country because to the investments made by Nepalese investors. With 110 ATM locations, 20 Extension Counters, and 196 branches, it currently offers exceptional, innovative banking services.

Sunrise Bank Limited (SBL)

On October 12, 2007, Sunrise Bank Limited, a reputable financial organization, was founded in Nepal as the country's twenty-third commercial bank. Its corporate headquarters are situated in Kathmandu at the Gairidhara Crossing. "Rising to Serve" is Sunrise Bank's motto, and it provides innovative goods and services to all kinds of customers. It also provides goods that can help the nation's needs for economic development. The Nepal Stock Exchange lists the bank's shares for public trading under the "A" category. As of right now, the bank has 121 ATM machines, 4 extension counters, 29 branchless banking units, and 106 branches.

Agricultural Development Bank Limited (ADBL)

The Government of Nepal owns a significant amount of the autonomous company known as Agricultural Development Bank Limited. The bank owns 49% of the general public and 51% of the Nepali government. Customers and staff make up the majority of its stockholders. For the past thirty years, the bank has operated as a leading rural loan

provider, accounting for about sixty-seven percent of the nation's institutional credit supply. As a result, ADBL's primary operational sector is rural financing. Additionally, since 1984, the bank has operated in the commercial banking sector. It has 278 offices and is dispersed throughout the country's 77 districts and 7 provinces.

Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Limited (NIBL), established in 1986 as a joint venture between Nepalese and French partners was initially named Nepal Indosuez Bank Ltd. The French partner holding 50% of the capital of Nepal Indosuez Bank Ltd. was Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world. Later in 2002, a group of Nepalese companies comprising of bankers, professionals, industrialists and businessmen acquired the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. and accordingly named the bank; Nepal Investment Bank Ltd. (NIBL). After 36 successful years of operation a new phase beckoned for NIBL. Following Nepal Rastra Banks (NRB) policy to reduce the number of commercial banks across the country, Nepal Investment Bank Ltd. signed a Memorandum of Understanding (MoU) with Mega Bank Nepal Ltd. to enter into a merger on June 10th 2022.

Nabil Bank Limited (NABIL)

Nabil represents a turning point in the growth of Nepal's financial services sector. With the founding of Nabil Bank in 1984 A.D., the private sector entered the local banking market. Up until that point, the public's access to financial services was restricted, technological intervention was essentially nonexistent, and products and services were restricted to basic financial intermediation. The bank runs its business through a nationwide network of remittance agents, 129 ATMs, several POS terminals, 79 branch locations, and more than 170 overseas correspondent banking partnerships.

1.2 Problem Statement

Regarding whether dividend payments have a meaningful impact on long-term share values, researchers differ in their conclusions. Dividend policy serves to increase company market value, according to Dhanani (2005), who employed a survey approach to gather management opinions and attitudes of corporate managers regarding dividend policy. Farsio et al. (2004) contend, however, that empirical research that finds a causal

relationship between profitability and dividends is based on brief time periods and confuses new investors as a result. As a result, dividends cannot be used to forecast future earnings. Thus, the goal of this study is to determine whether dividend payments and share prices are related.

While there exist, various theories explaining the distinct effects of dividend policies on stock prices, Nepal's commercial banks lack a comparable dividend policy characteristic. The following are some of the questions this study has addressed:

1. Does the stock price of a company depend on dividend?
2. To what extent earnings per share,asset growth and dividends relate to each other?
3. Is there any impact of dividend on earning per share,asset growth and stock price?

1.3 Objective of the Study

This study's main goal is to investigate the dividend pattern and how it affects stock price in the context of commercial banks in Nepal. The next particular goals are intended to fulfill the fundamental goals.

1. To Access the existing situation of share price with dividend.
2. To Analyze the relationship between earnings per share, asset growth and dividends.
3. To Investigate the impact of dividend with stock price, earning and asset growth.

1.4 Rationale of the Study

The study examines the dividend pattern and how it affects the share price of Nepalese commercial banks during a ten year period, from FY 2013/14 to FY 2022/23 AD, with regard to the chosen banks. Comparably, research has been done on the relationships between dividends and earnings, stock price and EPS, and asset growth and stock price. This can be useful information for other academics who wish to learn more about the dividend policy, how it affects sample bank's share prices, and how share prices relate to asset growth and earnings per share.

For bankers, shareholders, depositors, and the general public interested in the current state of the banking industry, the study has provided an accurate image of the dividend policy and its effect on the share price of commercial banks. Furthermore, the study holds equal significance for the firms, as it provides them with significant recommendations that

could prove beneficial in implementing corrective measures in the event that historical credit risk management performance varies from expectations. The government and the capital markets authority, among other policy makers, may find the information useful in developing improved dividend policy laws. Likewise, the study holds similar importance for academics from different universities who are eager to conduct research in this area. The work is significant because it reviews the literature, which broadens our understanding of the relationship between dividend policy and share prices.

Additionally, the study aids in finishing the MBS level and provides information on the dividend policy of Nepal's commercial banks and how it affects share price.

1.5 Limitations of the Study

Despite the best attempts to present and analyze the facts in a clear, accurate, and boundary-bound manner, errors may occur for a variety of reasons, including inadequate data availability, lack of time, insufficient research experience, and tool reliability.

The following are the study's limitations:

1.Though a commercial bank has several areas to be analyzed but this study concentrates only on the dividend policy of selected commercial banks and its effects on stock price. Other areas of the banks are not covered in this research.

2. The study examined only at ten distinct years.

3. The study is based on the secondary data. So the relevancy of the study is affected by the reliability of secondary data collected.

4. Just five Nepali commercial banks were observed for the study.

5. The study's findings cannot be applied to all organizations because of variations in their operation and business.

CHAPTER-II
LITERATURE REVIEW

2.1 Theoretical Review

A literature review is conducted in order to get more knowledge of the research problem and identify potential research methodologies. To obtain information attached to the subject of the study, a researcher examine books, journals, dissertations, research papers, government publications, and reports of financial and marketing operations. Examining and reviewing a few related books, articles, published and unpublished articles in various economic journals, bulletins, magazines, newspapers, the yearly balance sheet of the relevant banks, the NEPSE survey, an economic survey, prior theses on the subject, and subject-related website searches are all part of the chapter literature review.

2.1.1 Theories of Dividend

2.1.1.1 Residual Theory of Dividend

The residual theory of dividends, according to one school of thinking, says that a company's payout should be seen as the amount that remains after all reasonable investment possibilities have been utilized of. One way to reflect of a company's dividend policy is as an investing choice. This kind of behavior is evidence of a business believing in residual dividends. This theory holds that a company's dividend policy is an after-investment residue, and that the availability of investment opportunities determines whether a company pays dividends or not.

This theory's assumption is that, in cases where the return on reinvestment exceeds the investors' opportunity cost of funds, investors would rather see the company retain and reinvest earnings rather than distribute dividends. Under the residual dividend policy, new shares are sold to make up the shortfall for unpaid investments, and the dividend is equal to the amount remaining after investment. If there are no opportunities for investments, all earnings are given to shareholders as dividends. Accordingly, a dividend is only a residue—that is, the percentage that is left over after all requirements for equity investments have been met—(Irwin Friend & Marshall Pocket, 1964).

A distribution of earnings to shareholders that cannot be productively reinvested is represented by the dividend by the firm. This method just considers the dividend decision as a residual decision.

2.1.1.2 Stability Theory of Dividend

The term "dividend stability" describes the dividend stream's consistency. Stated alternatively, dividend consistency refers to the dividend being paid on a consistent basis, even while the exact amount varies annually. The majority of businesses' management see dividend stability as a good policy. Additionally, consistent dividends are often preferred by shareholders over changing ones, and they are valued higher by them. If all else remains the same, a consistent dividend could raise the share's market price (Panday, 1995).Maintaining the position of the company's dividend payments in respect to a trend line—ideally an upward-sloping one—is what we mean by stability. There are a few reasons for thinking that increasing stock prices are a direct result of a consistent dividend policy.

