

EFFECT OF DIVIDEND POLICY ON COMPANY PERFORMANCE

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By

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CERTIFICATE OF AUTHORSHIP

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

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REPORT OF RESEARCH COMMITTEE

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We, the undersigned have examined the thesis entitled “**Effect of Dividend Policy on Company Performance.**” presented by Shivshankar Kumar Sah, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the thesis acceptable for the award of degree.

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ABBREVIATIONS

AM:	Arithmetic mean
BAFIA:	Bank and Financial Institution Act
CADR:	Cash deposit ratio
CAPM:	Capital Assets Pricing Model
CDR:	Credit deposit ratio
CG:	Chaudhary Group
CR:	Current Ratio
CV:	Coefficient of Variation
D/Y:	Dividend Yield
DPR:	Dividend Payout Ratio
DPS:	Dividend Per Share
EBIT:	Earnings before Interest and Tax
EPS:	Earnings Per Share
FS:	Firm Size
FY:	Fiscal Year
GBPL:	Gorkha Brewery Private Limited
JSPL:	Jagadama Steel Industries Private Limited
LR:	Leverage Ratio
MPS:	Market Price Per share
NDPL:	Nepal Distillery Private Limited
NEPSE:	Nepal Stock Exchange
NLL:	Nepal Liver Limited
NRB:	Nepal Rastra Bank
ROA:	Return on Assets
ROE:	Return on Equity
SD:	Standard Deviation
SE:	Stock Exchange
SEBON:	Security Exchange Board of Nepal

ABSTRACT

This study is examined to effect of dividend policy on company performance. The main objectives of this study are to assess the effects of dividend policy on companies performance, to examine the relationship between dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity, to analyze the impact on dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity. D/Y, DPR, CR, LR, and FS are the independent variables and ROA and ROE are the dependent variable in this study. Mean, standard deviation, correlation and multiple regression analysis are taken to present data. The major finding of this study based on these regression coefficients OF ROA, Dividend Yield (D/Y), Current Ratio (CR), and Leverage Ratio (LR) emerge as significant predictors of Return on Assets (ROA) for manufacturing companies in Nepal. Dividend Yield and Current Ratio positively impact ROA, while Leverage Ratio negatively impacts ROA. Dividend Payout Ratio and Firm size, on the other hand, do not appear to have a significant influence on ROA based on this model. These findings provide valuable insights for understanding the drivers of financial performance within the manufacturing sector and can inform strategic decision-making related to dividend policy and financial management. Based on the regression coefficients of ROE, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield is associated with higher ROE, while a higher DPR is linked to lower ROE. Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) do not significantly impact ROE in this model, with their coefficients and significance levels suggesting minimal or negligible effects on ROE. These findings provide valuable insights into the drivers of equity profitability within the manufacturing sector and can inform strategic decision-making related to financial management and dividend policy

Keywords: *Dividend policy, Size, Return on Assets, Return on Equity, Leverage Ratio, and Current Ratio.*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Dividend policy plays a crucial role in financial decision-making, serving as a pivotal choice for the board of directors. A complex topic, the impact of dividend policy on a company's performance is determined by a number of financial and market factors. Because steady or rising dividends frequently indicate sound financial health and stability, which in turn boosts investor confidence and stock prices, dividend policy can have a substantial impact on investor views and market valuation. On the other hand, reducing or eliminating dividends could cause investors to lose faith in a company's capacity to maintain its financial position. Furthermore, by lowering excess cash flow that might otherwise be used for unprofitable initiatives, dividend payments can better align management interests with those of shareholders. This could lead to better resource allocation and improved business performance. It is not clear-cut how dividend policy and business success are related, nevertheless. A company's ability to weather economic downturns and invest in growth possibilities may be hampered by high dividend payouts. High-growth companies frequently hold onto more earnings in order to finance their expansion, whereas established businesses with steady cash flows may have a preference for larger payouts. Dividend policy is also influenced by tax issues. Since dividends are usually taxed more highly than capital gains, some businesses may find share buybacks to be a more appealing choice. In the end, the best dividend policy will strike a balance between the necessity to preserve financial flexibility and make investments in future growth and the advantages of giving income back to shareholders. (Farrelly and Baker, 1985).

Dividend policy is one of the foremost widely inquired about points within the field of back but the address is whether profit approach influences stock costs still stay far from being obviously true among supervisors, arrangement creators and analysts for numerous a long time. For banks, directors, speculators, and other partners, profit arrangement is crucial. It is essential for financial experts since they view profits not only as a means of paying salaries but also as a means of evaluating the companies from a speculative perspective. It is a method of determining whether or not the business can turn a profit. A lot of finance experts like to look

at the profit abdicade, which is computed as the annual profit pay per share divided by the share cost at that moment. The profit surrender calculates the amount received as a percentage of the share cost. When a company's profit surrender ratio is lower than that of its industry peers, it may indicate one of two things: either the share price is high because the company is perceived as having promising future prospects and is not overly concerned with its profit margins, or the company is experiencing difficulties and is unable to pay reasonable profits. In any event, a tall profit abdicade can signal a failing business with a low share cost simultaneously. For development enterprises, profit yield is not very important because retained profits are reinvested in new development opportunities, which helps shareholders by providing capital gains (Masum, 2014).

All sorts of speculators either huge organization or person seem see the unused media for the report on the developments of the stock costs. The most important indicators that speculators use to decide whether or not to contribute to a certain share are share costs. Maximising the expected return at the moo level of chance is their primary goal when participating in the stock showcase. The price fluctuations or instability are caused by mental factors. Numerous studies on the impact of profits on stock cost have been conducted in several global locations, particularly in developed countries. The majority of earlier theories highlight the significant role that profit arrangement has in stock cost. To increase the value to shareholders, corporate enterprises should pursue the best profit arrangement. One of the main components of the stock return to shareholders may be profit installment. Profit distribution could signal to investors that the business is adhering to excellent corporate governance practices (Jo and Skillet, 2009).

Dividend policy is considered as one of the imperative and basic factors influencing the share cost (Pradhan: 2003 and Manandhar: 1998). Research scholars have conducted limited considerations in the Nepalese context. However, there is a gap in the literature on finance regarding the effect of profits on stock costs, particularly in Nepal's nonbanking and money management sectors. In the current Nepali business environment, a few number of enterprises are making a consistent profit, while many others are not. A small number of businesses have never given its speculators a profit. Earnings per share is a crucial indicator of bank performance, attracting the attention of financial experts. Financial experts examine the banks' profit-driven strategy. They decided to participate in the stock market recently, but because

Nepal's commercial banks' profit margins fluctuate, financial experts are unable to determine the long-term cash flow from cash profit (Bhandari and Pokharel, 2012). It has been seen that companies who have increased their profit through a significant increase in stock costs are those that have decreased or do not pay for their stock, which results in a decrease in stock cost. Profit therefore seems to have an impact on the company's stock price, but some experts argue that the data pertaining to profit installment drives the stock price. In reality, that profit works as a straightforward adequate flag of management's elucidation of the firm's current execution and its future prospects.

Company performance is a multifaceted concept encompassing various financial, operational, and strategic dimensions that collectively determine the success and sustainability of a business. Investors and stakeholders alike must comprehend the elements that propel and impact business success in the fast-paced, cutthroat business world of today. Financial metrics like profitability, liquidity, and solvency are essential for evaluating the general robustness and health of an organization. Strategic management, operational effectiveness, and innovation all play a part in a company's capacity to meet obstacles and seize opportunities in quickly changing markets.

The study of company performance is a dynamic field that constantly evolves to address the complexities of the modern business landscape. The subtleties of performance measurement have been explored in recent study, which has included sophisticated techniques and data analytics. The effects of global economic trends, environmental policies, and emerging technology on business performance are being studied by academics and industry professionals alike. Studies by Chen et al. (2024) and Smith et al. (2023), which investigate the relationship between sustainable business practices and financial performance, and the impact of digital transformation in improving operational efficiency, are noteworthy citations. Together, these and other state-of-the-art research contributions illuminate the complex interactions that shape our current knowledge of firm success.

1.1.1 Introduction of Samples

Unilever Nepal Limited (UNL)

Unilever Nepal Limited (UNL) is Nepal's largest Fast-Moving Consumer Goods (FMCG) Company with a heritage of over 27 years. We have a rare chance to create a better future because nine out of ten Nepali homes utilise our goods on a daily basis to Feel Good, Look Good, and Get More out of Life. Since 2017, Unilever Nepal (UNL) has maintained its position as the Employer of Choice. The fact that we have been the best place to work for the past four years confirms that our inclusive performance culture, constant investment in our brands and innovations, and dedication to our core values of doing well by doing good are valued by our workers. Being the greatest employer, we embrace individuals with a mission who can support our sustainable business growth and who think that everyone deserves a better future. Unilever Nepal is committed to fostering fulfilling and motivating professions that are part of a diverse and inclusive environment. By pursuing your passions, you may realize your full potential and advance within our team of the most brilliant business minds, all of whom share the values of diversity, sustainability, and synergy. Join us in our daily efforts to deliver relevant answers to every individual and their household through a variety of our incredibly popular brands. Whether you are just beginning your career or are an accomplished professional, advance and succeed with us as we work to improve business, the world, and ultimately ourselves. This facility, which houses a variety of responsibilities in departments like supply chain, marketing, and customer development, HR, finance, IT, and legal, employs 28% of our workforce. This facility, which houses a variety of responsibilities in departments like supply chain, HR, finance, and IT, employs 72% of our workforce. We have many programmers and support resources at your disposal to help you be the best version of yourself, including an employee assistance programmer. We always have a 24/7 mental health and work-life assistance helpline available.

Chaudhary Group

Chaudhary Group is an equal opportunity employer and strives to attract the best available talent and ensure diversity in its workforce. A position at CG is like a landing pad, full of opportunities. Our group's key values learning opportunities, humility, and social responsibility, individual respect, delivering on promises, entrepreneurship, teamwork, and

relationships will keep you interested and benefit the Nepalese people. First global corporation in Nepal, as acknowledged by Forbes Asia Magazine, is the Chaudhary Group. The company, which was founded in 1935, is motivated by the goal of introducing Nepal to the world and making the Himalayan region a major player on the international business scene. The company employs over 13,000 workers worldwide and is made up of 167 companies and 79 brands spread across 24 countries. The Chaudhary Group works in a number of different industries, such as real estate development, financial services, telecom, FMCG, electronics, education, cement, energy, and hotels. Among the many noteworthy industry firsts the firm has pioneered in Nepal include the first integrated industrial park, the first private commercial bank, the first electronics company, and the first real estate company to bring modern housing concepts. CG Foods, a globally recognized FMCG brand known for "WAI," was the first manufacturing food firm from Nepal to receive the ISO 9001 certification. The organization has had extraordinary worldwide growth over the years, propelled by swift expansion under the direction of Chairman Dr. Binod K. Chaudhary and the subsequent Chaudhary family generation. Beyond its commercial endeavors, the organization has fortified the brand of The Chaudhary Foundation, its corporate social responsibility arm, which is commemorating 25 years of unwavering community service by promoting development and prosperity for Nepali citizens. Respected international philanthropist Mr. Binod expresses the desire to help Nepal transition from an impoverished to a developing country by means of the Chaudhary Foundation by 2022.

