EFFECT OF DIVIDEND ON MARKET PRICE OF STOCK IN NEPALESE FINANCE COMPANIES

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

by:

Sangam Paudel
Exam Roll No.: 6171/18
Campus Roll No.: 3109/074
T.U. Regd. No.: 7-2-169-25-2012
Shanker Dev Campus

Kathmandu, Nepal
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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Effect of Dividend on Market Price of Stock in Nepalese Finance Companies”.** 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.

Sangam Paudel

Signature: ………………..

Date: ………………………

REPORT OF RESEARCH COMMITTEE

Mr. Sangam Paudel has defended research proposal entitled **“Effect of Dividend on Market Price of Stock in Nepalese Finance Companies”** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Rabindra Bhattarai and submit the thesis for evaluation and viva voce examination.

Rabindra Bhattarai

Dissertation Supervisor

Signature: …………………….

Dissertation Proposal Defended Date:
…………………………………………

Dissertation Submitted Date:
…………………………………………

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

Signature: …………………….

Dissertation Viva Voce Date:
…………………………………………

APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Effect of Dividend on Market Price of Stock in Nepalese Finance Companies"** presented by Sangam Paudel 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 dissertation is worthy of acceptance.

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Rabindra Bhattarai
Dissertation Supervisor

…………………………
Internal Examiner

………………………….
Internal Expert

………………………….
External Expert

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

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

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This study entitled **"Effect of Dividend on Market Price of Stock in Nepalese Finance Companies"** has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the use of quantitative aspect of impact of dividend on market price of share of finance companies in Nepal.

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Sangam Paudel

Date: …………………

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ABBREVIATIONS

DPS	:	Dividend per Share
DY	:	Dividend Yield
EPS	:	Earnings per Share
GDP	:	Gross Domestic Products
GFCL	:	Goodwill Finance Company Limited
LSIZE	:	Natural Logarithm of Total Assets
Ltd.	:	Limited
MFIL	:	Manjushree Financial Institution Limited
MPS	:	Market Price per Share
NPL	:	Non – Performing Loan
NPLR	:	Non – Performing Loan Ratio
NRB	:	Nepal Rastra Bank
PER	:	Price Earnings Ratio
PFL	:	Pokhara Finance Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
SD	:	Standard Deviation
SIFC	:	Shree Investment & Finance Company Limited
SIZE	:	Total Assets
TU	:	Tribhuvan University

ABSTRACT

This main purpose of the study is to examine the effect of dividend on market price of stock in Nepalese finance companies. Secondary data was gathered from finance companies of Nepal for ten year periods (2012/13-2021/22). This study used descriptive analysis, correlation analysis and multiple regression analysis. This study found that finance companies are paying either cash or stock dividends to their shareholder and they have high market price share. However, a wide range market stock price is found. However, the dividend yield is low percent with the less volatile position of finance companies in Nepal. The correlation analysis reveals that dividend per share, earning per share and price earning share have significant positive relationship with market price of stock of sample finance companies. However, dividend yield has negative and insignificant relationship with MPS and size of companies has insignificant positive relationship with market price of stock of finance companies in Nepal. The regression analysis found that dividend per share has insignificant positive impact on market price of stock of the finance companies. Similarly, dividend yield has insignificant negative impact on market price of stock. However, earning per share and price earning ratio have significant positive impact on market price of stock. Moreover, size of companies has insignificant negative impact on MPS of finance companies in Nepal. Therefore, earning per share and price earing share are the major factors of market price of stock of the finance companies in Nepal.

Key words: Market price of stock, dividend per share, earning per share, price earnings ratio and dividend yield.

CHAPTER - I
INTRODUCTION

1.1 Background of the Study

Dividend policy is one of the finance sectors most extensively studied subjects, but whether it influences stock prices is still up for debate among investors, who view dividends as a source of income as well as a means of evaluating managers, regulators, and scholars over the long term. For lenders, managers, investors, and other stakeholders, dividend policy is crucial. Investors should take note of this as the corporations are significant from an investing standpoint. It is a method of determining whether or not the business could turn a profit. 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. The amount of income received in relation to the share price is measured by the dividend yield. A company's low dividend yield relative to other companies in its industry may indicate one of two things: either the market believes the company has promising future prospects and isn't overly concerned about the dividend payments, or the company is having financial difficulties and won't be able to pay reasonable dividends. In the latter case, the share price of the company may be high. However, a high dividend yield may also indicate a troubled business with a decreasing share price (Bhattarai, 2016).

Investing in stock shares is one of the main investment strategies that have the ability to provide investors with significant rewards. It provides funding for businesses' capital needs as well. However, returns on these equity investments might differ based on how well the specific stock performs and how the stock price moves. Although supply and demand factors may cause stock prices to fluctuate, there is no perfect or infallible method for predicting the precise movement of stock prices. There are three primary categories of factors that influence the supply and demand of stock prices: technical factors, fundamental factors, and market attitudes. However, understanding these variables and how they could affect share prices is quite valuable since it would empower financiers to increase their market value and assist investors in making informed investment selections (Baral & Pradhan, 2018).

The dividend is a crucial factor in financial decisions. The board of directors must decide whether to pay dividends to shareholders now and appease them or set aside funds for investments that would be more beneficial to them in the long run. This decision has a big impact on the dividend policy. The dividend policy determines how earnings are distributed between paying out dividends to stockholders and reinvesting in the financing companies. Retained earnings are one of the most significant sources of capital for financial firm expansion, whereas dividends are the cash flows that go to the owners (Baker et al., 1985).

A finance company may choose to pay out dividends to its shareholders in the form of cash, shares, or both. For the sake of their good name, some businesses paid out their whole profit as dividends, while others kept the entire amount for reinvestment and only paid out a portion of it. The purpose of this study is to gather information about the fund's current practices and policies, as well as pertinent aspects of a few Nepalese financial institutions and firms that are listed, in order to compare their policies with those of listed companies and determine how they differ in terms of dividend size and impact (Weston & Copeland, 1992).

Regarding the dividend policy and stock price, there are two opposing points of view. Some who contend that dividends have a greater influence on share price contend that shareholders value present returns over future ones and that dividend distributions serve as a predictor of future earnings potential. The significance of retained profits is the basis of the opposing viewpoints. Retained earnings, they contend, are a sign of potential investment possibilities in the future. Retained earnings offer tax benefits to the shareholders. Retained money is not considered income for tax purposes until it is recognized (Brittain, 1966).

Dividends per share are a crucial indicator of a financial organization's performance that attracts investors. Investors examine the financial companies' dividend policies prior to making a stock market investment. Investors cannot, however, forecast the future cash flow from cash dividends due to these corporations' erratic actions (Bhandari & Pokharel, 2012). It is believed that companies with growing dividends typically see a gain in stock price, while companies with declining or nonexistent dividends tend to see a decline in stock price trend. Thus, it demonstrates that a dividend has an impact on the company's stock price; yet, a number of studies contend that the information on dividend payments has an impact on stock price. Actually, that dividend serves as a clear enough indicator of how management views the company's present situation and prospects for the future.

The financing firm must choose a proper dividend policy since it will affect its ability to invest in future projects and determine how much it can pay in dividends to shareholders. 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 reports as dividends since if a corporation pays out more, it will have less money available to pay down its debt. The results of empirical research on various markets showed that the effect of dividend policy on stock market price was not entirely compelling. Thus, this study aims to empirically investigate the impact of dividend policy on stock market price of finance companies in Nepal.

1.2 Problem Statement

There is continuous discussion in the corporate finance literature regarding the relationship between share price, dividends, and retained earnings. Although some authors, such as Faccio et al. (2001), propose an inverse correlation, Demsetz and Villalonga (2001) said that a corporation's share price should be considered as endogenous result of actions that take into account the influence of shareholders and trading on the share market. Abeyratna and Lonie (1996) argued that the abnormal returns of the relatively small group of companies in the dividend not change and earning increased category were caused by them. Their announcement of no dividend change was linked to positive abnormal returns that were even larger than those of the dividend increased and earning increased (DI-EI) category. Conversely, out of all the groups taken into consideration, the bad news businesses in the dividend decreased and earning dropped (DD-ED) group had the biggest negative anomalous returns.

Campbell and Beranek (1955) stated that investors’ portfolio decisions are influenced by the stock prices' ex-dividend behavior. Specifically, they noted that taxable investors will, at the margin, accelerate their sells before ex-dividend days and postpone their buying until after ex-dividend days if share prices decline by the entire amount of dividends. Durand and May (1960) analyzed of American Telephone and Telegraph shares, there was little to no variance between the stock's tendency to decline by the dividend amount. The ex-dividend date effect of stock prices is supported by reasoning and empirical data from industrialized nations; in Nepal, there is currently little empirical data on this topic.

Recent study indicates that companies that have declared lower earnings and reduced dividends have subsequently realized excess returns. Gunasekarage and Power (2006) observed news regarding dividends and earnings does not appear to serve as a predictor of long-term future business performance. This issue is also a little unclear. The researcher plans to look into the origins of this mystery in relation to Nepal. Friend and Puckett (1964) looked at dividends and stock prices using cross-section data to establish how dividend distribution influences share value using a regression model. They came to the conclusion that the retained profits benefit exceeded the dividend effect after considering their investing options. Chawla and Srinivasan (1987) studied into the relationship between dividends and share price in the setting of India. Pradhan (2003) reported that the pooled cross-section data of 29 companies for the years 1994–1999 demonstrated a fairly strong dividend impact and a very weak retained profits effect, indicating that Nepalese investors are drawn to dividends. Beginning in 1999, researchers will examine the effects of dividends in the Nepalese context. Lintner (1956) posited current profits and dividends from the prior year are factors that impact dividend adjustments.

Rashid and Rahman (2008) revealed that profits per share had a large positive impact on stock prices, whereas dividend yield and return on equity had a negative impact. Singh and Tandon (2019) concluded that dividend policy has a big impact on stock prices. Further, it concluded that profits per share had a substantial positive influence, whereas profit after taxes, dividend yield, and return on equity had a significant negative impact on the stock market price. Adam et al. (2020) observed a positive association between the dividend payout ratio and market price per share. However, the dividend-price ratio was unfavorable. Moreover, the retention ratio had no discernible impact on the market price per unit share. Usman et al. (2020) concluded that dividends per share have a favorable effect on share prices. Dividend yield has a negative effect on share prices. Retention ratio, return on equity, and profits per share have little bearing on share prices. Tahtamouni (2020) found a significant positive relationship between stock price and dividends. Kimani and Olweny (2021) concluded that both firm size and dividend payout ratio had a beneficial impact on stock price volatility. Agustina (2022) stated that dividend policy, earnings per share, and return on assets had no effect on stock returns.

Numerous studies, mostly in industrialized nations, have been conducted on the effect of dividends on stock prices around the globe. The majority of past research indicates that dividend policy has a big impact on stock price. To optimize the value for shareholders, corporate enterprises have to adhere to the proper dividend policy. One of the major and crucial factors influencing the share price is dividend policy. Research academics have conducted (Pradhan, 2003) and (Manandhar, 1998) in the setting of Nepal. Regarding the impact of dividends on stock prices, particularly in the Nepalese banking and nonbanking industries, there is still a void in the financial literature.

Dhakal and Shah (2015) found that dividend yield and retention ratio had a significant negative impact on share price, although earnings per share had a significant positive influence. Dongol (2016) found that the share price is significantly impacted by regular dividend announcements. Bhattarai (2016) concluded that dividends had a significant positive impact on share price. Similarly, Baral and Pradhan (2018) mentioned that earnings per share and price-earnings ratio had a significant positive impact on stock price. Neupane (2020) found EPS and P/E ratios are insignificant and therefore unable to forecast market stock prices, while DPS and BPS have a negative and large impact on market stock prices. Shrestha (2020) concluded that after adjusting for return on equity, earnings per share, and return on equity, there is a considerable impact of dividends on the stock market price of Nepalese firms. The findings of the investigation final conclusion were that the stock market price of Nepalese firms is significantly impacted positively by stock dividends and significantly negatively by cash dividends. Kafley (2021) mentioned that the market price per share of microfinance in Nepal is not significantly impacted by the dividend payment ratio or earnings per share. A research on finance companies was not conducted. For this reason, the purpose of this study is to objectively examine the stock market price and dividend policy of finance companies in Nepal. For that reason, the following research topics have been highlighted by this study:

a. What is the existing position of dividend and market stock price of finance companies in Nepal?
b. Is there any relationship between dividend indicators (dividend per share, earing per share, price earning ratio, dividend yield and size of the company) and market price of stock of finance companies in Nepal?
c. What is the impact of dividend per share, earing per share, price earning ratio, dividend yield and size of the company on market price of stock of finance companies in Nepal?

1.3 Objectives of the Study

The major objective of this study is to examine dividend and stock price of finance companies in Nepal. The specific objectives are:

a. To examine the existing position of dividend and market stock price of finance companies in Nepal.
b. To investigate the relationship between dividend indicators (dividend per share, earing per share, price earning ratio, dividend yield and size of the company) and market price of stock of finance companies in Nepal.
c. To analyze the impact of dividend per share, earing per share, price earning ratio, dividend yield and size of the company on market price of stock of finance companies in Nepal.