First, since variable dividends are riskier than stable ones, investors are generally expected to place a higher value on dividends they can be certain of getting. As a result, a bigger discount factor will probably be applied to the same average dividend amount received under a changing dividend policy than it will be for payouts under a stable dividend policy. This implies that compared to a firm whose dividend fluctuates, one with a steady dividend policy will have a lower necessary rate of return or cost of equity capital.Secondly, dividend income is a major source of income for many stockholders. These investors will pay more for a stock that has a comparatively certain minimum dollar payout since they are very inconvenient with variable payments. Third, from the perspective of the company and its investors, dividend stability is preferred in order to meet legal listing requirements.

Dividend payment stability comes in three different types. They are as follows:

i. Constant Dividend per share
ii. Constant Dividend payout ratio
iii. Low Regular Dividend plus extra dividend

i) Constant Dividend per share

Under the constant dividend per share policy, annual dividend payments to shareholders are made at a consistent rate, regardless of changes in earnings. The dividend rate and dividend per share are not guaranteed to remain constant by this policy. An increase in the annual dividend per share may occur when a company achieves a new level of earnings and anticipates maintaining it (Panday, 1995).

Ordinary shareholders are treated similarly to preference shareholders under the dividend policy, which pays a fixed sum of income annually without considering the investment alternatives available to the company or to shareholders. The constant dividend policy is preferred by investors who rely solely on dividend income. The fluctuations in the value of their shares scarcely bother them.

ii. Constant Dividend Payout Ratio

Payout ratio is the ratio of dividends to earnings. Certain corporations may adhere to a consistent payout ratio policy, meaning they will annually pay a predetermined percentage of their net earnings. The dividend will vary in direct proportion to earnings under this policy.

The company's capacity to pay dividends is relevant to this policy. Regardless of the wishes of shareholders, no dividends will be paid if the company experiences losses. When this guideline is adhered to, internal financing via retained earnings occurs automatically. The amount of retained earnings and dividends at any particular payout ratio rises with rising earnings and falls with falling earnings. This policy offers the benefit of shielding a business from paying out too little or too much in dividends. It also makes choosing a payout easier. It guarantees that dividends are distributed in the event of profits and withheld in the event of losses (Brandt, 1972).

iii. Low Regular Dividend plus Extra Dividend

In line with this policy, the company pays its shareholders a predetermined, consistent dividend amount to lessen the likelihood that they would ever miss one. Additionally, in years when the market is prosperous, the corporation pays out extra dividends on top of the regular dividend. The corporation stops paying the excess payout and resumes paying

dividends as usual when normal conditions are restored. These policies give a company the flexibility to supplement shareholders' income only when the company's earnings exceed expectations, without tying the company down to large payments as part of a future fixed dividend. They also allow a company to pay a constant amount of dividend consistently and without default.

2.1.1.3 Dividend Irrelevant Theory

Miller and Modigliani (1961) develop the concept of dividend irrelevance theory. The Miller and Modigliani (1961) model requires the absence of transaction costs and the assumption of either no taxation or equal tax rates on capital gains and dividends. Furthermore, it is presumable that there is a perfect capital market in which no single buyer or seller may affect the market price. All people can obtain free information on the market. There is no agency issue because the managers serve as the shareholders' best agent and the stocks are appropriately valued.

1. Bird-in-Hand Theory

Dividends are certain, whereas capital gains are uncertain, which is one of the reasons investors could favor dividends over capital gains. Retained earnings are valued differently from dividends in an environment of uncertainty and information asymmetry. It is assumed that outside investors are not privy to complete information on the profitability of the companies they participate in and that the tax rate on cash dividends is greater than that on capital gains. Such dividends serve as an indicator of anticipated cash flows within these limitations (Bhattacharya, 1979).

2. Agency Cost Theory

Conflicts of interest between shareholders and management give rise to agency costs. Because executives' income is frequently correlated with the size of the company, management may overinvest or spend extravagantly on perks in order to grow the company beyond its ideal size. By decreasing the amount of available cash flow for managers to spend as they see fit, debt creation may lower the agency cost of free cash flow. Organizations would become more productive if they were forced to default on debt service payments (Jensen, 1986).

3. Signaling Theory

Investors are sensitive to the information disclosed by the companies because of incomplete information. They rely their assessment of the companies' future prospects on factors such as dividend announcements, possible projects with positive net present values (NPVs), and other factors. According to the information contained in dividends, only high-caliber companies will be able to use this tool to communicate a firm's future prospects. According to a study by Allen et al. (2000), both individual and institutional investors boosted their transaction volume through the ex-dividend date following the announcement of substantial payouts.

4. Clientele Effect

The clientele effect is the grouping of shareholders in businesses according to their desire for investments. Those in low-tax brackets or tax-exempted entities with immediate cash flow requirements typically invest in high-dividend corporations. Generally speaking, dividend yields fall when dividend tax disadvantages rise (Pettit, 1977). The clientele effect is also supported by additional research, which demonstrates that investors' preferences for high- or low-dividend equities in their portfolios are influenced by the difference in tax rates for capital gains and dividends (Scholz, 1992).

5. Tax Preferences Theory

Taxes must be paid on stock returns, whether they take the form of capital gains or cash dividends. Some nations around the world also impose double taxes on dividends. Once more, it is discovered that under a double taxation regime, investors choose capital gains over cash dividends. Some nations are offering dividend recipients either full or partial tax relief in an effort to eradicate the practice of double taxation. Ince and Owers (2012) found that value-enhancing impacts of leverage could be partially offset by dividend distribution if the dividend tax rate was higher than the capital gains tax rate. The moderating effect of dividend payout is lost if both rates are at the same level.

2.1.1.4 Random Walk Efficient Market Theory

The random walk hypothesis makes the assumption that the cash flows from a stock investment in the future are independent of the income received in the past.In simple terms, it claims that historical pricing behavior is not predictive of future price

movements. It is doubtful to be successful to predict future prices alone by using past price fluctuations. According to the theory, successive price fluctuations independently represent the security's base price. It essentially highlights the fact that the only thing that matters is the independence of future price adjustments. Because of this independence, pricing should generally represent the security's intrinsic worth. When opposing views of a company's future prospects cause a stock price to differ from its intrinsic value, both non-professionals and professional investors equally take advantage of these short-term or random fluctuations by making aggressive purchases and sell of the stock. This action helps with the price returning to its equilibrium level. In conclusion, random fluctuations in share prices do not indicate irrationality in the process of setting prices; rather, the market is influenced by the free and competitive forces of supply and demand, which determine share prices. A free and competitive market's efficient market automatically modifies share prices according to sensitivity. Any differences in the market are immediately associated, and real prices fluctuation about their intrinsic value. According to Johns (1998), there are a number of characteristics that critics argue raise questions about the effectiveness and competitiveness of the stock market.

2.2 Empirical Review

Clear guidelines for the study's preparation were brought about by the review of earlier research. Numerous approaches, methods, information, concepts, instruments, and so forth that were revealed in earlier journals, reports, and theses on the study's subject helped with its preparation. The way for current and upcoming research is paved by earlier scholars. The examination of earlier research on comparable or related subjects has led to the discovery of related pathways. We reviewed a number of books, journals, articles, and previous theses for this study. Both the international and Nepalese contexts are examined.

Chapagai (2010) investigated the relationship between dividend policy and the market share price of ten selected commercial banks in Nepal through regression and correlation analysis. The study determined the extent to which these factors affect the share price over the study period and found that there is a positive relationship between the commercial banks' earnings per share (EPS), price earnings ratio (P/E), and market price per share (MPS), while there is a negative relationship with the dividend payout ratio (DPR). A number of factors are taken into account before dividends are paid to

shareholders. These include dividends paid to preferred shareholders, dividends paid in prior years, the amount paid by rival banks, net earnings for the period, reserve fund balance, and investment opportunities.