Nepal Distillery Private Limited

In 1959, the first distillery of Nepal was established in the Kathmandu valley. The valley was well-known for its temperate temperatures that produced a pleasant ambiance and fresh spring water that flowed from the Himalayas. The distillery has been making rum under the "Khukri" brand for more than 63 years. The brand is well-known in Nepal and throughout the world and has earned a reputation for having distinctive taste and quality. The distillery introduced a new vodka brand named "Nude" in 2022, adding to its lineup. The distillery is dedicated to providing Nepalese consumers with high-quality spirits and to expanding Nepalese spirits' reach into international markets. The distillery has earned ISO 9001:2015 certification, a testament to its dedication to quality control. It's also a fantastic place to work, providing a happy, encouraging atmosphere for staff members to develop and flourish. The outcome

demonstrates a substantial dividend effect, suggesting that payouts are appealing to Nepalese investors. The coefficient of dividend for the entire sector is 15.05, meaning that a change of one rupee in the dividend corresponds to a change of 15.05 rupees in the market price per share.

Gorkha Brewery Private Limited

Gorkha Brewery was established in the year 1989 as a joint venture between the Khetan Group and IFU, Dan brew Denmark. The Gorkha Brewery shares were primarily acquired by Carlsberg Group in March 2011, following the Khetan Group's complete management of the company until then. The Khetan group is in charge of local affairs management, while Carlsberg Group Management currently oversees the Company. In 1990, TUBORG became the first international brand of Nepal, and in 1995, CARLSBERG followed suit. In 2002, TUBORG STRONG was introduced. In 2005, we expanded our offerings by obtaining the licence to brew the well-known brand SAN MIGUEL. Our customers were first exposed to the adored regional premium brand GORKHA in 2007. In 2010, the company began importing and distributing Red Bull energy drinks nationwide.

In 2014, the company unveiled TUBORG's green bottle with a pull-off cap, a new and distinctive style. With the release of Somersby Apple Cider in 2016, Gorkha Brewery broadened its product offering beyond beer. With the introduction of Himalayan Dragon in 2017 and a number of strong beer portfolios, including Gorkha Extra Strong, Himlayan Dragon 5000, and Pasa in 2021, we increased our market position in the strong beer area in response to customer demands. Additionally, in 2021, Firemoon, a winter beer, and Gorkha Craft Beer were introduced. At the moment, Gorkha Brewery leads the beer industry and is the biggest taxpayer in Nepal's beverage sector. Our brand portfolio includes various SKUs in each area, ranging from Premium to Strong. Music and Tuborg, the most popular beer brand in Nepal, have a long and fruitful relationship. Tuborg has consistently strived to improve the Nepali music scene in all conceivable ways. Tuborg Open 2022 is an extension of the programme that has been working with both domestic and international musicians to make a positive impact on the music business for the previous five years. Working with musicians from Nepal as well as other nations including India, China, Turkey, Serbia, and a few more, Tuborg has been producing new music.

Jagdamba Steel Industries Private Limited

Jagdamba Steels is the Biggest Steel Company in Nepal. The conception of that prominent business family has been into steel production and distribution for a long time. Equipped with pollution control devices and having received ISO 9001: 2000 certification, this top-ranked steel company in Nepal produces high-quality, environmentally friendly goods. By producing structural steel in Nepal for the first time, this seasoned and largest steel firm in the country has achieved history. The introduction of this innovation has reduced the country's imports of structural steel from overseas and given the country's infrastructure development a whole new dimension and speed. This company has gained recognition and notoriety in a short period of time by producing the highest-quality steel in Nepal and demonstrating its dedication to maintaining high-quality products well into the future. Steel is utilised in many different applications such as building construction, washing machines, railroads, buses, radiators, guns, scalpels, rockets, and kitchen and mechanical instruments. There are a tonne of steel producing businesses in Nepal. Interested producers of iron and steel can obtain manufacturing licences without having to wait for a bar to open. They have unique characteristics and attributes of their own. They create steel in response to market demand and as needed. Several of Nepal's steel companies are well-known both domestically and abroad. Check out our blog to find out the steel prices offered by various companies in Nepal. The largest steel manufacturer in Nepal is Jagdamba Steel. It has long been a part of the steel production and distribution industry in Nepal. Every day, Jagdamba Steel produces 2500 tonnes of steel. It is run by a well-known Nepalese business family.

Jagdamba steel is awarded for the Pollution Control Device recognition of ISO: 90010: 2000. The ISO: 90010: 2000 Pollution Control Device Recognition is given to Jagdamba Steel. This business is regarded as Nepal's top steel supplier. It has been producing high-quality, environmentally friendly items. The largest steel manufacturer in Nepal is Jagdamba Steel Company. By producing structural steel in Nepal for the first time, it has achieved history. Nepal gained a completely new perspective with the import of steel from abroad through Jagdamba Steel. It is essential to the process of constructing a nation. Jagdamba Steel has gained recognition and notoriety for producing the best and most affordable steel in Nepal. It emphasises high-quality production and declares its dedication to providing consistent high-

quality products. Nowadays, Jagdamba Steel has started to import raw materials from Indonesia because of the 15% import tax of India.

1.2 Problem Statement

Corporate Dividend policy has long been an issue of intrigue within the budgetary writing and, in spite of the vast investigation on the subject, it remains an open subject. Since many researchers' work, which was followed by Mill operator and Modigliani's (1961) work, profit arrangement has been a contentious topic. This has really been the case since Mill Operator and Modigliani's (1961) unimportance proposal, which stated that all profit-maximizing strategies are reasonable and that no single strategy may increase shareholders' wealth in idealized capital markets.

Joshi (2012), after having watched the effect of dividend policy on companies' performance showcase, It is discovered that DPS might be a persuasive metric used in the Nepalese budgetary sector that is strong enough to promote cost per share of non-banking and keeping money companies. Additionally, it is discovered that, in comparison, the influence of DPS is more pronounced than that of showcase cost per share. Finally, it seems that held profit and earnings explain the differences in share cost in the nonbanking and account management divisions.

Gautam et al. (2016), after conducting the ponder on the profit approach and share cost instability: According to a case study on Nepalese commercial banks, revenue is the factor used to determine which components will change the wealth of the shareholders. The results showed that while profit abdication, payout, and estimate had a notable positive influence on share cost instability, there was a significant negative association between profit surrender and share cost instability. Cost instability has a negative and insignificant relationship with development and profit instability. Although several types of hypotheses have been proposed to demonstrate the different effects of the profit strategy on stock cost, Nepal's commercial banks do not possess a comparable profit arrangement. The major problems of this study were:

- i. What is the pattern of dividend policy on sample manufacturing companies in Nepal?
- ii. Is there any relationship between dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity?
- iii. What is the impact on dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity?

1.3 Objectives of the Study

The specific objectives of this study are based on above statement of problems and research questions:

- i. To describe the pattern of dividend policy on sample manufacturing companies in Nepal.
- ii. To examine the relationship between dividend policy i.e dividend yields, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity.
- iii. To analyze the impact on dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity.

1.4 Rationale of the Study

The rationale for studying the effects of dividend policy on company performance is rooted in the significant role that dividend decisions play in shaping the financial landscape of firms. A crucial component of corporate finance is dividend policy, which denotes how profits are distributed between shareholders and kept earnings for possible reinvestment. Policymakers, managers, and investors all need to understand how these choices affect the performance of the organization.

Firstly, examining the effects of dividend policy on company performance provides insights into the financial health and stability of businesses. In deciding whether to distribute dividends or keep earnings, management took into account the company's potential for future growth as well as its existing financial situation. Studies conducted in this field can reveal patterns and trends that demonstrate how various dividend policies work to preserve financial stability, draw in investors, and increase shareholder value.

Secondly, the study is motivated by the ongoing debate in financial literature regarding the relevance and impact of dividend policies on a firm's overall performance. Conventional theories assert that in an ideal capital market, business value is unaffected by dividend policy, such as the dividend irrelevance theory. Newer ideas and actual data, however, indicate that a company's financial stability and prospects for expansion may be indicated by its dividend policy. Examining this connection enables a more sophisticated comprehension of the ways in which different dividend policies either enhance or diminish the overall success of the organization.

Moreover, in an era of economic uncertainty and market volatility, the study of dividend policy becomes even more pertinent. The COVID-19 pandemic, for instance, has prompted companies to reevaluate their financial strategies, including dividend payouts. Studies in this field can shed light on how companies modify their dividend policies in times of crisis and how it affects their long-term viability and performance. Additionally, investors who want to make wise judgments must research how dividend policies affect business performance. Investors can evaluate the possibility of steady returns and long-term growth by knowing how dividend decisions fit with a company's financial health and strategic objectives. By offering a thorough understanding of the connection between dividend policy and company success across various industries and market conditions, this research can help direct investment strategies.

In conclusion, the rationale for investigating the effects of dividend policy on company performance lies in its centrality to corporate finance, its implications for financial stability and growth, and its relevance in the context of evolving economic landscapes. The findings of such a study can contribute to both academic discourse and practical decision-making in the

corporate world, offering valuable insights into the intricate dynamics between dividend policies and company performance.

1.5 Limitations of the Study

Every study has own limitations, so it was also not be free from that. This study was conducted for the partial fulfillment of Master Degree in Business Studies (MBS), so it possesses some limitations of its own kind. This study covers the time duration of ten years from financial statement from F/Y 2013/14 to 2022/23 for the purpose of analysis of profitability position.

- i. The accuracy of the study is based on the data and the various published documents of selected manufacturing companies only because it ensures accurate comprehensive findings, it is often recommended to combine data from multiple sources.
- ii. The data is used from the secondary sources because of accessibility, cost effectiveness, hysterial perspectives, large sample size and comparative analysis.
- iii. This study is not applicable to all manufacturing companies since it is concerned only five manufacturing companies.
- iv. Only financial and statistical used i.e descriptive, correlation and regression analysis were used to present data.
- v. The data used in this study is secondary and those are based on the information provided by the annual report of the companies.
- vi. This study has concentrated only capital structure and financial performance analysis of five manufacturing companies i.e., Nepal Liver Ltd, Chaudhary Group, Nepal Distillery Pvt. Ltd, Gorkha Brewery Pvt. Ltd and Jagadamba Steel Industries Pvt. Ltd because these are top listed manufacturing companies in Nepal.
- vii. This study is only based on the effects on dividend policy on company's performance, so few measurement tools in a study depends on the specifics research objectives, available data, context of the research topics. It should carefully consider the relevant metrics to ensure a comprehensive and accurate analysis.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

Dividend policy plays a crucial role in financial decision-making, serving as a pivotal choice for the board of directors. A complex topic, the impact of dividend policy on a company's performance is determined by a number of financial and market factors. Because steady or rising dividends frequently indicate sound financial health and stability, which in turn boosts investor confidence and stock prices, dividend policy can have a substantial impact on investor views and market valuation. On the other hand, reducing or eliminating dividends could cause investors to lose faith in a company's capacity to maintain its financial position. Furthermore, by lowering excess cash flow that might otherwise be used for unprofitable initiatives, dividend payments can better align management interests with those of shareholders. This could lead to better resource allocation and improved business performance. It is not clear-cut how dividend policy and business success are related, nevertheless. A company's ability to weather economic downturns and invest in growth possibilities may be hampered by high dividend payouts. High-growth companies frequently hold onto more earnings in order to finance their expansion, whereas established businesses with steady cash flows may have a preference for larger payouts. Dividend policy is also influenced by tax issues. Since dividends are usually taxed more highly than capital gains, some businesses may find share buybacks to be a more appealing choice. In the end, the best dividend policy should strike a compromise between the advantages of giving shareholders their money back and the requirement to keep finances flexible and make investments in future expansion (Baker and Farrelly, 1985).