1.4 Research Hypotheses

The earlier research questions were divided into the following hypotheses. As a result, the purpose of this study was to evaluate the following theories on Nepalese finance companies.

1. H_1: There is statistically significant effect of dividend per share on market price of stock in Nepalese finance companies.

2. H_2: There is statistically significant effect of earning per share on market price of stock in Nepalese finance companies.

3. H_3: There is statistically significant effect of price-earnings ratio on market price of stock in Nepalese finance companies.

4. H_4: There is statistically significant effect of dividend yield on market price of stock in Nepalese finance companies.
5. H_5: There is statistically significant effect of size of the company on market price of stock in Nepalese finance companies.

1.5 Rationale of the Study

A dividend provides stockholders with a source of income. The goal of investing in shares for shareholders is to enhance their wealth position and obtain significant returns. The dividend policy is a powerful tool for drawing in new capital, keeping hold of current capital, and satisfying present investors while preserving goodwill and the desired ability to oversee company management. People in Nepal are making random stock investments since they don't know enough about the market. Insufficient study has been done thus far to make things better. Therefore, it's critical to develop a clear understanding of the return that comes with stock investments. This study will, in part, close this gap and is quite significant. Its goal is to give investors and the corresponding firms that are used as sample vital information. Here are some reasons why the study is important:

- This study offers important insights into how dividends affect market pricing.
- This study offers recommendations and suggestions that will be beneficial for investors and other researchers.
- This study aids in the formulation of appropriate dividend policies by management and policy makers.
- The government may find this report helpful in regulating, overseeing, and monitoring policies.

1.6 Limitations of the Study

The study has some limitations. The main limitations of the study are as follows:

- This study only includes five finance companies Manjushree Financial Institution Limited (MFIL), Goodwill Finance Company Limited (GFCL) and Shree Investment & Finance Company Limited (SIFC), Pokhara Finance Limited (PFL) and Guheswori Merchant Bank & Finance Limited (GMFL).
- This study concentrates only impact of dividend policy on market price of stock of finance companies and ignores the other financial aspects.

- The period of the study is limited from fiscal year 2012/13 to 2021/22.
- The study is basically based on secondary data, articles, publication and journals of the respective finance companies.

CHAPTER - II
LITERATURE REVIEW

The theoretical aspect of the influence of dividends on market stock prices of finance companies is covered in this chapter. It offers the groundwork for creating a thorough theoretical framework and understanding of the state of affairs pertinent to the topic of study in order to investigate pertinent facts for reporting needs. Books, journals, articles, and a few relevant research papers have all been evaluated for this. The theoretical perspective and the empirical review are the two basic categories into which this chapter has been divided.

2.1 Theoretical Review

This is the first section of the literature review. Theoretical reviews from text books, reference books, and practical experience with dividend policy and its effects on stock market prices make up this review.

2.1.1 Theories of Dividend

Even though different financial institutions may have different unique techniques, a study of the broad theories of dividend can help paint a clearer picture of how these companies pay their dividends in this section. The following are the dividend theories:

2.1.1.1 Signaling Theory

The work of Lintner (1956), who showed how the market price frequently reacts to changes in dividend rate, is where the concept of signing theory originated. Miler and Rock (1985) create a model based on the supposition that managers of the company are better knowledgeable about the nature of the company's present earnings than outside investors are. This presumption enables the market to respond to the company's announcements, such as adjustments to the dividend policy. The signing theory states that because of the information asymmetry between managers and shareholders, shareholders interpret choices about dividends as providing fresh insight into the company and its future. The market often interprets a dividend rise as positive news, suggesting that the firm has promising prospects, whereas a dividend drop is typically interpreted as negative news, signaling a bleak future for the company. More complete facts could change these impressions. A lack of appealing investment opportunities may be the cause of a dividend rise, suggesting that the company's and its payouts' growth prospects are not good. Similarly, a decline in dividends might be encouraging to investors since it suggests a wealth of worthwhile initiatives and hence strong chances for future dividend increase. Even when a firm considering a dividend cut makes sure the market understands the rationale for the planned cut in order to avoid any misconception on the part of the market and subsequent decline in share price, markets unfortunately have a tendency to be very narrow-minded when it comes to dividend changes.

2.1.1.2 Bird in the hand theory

Gordon proposed the "bird in hand" idea in 1959. According to this theory, dividends have a substantial impact on and are connected to a company's value. The name of the notion may be easily found thanks to the aphorism "A bird in hand is worth more than two in the bush". However, because they are risk conservative, most investors would rather have cash on hand than potential financial gains. According to this theory, the bush symbolizes future financial riches and the bird in hand indicates monetary payouts. Additionally, Gordon (1959) argues that companies who pay dividends appear to be making a lot of money, which makes it easier for them to access the capital markets. Additionally, paying dividends has an impact on a company's valuation.

2.1.1.3 Agency theory

According to the agency cost hypothesis, agency costs resulting from ownership and control dispersion impact dividend policy. It is possible that managers will occasionally select for a dividend policy that optimizes their own gains above one that maximizes value for shareholders. DeAngelo et al. (2006) suggest that managers should prioritize maximizing shareholder wealth instead of spending money for personal gain by reducing free cash flows through dividend payments. Firms expose themselves to the scrutiny and discipline of these markets in an effort to draw in fresh equity.

Business managers are prone to operate in a non-value-maximizing (NVM) way, claims agency theory. Jensen and Meckling (1976) argument states that the agency costs that NVM managers bear would lower the firm's value. However, if a manager's personal wealth was linked to the value of the company's common stock, these agency costs may be reduced. Thus, managerial ownership of shares, or insider holdings, may lower agency costs and increase the firm's worth.

2.1.1.4 Residual Theory of Dividend

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

The theory’s premise is that, in cases where the return on reinvestment exceeds the investors' opportunity cost of funds, investors would rather see the company keep 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. In the event that there are no investment opportunities, the shareholders receive a dividend equal to one-tenth of the earnings. Dividends are therefore only a residue, or the percentage that remains after all requirements for equity investments have been met (Rashid & Rahman, 2008).

2.1.1.5 Stability Theory of Dividend

The term "dividend stability" describes the dividend stream's consistency. Stated differently, dividend stability 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 valued more highly by shareholders than fluctuating ones, and they support this approach. If all else remains the same, a consistent dividend could raise the share's market price (Friend & Puckett, 1964).

Maintaining the position of the company's dividend payments with respect to a trend line—ideally an upward-sloping one—is what we mean by stability. There are a few grounds for thinking that rising stock prices are a direct result of a consistent dividend policy. First, since variable dividends are riskier than stable ones, investors are typically 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 kinds. They are as follows:

- Constant Dividend per share
- Constant Dividend payout ratio
- Low Regular Dividend plus extra dividend

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 profitability. The dividend rate and dividend per share are not guaranteed to remain constant under this policy. A corporation may decide to raise its yearly dividend per share when it achieves a new level of earnings and anticipates maintaining it (Miller & Rock, 1985). 1995).

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. 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 makes sure that dividends are distributed when profits are made and withheld when losses are incurred (Brandt, 1972).

Low Regular Dividend plus Extra Dividend

In line with this strategy, the firm 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 normal payout. 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.

2.1.2 Factors Affecting Dividend Policy

A company's dividend policy is determined by a multitude of factors. Certain factors impact the type of payout, while others influence the amount. The following list of significant elements that impact dividend policy includes legal provisions, the firm's cash condition, the need to repay debt, constraints imposed by debt holders, estimated rate of return, stability of earnings, shareholder personal tax, etc. (Joshi, 2012):

1. Legal Requirements

A company is under no legal obligation to distribute dividends. Nonetheless, there are legal restrictions on how dividends can be distributed. In general, we discover the following three dividend payment rules.

i) The Net Profit Rule

According to the net profit rule, dividends may be paid from either current or historical earnings. It should be acknowledged, therefore, that dividend payments in excess of the total of past cumulative earnings and present earnings were not feasible.

ii) The Capital Impairment Rules

According to this rule, the company cannot pay dividends from its paid-up capital since doing so would negatively impact the company's equity base and jeopardize the interests of its creditors. The fundamental goal of this rule is to preserve a sufficient equity base in order to safeguard creditors' claims.

iii) Insolvency Rule

A company is deemed insolvent if its liabilities are more than its assets or if it is unable to make its current payments. It is illegal for the company to pay dividends if it is insolvent.

2. Firm's Liquidity Position

Additionally impacted by the firm's liquidity condition is the dividend payout. Retained earnings are not kept in cash; instead, they are reinvested into the company's assets, even if the balance sheet indicates that there are sufficient earnings. This could prevent the company from being able to pay cash dividends (Ghimire, 2001).

3. Repayment Need

The company uses a variety of debt financing options to meet its investment requirements. At the maturity, these debts must be paid back. When it comes to repaying debt, the company typically has two options: either it can issue new securities to cover the debt at maturity, or it can set aside money from earnings specifically for repayment.

4. Restriction Imposed by Debt Holders

Debt holders have the ability to place limitations on the company's ability to pay dividends. The restrictions could state that the company cannot pay dividends from past retained earnings that are recorded in the company's books prior to fulfilling the terms of the debt contract, or they could state that the preferred stock holders have restricted the company from paying any dividends on common stock until the company has paid the full amount of dividends that have accrued on preferred stock.

5. Expected Rate of Return

The anticipated rate of return on investment affects the dividend payment amount as well. A company would rather keep its earnings for reinvestment than to pay out cash dividends if it can expect a higher rate of return on its investment.

6. Stability of Earnings

A company is more likely to pay a greater dividend than one with comparatively variable earnings if its earnings are generally steady. Because it is unsure of its future earnings, the company with unpredictable earnings would rather keep more of its existing earnings (Joshi, 2012).

7. Desire for Control

The current management of the company might not want to issue more common stock when the need for additional funding arises because they are afraid of losing control over the company's management.

8. Access to the Capital Markets

It is not necessary to retain more retained earnings if a company can easily access capital markets to raise more finance. Smaller and recently founded businesses, however, typically have trouble obtaining outside funding from the capital market.

9. Stockholders' Individual Tax Situation

Due to the higher tax on dividend income, shareholders of a closely held company prefer a comparatively lower cash dividend. Closely held company stockholders in higher personal tax brackets favor capital gains over dividends. It takes more than just the items listed above to establish a good dividend policy. It is necessary to take into account numerous additional insights and factors. These include shifting governmental policies, the likelihood of future corporate expansion, the age and maturity of corporations, the informational value of dividends, and so forth.

2.1.3 Dividend as a Signaling Effect

This change in dividends may have an impact on the stock price. Put another way, in certain situations, dividends speak louder than words. To emphasize this point, a company's management may utilize dividend payments to express its assessments of the company's earning potential and liquidity (Pettit, 1972).

As a result, managers will choose to send clear signals about the firm's future because they are insiders with monopolistic access to information about its cash flows and level of present and future earning power. If they have the right incentive, they may even use dividend payments as a means of communicating their expectations (Keane, 1974). Dividends could therefore be seen as a signal to investors. Businesses that have positive news on their potential for profitability should presumably inform investors.

Investors might think that management is changing the company's projected level of profitability in the future. Investors are being informed that management and the board of directors genuinely think the situation is not worse than what the stock price indicates.

2.1.4 Theories of Stock Price

The prices at which securities are sold on the market are determined by a number of factors. As a result, market prices vary, and they do so for more than a century. Regarding the pricing characteristics of securities and their valuation, there are essentially three schools of thinking.

i. Technical Analysis

ii. Fundamental Analysis

iii. Random Walk or Efficient Market Analysis

2.1.4.1 Technical Analysis

Historical market data serves as the foundation for the technical analysis hypothesis of share price behavior. Technical analysis looks for trends and price patterns in the financial markets and tries to take advantage of them. Technical analysis involves a variety of techniques and instruments, but price chart analysis is the main focus. This theory uses historical stock price and value data to predict future price movement. Technical analysis makes the following assumptions:

i. The interplay of supply and demand determines market value.
ii. ii. A variety of factors, both rational and irrational, influence supply and demand;
iii. iii. Security prices typically move in trends that last for a significant amount of time, even in the face of slight market fluctuations;
iv. iv. Changes in supply and demand, regardless of the reason behind them, can eventually be shown as defects in charts of market transactions; and
v. Certain chart patterns repeat themselves.

Over the past several years, technical analysis has gained popularity as more and more individuals start to believe that a stock's previous performance is a reliable sign of its future performance. In recent decades, a great deal of technical instruments and ideas have been created and improved, with a growing focus on computer aided approach.

According to technical analysis, examining past stock price fluctuations can provide significant insights into future price changes. On graph paper, financial data are entered and then carefully examined to look for recurring trends. Technical analysts use their prepared charts to inform their buy and sell decisions (Ghimire, 2001).

Technical analysts are frequently referred to as chartists since they concentrate a large portion of their attention on securities market price charts and associated transaction data. To predict asset prices, most technical analysis creates and examines charts of different financial indicators. However, it is still questionable if technical analysis exists in Nepal. Technical analysis approach is based on the idea that stock market history tends to repeat itself. If an activity pattern has historically yielded a certain result nine times out of ten, then there is a good chance that the same result will occur anytime this pattern recurs in the future. It should be emphasized, however, that a large part of the methodology of technical analysis lacks strictly logical explanation (Ghimire, 2001).