Bhattarai (2011) found that there was the greatest variation in EPS and DPS after analyzing the trend of the securities market and the amount of stocks traded on the secondary market. Although encouraging, the association between DPS and EPS was not statistically significant. In addition to EPS, the study has found other elements that influence MPS, and the dividend growth rate varies. The study came to the conclusion that none of the commercial banks in its sample had a clearly defined dividend policy. Statistical methods included test statistics, coefficient of determinants, regression analysis, and correlation analysis. The market price of shares was rising while the rate of inflation was declining in the last year. However, the businesses are unable to provide investors with the necessary rate of return. The needed rate of return for investors and share price were negatively correlated.

Budhathoki (2012) investigated the effect of dividend policy on the share price of Nepalese commercial banks.The market share price (MPS) of the Nepalese commercial banks under investigation was positively impacted by the average earning per share (EPS) of the banks. However, the coefficient of variation showed that the EPS was inconsistent. The average dividend per share (DPS) indicated that dividend payments were irregular. The banks' Dividend Payout Ratio (DPR) was not constant, according to the DPR research. The average market price indicated a significant degree of volatility. The dividend payout was inconsistent, and its growth rate was not constant. Dividend payout and earnings before taxes have a negative correlation with net value. Higher profitability is shown in stocks with larger DPS to book value per share ratios. The majority of respondents believe that informing shareholders about the company's success is the primary reason for providing a cash dividend. Shareholders in Nepal are not genuinely apathetic when it comes to dividend payments or nonpayments. One of the main conclusions is that the market price of shares rises in response to earnings announcements.

Joshi (2012) investigated that DPS is a driving force that has the ability to raise market price per share for both banking and non-banking firms, according to Joshi's (2012) research. The investigation came to the conclusion that there are other factors besides cash dividends that influence share price. However, there are other variables that also affect share price volatility, such as earning potential, bonus shares, dividend decision information value, etc. Share price fluctuations in an imperfect market mechanism such as the Nepalese Share Market are also significantly influenced by security brokers, other market makers, and the rumors they disseminate in the market. According to the study's findings, DPS had a favorable impact on market price per share. The results of the analysis demonstrated that the differences in share prices in the banking and nonbanking industries are mostly explained by dividends and retained earnings. However, the dividend's effect was far more noticeable than retained earnings'. In every instance, there was a positive correlation between retained earnings and dividends and share price. The ratios of DPS to market price, interest coverage, and turnover ratios, as well as the ratios between dividend distribution and liquidity and profitability, all show favorable relationships. MFS has a favorable correlation with DPS.The stock with fewer dividend payments has more volatile liquidity and leverage ratios. Additional factors that determine whether a stock pays larger dividends include earnings, asset turnover, and interest coverage.

Mausam (2014) examined the relationship between the market price of the commercial banks listed on the Dhaka Stock Exchange and their dividend policies from 2007 to 2011. Different dividend policy theories are tested with varying degrees of success and success around the globe. In order to assess the impact of dividend policy on stock prices and to compare the findings of this study with previous research, a number of other studies published both domestically and internationally were examined. Because there was a huge sample size—all of the Dhaka Stock Exchange's listed commercial banks—the results were legitimate and trustworthy. After controlling for variables such as earnings per share, return on equity, and retention ratio, which have positive relationships with stock prices and significantly explain variations in share market prices, the panel data approach was used to explain the relationship between dividends and stock prices. In contrast, dividend yield and profit after tax have negative, negligible relationships with

stock prices. The study's overall findings showed that dividend policies significantly raise stock prices.

Hooi et al. (2015) used a sample of 319 companies from the Kuala Lumpur stock exchange to investigate the association between stock price volatility and dividend policy instruments in the Malaysian market. It was shown that there was a statistically significant negative correlation between share price volatility and dividend yield and payout. Share price and firm size have a negative relationship. The expected positive and statistically significant correlations between long-term debt to price volatility and earning volatility were found. Nevertheless, no meaningful correlation was observed between asset growth and price volatility in the Malaysian market. Decisions about dividend policy may still be influenced by additional factors. Some of the elements are challenging to quantify and incorporate, though. While a company is choosing its dividend policy, a number of factors are taken into account, including the tax preference, clientele effect, signaling effect, and others. Unfortunately, it is challenging to quantify the degree of the aforementioned influences statistically, making it challenging to incorporate them into the regression model.

Karki (2015) revealed a negative correlation between share price volatility and the dividend pay-out ratio. According to the study, there is a statistically significant correlation between a greater dividend payout ratio, a less volatile share price, and a higher dividend yield and their ability to reduce share price fluctuations. Firm size and share price volatility are inversely correlated. Big businesses typically pay larger dividends rather than reinvesting the majority of their earnings in new ventures because they tend to stabilize their growth rates (i.e., in stage of mature and declining, the demand of additional capital used for investments would be lower in comparison to the phase of initial and intensive development). Furthermore, the large corporations' stability appears to be guaranteed by their extensive and diverse operational and managerial experience. According to statistical analysis, among the variables examined, dividend yield had the biggest impact on share price volatility. In order to make wise investing selections, the study suggests that the following factors dividend payout, dividend yield, firm size, earnings volatility, long-term debt ratio, and asset growth have an impact on share price

volatility. Furthermore, further research should be done to better understand the moderating effects of long-term debt and asset growth determinants in financial behavior.

Pradhan and Gautam (2016) found that dividends were the decisive element in altering the wealth of the shareholders in Nepalese Commercial banks. Between 2009 and 2014, a total of eighteen distinct commercial banks were observed by the study. Market price per share was a dependent variable, whilst the independent variables were earnings per share (EPS), dividend per share (DPS), price earnings ratio (P/E), dividend yield (DY), growth in assets (GA), and dividend payout ratio (DPR). The results showed that while dividend yield and share price volatility have a substantial negative association, dividend payout, dividend per share, and size had a large positive link with share price volatility. Price volatility has a negative and negligible relationship with growth and earnings volatility. The analysis came to the conclusion that, with the exception of dividend yield and asset growth, the stock price was positively correlated with DPR, EPS, and P/E ratio.

Neupane (2018) investigated six different commercial banks in Nepal from FY 2010/11 to FY 2017/18, observing the effects of the dividend policies established by the chosen companies on their market price of shares and the total valuation of the organizations. In order to estimate the market share price (MPS), the researcher has identified earnings per share (EPS), dividend per share (DPS), dividend payout ratio (DPR), earning yield ratio (EYR), and dividend yield ratio (DYR) as independent factors. The validity of the result has been cross-checked and the dependability of the coefficient value has been assessed using probable error (PE). Similarly, because regression equations do not always result in flawless prediction, standard error of estimate (SEE) has been used. The precision of the estimated numbers is gauged by the standard error of the estimate. The dispersion around an average line is also measured. The analysis found a favorable correlation between market share price and dividend payout ratio, earnings per share, and dividend per share. Conversely, MPS has a negative correlation between the dividend yield ratio and earning yield ratio. The weak correlation shown between DPS and additional factors suggests that the dividend policy of Nepalese commercial banks was subpar. According to the coefficient of variation, there was no EPS consistency. Dividend payments were irregular, and the banks' dividend payout ratio (DPR) was erratic. The average market price indicated a significant degree of volatility.

Singh and Tando (2019) assessed the impact of dividend policy on market prices of shares of fifty businesses listed on the National Stock Exchange (NSE) from the Indian market for the years 2008–2017. Panel data regression considers DY, RR, EPS, DPS, ROE, and PAT as independent variables and MPS as the dependent variable. Multiple panel data regression methods, including pooled regression, fixed effect models, and random effect models, have been used to examine the data. The best regression model has been recommended using the Hausman test. The random effect model is more pertinent in explaining the relationship between the supplied variables, according to the Hausman test result. The relevant dividend policy approaches are supported by the random effect regression model's results. The study's conclusion is that dividend policies have a big impact on companies' stock prices.