Dividend policy is one of the foremost widely inquired about points within the field of back but the address is whether profit approach influences stock costs still stay far from being obviously true among supervisors, arrangement creators and analysts for numerous a long time. For banks, directors, speculators, and other partners, profit arrangement is crucial. It is essential for financial experts since they view profits not only as a means of paying salaries but also as a means of evaluating the companies from a speculative perspective. It is a method of determining whether or not the business can turn a profit. A lot of finance experts like to look

at the profit abdicade, which is computed as the annual profit pay per share divided by the share cost at that moment. The profit surrender calculates the amount received as a percentage of the share cost. When a company's profit surrender ratio is lower than that of its industry peers, it may indicate one of two things: either the share price is high because the company is perceived as having promising future prospects and is not overly concerned with its profit margins, or the company is experiencing difficulties and is unable to pay reasonable profits. In any event, a tall profit abdicade can signal a failing business with a low share cost simultaneously. For development enterprises, profit yield is not very important because retained profits are reinvested in new development opportunities, which helps shareholders by providing capital gains (Masum, 2014).

Dividend policy is considered as one of the imperative and basic factors influencing the share cost (Pradhan: 2003 and Manandhar: 1998). Research scholars have conducted limited considerations in the Nepalese context. However, there is a gap in the literature on finance regarding the effect of profits on stock costs, particularly in Nepal's nonbanking and money management sectors. In the current Nepali business environment, a few number of enterprises are making a consistent profit, while many others are not. A small number of businesses have never given its speculators a profit. Earnings per share is a crucial indicator of bank performance, attracting the attention of financial experts. Financial experts examine the banks' profit-driven strategy. They decided to participate in the stock market recently, but because Nepal's commercial banks' profit margins fluctuate, financial experts are unable to determine the long-term cash flow from cash profit (Bhandari and Pokharel, 2012). It has been seen that companies who have increased their profit through a significant increase in stock costs are those that have decreased or do not pay for their stock, which results in a decrease in stock cost. Profit therefore seems to have an impact on the company's stock price, but some experts argue that the data pertaining to profit installment drives the stock price. In reality, that profit works as a straightforward adequate flag of management's elucidation of the firm's current execution and its future prospects.

The study of company performance is a dynamic field that constantly evolves to address the complexities of the modern business landscape. The subtleties of performance measurement have been explored in recent study, which has included sophisticated techniques and data

analytics. The effects of global economic trends, environmental policies, and emerging technology on business performance are being studied by academics and industry professionals alike. Studies by Chen et al. (2024) and Smith et al. (2023), which investigate the relationship between sustainable business practices and financial performance, and the impact of digital transformation in improving operational efficiency, are noteworthy citations. These and other cutting-edge research contributions collectively shed light on the intricate interplay of factors shaping the contemporary understanding of company performance.

2.2 Theoretical Review

The impact of dividend policy on company performance in Nepal represents a complex interplay between financial decision-making and market dynamics. Theoretical considerations suggest that the dividend policy adopted by a company can significantly influence its overall performance, affecting shareholder wealth, firm valuation, and capital structure. In the context of Nepal, where economic conditions, regulatory frameworks, and investor preferences may differ, the relationship between dividend policy and company performance warrants careful examination. Factors such as cultural and institutional influences, tax considerations, and the availability of alternative investment opportunities may further shape the dynamics of this relationship. A comprehensive theoretical review would need to consider these multifaceted elements to provide a nuanced understanding of how dividend policies impact the performance of companies in the Nepalese business environment.

2.2.1 The Bird-in-the-Hand Theory

The Bird-in-the-Hand Theory, developed by Myron Gordon and John Lintner, represents a significant proposition in the field of corporate finance, specifically addressing the impact of dividend policy on investor preferences and stock valuation. According to this theory, investors have a preference for current dividends over the uncertain prospect of future capital gains, viewing dividends as a "bird in the hand" that is more certain and immediate. Gordon and Lintner argue that paying out dividends provides investors with a tangible and reliable income stream, contributing to a positive perception of the company's stock and potentially leading to higher stock prices. Their influential work on dividend policy, particularly the paper titled "Growth, Corporate Financing, and the Bird-in-the-Hand Fallacy," laid the foundation for

understanding the psychological and financial aspects of investor decision-making related to dividends.

The Bird-in-the-Hand Theory is rooted in the idea that investors value the certainty and immediacy of current dividends more than the uncertainty associated with potential future capital gains. Myron Gordon and John Lintner argued that by paying out dividends, companies can signal their financial stability and attract investors who prefer a steady income stream. The theory implies that investors are risk-averse and place a premium on the tangible benefits of immediate cash flows, seeing dividends as a reliable source of returns. The name "bird in the hand" metaphorically captures this preference for the certainty of a dividend today, as opposed to the speculative nature of potential future gains.

Research by Baker, Farrelly, and Edelman (1985) provides empirical support for the Bird-in-the-Hand Theory by demonstrating a positive relationship between a company's dividend yield and its stock price. The findings suggest that companies offering higher dividend yields are associated with higher stock prices, reinforcing the theory's argument that dividend payments positively impact investor perceptions and, consequently, stock valuation. This alignment between theory and empirical evidence underscores the significance of considering investor preferences and psychological factors in understanding the dynamics of dividend policy.

However, it's important to note that the Bird-in-the-Hand Theory has faced criticism and debate within the academic community. Modigliani and Miller's groundbreaking work challenged traditional dividend theories by proposing the irrelevance of dividend policy in a world without market frictions. Despite this critique, the Bird-in-the-Hand Theory continues to influence discussions about the optimal dividend policy and its implications for investor behavior and corporate finance. It remains a cornerstone in the broader context of understanding how financial decisions, particularly those related to dividends, shape perceptions of company value and impact stock prices.

2.2.2 The Tax Preference Theory

The Tax Preference Theory is a significant proposition in the realm of dividend policy, focusing on the impact of taxes on investor preferences for dividends versus capital gains. According to this theory, investors may prefer capital gains over dividends due to favorable

tax treatment. The argument is rooted in the notion that capital gains are typically taxed at a lower rate than dividends in many jurisdictions, making them a more tax-efficient form of investment return. This implies that companies with a lower dividend payout ratio might be more attractive to investors seeking to minimize their tax liability, as any gains would be realized only upon the sale of the stock, potentially incurring lower tax obligations. The Tax Preference Theory suggests that tax considerations play a crucial role in shaping investor preferences for different forms of returns from their investments. Empirical studies have delved into the implications of tax preferences on dividend policy and investor behavior. In their examination of the relationship between taxes and dividend policy, DeAngelo and Masulis (1980) found evidence supporting the Tax Preference Theory. They observed that companies facing higher tax rates were more likely to retain earnings and pay lower dividends, aligning with the idea that firms adjust their dividend policies in response to the tax environment. The study contributes to the understanding of how tax considerations influence corporate decisions on dividend payouts, providing empirical support for the Tax Preference Theory.

The Tax Preference Theory, a key concept in the field of corporate finance, underscores the influence of tax considerations on investor behavior and corporate dividend policies. This theory posits that investors exhibit a preference for capital gains over dividends due to the potentially more favorable tax treatment associated with capital appreciation. Historically, capital gains have often been subject to lower tax rates than dividends in various jurisdictions, providing an incentive for investors to prioritize investments that result in capital gains. This preference is driven by the idea that delaying the realization of gains, typically achieved through selling appreciated securities, allows investors to defer taxable events, potentially reducing their overall tax liability.

A seminal study by DeAngelo and Masulis in 1980 supports the Tax Preference Theory by empirically examining the relationship between corporate tax rates and dividend payout ratios. The findings indicate that companies facing higher tax rates tend to retain more earnings and distribute lower dividends. This empirical evidence aligns with the theory's premise that firms adjust their dividend policies in response to the tax environment, providing a tangible link between tax considerations and corporate dividend decisions. The study sheds light on how taxation dynamics can influence corporate financial strategies and underscores the importance

of understanding tax implications in the context of dividend policy. While the Tax Preference Theory offers valuable insights, it is important to acknowledge the evolving nature of tax codes and the potential for changes in tax legislation to impact the relative attractiveness of dividends and capital gains. Tax policies can vary across jurisdictions and are subject to change, influencing investor preferences and corporate decisions. Despite these complexities, the Tax Preference Theory remains a foundational concept in explaining the interplay between tax considerations, investor behavior, and corporate dividend policies, contributing to a comprehensive understanding of the factors influencing financial decision-making.

However, it's crucial to recognize the dynamic nature of tax codes and the varying tax treatment of dividends and capital gains across different jurisdictions and time periods. While the Tax Preference Theory provides valuable insights into the interplay between taxes and dividend policy, ongoing changes in tax laws may influence the relative attractiveness of dividends versus capital gains for investors. Nonetheless, the theory remains relevant in highlighting the importance of tax considerations in shaping dividend policy decisions and their subsequent impact on corporate finance.

2.2.3 Signaling Theory

Signaling Theory, a prominent concept in finance, explores how companies use their dividend policies to convey information about their financial health and future prospects to the market. The theory suggests that dividend decisions act as signals to investors, influencing perceptions of a company's value and prospects. According to this theory, companies with strong fundamentals and positive growth outlooks are more likely to pay regular and increasing dividends, signaling confidence in their ability to generate sustainable earnings. In contrast, a sudden change in dividend policy, such as a reduction or omission, may be interpreted as a negative signal, indicating financial distress or uncertainty about future performance. The concept was initially developed by Ross in 1977 and later expanded upon by other scholars, including Bhattacharya in 1979 and Miller and Rock in 1985.

Empirical research has provided support for the Signaling Theory by examining the relationship between dividend changes and subsequent stock price movements. A study by Bhattacharya (1979) found that companies initiating dividend payments experienced positive abnormal stock returns, suggesting that the market perceived the initiation of dividends as a

positive signal. Similarly, Miller and Rock's study in 1985 found evidence that companies reducing dividends faced negative abnormal returns, indicating that dividend cuts were interpreted as negative signals by the market. These studies highlight the role of dividends as a communication tool, with companies strategically using their dividend policies to signal their financial health and future prospects to investors.