Numerous studies demonstrate the value of technical analysis in helping investors outperform the market. Numerous examples of how technical analysis could outperform the market were provided, but at least one of them was flawed. Nonetheless, a number of current research suggest that technical analysis could be helpful to investors. Technical analysis places greater focus on the timing of stock purchases and sales.

2.1.4.2 Fundamental Analysis

A technique for determining a shares inherent worth through an examination of relevant financial and economic elements is called fundamental analysis, or FA. From macroeconomic variables like the state of the economy and industry circumstances to microeconomic elements like the efficacy of the company's management, fundamental analysts examine everything that might impact the value of the securities (Fisher & Jordar, 2000).

The ultimate objective is to arrive at a figure that may be used by an investor to assess whether a security is overvalued or undervalued by comparing it to its current price. This approach to stock analysis is thought to be different from technical analysis, which makes price direction predictions by examining past market data, including price and volume.

i. One way to ascertain a stock's true or "fair market" value is through fundamental research.
ii. Stocks that are now trading at prices higher or lower than their true worth are the targets of fundamental analysts' searches.
iii. The stock is considered cheap and a buy recommendation is made if the fair market value is more than the market price.
iv. Technical analysts, on the other hand, disregard the fundamentals in favor of researching the stocks past price movements.

2.1.4.3 Random Walk Efficient Market Theory

According to the random walk theory, variations in stock prices follow the same distribution and are unrelated to one another. As a result, it makes the assumption that a stock price's or markets historical movement cannot be utilized to forecast its future movement. In summary, random walk theory asserts that stocks follow an erratic and unexpected course, rendering all long-term stock price prediction techniques meaningless (Lintner, 1956). Random walk has some assumption; they are

i. According to the random walk hypothesis, variations in stock prices follow the same distribution and are unrelated to one another.
ii. ii. According to the random walk hypothesis, a stock price's or market's historical movement cannot be utilized to forecast its future movement.
iii. iii. According to the random walk principle, it is hard to beat the market without taking on more risk.
iv. Technical analysis is deemed unreliable by random walk theory since it causes chartists to purchase or sell securities only after a move has taken place.
v. The random walk theory regards fundamental analysis as untrustworthy because of the frequently inadequate quality of the data gathered and its susceptibility to misunderstanding.

2.1.5 Stock Splits

A stock split occurs when the par value of the stock is reduced proportionately to increase the number of shares that are outstanding. Therefore, in the event of a stock split, the amount of common stock, paid in capital, and retained earnings accounts stay the same while the par value decreases. Put another way, a stock split has no effect on the company's capitalization; instead, it just modifies the par value and the number of outstanding shares.

In the event of a two for one stock split, the proportionate ownership of the company would remain unchanged and each shareholder would receive one additional share for each share they currently owned. The market price per share will decrease proportionately to a stock split because of the inverse effect on the stock's market price. However, a stock split is often only considered when a business wants to achieve a significant drop in the market price per share (Van Horne, 2004).

The effect of a stock split may be summed up as follows: the market price and par value of the stock decrease as the number of outstanding shares increases, while the proportionate ownership of the company remains same. It has no effect on the company's net worth or capital account. The accounting approach of a stock split and a stock dividend is quite similar. Reverse stock splitting is the process of decreasing the number of outstanding shares by raising the par value per share under specific circumstances. Reverse stock splitting, then, is precisely the opposite of stock splitting in that it raises the par value and market value of the stock while decreasing the number of outstanding stocks.

A reverse stock split results in fewer outstanding shares, an increase in par value, and a rise in market price without affecting the proportionate ownership of the investors. It has no effect on the company's net worth or capital account.

2.1.6 Stock Repurchases

Stock repurchase refers to the issuing company's purchase of its own shares from the secondary market. Repurchasing stocks is frequently considered a substitute for dividend payments. Less shares will be outstanding if some of the outstanding stock is repurchased; provided that the repurchase has no negative impact on the company's profitability, this will result in an increase in the earnings per share of the remaining shares. Dividends will have been replaced by capital gains because of the possibility that this increase in earnings per share may raise the share price on the market. As a result, buying back shares is frequently chosen over paying dividends.

Repurchasing company stock can be a tax-advantaged alternative to paying out dividends. In order for owners to be taxed at the capital gains rate rather than the regular dividend rate of cash distributions, repurchases have the effect of increasing share values (Weston & Copeland, 1992). Repurchasing stock can have the following effects: fewer shares are issued; surviving shareholders own a larger proportion of the company; and the stock price rises as net worth per share rises. The Nepalese corporation has made it illegal for it to buy its own stock. Additionally, no business may lend money using its own shares as collateral or buy its own shares.

2.1.7 Legal Provisions Regarding Dividend Practice in Nepal

The Nepal Company Act of 2063, also known as NRB Circular 2063, lays forth the legal requirements for dividend payments to Nepalese companies. These provisions are as follows.

Section 2(m) states bonus shares are defined as shares that are capitalized of a company's reserve or excess earnings and awarded to shareholders as additional shares. The word also denotes an increase in capitalized excess or reserve funds.

Under Section 47, the corporation is not allowed to purchase its own shares. This provision prohibits a company from purchasing its own stock or utilizing the security deposits of its own stock as collateral for loans.

Section 137 is regarding bonus share and sub-section (1) states that the Company must inform the office before issuing bonus shares under sub section

(1) This may be done only by passing special resolution by the general meeting.

Sub-Section (1): Dividends are to be paid to shareholders within 45 days of the decision to distribute them, unless the following situations apply.

a) In case any law forbids the distribution of dividends.

b) In case the right to dividend is disputed.

c) If, for reasons outside of anyone's control and without the company's fault, dividends are not able to be delivered within the previously specified time frame.

Sub Section (2): If the dividends are not disbursed by the deadline specified in sub-section (1), interest at the specified rate will be added.

Sub-section (3): The only individual to whom dividends are intended is the one whose name is on file with the register of current shareholders at the time of declaration.

The aforementioned clauses and subsections of the Company Act of 1997 make it clear that Nepalese companies are not allowed to repurchase their own shares. The sections solely cover concerns related to bonus shares. This Act is insufficient in terms of dividend policy. The government of Nepal made a decision about the government corporations' dividend payments.

2.2 Empirical Review

Majanga (2015) analyzed the dividend effect on stock price: an empirical analysis of Malawi listed companies. The purpose of this study was to determine if a company's dividends and stock price are directly correlated, with a focus on the Malawi stock exchange. The study examines secondary data sets for thirteen regional businesses that were listed between 2008 and 2014 on the Malawi Stock Exchange. The study demonstrates a substantial positive connection between stock price and dividends, retention ratio, profit after tax, earnings per share, and return on equity over a seven-year period. The correlation analysis uses stock price as an independent variable. As a result, the study concludes that there is a significant positive correlation between a company's stock price and dividends on the Malawi Stock Exchange (MSE). The research also reveals that a variety of factors influence stock price, with dividends being one of the most important ones. The results of this study will assist managers of listed companies, who act as stewards, and potential and current investors in comprehending and appreciating the impact of dividend declarations or lack thereof on the psychology of stockholders, which in turn influences the price of the corresponding company's shares on the stock exchange.

Dhakal and Shah (2015) examined dividend policy, share price and future profitability: Case of commercial banks in Nepal. The study examined how the Nepalese commercial banks' dividend policies will affect their share prices and long-term profitability. Correlation and regression analysis are used in the study using panel secondary data from 13 commercial banks between 2001 and 2014. The first study looks at how dividend policy affects share price. It finds that while earning per share has a substantial positive influence on share price, dividend yield and retention ratio have a considerable negative impact. Thus, the study validates the importance of dividends in the Nepalese capital market and goes on to examine if changes in dividends conveyed any unique information that would have an impact on the profitability of commercial banks in the two years after the dividend was declared. The analysis's conclusion shows that current year earnings fluctuations are significantly impacted by changes in the dividend. The impact of the dividend change is negligible for years to come.

Bhattarai (2016) analyzed effect of dividend payment on stock prices of commercial banks in Nepal: Panel approach. The impact of dividend payments on the share prices of Nepali commercial banks has been examined in this study. For this study, a causal comparative research strategy has been used. Six commercial banks' panel data were gathered from their annual reports between 2010 and 2016, a span of seven years. The Fixed Effect Model, Random Effect Model, and Pooled OLS Model were used to analyze the data. Dividend per share was selected as the independent variable while share price was utilized as the dependent variable in the study. Furthermore, in the regression models, the size and profitability were added concurrently as control variables with dividend per share. The results of the calculated regression models show that the share price of a commercial bank is positively and statistically significantly impacted by dividends per share. Profitability and size, however, barely affect the price per share of a commercial bank. This analysis concludes that a higher dividend payout may raise the value of Nepal's commercial banks' stock.

Dongol (2016) investigated the effect of dividend and earnings announcements on share prices in Nepal between 2000 and 2011. The study found that the dividend had an impact on the announcement effect either positively or negatively during the dividend announcement period. In a similar line, share prices benefit from the dividend announcement. The study also found that share price was significantly impacted by dividend announcements on a regular basis. A plausible rationale for this inclination could be that investors perceive "no change in the dividend" as positive. This result suggests that both dividend increases and cutbacks have a considerable impact on market information. The findings support the dividend signaling theory and reject the semi-strong form of market efficiency.

Poudel (2016) examined determinant of stock price of selected banks in Nepal. The main objective of the research was to investigate the factors that influence NEPSE stock price, with a particular emphasis on private commercial banks. Different statistical and financial approaches have been utilized to get the desired results. The main statistical methods employed for the study were the t-test, regression analysis, correlation, and arithmetic mean. A descriptive research design has been used for this investigation. The survey's data were coded for statistical analysis in order to facilitate data analysis. The data was arranged, significant correlations were found, and differences and similarities with and between the various variables under research were found using the SPSS tool. The Z test results indicate whether or not there is a statistically significant link between the variables. The market price of stock is influenced by a number of different elements, including the internal and external environments, even though DPS, BVPS, and EPS have a favorable impact on the MPS. The market price per share should theoretically rise in tandem with growth in earnings, dividends, and book value per share. However, this theory does not appear to be entirely accurate in the instance of NEPSE indicating that the share price is influenced by a number of other things as well.

Adesina et al. (2017) analyzed dividend policy and share price valuation in Nigerian banks. This study examined the value of share prices and dividend policies in Nigerian banks. Secondary data from public financial statements of four major Nigerian banks Access Bank, First Bank, United Bank for Africa, and Guarantee Trust Bank were used in the ten-year research. The data received was analyzed using the Ordinary Least Square (OLS) regression model in this study. The study's conclusions demonstrate a strong positive correlation between market price and earnings per share. The study concludes that banks may enhance their performance by putting into practice a strong and efficient dividend policy and making advantage of the newly introduced e-dividend payment scheme. The firm and Allied Matter Act (CAMA) 2004 as amended should be modified to mandate that any firm with a total asset worth over 10 billion be listed on the Nigerian capital market in order to attract more investors.

Iftikhar et al. (2017) investigated impact of dividend policy on stock prices of firm. The primary goal of this study was to examine how a company's dividend policy affects its stock price. The State Bank of Pakistan and Karachi Stock Exchange websites, as well as the financial reports of the five banks, provided the ten-year (2005–2014) financial data. The findings showed that a sensible dividend policy is crucial for drawing in reliable investors and for fortifying a company's capital structure. The study began with a review of the literature, which was done using pertinent books and periodicals to learn about earlier studies in the field. A significant amount of secondary data regarding the capital structure and pertinent dividend policies of these firms was collected in order to obtain a critical perspective on the dividend policies of various firms and their relevant impact on stock prices. Through the internet and in-person interactions with a chosen sample of respondents, secondary data was acquired. The study's conclusions showed that, if developed and put into practice following a thorough analysis of the market's capital structure and the dividend policies of several companies, a firm's dividend policy may have a favorable and desired effect on its stock prices. It is anticipated that the study's findings will aid academic institutions, students studying business, and researchers in comprehending the clear relationship between a company's stock price and its dividend policy.

Velankar et al. (2017) investigated impact of EPS and DPS on stock price: a study of selected public sector banks of India. This study investigated at how EPS and DPS affected the stock prices of a few Indian public sector banks. For the study, time series data on several variables, including EPS, DPS, and stock price, were primarily obtained from the Money Control and NSE websites. The nine-year period from 2006–07 to 2014–15 is used to analyze the cause and effect relationship between EPS, DPS, and stock price. Regression testing was used to assess the stationarity of the model, verify the regression model's assumptions using the ARCH LM test, and determine how EPS and DPS affected stock price. After the hypothesis was tested, the following conclusions were drawn: EPS and DPS have a considerable impact on the stock price of a subset of public sector banks in India. The current study's findings can be especially useful for investors who are examining stock price volatility and fund managers who are forecasting future prices by keeping an eye out for these important variables.

Ghimire and Mishra (2018) investigated determinants of stock price in Nepalese market. The purpose of this study was to determine, for the years 2012 to 2017, the link between stock price and explanatory factors such as DPS, EPS, P-E ratio, BV, and Market to BV. This study looks into the factors influencing the stock price using descriptive statistics and simple and multiple regression analysis. The results show that the variables Market to BV and P-E ratio are the important predictors of stock price that directly affect the stock price, using a sample size of 11 financial and nonfinancial enterprises in Nepal. Similar to how EPS has the least impact on stock price, DPS and BV similarly significantly positively affect it.