Maharjan (2019) examined the effects of dividend yield (DY), retention ratio (RR), earnings per share (EPS), dividend per share (DPS), profit after tax (PAT), return on equity (ROE), and price per share (MPS) of Nepal's commercial banks .Seven distinct commercial banks in Nepal were chosen for the study, which spans five fiscal years, from FY 2015–16 to FY 2019–20. Market price of share (MPS) has been considered the dependent variable, and the independent variables are dividend yield (DY), retention ratio (RR), earnings per share (EPS), dividend per share (DPS), return on equity (ROE), and profit after tax (PAT).. The study's findings show that, with the exception of RR, which has a negative correlation, ROE has a positive correlation with all other factors. Furthermore, EPS and MPS exhibit a strong positive correlation, but DPS and MPS exhibit a somewhat favorable correlation. RR and EPS have a negative correlation, but DPS and EPS have a strong positive correlation. DPS and DY and ROE have a favorable correlation. According to the examination of the random effect (RE) regression model, the MPS of the stock is not significantly impacted by the dividend paid per share. It was discovered that DY negatively affected MPS. According to the study's RE regression model analysis, EPS positively affects MPS, while DPS and RR have no influence on MPS and DY, ROE, and PAT have a negative effect. Correlation analysis revealed that whereas EPS, DPS, return on earnings, and RR have favorable correlations with MPS, DY has a negative impact on the latter.

Hamal (2020) investigated the effect of dividend policy on the share price of a commercial bank in Nepal was investigated by Hamal (2020). Pooled cross-sectional data from five commercial banks served as the study's foundation. Based on ownership—that is, government, private, and joint ventures—banks were chosen. The government bank Rastriya Banijya Bank Limited (RBBL), the joint venture bank Nabil Bank Limited (NBL) and Himalayan Bank Limited (HBL), and the private banks Sunrise Bank Limited (SBL) and Mega Bank Limited (MBL) are used as the study's sample. The necessary information is gathered from the respective commercial banks' annual reports covering the fiscal years 2015–16 through 2019–20. Using descriptive statistics, correlation, and multiple regression models, the study examined the impact of dividend per share (DPS), earnings per share (EPS), P/E ratio, and DPR on stock price. The study came to the conclusion that, with the exception of DPR, the other factors—DPS, EPS, and P/E ratio—have positive relationships with stock prices. Of these, P/E has the greatest impact on share price.

Budagaga (2020) studied the effect of cash dividends on the market value of banks listed in developing Middle Eastern and North African (MENA) nations from 2000 to 2015 . The residual income approach, which is based on Ohlson's valuation model, has been used in the study. Fixed effect is applied to panel data for (144) banks listed on 11 MENA stock markets between 2000 and 2015 through the testing of various statistical methodologies. Moreover, supplementary examinations have been conducted to validate the initial outcomes. According to the report, current dividend distributions and dividend yield have no discernible effect on the market values of MENA banks since they do not offer information that is pertinent to the construction of market values in MENA emerging markets.The notion of dividend irrelevance is supported by the absence of evidence supporting the informational or actual cash inflow effects of current dividend payments. The study's conclusions can be explained by the possibility that MENA banks will be compelled to prioritize investing funds over dividend payments because they must meet liquidity requirements for growth, general operations, investment, and regulatory compliance. The residual amount that remains after meeting all of these expenses can only be given out as dividends in cash. As a result, cash dividends are not an active choice variable that affects a company's market value, but rather earnings residual.

Bhatt and Jain (2021) examined the relationship between dividend policy and share price volatility of banks listed on the Nepal Stock Exchange . The sample was studied during a 12-year period, from 2009 to 2020, at 19 commercial banks. The study used three multiple panel data regression models based on Baskin's basic model, controlling for bank size, asset growth, financial leverage, and earning volatility while adopting three explanatory variables of dividend policy, such as dividend per share, dividend payout ratio, and dividend yield separately. The empirical results showed that, after size and earning volatility, dividend yield seems to be the most important predictor of share price volatility in the commercial banking industry. The empirical results showed that, after size and earning volatility, dividend yield seems to be the most important predictor of share price volatility in the commercial banking industry. The connection between bank size and dividend yield was shown to be inverse, while the relationship between earning volatility and share price volatility is positive.

Thapa (2022) a studied on dividend patterns of commercial banks and its effect on stock price. This study examines the dividend patterns of commercial banks and its effect on stock price.Agriculture Development Bank Limited (ADBL), Nabil Bank Limited (NABIL), Nepal Investment Bank Limited (NIBL), Mega Bank Limited (MBL) and Sunrise Bank Limited (SBL) are the selected commercial banks. The study has identified earning per share (EPS) of last year, dividend per share (DPS) of last year, and growth in assets (GA) as independent variables whereas; market price of share (MPS) is a dependent variable. The data are collected from annual reports of selected commercial banks. The survey is based on eight different fiscal year period from FY 2013/14 to FY 2020/21 AD. The results show that dividend per share (DPS) has the highest positive significant impact on market share price of the commercial banks. There is significant but negligible positive impact of growth in assets (GA) on market share price of the commercial banks. Earnings per share (EPS) have the positive and significant impact on the market share price of the commercial banks.

Karanjit (2023) conducted a study on " Impact of Dividend Policy on Stock Price of Joint Venture Banks in Nepal: A Study of Selected Banks Listed in Nepal Stock Exchange". This study has examined the impact of dividend policy on market price of share of Joint venture banks in Nepal. Out of them 5 joint venture banks taken sample. The data used in this study is secondary. The secondary data collected from, annual reports from Fiscal year 2013/14 to 2022/23. The study used descriptive and inferential analysis to analyze

the impact of dividend policies on the market price of the share. There was a positive correlation between MPS and EPS, DPS, DPR. The MPS and EPS, DPS, DPR which was statistically significant at the 0.05 level (2-tailed). It means that independent variable explain by dependent variable is 73.60 percent. The EPS, DPS, DPR have positive effects on MPS. The MPS and EPS, DPS, are significance and MPS and DPR is insignificance.

Table 1

Empirical Summary

S.N	**Author& Topic**	**Objectives**	**Methodology**	**variable**		**Findings**
				Dependent	Independent	
1	Chapagain (2010): The connection between a commercial bank's market price and its dividend policy	Examining the relationship between dividend policy and the market share price of particular Nepalese commercial banks is the aim of this study.	Correlation analysis, and regression	MPS	EPS,P/E ratio and DPR	It showed that the market price per share (MPS), price earnings ratio (P/E), and earnings per share (EPS) of Nepal's commercial banks are positively correlated, whereas the dividend payout ratio (DPR) is negatively correlated.
2	Bhattarai, (2011). The trend of securities market and volume of stock traded	To investigate relationship between price of share and stockholder required rate of return.	Correlation analysis, regression analysis, coefficient of determinants, and test	MPS	DPS and EPS	It was determined that EPS and DPS had the biggest fluctuations. Although encouraging, the association between DPS and EPS was

	on the secondary market.		static			not statistically significant. In addition to EPS, the study has found other elements that influence MPS, and the dividend growth rate varies. The study came to the conclusion that none of the commercial banks in its sample had a clearly defined dividend policy.
3	Budhathoki, (2012) The effect of dividend policy on the share price of Nepalese commercial banks	To investigate into how a bank's dividend policy affects its share price	Market share price, dividend payout ratio, earnings per share, dividend per share, and so forth	MPS	EPS,DPS And DPR	The market share price (MPS) yielded positive results according to the study. However, the coefficient of variation showed that the EPS was inconsistent. Dividend payout and earnings before taxes have a negative correlation with net value.