Signaling Theory is a pivotal concept in finance that delves into the strategic role of dividend policies in conveying valuable information about a company's intrinsic value and future prospects. Proposed by Ross (1977) and expanded upon by subsequent scholars like Bhattacharya (1979) and Miller and Rock (1985), the theory posits that companies utilize their dividend decisions as signals to influence investor perceptions. Firms with strong fundamentals, steady earnings, and positive growth outlooks are more likely to pay consistent or increasing dividends, signaling confidence in their ability to generate sustainable profits. Conversely, sudden changes in dividend policies, such as reductions or omissions, can be interpreted as negative signals, indicating financial challenges or uncertainty about future performance. Empirical evidence supporting the Signaling Theory has been observed in studies analyzing the market reactions to dividend changes. Bhattacharya's study found that companies initiating dividend payments experienced positive abnormal stock returns, reflecting the positive interpretation of the initiation of dividends as a signal of financial health and confidence in future prospects. Similarly, Miller and Rock demonstrated that companies announcing dividend reductions faced negative abnormal returns, suggesting that the market perceived dividend cuts as negative signals. These findings underline the importance of dividends as a form of communication, with companies strategically using their dividend policies to provide investors with insights into their financial condition and growth potential.

While Signaling Theory has been influential, it has faced criticism for assuming perfect information and overlooking potential market inefficiencies and misinterpretations of signals. Some argue that the effectiveness of signals may vary depending on market conditions and investor sentiment. Nonetheless, the theory remains a valuable framework for understanding the nuanced ways in which companies manage their dividend policies to convey information, shape investor perceptions, and navigate the complexities of financial communication in dynamic markets.

2.2.4 Agency Cost Theory

Agency Cost Theory, the core concern is the potential conflict of interest between shareholders, who seek to maximize their wealth, and managers, who may pursue their own interests at the expense of shareholder value. Dividend payments can serve as a crucial tool to align these conflicting interests by directly rewarding shareholders with a portion of the company's profits. This alignment is particularly significant in situations where managers might be tempted to pursue strategies that prioritize personal gain or empire-building rather than maximizing shareholder wealth. The tangible nature of dividends provides shareholders with a direct financial benefit, encouraging managers to act in ways that enhance shareholder value and minimize agency costs.

Agency Cost Theory, a fundamental concept in corporate finance, delves into the complex relationships between shareholders and managers within a company. The theory contends that a misalignment of interests, known as agency conflicts, can arise due to the separation of ownership and control in publicly traded corporations. Jensen and Meckling (1976) initially proposed this theory, highlighting the divergence of goals between shareholders (the principals) and managers (the agents) and the associated costs incurred in managing this misalignment. In the context of dividend policy, the theory suggests that paying dividends can serve as a mechanism to alleviate agency costs by providing a direct cash flow to shareholders. This alignment of interests can encourage managers to act in ways that benefit shareholders, as they, too, are direct beneficiaries of dividend payouts.

Dividends act as a tangible signal of a company's financial health and profitability, offering shareholders a share of the company's earnings. By distributing profits, management demonstrates a commitment to delivering value to shareholders. According to Agency Cost Theory, this commitment helps mitigate the risk of managerial opportunism or actions that prioritize managerial interests over shareholder value. Empirical studies, such as those by Jensen and Meckling (1976) and Fama and Jensen (1983), provide insights into the relationship between agency costs and dividend policies. These studies have found that companies with strong dividend policies tend to experience reduced agency costs, supporting the theory's proposition that dividends play a role in aligning the interests of shareholders and managers.

However, it's important to acknowledge that the effectiveness of dividends in mitigating agency costs may vary across industries and depend on the specifics of a company's governance structure. Some argue that alternative mechanisms, such as performance-based compensation or improved monitoring mechanisms, might also play a crucial role in addressing agency conflicts. Nevertheless, Agency Cost Theory remains a valuable lens through which to understand the dynamics of corporate governance, emphasizing the significance of dividend policies in fostering an alignment of interests between shareholders and managers to enhance overall company performance.

2.2.5 Pecking Order Theory

Pecking Order Theory, introduced by Donaldson and Gordon in 1963, provides insights into how firms make financing decisions and their preference for internal sources of funds over external financing options. According to this theory, companies adhere to a pecking order when seeking funds, prioritizing internal financing through retained earnings as the first choice. The rationale is that internal funds are considered more reliable and less costly than external sources. In the context of dividend policy, the Pecking Order Theory posits that paying dividends is often viewed as a last resort, especially when internal funds are insufficient for financing investment opportunities. The preference for internal financing helps companies avoid the costs and potential signaling effects associated with external financing. Empirical evidence supporting the Pecking Order Theory can be found in the work of Myers and Majluf (1984), who explored the informational asymmetry between managers and investors in the context of financing decisions. The theory gained further support from studies such as Fama and French (2001), which found that companies tend to avoid external financing when possible and instead rely on internal funds. The reluctance to use external financing methods is attributed to the adverse selection problems and signaling issues that may arise when companies seek capital from external sources. By preferring internal financing and considering dividends as a residual payout after meeting investment needs, firms aim to maintain financial flexibility and reduce the costs associated with external financing.

Pecking Order Theory, proposed by Donaldson and Gordon in 1963, provides a nuanced perspective on how companies navigate the complex landscape of financing decisions. The central tenet of this theory revolves around the concept of a pecking order, where firms

prioritize sources of financing based on their perceived reliability and cost-effectiveness. Internal financing, primarily derived from retained earnings, is considered the preferred choice due to its stability and the absence of information asymmetry or signaling concerns associated with external sources of funds.

In the realm of dividend policy, the Pecking Order Theory suggests that paying dividends is a secondary consideration for companies. Dividends are seen as a residual payout after internal funds have been exhausted to meet investment needs. By adopting this approach, companies aim to avoid the adverse selection problems and signaling issues that may arise when seeking external financing. The theory implies that companies prefer to use internally generated funds to finance projects, as this approach minimizes information asymmetry and the costs associated with external financing. Empirical evidence supporting this perspective can be found in the research of Myers and Majluf (1984) and Fama and French (2001), providing insights into the practical implications of the Pecking Order Theory.

Despite its significance, the Pecking Order Theory has faced criticism for oversimplifying the decision-making process and assuming a rigid hierarchy of financing preferences. Critics argue that other factors, such as tax considerations, market conditions, and managerial preferences, may also play a role in shaping financing choices. Nevertheless, the Pecking Order Theory remains a valuable framework for understanding the general tendency of firms to prioritize internal financing over external options, offering insights into their financial decision-making and dividend policies as they navigate the challenges of capital structure and investment financing.

2.2.6 The Liquidity Preference Theory

The Liquidity Preference Theory, extending Keynesian principles into the realm of dividend policy, highlights the significance of investors' desire for liquidity and immediate cash flow. The theory posits that, especially during uncertain economic periods, investors are inclined to prioritize investments that offer readily available funds, making dividends an attractive option. The preference for liquidity is rooted in the belief that having access to immediate cash provides a financial safety net, allowing investors to seize opportunities or navigate unexpected challenges. While Keynes initially applied the liquidity preference concept to money demand,

subsequent theorists have expanded its application to dividends, suggesting that the inherent liquidity of dividend payments can influence investor decisions.

The Liquidity Preference Theory has implications for how companies structure their dividend policies, especially during economic downturns or turbulent market conditions. In times of uncertainty, investors may place a premium on the certainty and immediacy of cash flow, making dividend-paying stocks more appealing. While Keynes did not explicitly apply the liquidity preference concept to dividends, subsequent financial theorists have incorporated and expanded upon this idea in the context of dividend policy. Empirical studies, such as those by Walter (1963) and Litzenberger and Ramaswamy (1979), have explored the relationship between dividends and liquidity preferences, providing insights into how investor behavior during periods of economic uncertainty may influence the demand for dividend-paying stocks. In the context of corporate finance, the Liquidity Preference Theory has implications for how companies structure their dividend policies, particularly during economic downturns. Investors may favor stocks with regular and predictable dividend payments as a means of securing consistent cash flow. This preference becomes especially pronounced during periods of economic uncertainty when investors seek financial flexibility and a buffer against market volatility. Empirical studies, such as those by Walter (1963) and Litzenberger and Ramaswamy (1979), have explored the relationship between dividends and liquidity preferences, providing empirical support for the idea that stocks with attractive dividend policies may be perceived as more liquid assets.

While the Liquidity Preference Theory contributes valuable insights into investor behavior and its impact on dividend preferences, it's essential to recognize that the decision-making process is multifaceted and influenced by various factors. Investor sentiment, market conditions, and company-specific circumstances all play roles in shaping dividend policy dynamics. Nonetheless, during times of economic uncertainty, the theory underscores the potential attractiveness of dividend-paying stocks to investors seeking the stability and immediate cash flow associated with liquid assets. In this way, the Liquidity Preference Theory offers a lens through which to understand how liquidity considerations may influence dividend policy decisions and investor behavior. It's important to note that while the Liquidity Preference Theory provides a valuable perspective, investor preferences for liquidity can be influenced by

various factors, and the theory does not necessarily capture the full complexity of dividend policy decisions. However, during times of economic uncertainty or market volatility, the theory underscores the potential appeal of dividends as a reliable and immediately accessible source of cash flow for investors.

2.3 Empirical Review

Empirical research on the effect of dividend policy on company performance reveals a complex and multifaceted relationship. While some studies suggest a positive market response to dividend announcements, particularly increases, signaling positive investor sentiment, others emphasize the nuanced impact of factors such as financial health, tax considerations, and industry-specific characteristics. The market's reaction to dividend cuts or omissions is often negative, reflecting concerns about a company's future prospects. The relationship between dividend yield and stock performance has been explored, with debates on whether high dividend yield stocks consistently outperform, considering factors like risk and growth opportunities. Additionally, cross-country studies highlight the influence of cultural and institutional factors on dividend practices globally. Overall, the empirical landscape underscores the importance of considering various contextual factors and industry dynamics in understanding how dividend policy influences company performance.

2.3.1 Summary Review in International Articles and Journals

Njoku and Lee (2024) investigated the relationship between dividend policy, firm performance, and value within the Korean market, taking into account the unique context of Chaebol ownership structures. Our empirical research makes use of sophisticated regression models and a robust dataset of 5478 observations from the Korean Composite Stock Price Index. By applying interest alignment and management entrenchment assumptions, we are able to discern unique effects of different dividend policy measures. Surprisingly, a closer look uncovers different effects for Chaebol and non-Chaebol enterprises, despite the fact that cash dividend payments show a strong positive impact on Tobin's Q and market-to-book ratios, indicating an overall favorable link with market valuations. Dividend policy proxies in Chaebol firms consistently show positive effects on performance metrics, supporting the idea of interest alignment and emphasizing the effort put into strategic signalling. On the other hand, non-Chaebol companies show strikingly unfavorable effects that lend credence to the managerial

entrenchment theory and suggest possible threats to market value. In the dynamic Korean market, firms had to give priority to clear communication on their dividend policy in order to improve investor decision-making and increase corporate governance.