Baral and Pradhan (2018) analyzed impact of dividend policy on share price of commercial bank in Nepal. The objective of this study was to find out how stock prices of Nepali commercial banks were impacted by dividend policy. The cross-sectional data sets from ten commercial banks together provided the study's base. The influence of these determinants on stock price was investigated using ANOVA, Wilcoxon Signed Rank Test, P/E ratio, DPR, and descriptive statistics. The authors concluded that EPS and P/E ratio showed positive connections with stock price, with the exception of DPR. P/E was the most important element affecting share price for commercial banks that were operating well; among other factors, EPS, P/E ratio, and DPR all had positive effects on stock price. DPR was the factor that affected share price the most for the bank that was losing the most money.

Thapa (2019) examined influencing factors of stock price in Nepal. This study explored the influencing factors of stock price in Nepal: with reference to Nepalese commercial banks) listed on the Nepal Stock Exchange Ltd. over the period of 2008 to 2018AD. A basic linear regression model was used to examine the data that was gathered from the financial statements and questionnaires of the relevant organizations. The work's conclusions showed that while interest rate (IR) and price to earnings ratio (PER) demonstrated a significant inverse association with share price, earning per share (EPS), dividend per share (DPS), effective rules and regulations, market whims and rumors, company profiles, and success depends on luck had a significant positive association with share price. In addition, the availability of liquidity and the application of technical and fundamental analysis boost the Nepalese stock market's performance. More importantly, it has been discovered that changes in interest rates and dividends have a big impact on the stock market.

Singh and Tandon (2019) examined the effect of dividend policy on stock price: Evidence from the Indian Market. The objective of the current study is to assess how dividend policies have affected Nifty 50 firms' market values for shares that have been listed on the National Stock Exchange (NSE) between 2008 and 2017. 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 results of the random effect regression model support the relevant dividend policy techniques. This study shows that EPS has a favorable impact on the MPS, DY, ROE, and PAT have negative effects, and DPS and RR have no effect at all. Accordingly, the study concluded that rather than the total dividend paid per share, shareholders are more interested in the DY that the stock offers. This is because a dividend payment pushes up the market price of the stock, hence lowering the dividend yield. Therefore, it can be concluded that dividend policies significantly affect the stock values of companies.

Adam et al. (2020) analyzed impact of dividend policy on share price: a case of listed firms on the Ghana stock exchange. The impact of dividend policy (guideline) on share prices that are indexed on the Ghana Stock Exchange (GSE) was examined in this study. Because the data is panel, tests for fixed effects, random effects, and pooled regression were conducted. Hausman's test was used to determine which model was best. Fixed-effect findings were therefore chosen. The fixed-effect regression's empirical results demonstrate a positive correlation between market price per unit share and dividend payment ratio, supporting the idea that rising dividends per share drive higher market prices for all shares of a listed company. The dividend-price-ratio was negatively large with a margin of error of ten percent, but it was not noteworthy. Furthermore, the market price per unit share was not significantly affected by the retention ratio. Profits per share continue to be the primary factor that determines share price, and as a result, it has a considerable influence on the market value of publicly traded companies on the GSE. Furthermore, the price of a share was significantly influenced by the firm's size and net profit after taxes.

Usman et al. (2020) analyzed the effect of dividend policy on share price manufacturing companies in Indonesia. The main objective of the study was to investigate and evaluate how dividend policy affects share prices. Manufacturing businesses that were listed between 2014 and 2018 on the Indonesia Stock Exchange served as the sample object for this study. The panel data regression model's results suggest that dividends per share positively affect share prices. Share prices are negatively impacted by dividend yield. The influence of profits per share, return on equity, and retention ratio on share prices is negligible. It is anticipated that the study's findings would serve as a guide for businesses and investors looking to raise share prices.

Neupane (2020) examined impact of earnings, book value and dividend on market price of stock of Nepalese manufacturing firms listed in NEPSE. The main objective of this research was to examine how the stock prices of manufacturing companies listed in NEPSE from 2072 to 2076 were affected by EPS, DPS, BPS, and P/E ratios. EPS, DPS, BPS, and P/E ratio effects on MPS were examined using the descriptive and causal-comparative research designs. The market stock price is significantly impacted by the DPS and BPS ratios, whereas the EPS and P/E ratios have little bearing on the market stock price and cannot be used to forecast it. Additionally, UNI-Lever is the most valuable stock, according to the survey, and SHIVM Cement is the riskier company among manufacturing enterprises listed on the NEPSE.

Shrestha (2020) examined effect of dividend on stock market price: a panel data approach. This research evaluated at how dividends affected Nepalese companies' stock market prices. The results of the Hausman test indicated that the Random Effect model is inappropriate for the data utilized in this study, while the Breusch and Pagan Lagrangian multiplier test revealed that the Pooled Regression model is inappropriate. Consequently, the Fixed Effect model was used in this study to examine how dividends affect stock market price. This study found that, after adjusting for return on equity, earnings per share, and return on equity, dividends have a considerable impact on the stock market price of Nepalese companies. The study's final conclusion was that the stock market price of Nepalese firms is significantly impacted positively by stock dividends and significantly negatively by cash dividends.

Tahtamouni (2020) examined the effect of dividends policy on the stock prices: the Jordanian listed commercial banks case. The purpose of this study was to look at how the dividend policy affected the fair value of the Jordanian commercial banks' stock prices that were listed on the Amman Stock Exchange (ASE). The Jordanian Shareholding Banks Guide and the banks' annual reports served as the two sources of data used. The study made use of frequency distributions and descriptive statistics to make sense of the sample. According to the study, there is a positive and significant correlation between stock price and dividends. This suggests that the dividend policy has an effect on the fair value of stock prices in commercial banks that are listed in Jordan. According to the study's findings, Jordanian commercial banks should endeavor to increase shareholders' wealth by gradually raising dividend payments in order to boost the stock market's performance.

Kafley (2021) investigated effects of dividend payout ratio and earning per share on market price per share: A study on micro finances of Nepal. This study examined the effects of profits per share and the dividend payment ratio on the stock market price of Nepal's microfinance using yearly data from fiscal years 2071/2072 to 2075/2076. This study used correlation analysis and regression modeling to look at this impact. The market price per share and earnings per share show a positive correlation with the dividend payment ratio, based on the test findings. The regression study's findings demonstrate that neither the dividend payment ratio nor the earnings per share have a statistically significant effect on the market price per share of microfinance in Nepal.

Kimani and Olweny (2021) investigated relationship between dividend policy and stock price volatility among listed commercial banks in Kenya. The study was aimed at determining the relationship between the dividend payout ratio and stock price volatility of Kenya's listed commercial banks, with the firm's size serving as a control variable. The signaling impact argument, which contends that dividends may have informational value even in an efficient market, is one of the theories underlying the study. The population of interest in the study consisted of Kenyan commercial banks that were listed between 2015 and 2019 (excluding those that were listed as a result of mergers). The results indicate that the dividend payout ratio and stock price volatility are negatively correlated; among the Kenyan commercial banks that were chosen, a rise in the dividend payout ratio is associated with a decrease in stock price volatility. In a similar vein, there was no correlation between stock price and dividend yield. The dividend Pay-out Ratio tends to have a positive influence on the stock price volatility among the chosen commercial banks in Kenya when the firm size is high, and a negative influence when the firm size is small.

Agustina (2022) investigated the effect of fundamental factors, earning per share and exchange rate on stock returns with dividend policy as intervening variables. This study attempted to ascertain the impact of exchange rates, dividend policy, and fundamental reasons on earnings per share as intervening variables on stock returns. Financial ratios are used in this study to measure essential aspects. The welfare of the shareholders increases with the stock return. A rise in stock returns will influence prospective investors to put money into the business. The results of the research indicate that the exchange rate and other fundamental variables, which are represented by the debt to equity ratio (DER), have an impact on stock returns. Earnings per share and dividend policy, which are basic characteristics that are proxied by return on assets, have little bearing on stock returns. The link between the basic factor variables return on assets and the exchange rate to stock returns—and the dividend policy variable can be mediated. The link between the basic factor factors, which are proxied by the DER, and earnings per share to stock returns, however, cannot be mediated by the dividend policy variable.

Bhatti, Patoli and Kumar (2023) examined dividend policy and its impact on market price: An empirical study of chemical sector. This research examined the chemical industry's dividend policy and how it affected market pricing. Between 2013 and 2022, information was gathered from sixteen out of the twenty-six companies operating in Pakistan's chemical industry. Panel data have been used to study fixed effect models, which are subcategories of panel models. The study was conducted using the Eviews program. The dataset was subjected to homosedacity, Durban Watson, Hauseman, Wald, VIF, tolerance, and Levin li Chu tests. Except for profit after taxes, all explanatory factors are shown to be significant. Dividend policy proxies are important in any financial decision-making because dividend policy affects share prices. As a result, companies need to base their dividend policy on the current market price. This study illustrates the innate inclination of stock buyers to be price-sensitive. It is evident from an empirical study of various businesses in Pakistan that dividend relevance is a widely acknowledged concept.

Table 1

Summary of Empirical Review

S.N.	Author/ Date	Title	Variables (dep./independent)	Methodology	Major Findings
1	Majanga, B. B. (2015)	The dividend effect on stock price: An empirical analysis of Malawi listed companies.	Dependent variable = Market price per share (MPS) Independent variables = dividend per share (DPS), retention ratio (RR), earnings per share (EPS), return on equity (ROE), and net profit after tax (PAT)	The correlation coefficient or the r coefficient is a statistic used to measure the degree or strength of this type of relationship.	The results of this study showed a significant positive correlation between a company's stock price on the stock market and its dividend payments. The research also reveals that a variety of factors influence stock price, with dividends being one of the most important.
2	Dhakal, N., & Shah, A. (2016)	Dividend policy, share price and future profitability: Case of commercial banks in Nepal.	Dependent variable = Market price (MP) Independent variables = (DY) Dividend yield, (RR) Retained ratio , (PAT), Profit after tax, (EPS) Earnings per share and (ROE) Return on equity.	To test the relationship between variables, regression and correlation analysis is carried out.	This study found that dividend yield and retrained ratio have significant negative impact on market share. However, PAT has insignificant negative impact on MP. EPS has significant positive impact on MP. Finally, ROE has insignificant positive.
3	Bhattarai, Y. R. (2016)	Effect of dividend payment on stock prices of commercial banks in Nepal:	Dependent variables (Market price per share) and independent variables (dividend per share, profitability measure as return on assets	The panel data of 6 commercial banks were collected during 7 years (2010 to 2016) period from the annual reports of the banks in the sample. The data	This study showed that the share price of a commercial bank is positively and statistically significantly impacted by dividends per share.

		Panel approach.	and bank size)	were analyzed using Pooled OLS Model, Fixed Effect Model and Random Effect Model.	Profitability and size, however, barely affect the price per share of a commercial bank. This analysis concludes that a higher dividend payout may raise the value of Nepal's commercial banks' stock.
4	Dangol, J. (2016).	Effect of dividend and earnings announcement on share prices: Nepalese evidence.	Dependent variable = Market price per share (MPS) Independent variables = Earning per share (EPS) and dividend per share (DPS)	This study used correlation and multiple regression analysis.	The study also found that share price was significantly impacted by dividend announcements on a regular basis. A plausible rationale for this inclination could be that investors perceive "no change in the dividend" as positive.
5	Poudel, R. L. (2016)	Determinant of stock price of selected banks in Nepal.	Dependent variables (Market price per share) and independent variables (dividend per share, book value per share and earning per share)	Arithmetic mean, correlation and regression analysis, t-test is the major statistical tools that have been used for the study. In order to conduct this study, descriptive research design has been adopted.	This study found that DPS, BVPS and EPS affect the MPS positively, there is several other factors i.e. internal as well as external environment that affects the market price of stock. Theoretically, when earnings, dividends and BVPS increases, the MPS also increases and vice versa.
6	Adesina, K., Uwuigbe, U., Uwuigbe, O. R., Asiriuwa, O, & Oriabe, S. (2017)	Dividend policy and share price valuation in Nigerian banks.	Dependent variable = Market price per share (MPS) Independent variables = Dividend Yield (DY), Retention ratio (RR), earning per share (EPS) and dividend per share (DPS)	The study employed the Ordinary Least Square (OLS) regression model in the analyzing the data obtained.	This study found that a strong positive correlation between market price and earnings per share. The study concludes that banks may enhance their performance by putting into practice a strong and efficient

					dividend policy and making advantage of the newly introduced e-dividend payment scheme.
7	Baral, R. K., & Pradhan, A. (2018).	Impact of dividend policy on share price of commercial bank in Nepal.	Dependent variables (Market Price of Share i.e. MPS) and Independent variables (Earning per share, dividend pay out ratio, price earning ratio)	The study was based on pooled cross sectional data of 10 commercial banks. Descriptive Statistics, Correlation and Regression, ANOVA and Wilcoxon Signed Rank Test.	This study found that EPS and P/E ratio showed positive connections with stock price, with the exception of DPR. P/E was the most important element affecting share price for commercial banks that were operating well; among other factors, EPS, P/E ratio, and DPR all had positive effects on stock price. DPR was the factor that affected share price the most for the bank that was losing the most money.
8	Ghimire, R. R., & Mishra, D. (2018)	Determinants of Stock Price in Nepalese Market.	Dependent variable = Market price (MP) Independent variables = Market of book value, dividend per share, earing per share, price earning ratio and book value per share.	This research has used descriptive and pooled cross-sectional research design and has used crossed sectional data from secondary sources. This study used multiple regression analysis.	The results showed that the variables Market to BV and P-E ratio are the important predictors of stock price that directly affect the stock price, using a sample size of 11 financial and nonfinancial enterprises in Nepal. Similar to how EPS has the least impact on stock price, DPS and BV similarly significantly positively affect it.
9	Singh, N. P., & Tandon, A. (2019)	The effect of dividend policy on stock price: Evidence from the	Dependent variable = Market price per share (MPS) Independent variables = Dividend Yield (DY),	The data have been analyzed by employing multiple panel data regression models namely pooled regression,	This study showed that EPS has a favorable impact on the MPS, DY, ROE, and PAT have negative effects, and