4	Joshi, (2012) studied on relationship between DPS and MPS	The key objectives were to investigate the relationship between DPS and MPS. .	Liquidity and Leverage Ratios	MPS	DPS,retained earning	The study concluded that the cash dividend can't be said as a sole factor to affect price of share. But there are some other factors like earning power, bonus share, information value of dividend decision etc. that also cause the share price fluctuation.
5	Karki., (2015). Studied on relationship between DPR and share price volatility	The main objectives were to investigate the connection between DPR and volatility in share prices.	ratio analysis techniques.	MPS	DPR,Dividend Yield and firm size	It showed that the share price volatility and dividend payout ratio had a negative association. The association between share price volatility and firm size is inverse.
6	Pradhan and Gautam (2016). Relationships between dividend yield and size, payout, dividend per	The major goals were to demonstrate that dividend yield and share price volatility have a significant relationship,	Test statics, coefficient of determinants, regression analysis, and correlation	MPS	EPS,DPS,P/E,DY, GA and DPR	The analysis found that, with the exception of dividend yield and asset growth, other variables such as DPR, EPS, and P/E ratio had a positive correlation with

	share, and volatility of share prices.	and that dividend payout, size, and dividend per share all positively influence share price volatility.				stock price.
7	Neupane (2018) The effect that the banks' dividend policies have on share prices and the firms' total valuation	This study examines the market share price empirically and how earnings per share, dividends per share, and dividend payout ratio relate to each other.	standard error of estimation, correlation, regression, and standard deviation	MPS	EPS,DPS ,DPR,EY R abd DYR	The link between MPS's dividend yield ratio and earning yield ratio is negative. The poor dividend policy of Nepalese commercial banks was revealed by the negligible correlation between DPS and other variables.
8	Bhatt and Jain (2021) examined the relationship between Dividend policy and share price	To establish association between dividend policy and share price volatility of banks.	Regression Model	SPV	DPR,DP S,DY	The finding evidenced that dividend yield appears to the most significant predictor of share price volatility in commercial banking sector along with

	volatility of banks listed on NEPSE				their size and earning volatility. There is inverse prediction of dividend yield and bank size whereas earning volatility has the positive effect on share price volatility.
9	Karanjit (2023): Impact of Dividend Policy on Stock Price of Joint Venture Banks in Nepal:	This study has examined the impact of dividend policy on market price of share of Joint venture banks in Nepal	correlation, regression, and standard deviation	MPS	EPS,DPS ,DPR	There was a positive correlation between MPS and EPS, DPS, The EPS, DPS, DPR have positive effects on MPS. The MPS and EPS, DPS, are significance and MPS and DPR is insignificance.

2.3 Research Gap

The fundamental understanding and knowledge have been improved by the review of the aforementioned pertinent literature carried out by different researchers on dividend pattern, dividend policy, and its impact on stock price in journals, unpublished thesis, papers, and so forth. Researchers have employed a variety of models and theories, as well as financial and statistical methods, to carry out the study. Previous studies (Buddhathoki, 2012; Karki, 2015; Pradhan & Gautam, 2016; Neupane, 2018) examined the impact of dividend policy of commercial bank on share prices.They have mostly examined earnings per share (EPS), dividend yield (DY), dividend payout ratio (DPR), and dividend per

share (DPS) as independent variables.Similarly, (Karanjit, 2023) has conducted the study on impact of dividend policy on market price of joint venture bank and concluded that the EPS,DPS and DPR has positive relationship with stock price .Nonetheless, researchers have examined growth in assets (GA).In this research. Growth in assets (GA), which most academics have overlooked, has also been examined .

The preceding studies came to results that were mostly accepted and proven to be important to various industries at different times. The study does, however, take into account the impact of asset growth on stock price, which has been overlooked by the majority of experts. The financial markets in Nepal are changing quickly right now, therefore it's important to be informed and verified.

CHAPTER-III

RESEARCH METHODOLOGY

The process used in research to gather data and information, analyze it, and interpret it using various facts and figures is known as research methodology. It also discusses data analysis tools. It motivates and directs the researcher, ensuring that they stay on course from topic selection through ramifications.

3.1 Research Design

A research design is a comprehensive strategy or structure for gathering and evaluating data. It offers the study's framework as well as instructions for gathering and analyzing data. Generally, research designs is classified as: experimental, causal comparative, and descriptive study methods but the study has employed descriptive research design . It is more scientific method to classification, tabulation, analysis and comparison of data and it also to estimate the relationship and the trends of variable. With the use of data collecting and visualization tool, researchers can determine the correlation between market share price and other independent variables. The statistics, facts, and figures are analyzed using metrics such as mean, standard deviation, correlation, regression, etc.

3.2 Population and Sample, and sampling design

The study examines the impact of commercial banks' dividend policies on stock prices. The population of the study is 20 "A" class commercial banks that are listed by NRB as of July, 2023 A.D. Just five commercial banks, were chosen for the study's purposes using the judgmental sampling method. The banks that have been chosen are Sunrise Bank Limited (SBL), Himalayan Bank Limited (HBL), Nepal Investment Bank Limited (NIBL), Nabil Bank Limited (NABIL), and Agriculture Development Bank Limited (ADBL).

3.3 Nature and Sources of Data, and the instrument of data collection

The secondary sources of data have been used in the study. The required data are collected from mainly annual reports and websites of 5 selected commercial banks in Nepal over ten year's periods from FY 2013/14 to FY 2022/23 AD. Other required data are collected from annual report of SEBON, websites of Nepal Stock Exchange Ltd, Nepal Rastra Bank and other official and unofficial publications

3.4 Method of Analysis

To make research simple and insightful, the gathered data from the aforementioned sources is categorized, tabulated, displayed on different diagrams, and interpreted. Analyzing the data involves using a number of statistical and financial tools and techniques, including mean, standard deviation, correlation coefficient, regression, earnings per share (EPS), dividend per share (DPS), growth in assets (GA), and market price per share (MPS).

3.4.1 Financial Tools and Techniques

The following is a brief overview of the financial instruments used in this study:

Earnings per Share (EPS)

The rupee amount earned per outstanding share of common stock is referred to as earnings per share. It calculates each equity shareholder's return. Additionally, it indicates how profitable the shareholder's investment was. The banks' profitability as measured by shares is simply displayed by the earnings per share. By mobilizing their capital, the banks have been able to attain better profitability, as seen by the higher earnings, and vice versa. Put alternatively, higher earnings per share represent the strength of the banks, and lower earnings per share, their vulnerability.

Dividend per Share (DPS)

The rupee earnings that were really delivered to common stockholders for each share they owned is indicated by the dividend per share. It calculates the dividends paid to each equity owner. The amount of earnings distributed to shareholders on a per-share basis is easily indicated by the dividend per share. A bigger dividend per share generally encourages shareholders to have a good attitude toward the bank, which in turn serves to raise the market value of the shares.

Market Price per Share (MPS)

The current price at which the stock is traded is known as the market price per share.

Growth in Assets (GA)

Growth is expressed as an increase in a company's book value of assets. Growth is determined by comparing the current year's book value of assets to the prior year's book value of assets. The difference between the current and historical asset amounts is then divided.

3.4.2 Statistical Tools and Techniques

Arithmetic Mean (A.M.)

A collection of observations' arithmetic mean, or simply a "mean," is the total of all the observations divided by the total number of observations (Bajaracharya, 1996). To put it another way, the arithmetic mean is the sum of a collection of integers divided by the total number in the collection. It's referred to as average or mean.

It is indicated by.

$$\text{Arithmetic Mean } (\overline{X}) = \frac{\sum X}{n}$$

where,

$\overline{X}$ = Arithmetic mean

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

n = Number of observations

Standard Deviation (S.D.)

A measurement called the standard deviation is used to express how much a group of data values vary or are dispersed (Bajaracharya, 1996). Given that it meets the majority of the requirements for a good measure of dispersion, it is referred to as the best measure of dispersion. The positive square root of the mean squared that the departure from the arithmetic mean subtracts is known as the standard deviation. The variability will increase with a higher standard deviation and vice versa. Sigma σ, or SD, is the Greek letter used to represent it.

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{1}{n}\sum\left(X - \overline{X}\right)^2}$$

Coefficient of Variation (C.V.)

The absolute measurement of dispersion is the standard deviation. The coefficient of standard deviation (Bajaracharya, 1996) is a relative measure of dispersion based on the standard deviation. More CV means greater uniformity, consistency, etc., and more CV means less uniformity, consistency, etc. It's represented by C.V.

$$(CV) = \frac{\sigma}{\bar{X}} \times 100\%$$

Correlation Analysis

Correlation analysis is the statistical tools that can be used to describe the degree to which one variable is linearly related to another. The correlation coefficient measures the degree of relationship between two sets of figures. In this study, correlation coefficient is used to determine the relationship between different factors, as like as, dividend per share, earning per share and market price per share. Correlation coefficient is most widely used in practice correlation can either be positive or it can be negative

Regression Analysis

The direction of movement is shown by correlation analysis, but the relative movement in the variables under investigation is not. We can determine the relative movement in the variables by using regression analysis. The following variables have had their regression analyses computed and interpreted.