Widjaja (2024) analyzed the impact of dividend policy on company value among manufacturing companies listed on the Indonesia Stock Exchange (IDX). A review of the literature was the research methodology used, and references pertaining to the study's research setting were sought out. While dividend growth does not demonstrate a substantial influence, the results suggest that the dividend payout ratio and dividend yield have a considerable beneficial effect on company value. These results highlight how crucial dividend policy is in determining how investors see a company's worth. This research's management consequence is that, in order to increase business value, manufacturing companies listed on the IDX should incorporate suitable dividend schemes into their financial policies. By deepening our understanding of the dynamics of dividend policy in the Indonesian capital market particularly in the manufacturing sector—this study also adds to the body of knowledge in the field of finance.

Tjahjani (2024) examined the role of dividend policy as a moderating variable on the effects of growth opportunity, free cash flow, and debt policy on the firm value. Methods: 23 major consumer goods businesses from the Indonesia Stock Exchange (IDX) for the years 2018–2020 were selected using the purposeful sampling approach. Data analysis: To test the hypothesis, multiple regression analysis was performed. Findings and discussions: The firm value is unaffected by growth opportunities. Otherwise, debt policy has a negative impact on the business value whereas free cash flow has a beneficial influence. The relationship between debt policy, free cash flow, and growth opportunities and the business value cannot be mediated by dividend policy.

Elisabeth (2024) examined the effect of dividend policy, liquidity, company growth, and company size on debt policy in manufacturing companies listed on the IDX (Indonesia Stock Exchange). The quantitative method of study is being applied here. Quantitative secondary data were used in this study. The Indonesian Capital Market Directory (ICMD) from www.idx.co.id during the research period and the yearly financial statements of each firm provided quantitative data for this study. Based on the analysis, the study's findings

demonstrate that dividend policy has a major and favorable impact on debt policy in manufacturing companies listed on the IDX. A Manufacturing Company listed on the IDX's debt policy is positively and significantly impacted by liquidity. When it comes to debt policy, company size has a big and detrimental impact on Manufacturing Companies listed on the IDX. Company Growth in Manufacturing Companies listed on the IDX has a negative and significant impact on debt policy.

Munandar et al. (2023) examined the company's financial demands throughout a given time period in terms of raising and disbursing funds. These specifications are frequently outlined by profitability, liquidity, and capital sufficiency indicators. A vision of achieving organizational prosperity known as "monetary execution" can be defined as the outcome that has been determined through a variety of exercises that have been conducted. This article employs a qualitative approach that includes a review of the literature or library research. This article's goal is to evaluate current theories against more traditional ones found in the research literature. The material included in the literature comes from reviews or study results that have been published in national and international scientific journals pertaining to financial management. Google Scholar and Mendeley's electronic data literacy search engine were used to locate every publication that was included. It is possible to draw the following conclusions from the analysis of the relationship between managerial ownership and financial performance and dividend policy: (1) Managerial ownership significantly affects dividend policy in enterprises. A company's dividend policy is heavily influenced by its financial performance.

Mahirun (2023) analyzed the research model by using dividend policy as an intervening variable on the effect of firm value and capital structure on firm value. Profitability, trading volume activity, and the pool of investment opportunities are further factors affecting the stock price. The companies that were part of the Indonesia Stock Exchange's LQ45 index between 2012 and 2021 are the subjects of this study. Path analysis is the analytical method we use to assess both direct and indirect impacts of exogenous variables on endogenous variables. The dividend policy with the DPR (Dividend Payout Ratio) indicator was found to be unable to mediate financing policy and firm value in rising stock prices after evaluating 177 samples over a ten-year period. According to a different study, some variables, like PER (price earnings ratio) and DER (debt to equity ratio), have a positive and significant influence on SP (stock

prices), but other variables, like ROE (return on equity) and DPR (dividend payout ratio), do not significantly increase SP (stock prices), despite their positive influence. While DAR (Debt to Assets Ratio) and TVA (Trading Volume Activity) are the factors in our study that can lower SP (Stock Prices), PBV (Price to Book Value) and ROA (Return on Assets) are other factors that do not significantly lower SP (Stock Prices) even though their direction of influence is negative.

Hanafi et.al (2023) analyzed the effects of dividend policies on share prices with an emphasis on companies listed on the FTSE Bursa Malaysia 100 (FBM100) index. The purpose of this research is to look into and analyze how listed firms within the FTSE FBM100's share price performance are affected by their dividend policies. This study examines the link between share price, the dependent variable, and dividend policies (independent variables), such as dividend yield, volume traded, dividend payout, and firm size, return on invested capital, free cash flow yield, and volume traded (control variables). Dividend policy's impact on share price volatility is one of the most hotly debated subjects in corporate finance. When deciding whether to purchase shares, investors most frequently consider the share price. There are numerous empirical studies that look into and analyze how dividend policies affect share prices, however the findings aren't always consistent. The effect of dividend policy on share prices of firms listed on the FTSE (Financial Time Stock Exchange) FBM100 index between 2011 and 2020 was the main subject of this study. After filtering, a total of 56 companies are picked in this study, and the regression model was used to analyze the data. The panel data regression model's results showed that while dividend yield has a negative and significant impact on share price, dividend distribution has no effect on share prices. Share prices are significantly impacted by return on invested capital, volume traded, and firm sizes as measured by market capitalization; free cash flow yield had no discernible impact. Dividend policy therefore has a big influence on share prices. As a result, the outcome matters. The results of this study should be used as a guide by businesses to set dividend policies that will boost business success and by investors to decide whether to hold, grow, or reduce their investment in the company.

Kanakriyah (2020) analyzed the association between dividend policy and a corporation's financial performance in emerging countries, as well as the main variables that may have an effect on financial performance. 92 businesses in the industrial and service sectors that were listed between 2015 and 2019 on the Amman Stock Exchange (ASE) were included in the study. Panel data analysis, cross-sectional time series data, and single and multiple linear regression models were all used in the study. In addition, a multiple regression model was created to investigate the potential influence of various factors (dividend yield, dividend pay-out ratio, firm size, leverage ratio, and current ratio) on financial performance. The information gathered came from the 2015–2019 annual reports and data that was accessible on the ASE website. The findings show a significant relationship between the variables that explain business performance DY, DPR, and FSIZE. Leverage ratio has a considerable negative correlation with both ROA and AOE. Furthermore, no correlation was found between financial performance and the current ratio. According to the study's findings, a company's financial success can be largely explained by its dividend policy, indicating that the policy has a statistically significant effect on that performance.

Zarah and Puspitaningtyas (2019) examined the effect of dividend policy on firm financial performance based on the listed banks on Indonesian stock exchange. The analysis finds that the relationship between leverage and dividend payout ratio is significantly unfavorable. This implies that the increased degree of debt will result in a decline in the dividend payment. Thus, it suggests that before making an investment in the Indonesian stock market, investors should consider the firms' leverage. The researcher also discovered that the payout policy is unaffected by profitability or profit growth.

Hafeez et.al (2018) examined the relationship between dividend policy and firm performance. Design/methodology-the sample contain on 15 manufacturing companies in the year of 2014 to 2017. The financial statements of the chosen manufacturing companies were used to calculate the statistics. The dependent variables in the model were return on equity (ROE) and return on asset (ROA), whereas the independent variables were dividend payout ratio (DPOR), earnings per share (EPS), and price earnings ratio (PER). As data analysis tools, multiple regressions such as correlation and descriptive were employed. The results show that there is a positive correlation between every independent variable and every dependent variable.

Return on investment is favorably impacted by price earnings ratio, earnings per share, and dividend payout ratio. Our study's limitation is that we only looked at fifteen manufacturing enterprises; other researchers used huge sample sizes, and other industry firms anticipated manufacturing.

Chelimo Faith (2018) analyzed the effects of regular dividend policy on the firm financial performance based on the Serena group of the hotel in Kenya. The investigation leads the researcher to the conclusion that higher dividend per share (DPS) and earnings per share (EPS) lead to higher share prices, which in turn lead to higher financial performance. The results show that dividends and earnings have a long-term, positive impact on share value and that this relationship is substantial. A higher dividend payment has the effect of raising stock values, which leads to improved financial success in the end. Additionally, studies showed a connection between the firm's leverage and its regular dividend policy. The results show that higher debt to equity ratios are associated with improved financial success and higher dividend payments to the organization. This indicates that while the company's owners received the best return from the increasing financial leverage, the financial performance has grown excessively high. Additionally, a company with a high debt to equity ratio, one that can pay its bills, boost net profit margin, and influence dividend policy share (DPS) would see an increase in share price, which will improve financial performance. The results show that dividends and earnings have a long-term, positive impact on share value and that this relationship is substantial. The impact of higher dividend payments on company prices ultimately results in higher stock prices, it goes to better financial performance. Additionally, studies showed a connection between the firm's leverage and its regular dividend policy. The results show that higher debt to equity ratios are associated with improved financial success and higher dividend payments to the organization. This indicates that the company's stockholders received the best return on their increasing financial leverage, which eventually led to excessive financial success. Additionally, a company with a high debt to equity ratio must be able to cover its costs, boost net profit margin, and modify its dividend policy.

Farrukh et.al (2017) examined the impact of dividend policy on shareholders' wealth and firm performance in Pakistan. One of the most contentious topics in corporate finance literature has been the implementation of dividend policy. We still lack a credible explanation for the

behavior of dividend policy, despite the efforts of several researchers to uncover problems related to it. The firm performance, shareholder wealth, and dividend policy are the factors used in this study. Dividend policy is measured using dividend yield and dividend per share. Earnings per share and share price are used as proxy for shareholders' wealth. The performance of the company is gauged by return on equity. The regression analysis reveals that dividend policy significantly and favorably affects both firm performance and shareholder wealth. The clientele-effect theory, bird in hand theory, signaling effect theory, and dividend relevance theory were all supported by this study. The study praises the application of a target-oriented, controlled, and steady dividend policy by the financial managers of the company, in conjunction with an efficient supervisory framework overseen by capital market regulatory bodies, to improve the performance of the company and the wealth of its shareholders in Pakistan. Furthermore, in order to protect prospective investors from making poor investment decisions in listed corporations, sufficient corporate disclosure about dividend distribution and dividend per share is required.