		Indian Market.	Retention ratio (RR), earning per share (EPS), dividend per share (DPS), Return on Equity (ROE) and Profit after tax (PAT)	fixed effect model and random effect model. The Hausman test has been used to suggest the most appropriate regression model.	DPS and RR have no effect at all. Accordingly, the study concluded that rather than the total dividend paid per share, shareholders are more interested in the DY that the stock offers.
10	Thapa, K. B. (2019)	Influencing factors of stock price in Nepal.	Dependent variable = Market price (MP) Independent variables =dividend per share, earing per share, price earning ratio and interest rate	Descriptive, trend, causal comparative research design were used. The statistical tools of bivariate, multivariate, correlation and ANOVA testing were used.	This study revealed that earning per share (EPS), dividend per share (DPS) have the significant positive association with share price while interest rate (IR) and price to earnings ratio (PER), showed the significant inverse association with share price.
11	Adam, H., Buckman, T., & Setordzi, I. (2020).	Impact of dividend policy on share price: A case of listed firms on the Ghana stock exchange.	Dependent variable = Market price per unit share (MPS) Independent variables =dividend payout ratio, dividend price ratio, earing per share, net profit after tax, assets growth rate and firm size.	For this study, panel regression technique was employed. The Microsoft excel and Eview 9 computerized software were utilized.	According to this study, DPR has an insignificant positive influence on MPS. MPS is significantly impacted negatively by the dividend price ratio and PAT, but positively and significantly by EPS and business size. Lastly, the growth of assets has a negligible detrimental effect on MPS.
12	Usman, B., Lestari, H. S., & Sofyan, S. (2020)	The effect of dividend policy on share price manufacturing companies in Indonesia.	Dependent variable = Market price (MP) Independent variables =dividend per share, earing per share, price earning ratio, retention ratio, return on equity and dividend yield	The analytical method used is panel data regression with a measurement tool used to process data, the Eviews 9.0 software.	This analysis indicates that dividends per share have a favorable effect on share prices. Dividend yield has a negative effect on share prices. Retention ratio, return on equity, and profits per share have little bearing on share

					prices.
13	Shrestha, P. M. (2020).	Effect of dividend on stock market price: A panel data approach.	Dependent variable market price of stock (MPS) and independent variables (cash dividend, stock dividend, return on assets, earning per share and return on equity)	Breusch and Pagan Lagrangian multiplier test concluded that Pooled regression model is not appropriate and Hausman test concluded that Random Effect model is not appropriate for the data used in this study. Thus, this study adopted Fixed Effect model to analyze the impact of dividend on stock market price.	This study found that, after adjusting for return on equity, earnings per share, and return on equity, dividends have a considerable impact on the stock market price of Nepalese companies. The study's final conclusion was that the stock market price of Nepalese firms is significantly impacted positively by stock dividends and significantly negatively by cash dividends.
14	Neupane, B. (2020)	Impact of earnings, book value and dividend on market price of stock of Nepalese manufacturing firms listed in NEPSE	Dependent variable = Market price per share (MPS) Independent variables = Earning per share (EPS), dividend per share (DPS), price earning per share (P/E ratio) and book value per share (BPS)	This consists of descriptive and causal-comparative research design to deal with the various issues of the study. This study used multiple regression analysis.	This study indicates that the DPS and BPS ratios have a large negative impact on the market's stock price, whereas the EPS and P/E ratios have no significant impact and cannot be used to predict the market's stock price.
15	Kafley, S. (2021)	Effects of dividend payout ratio and earning per share on market price per share: A study on micro finances of Nepal.	Dependent variable = Market price per share (MPS) Independent variables = Dividend payout ratio (DPR) and Earning per share (EPS)	For this study, both descriptive and analytical methods of analysis are used. This study used descriptive, correlation and regression analysis are used.	The regression study's findings demonstrated that neither the dividend payment ratio nor the earnings per share have a statistically significant effect on the market price per share of microfinance in Nepal.
16	Kimani, M. S., & Olweny, T. (2021).	Relationship between dividend policy and stock price volatility	Dependent variable = Market price Independent variables = Dividend payout, dividend yield and firm size.	The study used a multiple regression model that utilized the principal data analysis method of which basic	The results indicated that the dividend payout ratio and stock price volatility are negatively correlated; among the

		among commercial banks in Kenya.		assumptions must be tested before the actual analysis.	Kenyan commercial banks that were chosen, a rise in the dividend payout ratio is associated with a decrease in stock price volatility.
17	Agustina, S. (2022).	The effect of fundamental factors, earning per share and exchange rate on stock returns with dividend policy as intervening variables.	Dependent variable = stock return and independent variables = return on assets, debt to equity ratio, exchange rate and dividend policy	This study used correlation and multiple regression analysis were used.	This study found that the exchange rate and other fundamental variables, which are represented by the debt to equity ratio (DER), have an impact on stock returns.
18	Bhatti, Patoli & Kumar (2023)	Dividend policy and its impact on market price: An empirical study of chemical sector	Dependent variable = market price and independent variables = dividend yield, retention ratio, profit after tax, return on equity and EPS.	This study used fixed effect multiple regression analysis to analyzed the data.	This study revealed that dividend yield and retention ratio had significant negative impact on market price. However, return on equity and earning per share have significant positive impact on market price. Finally, profit after tax has insignificant negative impact on market price.

2.3 Research Gap

Research gap refers study gap in the related previous research. This research aims to provide some thoughts on the dividend policy, identify potential new contributions, and gather information, ideas, and recommendations in this area. Since they served as the basis for the current study, the earlier research in this area cannot be disregarded. Put differently, research has to be ongoing. By connecting the current study with earlier research investigations, the continuation of the research is guaranteed. The company's financial health depends on the different funding decisions made. One of the most important decisions to be taken is the dividend.

The purpose of this research work and previous studies is quite different. Firstly, the studies of this topic of commercial banks were made on different period. They had studies of only commercial banks as well as old periods. It became necessary to do new research study on this topic of recent periods. Similarly, this study has tried to analyze five finance companies which not available on previous studies. This study also has tried to use regression model with the objectives of impact of dividend policy on market price of stock of finance companies in Nepal. This study has taken explanatory variables such as dividend pay out ratio, earing per share, price earning ratio, dividend yeild, return on assets and size of the company to analyze dividend and stock price of finance companies in Nepal which were not included. So, this study is quite different to examine in this topic because this study gives attention on technical factors as well as fundamental factors affecting the stock price.

CHAPTER - III
RESEARCH METHODOLOGY

It explains the procedures, instruments, methods, and approaches employed in the report's preparation and data analysis. It involves meticulous study, particularly by looking for fresh information in any field to determine the best research methods. The study's goals have been attained by employing the following approach.

3.1 Research Design

A research design is a comprehensive strategy, scheme, or program. A combination of descriptive and causal research designs have been used to accomplish the study's specific objectives. With the use of average value, standard deviation, maximum, and minimum, which describe the characteristics of data of sample finance companies, descriptive research was used in the study to support analysis of the dividend and profitability position of the finance companies sampled and to determine the recent position of the finance companies. Additionally, causal research design was employed to support analysis of the effect of dividend on market price of finance companies' stock in the study.

3.2 Population and Sample, and Sampling Design

At present, there are 17 finance companies operating in Nepal (NRB, 2023). They constitute the population. However, not all finance companies are regularly paying cash dividend. Researchers, thus, applied purposive sampling technique while selecting sample finance companies. Among of them, only five finance companies are selected which are Manjushree Financial Institution Limited (MFIL), Goodwill Finance Company Limited (GFCL) and Shree Investment & Finance Company Limited (SIFC), Pokhara Finance Limited (PFL) and Guheswori Merchant Bank & Finance Limited (GMFL) for the study of the dividend and stock price of finance companies on the basis of purposive sampling method. These finance companies are top gainer finance companies in Nepal at present context. Moreover, these finance companies are paying more cash dividends or stock dividend to their shareholder than other finance companies and they have also high market price share as compare to others finance companies.

3.3 Nature and Sources of Data, and Instrument of Data collection

Secondary data for this study were gathered from linked offices' webpages and annual reports. Therefore, published sources such as financial statements of finance companies that are representative of the sample, numerous prior studies and associated bulletins, NRB reports, and periodic publications from various government organizations are the main sources and types of data. Research conducted using adequate data collection equipment enhances the legitimacy and worth of research findings, according to consistent and reliable research. As a result, structured document review will be employed in this study to gather the necessary data that are pertinent to achieving the study's goals. Data is gathered from a variety of NRB periodicals and publications, as well as audited financial statements (profit and loss account and balance sheet) of all finance companies in the sample. Every year, all of the data were gathered, and the variables' numbers could be found on July 31 of that particular year.

3.4 Method of Analysis

In this study, descriptive analysis, correlation analysis and multiple regressions are applied to examine the impact of dividend policy as measured through dividend variables on market price of stock of finance companies in Nepal.

3.4.1 Descriptive Analysis

Mean ($\bar{X}$)

The simple mean, or arithmetic mean, of a collection of data is calculated by dividing the total number of observations by the sum of all the observations. It will be utilized to determine the optimal value, which will indicate to the group as a whole what the arithmetic average of a variable is. It is computed as follows:

$$\text{Mean } (\bar{X}) = \frac{X_1 + X_2 + X_3 + \ldots\ldots\ldots\ldots X_n}{n} = \frac{\Sigma X}{n}$$

Where,

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

n = number of observations

X = variables involved

Standard Deviation

The standard deviation is defined as the square of the variance derived from the arithmetic mean, or the positive square root of the mean. The ranges and sizes of departures from the mean or center are shown. It measures the dispersion exactly. A higher standard deviation The variability will be higher and vice versa. The amount that the data vary from the center value is measured by dispersion. Stated differently, it is useful to assess the variability of the data to determine its quality. It is calculated in this way:

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$$

Where,

X = variables involved

$\bar{X}$ = mean

n = number of observations

3.4.2 Correlation Analysis

The relationship between an independent variable and another independent variable is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A correlation coefficient is present when there is a strong relationship between the two variables, meaning that changes in the independent variable's value also affect the dependent variable's value. It is denoted by small ‘r’.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma XY - \Sigma X \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2}\sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

This coefficient's value can never be less than -1 or greater than + 1. Therefore, the limits of this coefficient are + 1 and -1. Positive correlation between variables is indicated by a value of r = + 1, and vice versa. Zero indicated no association at all.

3.4.3 t- Statistics

It is used in hypothesis testing via Student's t-test. The t-statistic is used in a t-test to determine whether to support or reject the null hypothesis. Set up Hypothesis

Null hypothesis (H_0); $\rho = 0$ i.e. There is no correlation between the considered variables.

Alternative Hypothesis (H_1); $\rho \neq 0$ i.e. There is significant correlation between the considered variables.

Test statistic under H_0;

$$t_{cal.} = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{n - 2}$$

Where,

r = Sample correlation between two variables

r^2 = Coefficient Determination

n = No of Pair of observations

Level of significance: Level of significance $\propto$ = 5 percent

Critical Value: Tabulated or critical value of t at $\propto$ percent level of significance for (n - 2) degree of freedom obtain from 't' tables.

3.4.4 Multiple Regressions Analysis

Multiple linear regression seeks to forecast the relationship between two or more explanatory factors and a response variable by fitting a linear equation to observed data. Every value of the independent variable x corresponds to a value in the dependent variable y. Regression analysis will be used to look at the relationship between the explanatory factors and the dependent stock price. The explanatory variables are independent characteristics such as earnings per share, price-earnings ratio, dividend yield, dividend per share, and size of companies.

Model Specification:

The model used in this study makes the assumption that certain variables affect the market price of stocks. As a result, the link and effect of the research variables have been examined using the model that follows.