Multiple Regression Analysis

In multiple regression analysis, the value of a dependent variable is predicted using two or more independent variables, i.e., two or more independent variables are utilized in place of one independent variable. The market price of shares (MPS) is a dependent variable in this study, whereas earning per share (EPS), dividend per share (DPS), and growth in assets (GA) are believed to be independent factors. Market price of share (MPS) on earning per share (EPS) of last year, dividend per share (DPS) of last year, and growth in assets (GA).

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

Where,

Y = Market Price per Share

a = Regression constant

b_1 = Regression coefficient of DPS variable

b_2 = Regression coefficient EPS variable

b_3 = Regression coefficient GA variable

X_1 = Dividend per share

X_2 = Earning per share

X_3 = Growth in assets

This model aids in forecasting the relative contributions of EPS, DPS, and GA to MPS. The following statistics have been computed and evaluated in relation to correlation and regression analysis.

Regression Constant (a)

When the independent variable is zero, the value of the constant—the model's intercept—indicates the average level of the dependent variable. Put another way, it is easier to comprehend that the constant 'a' represents the average or mean effect on the dependent variable of all the factors that are left out of the model.

Regression Coefficient (b)

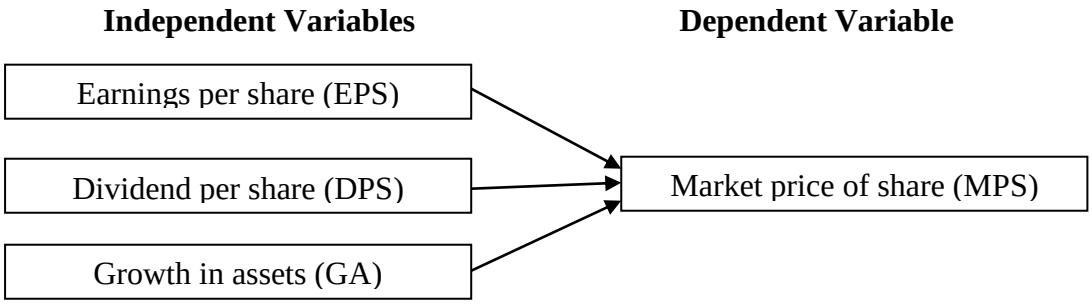
While maintaining the influence of all other independent variables in the regression model constant, the regression coefficient of each independent variable shows the marginal link between that variable and the value of the dependent variable. Stated differently, the coefficient characterizes the impact of modifications in independent variables on the estimate of dependent variables.

Coefficient of Multiple Determinations (R^2)

The amount of variance in the dependent variable that can be accounted for by the collection of independent variables is indicated by the coefficient of multiple determinations. Stronger correlations between the variables included in the regression model are typically indicated by bigger R2 values, which are generally seen as better.

3.5 Research Framework and definition of variables

The market price of shares (MPS) is a dependent variable in this study, whereas earning per share (EPS), dividend per share (DPS), and growth in assets (GA) are considered independent factors.



***Source**:Bhatt ,& Jain (2021)*

The definition of variables

Earnings per Share (EPS)

One of the elements influencing a company's dividend policy and stock price is its profits per share (EPS). It displays the company's profitability based on equity share. The dividend and market price will both increase with higher EPS. Therefore, it is thought to be an independent determinant in determining the stock's market price. It is computed by dividing the total number of outstanding common shares by the earning available to the common shareholder.

Dividend per Share (DPS)

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

Market Price per Share (MPS)

The current price at which the stock is traded is known as the market price per share. The current and anticipated future dividends of the company, as well as investors' perceived risk of the shares, determine the market price of common stock. The market share price on closing MPS has been traded on the Nepal Stock Exchange (NEPSE). As a result, the researcher used the MPS as the concluding MPS.

Growth in Assets (GA)

Growth is expressed as an increase in a company's book value of assets. Growth is determined by comparing the current year's book value of assets to the prior year's book value of assets. The difference between the current and historical asset amounts is then divided.

CHAPTER-IV
RESULTS AND DISCUSSION

This chapter discusses how to present, analyze, and understand data that has been gathered using a variety of statistical and financial approaches. Secondary data sources are the primary data sources. This chapter presents, in a straightforward and understandable manner, gathered data on the dividend pattern and its effect on the share prices of Nepalese commercial banks, including Sunrise Bank Limited (SBL), Mega Bank Limited (MBNL), Agriculture Development Bank Limited (ADBL), Nabil Bank Limited (NABIL), Himalayan Bank Limited (HBL) and over a ten-year period from FY 2013/14 AD to FY 2022/23 AD.

4.1 Results

The gathered data are examined using a variety of statistical and financial instruments and methodologies, and the results are displayed on a range of tables.Statistical tools include the mean, standard deviation, regression and correlation coefficient. Similar to this, the financial instruments used to examine the data are market price per share (MPS), growth in assets (GA), earnings per share (EPS), and dividend per share (DPS).

Descriptive Statistics

The effect of GA, EPS, and dividend announcement (DPS) on the market share price (MPS) of Nepal's commercial banks is covered in this section.

Table 2

Descriptive Statistics of EPS, DPS, GA, and MPS

Variables	N	Minimum	Maximum	Mean	Std. Deviation
MPS	50	134	2344	586.195	463.42
DPS	50	.00	48.00	19.43	13.21
EPS	50	12	78.83	28.69	15.73
GA	50	0.07	0.80	0.208	0.14

Source: Annual report of elected banks by using SPSS

Descriptive statistics for five selected commercial banks during a ten-year period, from FY 2013/14 to FY 2022/23 AD, are displayed in Table . For the variable, there were 50

observations in total (N). According to descriptive statistics, the EPS runs from Rs. 12 to Rs. 78.83, with a mean of Rs. 28.69 and a standard deviation of Rs. 15.73. This suggests that the EPS value may differ by Rs. 15.73 on either side. Similar to this, the DPS has a range of Rs. 0 to Rs. 48 and a mean of Rs. 19.43 with a standard deviation of Rs. 13.21. This suggests that the DPS value may differ by Rs. 13.21 on either side. Similarly, the GA has a range of 7% to 80% and a mean of 20.88% with a standard deviation of 14.28%.This suggests that the value of GA may differ by 14.28% on either side. The MPS runs from Rs. 134 to Rs. 2,344, with a mean of Rs. 586.19 and a standard deviation of Rs. 463.42. This suggests that the MPS value may differ by Rs. 463.42 on either side.

Correlation among Variables

Table 3

Correlation among EPS, DPS, GA, and MPS

	MPS	DPS	EPS	GA
MPS	1			
DPS	0.782 **	1		
EPS	0.646 **	0.520**	1	
GA	-0.194	-0.88	-0.29*	1

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

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

The relationship between the several factors influencing the market share price of Nepal's commercial banks is explained in Table 4. The primary emphasis is placed on EPS, DPS, GA, and MPS. With a positive 0.782 correlation value and a substantial association, DPS and MPS have the strongest effects on one another. With a robust positive correlation value of 0.646, EPS and MPS exhibit substantial influence over one another. Similarly, there is a high positive connection of 0.520 between DPS and EPS. With a correlation value of 0.88, GA and DPS exhibit a low degree of negative connection. There is a weak negative connection (r = 0.194) between GA and MPS. Similarly, with a score of 0.29, the degree of negative connection between EPS and GA is minimal.

Regression Analysis

Whereas a single independent variable is used in simple regression analysis to estimate the values of a dependent variable, two or more independent variables are utilized in coefficient analysis to estimate the values of dependent variables. Understanding the relative movement of the variable is simplified by multiple regression analysis.