2.3.2 Empirical Review of National Articles and Journals

Apochi et.al (2024) examined the moderating role of financial literacy on herding bias and financial risk tolerance on individual investment performance in Nigeria. As of the first quarter of 2023, there were 460 active individual investors in Kaduna City. 349 of the 460 copies of the questionnaire that were distributed were legitimate. Primary data was gathered via an online Google form and a self-administered questionnaire utilizing the census technique of sampling. The Likert scale was 7 points, with 1 being "Extremely Agree" and 7 being "Extremely Disagree." Version 4 of Smart-PLS was utilized to analyze the data. The study found that while financial risk tolerance had a negligible negative impact on investment performance, herding bias had a positive and considerable impact on it. The performance of investments is slightly but positively impacted by financial knowledge. Moreover, the moderating influence of financial literacy revealed that investment performance is significantly and favorably impacted by the herding tendency. Investment performance is significantly impacted negatively by risk tolerance. As a result, the study suggests that investors should lower their risk tolerance levels while retaining the herding behavioral bias, as it was found that herding prejudice aids investors in making better investing decisions.

Elsheikh et.al (2024) investigated the moderating effect of CEO race on the relationship between CEO masculinity and company performance. 260 businesses that were listed between 2009 and 2019 on the Bursa Malaysia are included in the sample. Information gathered for 405 distinct CEOs of various racial backgrounds (Malay, Chinese, Indian, and others). The study makes use of the testosterone level (Tsh) and the face width-to-height ratio (fWHR) as two measures of CEO masculinity. Artificial intelligence is used to measure the fWHR of CEOs (Python code/c). Furthermore, a modern algorithm based on CEO age and face measurements is used to estimate Tash. The findings suggest that the association between masculinity and business performance is moderated by the race of the CEO. The results show that only among the non-Bumiputera group does high masculinity have a positive correlation with corporate performance; among the Bumiputera group, there is no discernible correlation. This study establishes a novel connection between neuro finance, biological factors, and CEO traits and financial performance. As a result, this study offers fresh insights into the field as well as recommendations for scholars, investors, board members, and legislators.

Shenoy and Chakraborty (2024) examined the nature of the association by using a sample of 78 non-financial firms listed in the Nifty 100 index during the 2013-2023 period by applying the quantile regression technique and comparing the result with the linear regression approach (system GMM technique). Our empirical analysis shows that leverage has a detrimental effect on a firm's performance. Additional findings indicate that the relationship is not uniform across businesses with varying quantiles: leverage reduces the performance of businesses that are highly lucrative (higher quantile) compared to businesses that are not as profitable (lower quantile). The discovered concave connection emphasises the significance of an ideal capital structure and the function of finance managers in creating a sensible financial strategy that takes into account the needs for borrowing and the features of the company. The results of our research add to the current discussion about leverage and business performance that has been documented in other studies, and they also have important implications for managers and policymakers.

Sharma (2023) examined the effect of collateralizable assets, growth in net assets, liquidity, leverage and profitability on dividend policy of Nepalese commercial banks. The dependent variables chosen are dividend payout ratio and dividend per share. Collateralizable assets, bank

size, net asset growth, liquidity ratio, leverage ratio, and return on equity are the chosen independent variables. Based on secondary data from 21 commercial banks with 168 observations from 2013–14 to 2020–21, the analysis was conducted. Data were gathered from Ministry of Finance (MoF) and Nepal Rastra Bank (NRB) publications and websites, annual reports of the chosen commercial banks, and Banking and Financial Statistics issued by NRB. To evaluate the significance and impact of collateralizable assets, net asset growth, liquidity, leverage, and profitability on the dividend policy of Nepalese commercial banks, correlation coefficients and regression models are estimated. According to the analysis, the dividend per share is negatively impacted by collateralizable assets. It suggests that a rise in collateralizable assets causes the dividend per share to fall. Furthermore, the dividend payout ratio is positively impacted by asset growth. It suggests that the dividend payout ratio would increase with a faster rate of asset growth. Leverage ratios also negatively affect dividend payout ratios and dividends per share. It suggests that a rise in the leverage ratio causes the dividend payout ratio and dividend per share to decline. Additionally, dividend per share is negatively impacted by the liquidity ratio. It suggests that a rise in the liquidity ratio causes the dividend per share to fall. Similarly, dividend payout ratio and dividend per share are positively impacted by return on equity. It suggests that a greater return on equity would result in better dividend payout ratios and dividends per share. Furthermore, the dividend payout ratio and dividend per share are positively impacted by the size of the company. It suggests that the dividend payout ratio and dividend per share would increase with the size of the company.

Hariadi and Yunita (2023) investigated the potential disparities in the financial performance of domestic fertilizer manufacturers prior to and amidst the Russia-Ukraine conflict. The battle between Russia and Ukraine began in February 2022 and had a significant impact on the world agricultural market, particularly on Indonesia. The consequences felt in Indonesia were shortages and excessive costs of fertilizers and their constituent parts, which in turn affected the operational efficiency of domestic fertilizer manufacturers. Economic Value Added (EVA) methodology and ratio analysis were employed in a thorough examination to evaluate the performance of the organization. In order to compare the performance indicators of fertilizer producers in the pre-conflict years of 2019, 2020, and 2021 against the conflict year of 2022, this research used a comparative methodology. The Wilcoxon Signed Rank Test was used in the data analysis using the SPSS programmer. The study's conclusions, when evaluated using

the financial ratio approach, show that the conflict between Russia and Ukraine had little effect on the financial performance of domestic fertilizer manufacturers. However, when the EVA approach was used to examine the financial performance of local fertilizer makers, a noticeable impact was seen.

Pathak (2023) examined the impact of corporate income tax on the performance of Nepalese commercial banks. The dependent variables chosen are market price per share and return on asset. In a similar vein, the independent variables chosen include corporate income tax, total investment, liquidity position, business size, firm growth, and firm age. The secondary data from 20 commercial banks, totaling 160 observations, was the basis for this study throughout the 2013–14–2020–21 study period. The information was gathered from Ministry of Finance publications, yearly reports from a subset of commercial banks, and Banking and Financial Statistics released by Nepal Rastra Bank. To evaluate the impact of corporate income tax and other bank-specific factors on the performance of Nepalese commercial banks, correlation coefficients and regression models are estimated. The study demonstrated that the return on assets is positively impacted by corporate income tax. It implies that a rise in the corporate income tax causes the return on assets to rise. In a similar vein, investments increase return on assets. It implies that an increase in overall investment causes the return on assets to rise. On the other hand, market price per share and return on assets are positively impacted by liquidity position. It demonstrates that a greater liquidity position would result in a higher market price per share and return on assets. Moreover, return on assets is positively impacted by business expansion. It suggests that a higher business growth rate results in a higher return on assets. Furthermore, market price per share and return on assets are positively impacted by firm age. It suggests that the market price per share and return on assets would be better for an older company. This study also demonstrated that return on assets is positively impacted by firm size. It implies that the return on assets would be higher the larger the firm's asset size.

Kandel (2022) examined the impact of dividend on stock market price of Nepalese enterprises. For this purpose, 33 dividend paying companies listed on NEPSE has been selected as sample. Similarly, imbalance panel data for the years 2000/01–2018/19 were used in this analysis. The results of the Hausman test indicated that the Random Effect model is inappropriate for the data used in this study, while the Breusch and Pagan Lagrange multiplier test determined 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.

Raj, Dalvadi, and Raj (2021) examined the relationship between dividend policy, its determinants and market price of the share. Using the purposive sampling technique, a total of five Private Sector Commercial Banks (PVBs) were selected as a sample for the years 2009–10 through 2018–19. The websites and annual reports of a few chosen banks provided the secondary data. Using SPSS, an analysis of multiple regression and Karl Pearson's correlation have been conducted. Profitability, leverage, and the New Companies Act of 2013 all showed positive relationships with the market price of shares, while dividend policy showed a strong negative relationship. The study also found that banks with high growth rates had a positive and significant impact on the market price of shares.

Bista et.al (2019) examined the relationship between corporate governance and dividend policy of Nepalese enterprises. The chosen dependent variables are dividend yield and payout. The independent factors include firm size, liquidity, CEO duality, return on assets, foreign ownership, gender diversity on the board, management ownership, institutional ownership, and leverage. The analysis is based on 126 observations made over a six-year period, from 2010–2011 to 2015–2016, by seven insurance firms and 14 commercial banks in Nepal. The information was gathered from the annual reports of a few chosen commercial banks and insurance providers in Nepal. The influence and significance of corporate governance on Nepalese firms' dividend policy are tested using multiple regression models.

Baral and Pradhan (2018) examined the impact of dividend policy on the share price of commercial bank in Nepal. Ten commercial banks' combined cross-sectional data sets served as the study's foundation. Data were collected from Nepalese commercial banks listed in NEPSE from the F/Y 2012/13 to the F/Y 2016/17. Banks were chosen based on their performance in the Nepalese stock market, i.e., top gainers and top losers. Using descriptive statistics, correlation and regression, ANOVA, Wilcoxon Signed Rank Test, and P/E ratios and

DPR, the study examines the impact of these factors on stock price. The papers come to the conclusion that, with the exception of DPR, EPS and P/E ratio show favorable relationships with stock price. For top-performing commercial banks, P/E is the most important element influencing share price; among them, EPS, P/E ratio, and DPR have a favorable impact on stock price. In the event of the top loss bank, DPR is the aspect that influences the share price the most.

Dhakal and Shah (2016) analyzed the impact of dividend policy on share price and future profitability of commercial banks in Nepal. Correlation and regression analysis are used in the study using panel secondary data from 13 commercial banks between 2001 and 2014. The first analysis looks at how dividend policy affects share price. It finds that while earning per share has a substantial positive impact 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. Therefore, dividend change does not support signalling concept in Nepalese capital market and does not contain information about changes in earnings in later years of dividend declaration.

2.4 Research Gap

Many researchers have studied the dividend policy and financial performance analysis of manufacturing companies in Nepal from a comparative perspective, but none of them looked at public, private or joint venture banks. Instead, they only analyze revenue, costs, and the impact of bad debt on dividend policy and financial performance analysis of manufacturing companies in Nepal (Hafeez et.al, 2018). Previous studies mainly focused on various costs, such as currency costs, deposits, borrowing costs, and operating, administrative and non-administrative costs. The relationship between loans, advances and total deposits was a mystery to the previous researcher (Kanupriya, 2020)

The research on this topic is very limited in the Nepalese context. This study aims to fill the gap of previous research on capital structure and financial performance analysis of

manufacturing companies in Nepal these five manufacturing companies by mainly focusing on selected manufacturing companies established at different times. Only ten years of data were included in this study, which may have led to inaccurate results. Different ratios and trend analysis were used in this study to evaluate the capital structure and financial performance analysis of the five manufacturing companies. To determine the risk and relationship between long-term debt, short-term debt, debt/equity and total debt with a particular manufacturing company, statistical methods such as averaging and correlation are also used.

Therefore, both from an academic and policy perspective, this research has proven to benefit all interested parties, individuals, scholars, professors, students and entrepreneurs. I hope this research will be useful to others on a related topic in the future.

CHAPTER III

RESEARCH METHODOLOGY

3.1. Research Design

To achieve the objective of this study, descriptive as well as causal comparative research design has been used. The descriptive research design had been adopted for fact finding and searching adequate information. It is a type of survey which is generally conducted to assess the opinions, behaviors and characteristics of a given population and to describe the situation and event occurring at present. Since this study is done for evaluation of dividend policy and financial performance analysis of manufacturing companies of Unilever Nepal Ltd, Chaudhary Group, Nepal Distillery Pvt. Ltd, Gorkha Brewery Pvt. Ltd and Jagadamba Steel Industries Pvt. Ltd.