$MPS_{it} = \beta + \beta_1 DPS_{it} + \beta_2 EPS_{it} + \beta DY_{it} + \beta_4 PER_{it} + \beta_5 SIZE_{it} + e_{it}$

Where:

MPS_{it} = Market price of stock of finance company i^{th} for the time period t

DPS_{it} = Dividend per share of finance company i^{th} for the time period t

EPS_{it} = Earnings per share of finance company i^{th} for the time period t

DY_{it} = Dividend yield of finance company i^{th} for the time period t

$PER_{i}t$ = Price earnings ratio of finance company i^{th} for the time period t

$SIZE_{it}$ = Total assets of finance company of finance company i^{th} for the time period t

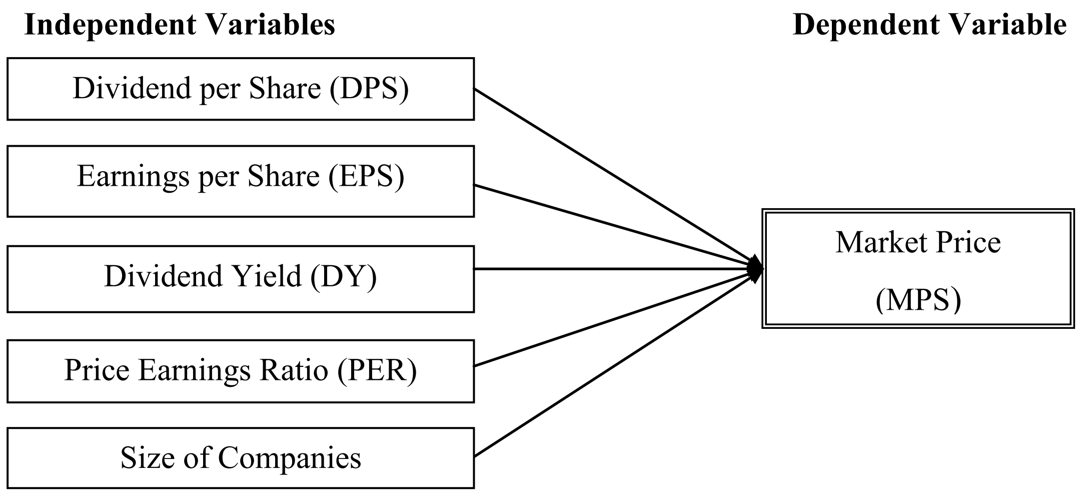
β_0 = The intercept (constant)

β_1, β_2, β_3, β_4, β_5, β_5, = The slope which represents the degree with which market price per share changes as the independent variable changes by one unit variable.

e = error component

3.5 Research Framework and Definition of the Variables

The researcher develops the following conceptual framework for the study based on reviews of the theoretical and empirical literature.



Source: Dongol (2016); Bhattarai (2016); Adesina et al. (2017); Neupane (2020) Singh and Tandon (2019); Tahtamouni (2020) and Usman, Lestari and Sofyan (2020)

Figure 1 Research Framework of the Study

Market Stock Price (MPS)

The present study seeks to test the impact of effect of dividend on market price of stock in Nepalese finance companies. Researchers like Bhattarai (2016) and Singh and Tandon (2019) have noted that shifts in buying and selling pressure can cause the stock price to fluctuate minute by minute. Selecting which market price to regress as a dependent variable measure becomes challenging as a result of these developments. The market price is represented in this study by using the closing price of the companies' stock at the conclusion of its fiscal year. In this study, the dependent variable is the market price.

Dividend per Share (DPS)

A financial metric called net income is used to calculate dividends per share. It is computed by dividing the total number of outstanding common shares by the net income available to common stockholders. If the firm pays more cash dividends, the market value of its shares will rise even in the absence of the customer effect. Similarly, Singh and Tandon (2019) found a favorable correlation between dividends per share and no influence on stock market price. Nonetheless, Usman, Lestari, and Sofyan (2020) revealed that share prices are positively impacted by dividends per share. Tahtamouni (2020) most likely found that payout ratio, plowback ratio, and dividend per share all significantly boost stock price.

Earnings per Share (EPS)

The profitability of a business is shown by its earnings per share. A high market price is typically the outcome of rising earnings per share. Shrestha (2020) found that earnings per share (EPS) has significant positive relation with market price per share of the financial institutions. Likewise, Baral and Pradhan (2018) concluded that an earnings per share (EPS) has significant positive relation with market price of stock. From the view point of literature review, earning per share has significant positive relationship with market price of stock.

Price Earnings Ratio (PER)

It has to deal with the disparity between profits per share and market value. The price-to-earnings ratio indicates the extent to which the price of a share covers its earnings. It shows if the share price of a firm is fairly valued, overpriced, or undervalued. A high P/E frequently suggests that investors are expecting more earnings growth in the future when compared to companies with a lower P/E. In the same token, Baral and Pradhan (2018) indicated that price-earnings ratio have a significant positive impact on market price of stock. Ghimire and Mishra (2018) found that P-E ratio had the significant positive impact on stock price. From the view point of literature review, price earning ratio has significant positive impact on market price of stock.

Dividend Yield (DY)

Equity’s dividend yield shows how much a corporation distributes as a percentage of its stock price. It is determined as a percentage of the company's yearly dividends on stock price. According to Adesina et al. (2017), Singh and Tandon (2019), and Rashid and Rahman (2008), dividend yield is regarded as a major variable that is utilized to explain the effect of dividend policy on stock market prices. Every one of these specialists found that the dividend yield and stock price had a positive relationship.

Size of Companies (SIZE)

The natural logarithm of the total asset is used to assess one of the control variables, which is size (Bhattarai, 2016). Previous empirical data has confirmed that a firm's size may have an impact on its share price. Size of companies was shown to have a considerable beneficial influence on share price volatility by Pardhan and Gautam (2017). Bhattarai (2016), however, came to the conclusion that there was a negative correlation between size and share price. These empirical data support the expectation that size and share price will positively correlate.

CHAPTER - IV
RESULTS AND DISCUSSION

The main objective of this research is to find out how dividends effect on market price of stock in Nepalese finance companies, as the researcher covered in earlier chapters. As a consequence, this chapter, which is divided into three sections, deals with the findings and their analysis. The study's variables were the subject of descriptive statistics and correlation analyses in the first portion; the assumptions of the linear regression model were fulfilled in the second section; and the discussion was put out in the third section. For additional statistical analysis, the ratio of the designated dependent and independent variables as well as the ratio scale measurement were computed using data analysis techniques.

4.1 Results

In this section, analysis of the effect of dividend on market price of finance companies is carried out using the statistical analytical tools such as descriptive statistic, correlations analysis and multiple regression analysis.

4.1.1 Position of Dividend Variables and Market Price of Stock

Financial indicators are used to assess the performances of certain finance organizations. A financial firm that performs well will have the greatest market price, earnings, and dividend payments. Here, dividend variables or indicators such as dividend per share, earning per share, price earnings ratio, dividend yield and size of companies are analyzed as well as market price of stock of finance companies in Nepal.

4.1.1.1 Analysis of Dividend per Share

The amount paid as a dividend to the holder of one share of stock is known as the dividend, which is the fraction of the profit that is ready to be distributed to shareholders. It is computed by dividing the total number of outstanding shares by the total dividend paid to common shareholders. The dividend per share of the sample finance companies is displayed in table 2.

Table 2

Dividend per Share

(In Rs.)

Year	PFL	GFCL	MFIL	SIFC	GMFL
2012/13	0.00	0.00	0.00	20.40	17.00
2013/14	16.00	6.28	7.50	12.63	25.00
2014/15	51.05	10.00	12.00	12.22	15.79
2015/16	14.21	25.00	14.74	11.05	18.95
2016/17	8.70	10.73	6.32	26.57	15.80
2017/18	13.68	5.26	9.00	10.00	5.26
2018/19	7.20	10.00	11.55	13.00	6.50
2019/20	5.26	12.00	23.50	10.53	11.40
2020/21	8.08	13.00	46.00	11.00	10.53
2021/22	4.00	0.00	0.00	7.60	0.00
Mean	12.82	9.23	13.06	13.50	12.62
SD	14.32	7.22	13.48	5.67	7.37
CV	111.69	78.22	103.17	41.99	58.42

Source: Appendix-I

Table 2 shows that the dividend per share of finance companies in Nepal during the study period. The highest dividend per share (DPS) of PFL is Rs.51.05 percent in the fiscal year 2014/15 and the lowest dividend per share of PFL is Rs.4.00 in the fiscal year 2021/22. The highest average DPS of SIFC is Rs.13.50 percent, while the lowest average DPS of GFCL is Rs.9.23 percent. These figures suggest that SIFC appears to be earning the highest and consistent dividends to shareholders; a growing DPS per share may indicate that management of the company believes that growth can be sustained. Also, SIFC has the lowest standard deviation among the sample finance companies, indicating that SIFC carries the lowest risk. Based on the ratios, SIFC has shown to be the most consistent, having the lowest coefficient of variation (CV) of 41.99 percent.

4.1.1.2 Analysis of EPS

Profits per share is equivalent to any profitability or ratio related to market prospects. In general, a higher ratio of earnings to shares indicates that the company is more prosperous and can afford to pay out more profits to its shareholders. An increase in a company's stock price is frequently correlated with a higher earnings per share ratio, even if many investors don't give it much thought. Given the multitude of variables that might affect this ratio, investors typically consider it but do not allow it to significantly impact their choices. The sample finance companies' earnings per share are displayed in Table 3.

Table 3

Earning Per Share

(In Rs.)

Year	PFL	GFCL	MFIL	SIFC	GMFL
2012/13	5.12	7.87	6.08	24.63	18.37
2013/14	20.81	18.12	5.67	15.8	28.15
2014/15	47.27	12.8	8.86	17.15	20.12
2015/16	17.9	41.37	13.14	13.76	23.91
2016/17	15.96	16.65	7.07	37.81	27.54
2017/18	11.14	7.74	11.36	11.47	7.6
2018/19	11.94	18.48	9.52	16.04	11.4
2019/20	8.02	14.21	34.28	13.5	7.85
2020/21	12.2	22.31	51.51	12.8	12.93
2021/22	8.73	19.93	8.09	9.48	6.42
Mean	15.91	17.95	15.56	17.24	16.43
SD	11.99	9.54	15.14	8.30	8.32
CV	75.37	53.18	97.32	48.15	50.66

Source: Appendix-I

Table 3 shows that the earning per share of finance companies in Nepal. MFIL has maximum earnings per share for the 2020/21 fiscal year is Rs.51.51. In the fiscal year 2012/13, PFL has lowest earnings per share was Rs.5.12. The highest average earnings per share of GFCL is Rs.17.95. MFIL has the lowest average earnings per share, at Rs.15.56. It suggests that the finance firm has the greatest earnings to give its shareholders and that GFCL is the most lucrative. SIFC has the lowest standard deviation of all the sample finance businesses, indicating that it carries the least amount of risk. Based on the ratios' coefficient of variation, it can be deduced that SIFC has demonstrated the highest degree of consistency, with the lowest CV of 48.15 percent.

4.1.1.3 Dividend Yield

A financial ratio known as the dividend yield compares the amount of cash dividends paid to common shareholders to the share's market value. Investors use the dividend yield to demonstrate how their stock investment is producing cash flows in the form of dividends or improvements in asset value due to stock appreciation.

Table 4

Dividend Yield

(In percent)

Year	PFL	GFCL	MFIL	SIFC	GMFL
2012/13	0.00	0.00	0.00	7.18	8.59
2013/14	6.67	2.85	5.60	2.66	8.59
2014/15	15.10	4.88	6.38	3.74	6.78
2015/16	4.03	7.49	3.83	3.55	5.12
2016/17	3.64	5.34	4.03	6.94	5.92
2017/18	10.13	4.17	7.69	2.61	4.08
2018/19	5.22	7.41	9.02	8.28	5.00
2019/20	3.44	8.28	7.63	6.62	8.44
2020/21	1.21	1.91	3.59	2.25	2.03
2021/22	1.13	0.00	0.00	2.54	0.00
Mean	5.06	4.23	4.78	4.64	5.45
SD	4.60	3.01	3.10	2.34	2.87
CV	91.08	71.23	64.87	50.36	52.65

Source: Appendix-I

Table 4 shows that the dividend yields of finance companies in Nepal during the study period. During the 2012–2013 fiscal year, PFL obtained its highest dividend yield of 15.10. PFL's fiscal year 2021–2022 dividend yield is the lowest at 1.13, while GMFL's greatest annual dividend yield is 5.45. At 4.23, GFCL has the lowest average DY. When compared to its market value per share, GMFL has been the company that pays out the largest cash dividends to its common shareholders. Out of all the sample financial companies, SIFC has the lowest standard deviation, meaning that it is the least risky. With the lowest coefficient of variation (50.36 percent), SIFC has shown the highest degree of consistency, according to the ratios' coefficient of variation.

4.1.1.4 Price Earnings Ratio

The relationship between a company's stock price and earnings per share (EPS) is known as the price earnings ratio, or P/E ratio. It is a well-liked ratio that helps investors understand the finance companies' worth. The price you must pay per unit of current earnings (or future earnings, as the case may be) is represented by the P/E ratio, which displays market expectations. Because investors want to know how lucrative a finance company is and will be in the future, earnings play a significant role in valuing a finance company's shares. Furthermore, the P/E may be seen as the number of years it will take the finance company to recoup the money paid for each share assuming it doesn't grow and its present level of profits stays the same.