Table 4

Regression Model Summary of EPS, DPS, GA, and MPS

R	R Square	Adjusted R Square	Standard Error
.832[a]	0.693	0.673	265.0.9

a. Predictors: (Constant), MPS with **EPS, DPS, ROA, ROE**

The model summary for the regression study between the market share price and the Nepali commercial banks' sampling EPS, DPS, and GA is presented in Table 4. The R square value of 0.693 indicates that the model's explanatory power can account for 69.3% of the variations in commercial bank share price, with the remaining percentage being explained by factors not included in the model (EPS, DPS, and GA). The regression model's adjusted R square, which displays the model's explanatory power after the constant variable was removed, was 67.3%. Furthermore, the market price and the EPS, DPS, and GA have a strong positive association, as indicated by the coefficient for R, which is 0.832. Given that the coefficient is 0.832, it may be inferred that the market share price and EPS, DPS, and GA have a robust positive association. Consequently, rising EPS, DPS, and GA lead to rising market share prices, and vice versa. The average variation from the linear of best among the variables being studied is displayed by the standard error of estimations.

Table 5

ANOVA Table

	df	Sum of Square	Mean Square	F	Significance F
Regression	3	7290718.251	2430239.41	34.582	0.01[b]
Residual	46	3232653.335	70275.0.72		
Total	49	10523371.585			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPS, GA, EPS,

An analysis of the model's goodness of fit using the F statistics reveals a strong association between market price per share and EPS (F=34.58, p value <0.05).,GA and DPS of the commercial banks in the sample. The total sum of squares indicates the sum of squared deviations that the regression model has both explained and unexplained, while the regression sum of squares displays the sum of squared deviations from the line of best fit to the corresponding observed variables. The residual sum of squares indicates the sum of squared deviations that the model is unable to explain. The number of independent variables (EPS, DPS, and GA) and the response rate minus 3 corresponded to the regression model's degrees of freedom (df), which was 3, and the residual's degrees of freedom (49-3). The ratio of the residual sum of squares to the regression mean sum of squares is known as the F statistics.

Whereas a single independent variable is used in basic regression analysis to estimate the values of a dependent variable, two or more independent variables are utilized in coefficient analysis to estimate the values of dependent variables. Understanding the relative movement of the variable is aided by multiple regression analysis. The theoretical premise of the model is that the price of the stock would depend on growth in assets, earnings per share of the previous year, and dividend per share in order to assess the relationship between dividends and stock prices.

Table 6

Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t Stat	Sig
	B	Standard Error	Beta		
constant*	-63.63	112.67		-.565	.575
DPS	21.590	3.365	0.616	6.416	<0.001
EPS	9.194	2.943	.312	3.123	0.003
GA	-160.312	278.057	-.049	-.577	.567

Note. *Dependent Variable: MPS

The nature of the relationship between EPS, DPS, GA, and the share price of commercial banks was demonstrated by the regression coefficients. Since the P value is less than 0.05 at the 5% level of significance, the study's findings indicate that there is a positive and significant relationship between the EPS, DPS, and share price of commercial banks. However, there is insignificant relationship between GA and market share price.

The regression model/line is given by following equation:

$Y = a + b1X1 + b2X2 + b3X3$

$Y = -63.635 + 0.616X1 + 0.312X2 + (-0.049)X3$

Where,

Y = Market Price per Share

X1 = DPS

X2 = EPS

X3 = GA

This suggests that the share prices of the selected commercial banks in Nepal vary by 0.616, 0.312, and -0.049 for every unit change in the EPS, DPS, and GA. Dividends per share (DPS) and earnings per share (EPS) have a significant impact on the market price per share (MPS) of commercial banks in Nepal; however, firm expansion has relatively little bearing on MPS.

Using references to five different commercial banks in Nepal (Agriculture Development Bank Limited (ADBL), Nabil Bank Limited (NABIL), Himalayan Bank Limited (HBL),

Mega Bank Limited (MNBL), and Sunrise Bank Limited (SBL) the study has examined dividend patterns and their effects on commercial banks in Nepal over a range of years, from FY 2013/14 to FY 2022/23 AD. Market price per share (MPS), earnings per share (EPS), dividend per share (DPS), and growth in assets (GA) have been identified as independent variables in this study, whereas market price per share (MPS) is the dependent variable. Regression analysis and the correlation coefficient have been used to determine how DPS, EPS, and GA affect MPS.

The study's analysis of the data gathered revealed a varying dividend distribution pattern by the Nepali commercial banks that were sampled, supporting the conclusions of earlier studies. In the same way, the study has validated the conclusions of earlier research on the tendency of share price fluctuations in Nepal's commercial banks. All of the selected commercial banks' market share prices were trending downward from the previous year.

The analysis has demonstrated that the effects of EPS, DPS, and GA on commercial banks' share prices are consistent with the conclusions made in earlier research. The study supports the findings of other researchers who discovered a substantial association between MPS and other factors including EPS and DPS, but an insignificant relationship between MPS and GA. The analysis also confirms earlier results that EPS and DPS have a greater influence on share price than other variables.

4.2 Discussion

The study has observed dividend patterns as well as its impact on commercial banks in Nepal with the references of five different commercial banks in Nepal i.e. Agriculture Development Bank Limited (ADBL), Nabil Bank Limited (NABIL), Nepal Investment Bank Limited (NIBL), Himalayan Bank Limited (HBL) and Sunrise Bank Limited (SBL) during different years from FY 2013/14 to FY 2022/23 AD. The study has identified market price per share (MPS) as a dependent variable, and earnings per share (EPS), dividend per share (DPS), and growth in assets (GA) as independent variables. The correlation coefficient and regression analysis have been used to find out the impact of DPS, EPS and GA on MPS. The following discussion can be made after major findings of the study:

All banks' dividend policies show irregular patterns. Every bank in the sample has paid dividends during each fiscal year. Compared to other banks, SBL's dividend payment to equity shareholders is more irregular. The HBL shareholders have assumed a significant dividend risk. However, compared to other banks, NABIL's DPS trend is less irregular suggesting that the bank presents less of a risk to shareholders in terms of dividend distribution.

With a correlation score of 0.782, there is a strong positive relationship between DPS and MPS. In a similar vein, EPS and MPS show a significant positive relationship (0.646) and a considerable impact on one another. Similarly, there is a high correlation of 0.520 between DPS and EPS.

With a correlation value of 0.88, there is only a negative relationship between GA and DPS. The correlation between GA and EPS is weakly negative, with a value of 0.292. Likewise, with a value of 0.194, the degree of negative relationship between MPS and GA is similarly low

Because the P value is less than 0.05 at the 5% level of significance, the relationship between the EPS, DPS, and share price of commercial banks is significant. However, there is a insignificant correlation between GA and market share price

The coefficient of multiple determination (R^2) is 0.693, meaning that the three variables (EPS, DPS, and GA) explain 69.3% of the variations in the share price of commercial banks, with the remaining percentage being explained by factors that were not included in the model.

The market price per share (MPS) of commercial banks in Nepal is highly influenced by dividends per share (DPS), and earnings per share (EPS) but firm’s growth has very low influence on market price of the commercial banks in Nepal. A unit changes in the EPS, DPS and GA leads to 0.616, 0.312 and -0.049 changes in share price of sampled commercial banks in Nepal.

The result of the study is consistent to Thapa (2020), Hooi et al. (2015), Bhatt and Jain (2021), and most of other empirical studies that the earnings per share (EPS), dividend per share (DPS), and growth in assets (GA) are in fluctuating trend. However, the result is contrary to Şamiloğlu et al. (2017) who found the increasing trend of growth in assets. The study has also found the fluctuating trend of market price per share (MPS) over the ten study periods which is consistent to the empirical studies that the researchers undertaking EPS, DPS and GA as independent variables has examined the same results on the fluctuation of MPS of commercial banks.The study has found insignificant and negative impact of growth in assets on market share price of the commercial banks in Nepal .

The result is contrary to Thapa (2022) who found growth in assets have significant but negligible positive influence on market share price. On other hand, the study is consistent to Buddhathoki (2012), Hooi et al. (2015), Karki(2015), and Pradhan and Gautam (2016) who empirically verified that EPS and DPS has significant positive effect on the market share price of the commercial banks under the study.

Therefore, the findings presented above suggests that market share price is influenced by the commercial banks' dividend policies. The findings show a weak and negative correlation between asset growth. The majority of empirical investigations have confirmed the study's conclusion that earnings per share and dividends per share have a major positive impact on market share price. .