3.2. Population and Sample, Sampling Design

The total population of this study is comprised of 19 manufacturing companies in Nepal (NRB, 2022). In this study five sample have been taken on the basis of high earnings. Using judgmental sampling method Nepal Liver Ltd, Chaudhary Group, Nepal Distillery Pvt. Ltd, Gorkha Brewery Pvt. Ltd and Jagadamba Steel Industries Pvt. Ltd are considered. The selected five manufacturing companies are taken as sample study in this research. These companies are key players in their respective industries, making their financial practices and policies critical for investors and stakeholders seeking insights into the Nepalese manufacturing sector's economic health and growth potential.

3.3. Nature and Sources of Data

The study primarily utilizes secondary data. These data sources include annual reports, auditors' reports, balance sheets, profit and loss statements, relevant websites, unpublished and published theses, financial performance records of banks, as well as newspapers, journals, and magazines.

3.4. Instrument of Data Collection

This research relies on diverse data published by banks, including their financial performance reports, articles, journals, references, annual reports, and websites. Additional information is

gathered from various institutions and authorities such as the NRB, Nepal Stock Exchange, and the Ministry of Finance. Furthermore, various economic journals, periodicals, bulletins, magazines, and other published and unpublished reports and documents are utilized. Review materials are predominantly obtained from the central library at TU Kirtipur and Shanker Dev Campus.

3.5. Data Processing Procedure

Firstly, data were collected from the bank's annual reports and organized into a sheet. These data were then input into a spreadsheet to calculate financial ratios and create necessary figures as required by the study. For this purpose, the collected data were processed using software programs such as Microsoft Excel, Microsoft Word, and SPSS.

3.6. Method of Analysis

Various tools and techniques for measuring profitability are applied to obtain accurate results. The systematically collected and organized data are analyzed and presented using financial and statistical methods, including ratio analysis and Karl Pearson's correlation coefficient.

3.6.1. Statistical Tools

Statistical tools play a crucial role in business activities. Every performance aspect needs to be measured to determine the exact profit or loss. Various mathematical tools are commonly used for this purpose. The following statistical tools will be employed to interpret the data.

1. Arithmetic Mean

Arithmetic mean is the number which is obtained by adding the various numbers of all the items of a series and dividing the total by the number of items. Arithmetic mean is a useful tool in statistical analysis. The arithmetic mean is the simplest and most widely used measure of a mean, or average. It simply involves taking the sum of a group of numbers, then dividing that sum by the count of the numbers used in the series.

$$\bar{X} = \frac{\Sigma x}{n}$$

Where,

\bar{X} = Arithmetic Mean

$\sum X$ = Sum of Elements

n = Number of Observations

2. Standard Deviation

Standard deviation is a key statistical measure that quantifies the amount of variation or dispersion in a set of data values. It indicates how much the individual data points deviate from the mean of the data set. A low standard deviation means that the data points tend to be close to the mean, suggesting consistency, while a high standard deviation indicates greater variability and dispersion. Standard deviation is widely used in fields such as finance, research, and quality control to assess risk, reliability, and the spread of data. It provides valuable insights into the distribution and reliability of the data set, helping analysts and decision-makers understand the extent of variation in their data.

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

3. Coefficients of Variation

Standard deviation is the absolute measure of dispersion. The relative measure of dispersing based on the standard deviation is known as the measurement of coefficient of standard deviation. The percentage of measure of coefficient of s.d is called coefficient of variation. Less c.v is more uniformity and consistency vice versa. Only standard deviation is not appropriate to compare two pairs of variables but cv is capable to compare two variables independently in terms of their variability. It is calculated as under.

$$\text{Coefficients of variation (CV)} = \frac{SD}{\bar{X}} * 100$$

4. Coefficient of Correlation

The coefficient of correlation is a statistical measure that quantifies the strength and direction of the relationship between two variables. It ranges from -1 to 1, where a value of 1 indicates

a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 indicates no correlation. This measure helps in understanding how one variable moves in relation to another; for instance, whether an increase in one variable corresponds to an increase or decrease in another. The coefficient of correlation is widely used in various fields such as finance, economics, and social sciences to identify and analyze relationships between variables, enabling better predictions and more informed decision-making. The correlation coefficients (r) between two variables X and Y can be obtained by using following formula.”

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

Where,

r = the correlation coefficient between two variables of X and Y

Proprieties

- a) It lies between -1 and +1
- b) If $r = +1$, then there is perfect positive correlation.
- c) If $r = -1$, then there is perfect negative correlation.
- d) If $r = 0$, then there is no correlation.
- e) If $r = 0.7$ to 0.99 (or- 0.7 to -0.99) then there is high degree positive or negative correlation.

5. Multiple Regression Analysis

Multiple linear regressions is most common form of linear regression is used to explain the relationship between one continuous dependent variable and two or more independent variables. The independent variables can be continuous or categorical. Multiple linear regression (MLR), also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The goal of multiple linear regression (MLR) is to model the linear relationship between the explanatory (independent) variables and response (dependent) variable. In essence, multiple regressions is the extension of ordinary least-squares (OLS) regression that involves more than one explanatory variable.

$$ROA = \beta_0 + \beta_1 D/Y + \beta_2 DPR + \beta_3 CR + \beta_4 LR + \beta_5 FS + \text{et.....} \quad (i)$$

$$ROE = \beta_0 + \beta_1 D/Y + \beta_2 DPR + \beta_3 CR + \beta_4 LR + \beta_5 FS + \text{et} \dots \dots \dots \text{(ii)}$$

Where,

ROA = Return on Assets

ROE = Return on Equity

D/Y = Dividend Yield

DPR = Dividend payout Ratio

CR = Current Ratio

LR = Leverage Ratio

FS = Firm Size

3.7 Research Framework and Definition of Variables

3.7.1 Research Framework

The conceptual framework of this research is presented in graphic from which reflects the variables selected in research. It is presented below:

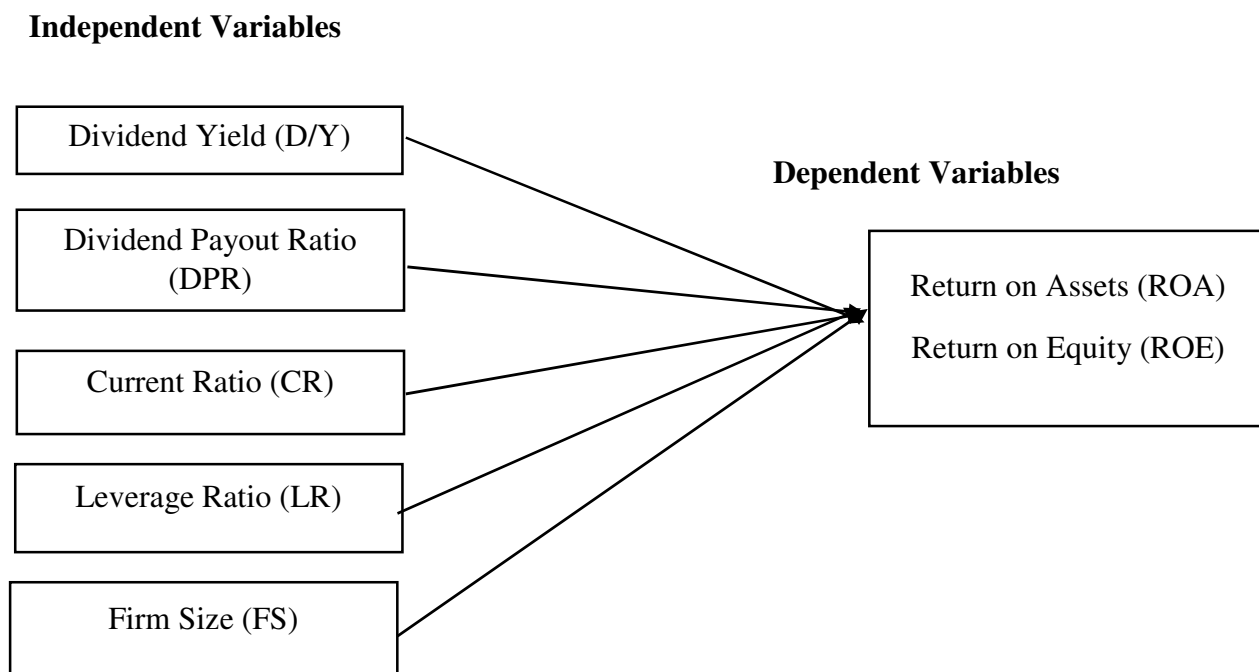


Figure: The Research Framework

Source: Kanupriya (2020)

3.7.2 Definition of Variables

A variable in research is essentially a person, place, object, or phenomenon that you are attempting to quantify in some way. The simplest way to comprehend the distinction between a dependent and independent variable is to consider what the words tell us about the variable in question.

Independent Variables

In experimental research, an independent variable is one that you manipulate, control, or modify to investigate its effects. It is referred to be "independent" since it is unaffected by any other factors in the research. They are as follows:

a. Dividend Yield

Dividend yield, a fundamental metric in finance, serves as a vital indicator when evaluating the dividend policy and financial performance of manufacturing companies. Calculated by dividing the annual dividend per share by the current market price per share, and expressed as a percentage. For manufacturing firms, a high dividend yield suggests that a significant portion of profits is being distributed to shareholders, potentially attracting income-oriented investors. However, an exceptionally high yield may signal market concerns about the company's financial health or future prospects, as it could be reflective of a declining stock price due to poor performance. Therefore, while dividend yield is a valuable metric for assessing a company's dividend policy, investors must complement this analysis with other financial indicators to gain a comprehensive understanding of the manufacturing company's financial health and performance. By considering factors such as earnings growth, liquidity ratios, and debt levels alongside dividend yield, investors can make more informed decisions regarding investment in manufacturing companies, ensuring a balanced evaluation of their dividend policy and overall financial performance.