Table 5

Price Earning Ratio

(In percent)

Year	PFL	GFCL	MFIL	SIFC	GMFL
2012/13	17.96	7.57	18.43	11.53	10.78
2013/14	12.00	12.14	23.63	30.06	10.34
2014/15	7.15	16.01	21.23	19.06	11.58
2015/16	19.72	8.07	29.30	22.60	15.48
2016/17	14.97	12.07	22.22	10.13	9.69
2017/18	12.12	16.28	10.30	33.39	16.98
2018/19	14.20	7.31	13.45	9.79	11.40
2019/20	19.07	10.21	8.98	11.78	17.47
2020/21	54.93	30.57	21.91	38.03	40.05
2021/22	40.56	25.04	55.25	31.53	44.73
Mean	21.27	14.53	22.47	21.79	18.85
SD	14.84	7.79	13.13	10.83	12.76
CV	69.78	53.60	58.45	49.69	67.70

Source: Appendix-I

Table 5 shows that the price earnings ratio of finance companies in Nepal during the study period. In the fiscal year 2021/22, the maximum price-earnings ratio of MFIL is Rs. 55.25. In the 2014–15 fiscal year, PFL had the lowest price–earnings ratio at Rs. 7.15. The MFIL's highest average PER is Rs. 22.47. The GFCL average with the lowest PER is Rs. 14.53. The MFILs that have the highest price-to-earnings ratio are frequently regarded as growth companies. This suggests that MFIL will do well going forward, and investors will be prepared to pay more for future profits growth. GFCL has the lowest sample risk among the financial businesses, as indicated by its lowest standard deviation. Based on the ratios' coefficient of variation, it can be inferred that SIFC has demonstrated the highest degree of consistency, having the lowest CV of 49.69 percent.

4.1.1.5 Size of Companies

The natural logarithm of total assets is the size of company. Because it affects the companies' performance, size of companies has been included as a specific internal independent variable in this study. Performance has a good or negative relationship. If managing a finance company becomes more challenging as its size increases. On the other hand, because of the economies of scale that come with size, it has been determined that larger company can raise capital more cheaply. It is therefore one of the key markers of the performance of finance companies.

Table 6

Size of Companies

(Rs. in thousand)

Year	PFL	GFCL	MFIL	SIFC	GMFL
2012/13	2516796	2651885	1315068	1817486	1260635
2013/14	2920286	3366345	1623639	1945000	1440273
2014/15	3398063	3750700	2480614	1959477	1794420
2015/16	3804972	4797665	3015233	2190458	2420534
2016/17	4603840	5789969	4694277	4156983	3286007
2017/18	5748148	7055546	7075727	4952714	4147244
2018/19	7757867	8724012	9848508	4875119	4764879
2019/20	8949002	10853623	9251053	6523430	6006410
2020/21	10864957	13294408	13711433	7901611	8195016
2021/22	13409025	15265893	15927769	9053451	8900327
Mean	6397295.60	7555004.60	6894332.10	4537572.90	4221574.50
SD	3711663.21	4367454.49	5171148.52	2632288.78	2742225.74
CV	58.02	57.81	75.01	58.01	64.96

Source: Appendix –I

Table 6 represents that the size of sample finance companies in Nepal. The highest amount of companies or total assets of MFIL in the fiscal year 2021/22 is Rs. 15927769 thousand. The GMFL companies with the smallest sizes for the 2012–13 fiscal year were Rs. 1260635. The average size of GFCL companies is the largest, at 7555004.60 thousand. At Rs. 4221574.50 thousand, the average company size in the GMFL is the smallest. It demonstrates that, over the course of the study, Nepal had the greatest average size of GFCL firms. This leads to economies of scale, which could allow the company to reduce costs. Bigger companies can also raise capital more affordably. Among the companies with the lowest standard deviation and lowest sample size, SIFC is the least risky. The data indicates that GFCL has exhibited the highest level of consistency in the ratios, with the lowest coefficient of variation (CV) of 57.81 percent.

4.1.1.6 Market Price per Share

The value of stock that a company or equity holders may purchase by selling it on the capital market is known as the share price. The MPS is set by the stock market. The closing market price of the sample finance companies NEPSE Index is represented by MPS in this research. The market price of stock (MPS) of the sample finance companies is displayed in table 7.

Table 7

Market Price per Share

(In Rs.)

Year	PFL	GFCL	MFIL	SIFC	GMFL
2012/13	92	104	112	284	198
2013/14	240	220	134	475	291
2014/15	338	205	188	327	233
2015/16	353	334	385	311	370
2016/17	239	201	157	383	267
2017/18	135	126	117	383	129
2018/19	138	135	128	157	130
2019/20	153	145	308	159	135
2020/21	670	682	1280	489	518
2021/22	354	525	447	299	307
Mean	271.20	267.70	325.60	326.70	257.80
SD	170.44	192.19	356.17	112.76	122.97
CV	62.85	71.79	109.39	34.51	47.70

Source: Appendix-I

Table 7 shows that the market price per share of finance companies in Nepal. In the fiscal year 2020/21, the maximum market price per share of MFIL is Rs.1280. PFL's lowest MPS for the 2012/13 fiscal year is Rs.92. The SIFC share price at its highest average market price is Rs.326.70. GMFL's average market price per share is the lowest at Rs.257.80. This indicates that SIFC has outperformed the other financial businesses throughout this time. SIFC has the lowest standard deviation of all the sample finance businesses, indicating that it carries the least amount of risk. Based on the coefficient of variation of the ratios, it can be deduced that SIFC has demonstrated the highest degree of consistency, having the lowest CV of 34.51 percent.

4.1.2 Descriptive Statistics of Variables

Table 8 shows the descriptive statistics for the explanatory and explained factors in this investigation. Its foundation is a panel data set compiled from five finance companies that were active in Nepalese finance companies during 2012/13 and 2021/22. When examining them, the statistics show that there is a great deal of variation in the finance companies' stock price and dividend indicators.

Table 8

Descriptive Statistics of Variable of Sample finance companies

Variables	N	Minimum	Maximum	Mean	Std. Deviation
DPS	50	.00	51.05	12.2458	9.94327
EPS	50	5.12	51.51	16.6176	10.55525
DY	50	.00	15.10	4.8318	3.16435
PER	50	7.15	55.25	19.7810	11.96960
LSIZE	50	6.10	7.20	6.6746	.30372
MPS	50	92.00	1280.00	289.8000	203.59674

Source: Appendix - II

Table 8 shows that the descriptive statistics of five sample finance companies listed on NEPSE from 2012/13 to 2021/22. The dividend per share has a mean value of 13.9157 and a standard deviation of 9.42795, with values ranging from 4.00 to 51.05. It also shows that the EPS has a mean of 16.6176 and a standard deviation of 10.55525, and it ranges from Rs.5.12 to Rs.51.51. This indicates that the average dividend yield, which ranged from 0.01 to 9.02 percent, is 4.3527 percent, and that the EPS can fluctuate by 10.55525 on any side. The low standard deviation (2.96467 percent) indicates a less volatile environment for the Nepalese finance companies. The P/E has a mean of 19.7810 and a standard deviation of 11.96960. Its range is 7.15 to 55.25, meaning that the value of PER may vary by 11.96960 on either side. The average size of companies, as measured by total assets, is 6.6746, with a range of 6.10 to 7.20. Lastly, the market prices per share have a minimum of Rs.92.00 and a maximum of Rs.1280. The market price per share is probably average at Rs.289.8000, with a standard deviation of 203.59674.

4.1.3 Correlation Analysis

This study aimed to determine the fundamental relationship between the dependent variable, the “stock price,” and the independent variables, which include dividend per share, dividend yield, EPS, price earnings ratio, and company size. The many variables listed above were examined and noted. A correlation value of 0 signifies the absence of a linear relationship between the two variables. The correlation coefficient between two variables goes from +1, which represents a perfect positive link, to -1, which represents a perfect negative relationship. In Table 9, the correlation matrix is presented as follows.

Table 9

Pearson Correlation Coefficients of Study Variables

	DPS	EPS	DY	PER	LSIZE	LMPS
DPS	1					
EPS	.895**	1				
DY	.291*	.223	1			
PER	-.341*	-.347*	-.499**	1		
LSIZE	-.117	-.014	-.196	.400**	1	
LMPS	.428**	.530**	-.223	.537**	.268	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix - III

Table 9 reveals the correlation test between both dependent and independent variables using correlation coefficient matrix. The correlation test shows that dividend per share (DPS) has significant positive correlation with LMPS at 1 percent level of significance. Likewise, earnings per share (EPS) has significant positive relation with market price per share in 1 percent level of significance with correlation coefficients 0.530. However, there is insignificant negative correlation between dividend yield (DY) and LMPS i.e. -0.223 at 5 percent level of significance. Then, correlation between price earning ratio (PER) and LMPS is significant positive correlations at 1 percent level of significance. Moreover, size of companies has insignificant positive relation with LMPS at 5 percent level of significance.

4.1.4 Results of Regression Analysis

A range of modeling and analysis techniques are used when the relationship between a dependent variable (MPS) and independent variables (dividend per share, dividend yield, EPS, price earnings ratio, and size of enterprises) is the main emphasis.

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.940[a]	.884	.870	.09039

a. Predictors: (Constant), LSIZE, PER, DY, EPS, DPS

Source: Appendix-IV

The R adjusted value of 0.870 for the models indicates that variations in the independent variables account for 87.00 percent of the observed variation in stock price. The remaining thirteen percent of the preference variance, which remains unexplained, can be attributed to other factors not covered by the model. The R-Square, another measure of the model's overall fitness, shows that the model can account for about 88.40 percent of the changes in the share prices of finance companies. The R-score of 0.940 for the research indicates a high degree of correlation between the variables. This implies that the MPS was significantly impacted by the independent factors. The standard error of estimate has a perfect correlation with regression analysis because of its extremely small value.

Table 11

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.727	5	.545	66.750	.000[b]
	Residual	.359	44	.008		
	Total	3.086	49			

a. Dependent Variable: LMPS

b. Predictors: (Constant), LSIZE, PER, DY, EPS, DPS

Source: Appendix-IV

ANOVA The overall fitness of the regression model for the data is shown in Table 11. With a p-value of 0.000, less than 0.05 this shows that the model is significant.

Table 12

Regression Coefficient of Independent Variables with Market Price of Stock

Variables	Coefficients	t-statistics	p-value
(Constant)	2.041	6.547	.000
DPS	.002	.394	.696
EPS	.019	5.224	.000
DY	-.013	-1.556	.127
PER	.016	8.345	.000
LSIZE	-.036	-.701	.487

Source: Appendix-IV

Dependent Variable: LMPS

Table 12 presents the regression coefficient of independent variables such as dividend per share, dividend yield, EPS, price earnings ratio and size of companies of sample finance companies and the intercept value of dependent variable market price of stock (LMPS).

It shows a positive correlation between LMPS and dividend per share (DPS) is indicated by a coefficient estimate of 0.002. This shows that a one percent increase in DPS results in a 0.002 percent increase in the LMPS of the sample finance companies, holding all independent variables constant. The p value of DPS is 0.696. Testing in the 5 percent significance level p-value is higher concluding that dividend per share has statistically insignificant positive influence on the LMPS of sample finance companies.

The findings of the regression model indicated a positive correlation between LMPS and profits per share (EPS), with a coefficient estimate of 0.019. This means that a one-unit increase in EPS could result into a 0.019-unit increase in the LMPS of the finance companies, providing all other parameters stay the same. Additionally, at the five percent significance level, EPS has a statistically significant positive influence on LMPS, as indicated by a p-value of 0.000.

The dividend yield (DY) and LMPS have a negative association, according to the dividend yield regression result, with a coefficient estimate of -0.013. This indicates that, when other independent variables are held constant, a one percent increase in dividend yield (DY) results in a -0.013 percent decrease in the financial companies' LMPS. The DY's p value of 0.127 indicates that this effect is statistically insignificant at the five percent significance level. It suggests that the LMPS of the sample finance companies is negatively impacted by dividend yield in a statistically insignificant way.

Price-earnings ratio (PER) and LMPS have a positive relationship, according to the regression result, with a coefficient estimate of 0.016. This indicates that when PER increases by one unit while keeping other independent variables fixed, the finance companies' LMPS rises by 0.016 percent and the p value of PER is 0.000 reveal that PER has statistically significant positive influence on LMPS at 5 percent level of significance.

The regression model's results showed that, with a coefficient estimate of -0.036, the link between the size of the firms (LSIZE) and LMPS is negative. Accordingly, when one unit increases in a company's size, the LMPS of the finance companies increases by -0.036 units, holding other independent variables constant. The p value for company size, which is 0.487, indicates that a company's size has a statistically insignificant negative impact on LMPS at the five percent significance level.

4.2 Discussion

The main purpose of the study is to know the impact of dividend practice and also to analyze that how dividend effect on market price in finance companies in Nepal. The correlation test shows that dividend per share (DPS) has significant positive correlation with MPS which is consistent with the findings of prior empirical studies of Bhattarai (2016); Singh and Tandon (2019). Likewise, earnings per share (EPS) has significant positive relation with market price per share in 5 percent level of significance which is consistent with the findings of prior empirical studies of Shrestha (2020); Baral and Pradhan (2018). However, there is insignificant negative correlation between dividend yield (DY) and MPS which supports the findings of Dhakal and Shah (2018) and significant positive relationship between PER and MPS. This is consistent with the findings of Baral and Pradhan (2018). Moreover, Size has insignificant positive relation with MPS which is consistent with the findings of Bhattarai (2016) but contradicts of findings of Nodeh, Anuar, Ramakrishnan, and Raftnia (2016).