The analysis showed that the impact of EPS, DPS, and GA on commercial banks' share prices are consistent with the conclusions made in earlier research. The study supports the findings of other researchers who found an important link between MPS and other factors including EPS and DPS, but an insignificant relationship between MPS and GA. The analysis also confirms earlier results that DPS has a greater influence on share price than other factors.

CHAPTER-V
SUMMARY AND CONCLUSIONS

5.1 Summary

The dividend is a portion of profit distributed to the shareholders. When a company earns profit, it can do three things with its profit – reinvest, retain or pay a dividend. When a portion of the profit is paid out to the shareholders, the payment is known as dividend. For many investors, these dividends are an important part of their strategy and heavily influence what companies they choose to invest in. Dividend policy is one of the most widely researched topics in the field of finance but the question is whether dividend policy affects stock prices still remain debatable among managers, policy makers and researchers for many years. Thus, the study was conducted with the objective of examining the dividend pattern of existing commercial banks in Nepal and its impact on stock price.

The population of the study consists of 20 "A" class commercial banks that are listed by NRB as of mid-April 2023 A.D. Five commercial banks—the Agriculture Development Bank Limited (ADBL), Nabil Bank Limited (NABIL), Nepal Investment Bank Limited (NIBL), Himalayan Bank Limited (HBL), and Sunrise Bank Limited (SBL),out of a total of 21 commercial banks were chosen for the study. Only seven distinct years, ranging from FY 2013/14 to FY 2022/23 AD, have been recorded by the study.

Through the gathering and display of data, the descriptive research design has been utilized to determine the relationship between market share price and other independent factors. The statistics, facts, and figures are analyzed using metrics such as mean, standard deviation, correlation, regression, etc. The research has determined that the market price of shares (MPS) is a dependent variable, while the earning per share (EPS), dividend per share (DPS), and growth in assets (GA) of the previous year are independent variables.

The study has made use of secondary data sources. The necessary information was gathered during a ten-year period, from FY 2013/14 to FY 2022/23 AD, mostly from the websites and annual reports of five chosen commercial banks in Nepal. Additional necessary data are gathered via the use of the internet and visits to college libraries from

the SEBON annual report, relevant publications written by various authors, unpublished theses, journals, magazines, NRB bulletins, websites of the Nepal Stock Exchange (NEPSE), etc. In chapter four, the data have been presented, analyzed, and financial analyses have been conducted using a range of statistical and financial tools and techniques. The wide range of methodology mentioned in chapter three has been applied to the interpretation of the data.

Over the period, the EPS, DPS, GA, and MPS have shown varying trends. To determine the minimum and maximum range, mean, and standard deviation of EPS, DPS, GA, and MPS for all sampled commercial banks during the study period, descriptive statistics based on 50 observations have been developed. It has also been demonstrated that the correlation between different variables can reveal the relationship between those variables. Similar to this, the summary of the regression model has been provided to assess the influence of three independent variables EPS, DPS, and GA. To ascertain the substantial correlation between market price per share and the EPS, DPS, and GA of the selected commercial banks, an ANOVA table has also been created.

5.2 Conclusions

The purpose of the study was to examine how dividends affects the market share prices of commercial banks. It has been revealed that the dividend has a significant effect on stock price . Out of the three elements that have been identified as influencing the share price, DPS is the most significant. The result indicated that the dividend per share (DPS) has a significant and positive influence on the share price of Nepal's commercial banks.We may conclude that the share price of commercial banks is significantly positively impacted by the dividend per share (DPS). According to the correlation study between the different components, DPS and EPS have the strongest effects on one another, scoring a positive 0.782 correlation .

The study also aims to examine the relationship between stock price and earnings per share. The study's findings indicate that there is significant relationship between the share price of commercial banks and their earnings per share (EPS). The study investigated the strong and positive correlation between share price and EPS. Thus, the study has

concluded the positive relationship between EPS and share price of the commercial banks.

The purpose of the study was to examine the relationship between asset growth and stock price. According to the study, there is insignificant relationship between the share price of commercial banks and growth in assets (GA). The share price is negatively influenced by the growth of assets (GA). Therefore, the study has concluded insignificant negative relationship between growth in assets and share price of the commercial banks

Dividends per share (DPS) have a significant impact on the market price per share (MPS) of commercial banks in Nepal; in contrast, firm growth (GA) and earnings per share (EPS) have relatively little impact on market price. Employing a statistical model, the study compared its findings to those of other similar studies conducted in the past. As a result, the study's conclusions are extremely reliable and valid. Based on those findings, it not only finishes theoretical gaps regarding dividend policy in the context of developing markets such as Nepal over a variety of time periods, but it also helps managers in establishing and modifying the dividend policy to meet their stock price targets and other related strategies.

5.3 Implications

The dividend pattern and its effects on Nepal's commercial banks are the subject of the study. The impact of several independent factors (EPS, DPS, and GA) on share price has been determined, and observations have been made across ten fiscal years, spanning from FY 2013/14 to FY 2022/23 AD, involving five distinct commercial banks in Nepal. The study has examined the relationship between various variables using a variety of statistical and financial tools and techniques, including mean, standard deviation, correlation coefficient, regression, earnings per share (EPS), dividend per share (DPS), growth in assets (GA), and market price per share (MPS). Based on the study's key findings, comments, summary, and conclusions, there are a number of important ramifications for many professions.

Every organization's top goal should be to maximize the wealth of its equity shareholders. Therefore, research into how dividend policies affect Nepali commercial

banks' stock prices was required. Investors and portfolio analysts might need information about aspects to consider while making investment decisions and forecasting future dividends based on the study's findings.

The study's implications would be helpful recommendations for the bank's directors of finance and board of directors (BOD), who should think about which aspects are more influential when deciding on dividends. The study's findings advise that when making investments or determining the dividend policy, investors, the board of directors, and the head of the finance department of Nepalese commercial banks should take dividend announcements, EPS, GA, and other aspects into account. This will assist in determining the most efficient, effective, and acceptable dividend distribution decision, as well as whether businesses should maintain retained earnings for debt settlement, future initiatives, and/or dividend decisions.

Researchers in the future with an interest in the field of share price volatility can review this paper and undertake their own research. The paper is significant because it offers a theoretical and conceptual foundation for various aspects of dividend policy and how it affects share price. ten distinct fiscal years, ranging from FY 2013/14 to FY 2022/23 AD, were observed for the study. Future researchers will be able to continue their work on upcoming fiscal years. To improve the accuracy of financial behaviors, additional research should be done to examine the moderating effects of long-term debt and asset growth. It would also seem worthwhile to investigate psychology-related factors in future research on dividend policy and share price volatility.

To supplement this study, a similar study should be conducted with primary data—that is, comprehensive questionnaires and interview guides—for data collecting. Other models can be employed to describe the varied relationships between EPS, DPS, GA, and other variables and the value of the firms, as regression and correlation models have limitations. Given that there exist qualitative attributes like political and legal considerations.

Similar to this, a study should be conducted to ascertain the combined effect and link between quantitative parameters that can influence the share price other than dividends, such as firm size, age, goodwill, market to book value, CEO tenure, and CEO duality. As a result, the study's implications will be viewed in the future as a literature review for other scholar.

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ABSTRACT The "IMPACT OF DIVIDEND POLICY ON SHARE PRICE OF NEPELASE COMMERCIAL BANK" is the subject of this study. In order to investigate the association between EPS, DPS, GA, and MPS of ADBL, SBL, NIBL, NABIL, and HBL, this work is driven by specific research aims. Five commercial banks were selected as a sample bank from a total of 20 banks. The secondary data was gathered over the course of ten years, from 2013/14 to 2022/23, from the yearly reports that commercial banks published. With SPSS, the data is analyzed and interpreted using a descriptive study approach. GA, DPS, and EPS are included in the regression model to look into potential associations with MPS. Dividends per share (DPS)

and earnings per share (EPS) have a significant impact **on** the **market price** per share (MPS) **of commercial banks in Nepal**