The regression analysis shows that the dividend per share (DPS) has positive and insignificant influence on the MPS of sample finance companies. This is consistent with the findings of Singh and Tandon (2019) and also findings of Bhattarai (2016). In addition, this finding is similar with the findings of Dongol (2016) which observed that dividend has positive impact on market price of stock of the finance companies. However, it contradicts with the finding of Shrestha (2020) concluded that dividend per share has negative impact on market price of stock. The results of regression found that the relationship between earnings per share (EPS) has a positive and significant impact on MPS at 5 percent level of significance. This result is consistent with the results identified by (Shrestha, 2020), (Adesina et al., 2017), (Singh & Tandon, 2019) and (Baral & Pradhan, 2018). At the same time, dividend yield (DY) has insignificant negative on MPS of sample finance companies. This result is consistent with the findings of (Dhakal & Shah, 2018), (Adesina et al., 2017), (Singh & Tandon, 2019).

According to the regression result of price earnings ratio (PER) has a positive and significant impact on MPS of sample finance companies. This result is in line with Baral and Pradhan (2018) and Bhattarai (2016) conclusion. The results of regression model indicated that the relationship between size of companies (LSIZE) has a negative and insignificant impact on MPS of Nepalese finance companies. Empirical study of Bhattarai (2016), had also found that size is an important factor affecting MPS and it had positive impact. This finding is inconsistent with the results of the studies by Maswadeh (2018).

CHAPTER - V
SUMMARY AND CONCLUSION

5.1 Summary

Dividends per share are a crucial indicator of a financial organization's performance that attracts investors. Investors examine the dividend policies of financing firms prior to making any stock market investments. Companies with increasing dividends are typically thought to witness a rise in stock price, whilst those with decreasing or nonexistent payouts are thought to see a decrease in stock price trend. Thus, it demonstrates that a dividend has an impact on the company's stock price; yet, a number of studies contend that the information on dividend payments has an impact on stock price. Actually, that dividend serves as a clear enough indicator of how management views the company's present situation and prospects for the future.

The major objective of this study is to examine dividend and stock price of finance companies in Nepal. The specific objectives are to examine the existing position of dividend and market stock price of finance companies in Nepal, to investigate the relationship between dividend indicators (dividend per share, earing per share, price earning ratio, dividend yield and size of the company) and market price of stock of finance companies in Nepal and to analyze the impact of dividend per share, earing per share, price earning ratio, dividend yield and size of the company on market price of stock of finance companies in Nepal. To achieve the specific objective of the study, descriptive and causal research design has been carried out in terms of dividend and stock price of finance companies in Nepal. Descriptive research design is used for analyzing current position of dividend and market stock price whereas causal research design is followed to measure the impact of dividend practice on market stock price of finance companies in Nepal. Among of them, only five finance companies are selected which are Manjushree Financial Institution Limited (MFIL), Goodwill Finance Company Limited (GFCL) and Shree Investment & Finance Company Limited (SIFC), Pokhara Finance Limited (PFL) and Guheswori Merchant Bank & Finance Limited (GMFL) for the study of the dividend and stock price of finance companies on the basis of purposive sampling method. These finance companies are top gainer finance companies in Nepal at present context. Moreover, these finance companies are paying more cash dividends or stock dividend to their shareholder than other finance companies and they have also high market price share as compare to others finance companies. For this study, secondary data are taken from annual reports of related office and their websites. Data is collected from audited financial statements (balance sheet and profit and loss account) of each finance companies included in the sample and various journals and publications of NRB etc. All data were collected on annual base covering ten year periods, i.e. from the fiscal year 2012/13 to 2021/22. The study used descriptive statistics, correlation and multiple regression analysis by using SPSS version 26.

This study found that finance companies are paying either cash or stock dividends to their shareholder and they have high market price share. However, a wide range market stock price is found. However, the dividend yield is low percent with the less volatile position of finance companies in Nepal. The correlation analysis reveals that dividend per share, earning per share and price earning share have significant positive relationship with market price of stock of sample finance companies. However, dividend yield has negative and insignificant relationship with MPS and size of companies has insignificant positive relationship with market price of stock of finance companies in Nepal. The regression analysis found that dividend per share has insignificant positive impact on market price of stock of the finance companies. Similarly, dividend yield has insignificant negative impact on market price of stock. However, earning per share and price earning ratio have significant positive impact on market price of stock. Moreover, size of companies has insignificant negative impact on MPS of finance companies in Nepal. Therefore, earning per share and price earing share are the major factors of market price of stock of the finance companies in Nepal.

5.2 Conclusion

The purpose of this study is to examine the effect of dividend on market price of stock of finance companies in Nepal. This study used panel data from 2012/13-2021/22. Multiple regressions are used to analyze the data. This study concluded that financial companies have a high market price share and give their shareholders dividend payments in the form of cash or stock. That being said, market stock values vary widely. The financial industry in Nepal is seeing less volatility, so the dividend yield is not very high.

The correlation analysis reveals that dividend per share, earning per share and price earning share have significant positive relationship with market price of stock of sample finance companies. However, dividend yield has negative and insignificant relationship with MPS and size of companies has insignificant positive relationship with market price of stock of finance companies in Nepal.

The regression analysis found that dividend per share has insignificant positive impact on market price of stock of the finance companies. Similarly, dividend yield has insignificant negative impact on market price of stock. However, earning per share and price earning ratio have significant positive impact on market price of stock. Moreover, size of companies has insignificant negative impact on MPS of finance companies in Nepal. Therefore, earning per share and price earing share are the major factors of market price of stock of the finance companies in Nepal.

5.3 Implications

On the basis of above summary and conclusion, following implications are made;

- This study found that earning per share and price earnings ratio has significant positive impact on stock price of finance companies. In this regard the outcomes of this study are expected to provide additional and valuable information regarding the impact of dividend on stock price of finance companies in Nepal and its impact to the stakeholders. Finally, it would be very helpful to managers as internal user and for regulatory bodies and other external users based on the information provided or the results of the study to make decision concerning the impact of dividend on stock price of finance companies.
- This study also showed that dividend yield has a slight negative impact on the stock market price of Nepalese financial companies. It illustrates how a higher dividend yield might be consistent with a lower stock price. Instead of increasing cash dividends, management should focus on increasing stock dividends in order to increase the company's value and stock market price.
- The study also discovered that the market price per share is negatively impacted by a company's size. The study's conclusion implies that, in the setting of an imperfect stock market like Nepal, a rational investor should take

into account signaling, asymmetric information, business size, profitability, and money supply before making an investment choice.

- In overall, the impact of dividend on stock price of finance companies in Nepal is insignificant.
- The results would advise bankers to concentrate on adjusting the dividend distribution rate in order to affect changes in the corresponding year's earnings. The adjustments to the dividend distribution would not, however, be helpful in the ensuing years. Therefore, aside from dividend policy, other factors must be prioritized if finance businesses are to have the intended impact on their future profitability.
- The findings of study are beneficial to investors and future researchers. This study is a valuable resource for future researchers.

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APPENDICES
APPENDIX – I
Raw Data of Sample Banks

Co.	Year	DPS	EPS	MPS	PER	DY	SIZE
PFL	2012/13	0	5.12	92	17.96	0.00	2516796
	2013/14	16	20.81	240	12	6.67	2920286
	2014/15	51.05	47.27	338	7.15	15.10	3398063
	2015/16	14.21	17.9	353	19.72	4.03	3804972
	2016/17	8.7	15.96	239	14.97	3.64	4603840
	2017/18	13.68	11.14	135	12.12	10.13	5748148
	2018/19	7.2	11.94	138	14.2	5.22	7757867
	2019/20	5.26	8.02	153	19.07	3.44	8949002
	2020/21	8.08	12.2	670	54.93	1.21	10864957
	2021/22	4	8.73	354	40.56	1.13	13409025
GFCL	2012/13	0	7.87	104	7.57	0.00	2651885
	2013/14	6.28	18.12	220	12.14	2.85	3366345
	2014/15	10	12.8	205	16.01	4.88	3750700
	2015/16	25	41.37	334	8.07	7.49	4797665
	2016/17	10.73	16.65	201	12.07	5.34	5789969
	2017/18	5.26	7.74	126	16.28	4.17	7055546
	2018/19	10	18.48	135	7.31	7.41	8724012
	2019/20	12	14.21	145	10.21	8.28	10853623
	2020/21	13	22.31	682	30.57	1.91	13294408
	2021/22	0	19.93	525	25.04	0.00	15265893
MFIL	2012/13	0	6.08	112	18.43	0.00	1315068
	2013/14	7.5	5.67	134	23.63	5.60	1623639
	2014/15	12	8.86	188	21.23	6.38	2480614
	2015/16	14.74	13.14	385	29.3	3.83	3015233
	2016/17	6.32	7.07	157	22.22	4.03	4694277
	2017/18	9	11.36	117	10.3	7.69	7075727
	2018/19	11.55	9.52	128	13.45	9.02	9848508
	2019/20	23.5	34.28	308	8.98	7.63	9251053
	2020/21	46	51.51	1280	21.91	3.59	13711433
	2021/22	0	8.09	447	55.25	0.00	15927769
SIFC	2012/13	20.4	24.63	284	11.53	7.18	1817486
	2013/14	12.63	15.8	475	30.06	2.66	1945000
	2014/15	12.22	17.15	327	19.06	3.74	1959477
	2015/16	11.05	13.76	311	22.6	3.55	2190458
	2016/17	26.57	37.81	383	10.13	6.94	4156983
	2017/18	10	11.47	383	33.39	2.61	4952714
	2018/19	13	16.04	157	9.79	8.28	4875119
	2019/20	10.53	13.5	159	11.78	6.62	6523430
	2020/21	11	12.8	489	38.03	2.25	7901611
	2021/22	7.6	9.48	299	31.53	2.54	9053451
GMFL	2012/13	17	18.37	198	10.78	8.59	1260635
	2013/14	25	28.15	291	10.34	8.59	1440273
	2014/15	15.79	20.12	233	11.58	6.78	1794420
	2015/16	18.95	23.91	370	15.48	5.12	2420534
	2016/17	15.8	27.54	267	9.69	5.92	3286007
	2017/18	5.26	7.6	129	16.98	4.08	4147244
	2018/19	6.5	11.4	130	11.4	5.00	4764879
	2019/20	11.4	7.85	135	17.47	8.44	6006410
	2020/21	10.53	12.93	518	40.05	2.03	8195016
	2021/22	0	6.42	307	44.73	0.00	8900327

Source: Annual report of sample finance companies

APPENDIX –II

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPS	50	.00	51.05	12.2458	9.94327
EPS	50	5.12	51.51	16.6176	10.55525
DY	50	.00	9.02	3.8304	3.12323
PER	50	7.15	55.25	19.7810	11.96960
LSIZE	50	6.10	7.20	6.6746	.30372
MPS	50	92.00	1280.00	289.8000	203.59674
Valid N (listwise)	50				

Source: SPSS version 26

APPENDIX -III

Pearson Correlation Coefficients

		DPS	EPS	DY	PER	LSIZE	LMPS
DPS	Pearson Correlation	1	.895**	.291*	-.341*	-.117	.428**
	Sig. (2-tailed)		.000	.040	.015	.419	.002
	N	50	50	50	50	50	50
EPS	Pearson Correlation	.895**	1	.223	-.347*	-.014	.530**
	Sig. (2-tailed)	.000		.120	.014	.922	.000
	N	50	50	50	50	50	50
DY	Pearson Correlation	.291*	.223	1	-.499**	-.196	-.223
	Sig. (2-tailed)	.040	.120		.000	.173	.120
	N	50	50	50	50	50	50
PER	Pearson Correlation	-.341*	-.347*	-.499**	1	.400**	.537**
	Sig. (2-tailed)	.015	.014	.000		.004	.000
	N	50	50	50	50	50	50
LSIZE	Pearson Correlation	-.117	-.014	-.196	.400**	1	.268
	Sig. (2-tailed)	.419	.922	.173	.004		.060
	N	50	50	50	50	50	50
LMPS	Pearson Correlation	.428**	.530**	-.223	.537**	.268	1
	Sig. (2-tailed)	.002	.000	.120	.000	.060	
	N	50	50	50	50	50	50

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS version 26

APPENDIX -IV

Multiple Regression Analysis of Sample Banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937[a]	.877	.863	.09273

a. Predictors: (Constant), LSIZE, EPS, DY, PER, DPS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.708	5	.542	62.989	.000[b]
	Residual	.378	44	.009		
	Total	3.086	49			

a. Dependent Variable: LMPS
b. Predictors: (Constant), LSIZE, EPS, DY, PER, DPS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.102	.317		6.627	.000		
	DPS	-.004	.003	-.147	-1.183	.243	.180	5.544
	EPS	.023	.003	.953	7.642	.000	.179	5.582
	DY	.002	.005	.021	.333	.741	.717	1.395
	PER	.018	.001	.857	12.419	.000	.585	1.709
	LSIZE	-.061	.049	-.074	-1.242	.221	.780	1.283

a. Dependent Variable: LMPS

Source: SPSS version 26

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ABSTRACT This