$$\text{Dividend Yield} = \frac{\text{Annual Dividend Per Share}}{\text{Current Market Price Per Share}}$$

b. Dividend Payout Ratio

The dividend payout ratio is a crucial metric in understanding the dividend policy and financial performance of manufacturing companies. It measures the proportion of earnings paid out to shareholders in the form of dividends, indicating how much of the company's profits are being distributed rather than retained for reinvestment or other uses. A high payout ratio signifies that a significant portion of earnings is being distributed as dividends, which can be appealing to income-seeking investors. However, excessively high payout ratios may raise concerns about the company's ability to fund future growth initiatives or withstand economic downturns. Conversely, a low payout ratio suggests that the company is retaining more earnings to reinvest in its operations or reduce debt, potentially signaling future growth opportunities. Thus, understanding the dividend payout ratio is essential for investors to assess a manufacturing company's dividend policy and its implications for financial performance, helping them make informed investment decisions based on their income needs and growth expectations.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

c. Current Ratio

The current ratio is a significant financial metric utilized in evaluating the liquidity and financial performance of manufacturing companies. It provides insight into a company's ability to cover its short-term obligations with its short-term assets. For manufacturing firms, a healthy current ratio indicates that the company possesses sufficient short-term assets, such as cash, inventory, and accounts receivable, to meet its short-term liabilities, such as accounts payable and short-term debt. A current ratio higher than 1 implies that the company has more current assets than liabilities, suggesting strong liquidity.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

d. Leverage Ratio

The leverage ratio is a critical financial metric that assesses the extent to which a manufacturing company utilizes debt to finance its operations and investments. It measures the proportion of a company's debt to its equity, providing insight into its financial risk and stability. For manufacturing companies, which often require substantial capital investments for equipment, facilities, and technology, the leverage ratio can indicate the level of financial leverage employed to support growth initiatives. While moderate leverage can amplify returns for shareholders, excessive leverage may heighten financial risk, especially during economic downturns or periods of reduced cash flow. In the context of dividend policy, the leverage ratio plays a crucial role in determining a manufacturing company's capacity to sustain dividend payments over the long term. High levels of debt can constrain a company's ability to generate sufficient cash flow to support dividend distributions, as a significant portion of earnings may need to be allocated toward servicing debt obligations. Consequently, companies with lower leverage ratios may have greater flexibility to maintain or increase dividend payouts, as they are less burdened by debt-related financial commitments. However, it's essential for manufacturing companies to strike a balance between leveraging for growth and maintaining financial stability to support dividend policy effectively. By carefully managing their leverage ratios, manufacturing firms can optimize their capital structure to support both growth initiatives and consistent dividend payments, thereby enhancing shareholder value and long-term financial performance.

$$\text{Leverage Ratio} = \frac{\text{Total debt}}{\text{Total Equity}}$$

e. Firm Size

Firm size, often measured by market capitalization or total assets, plays a significant role in shaping the dividend policy and financial performance of manufacturing companies. Larger manufacturing firms typically have access to greater resources, diversified revenue streams, and established market positions, which can influence their dividend decisions. In the context of dividend policy, larger manufacturing companies may have more stable cash flows and profitability, enabling them to implement more generous dividend policies to

attract and retain investors. Moreover, their size often affords them greater financial flexibility to weather economic uncertainties and sustain dividend payments even during periods of volatility.

Firm Size or Total Assets = the sum of all assets owned by the company

Dependent Variables

Dependent variables are the key elements in a research study or experiment that are observed, measured, or analyzed to determine the effects of independent variables. These variables are directly influenced by changes in the independent variables or other factors under investigation. In quantitative research, dependent variables are typically expressed numerically and serve as the outcomes or responses being studied.

a. Return on equity

The return on equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

$$ROE = \frac{NPAT}{Total\ equity} \times 100$$

b. Return on assets

Return on asset is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as 'return on investment'

$$ROA = \frac{NPAT}{Total\ assets} \times 100$$

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, the collected data is analyzed and interpreted following the methodology described earlier. The study's findings are based on financial statements covering the fiscal years from 2013/14 to 2022/23. The data is presented using tables and diagrams, and financial ratios are used to aid in the analysis. Furthermore, statistical methods such as mean, standard deviation, coefficient of variation, correlation coefficient, and regression are employed to examine the data thoroughly.

4.1 Descriptive Statistics of the Variables

The descriptive statistics of variables related to dividend policy and performance of manufacturing companies in Nepal offer valuable insights into their characteristics and relationships. This analysis involves examining key metrics such as dividend yield (D/Y), dividend payout ratio (DPR), current ratio (CR), leverage ratio (LR), firm size (FS), return on assets (ROA), return on equity (ROE), and other relevant indicators over the study period. For dividend policy, descriptive statistics might include measures like the average dividend yield, indicating the average percentage return shareholders receive from dividends relative to the stock price. The payout ratio, which shows the proportion of earnings paid out as dividends, would also be explored. These statistics provide a snapshot of how companies in the manufacturing sector distribute profits to shareholders and can reveal trends or patterns over time.

In terms of financial performance, descriptive statistics would encompass variables like ROA and ROE. ROA reflects the profitability of a company by measuring its earnings available to shareholders per outstanding share. ROE, on the other hand, assesses how efficiently a company utilizes shareholders' equity to generate profits. Analyzing these statistics across different manufacturing companies in Nepal helps in understanding their mean, standard deviation, correlation and multiple regression model are used to present data of the study and potential impacts on dividend policy and performance of manufacturing companies in Nepal.

Table 3

Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
ROA	2.31	33.08	1.61	0.49
ROE	0.20	2.64	16.61	5.42
D/Y	0.12	15.71	9.30	5.02
DPR	0.00	10.45	2.19	2.54
CR	46.08	88.90	70.48	11.48
LR	0.06	7.18	2.28	1.42
FS	0.08	8.25	0.13	0.05

Valid N (likewise) 50

Table 3 presents descriptive statistics for key variables related to the financial performance and dividend policy of manufacturing companies in Nepal. These statistics offer valuable insights into the range, central tendency, and variability of each variable across the sample of 50 companies studied.

Firstly, examine the Return on Assets (ROA) and Return on Equity (ROE) metrics. The minimum ROA observed is 2.31%, with a maximum of 33.08% and a mean of 1.61%, indicating a wide variation in asset profitability among the companies. Similarly, for ROE, the minimum is 0.20%, the maximum is 2.64%, and the mean is 16.61%, reflecting substantial differences in how effectively companies are generating returns for shareholders based on their equity. Moving on to dividend-related metrics, the Dividend Yield (D/Y) shows a minimum of 0.12%, a maximum of 15.71%, and a mean of 9.30%. This indicates the average percentage return shareholders receive from dividends relative to the stock price, with significant variability across the companies. The Dividend Payout Ratio (DPR) ranges from 0.00% to 10.45%, with a mean of 2.19%, suggesting varying approaches to distributing earnings as dividends among the companies.

Additionally, the Current Ratio (CR) ranges from 46.08 to 88.90, with a mean of 70.48, reflecting the ability of companies to meet their short-term liabilities with current assets. The Leverage Ratio (LR) ranges from 0.06 to 7.18, with a mean of 2.28, indicating the extent to which companies rely on debt financing. Furthermore, the Financial Stability (FS) metric

ranges from 0.08 to 8.25, with a mean of 0.13, highlighting the stability of companies in terms of financial performance.

Overall, these descriptive statistics underscore the diverse financial profiles of manufacturing companies in Nepal. The wide ranges and standard deviations across these metrics suggest varying levels of performance and risk exposure within the sector. Such insights are crucial for understanding the landscape of dividend policy and financial performance among these companies, aiding in strategic decision-making and comparative analysis.

4.2 Correlation Analysis

Correlation analysis is a statistical technique used to examine the strength and direction of the relationship between two continuous variables. It measures the extent to which changes in one variable are associated with changes in another variable. The result of a correlation analysis is a correlation coefficient, typically denoted by "r", which ranges from -1 to 1. A positive value indicates a positive relationship, meaning as one variable increases, the other tends to increase as well. A negative value signifies a negative relationship, where as one variable increases, the other tends to decrease. A correlation coefficient close to zero suggests little to no linear relationship between the variables.

Correlation analysis is valuable for understanding the nature of relationships between variables in data analysis. It helps researchers and analysts identify patterns and connections, enabling them to make informed decisions and predictions. However, it's important to note that correlation does not imply causation; a strong correlation between two variables does not necessarily mean that changes in one variable cause changes in the other. Additionally, correlation analysis assumes linearity and may not capture complex relationships or interactions between variables. Therefore, it is often used in conjunction with other statistical techniques to gain a comprehensive understanding of data relationships.

Table 4

Correlation Matrix

	ROA	ROE	D/Y	DPR	CR	LR	FS
ROA	1						
ROE	.781** .000	1					
D/Y	.321** .000	-.608** .000	1				
DPR	-.351** .000	.360 .051	.271 .057	1			
CR	.678** .000	.465** .000	.253 .062	.119 .070	1		
LR	.477** .000	-.250 .057	.134 .064	.329** .000	-.193 .071	1	
FS	.613** .000	.113 .059	-0.123 .054	0.098 0.072	.328** .000	.231 .054	1

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

Table 4 presents a correlation matrix displaying the pairwise relationships (correlation coefficients) between various financial and dividend-related metrics for manufacturing companies in Nepal. Each cell in the matrix represents the correlation coefficient (r) between two variables, ranging from -1 to +1. A positive correlation coefficient indicates a direct relationship where an increase in one variable is associated with an increase in the other, while a negative coefficient suggests an inverse relationship.

Starting with Return on Assets (ROA) and Return on Equity (ROE), we observe a strong positive correlation of 0.781 (significant at the 0.01 level), indicating that companies with higher asset profitability tend to also demonstrate stronger returns for shareholders based on equity. Conversely, ROE shows a moderate negative correlation (-0.608) with Dividend Yield (D/Y), suggesting that as ROE increases, dividend yield tends to decrease. This relationship implies that companies with higher returns on equity might opt for lower dividend payouts relative to their earnings.

Moving on to other correlations, Return on Assets (ROA) exhibits a strong positive relationship with Current Ratio (CR) at 0.678 and Firm Size (FS) at 0.613. This indicates that companies with higher asset profitability tend to have stronger liquidity positions and Firm Size (FS). Notably, Dividend Payout Ratio (DPR) shows a negative correlation (-0.351) with Return on Assets (ROA), suggesting that companies with higher profitability (ROA) may choose to distribute a smaller proportion of earnings as dividends.

Overall, this correlation matrix reveals valuable insights into the interplay between financial metrics within the manufacturing sector in Nepal. These relationships can inform decision-making processes regarding dividend policy, financial management strategies, and risk assessment, highlighting the complex dynamics shaping corporate performance and investor returns within this industry.

4.3 Regression Analysis

Regression analysis is a statistical method used to explore the relationship between a dependent variable and one or more independent variables. In the context of manufacturing companies in Nepal, regression analysis can be employed to model how variables such as Return on Assets (ROA), Return on Equity (ROE), Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) interact and influence each other. For instance, a multiple regression model could be constructed to predict ROA based on a combination of ROE, D/Y, and other financial ratios, elucidating the factors that impact asset profitability. Regression analysis helps identify significant predictors, quantify their effects, and assess the overall fit of the model, thereby enabling researchers and practitioners to make informed decisions about dividend policy, financial performance, and strategic management within the manufacturing sector.

4.3.1 The Multiple Regression of ROA

The regression analysis investigates the influence of liquidity variables, such as Dividend Policy (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR) and Firm Size (FS) on the changes in Return on Assets (ROA) for the chosen, manufacturing companies in Nepal. The equation for this regression model is outlined below:

$$ROA = \beta_0 + \beta_1 D/Y + \beta_2 DPR + \beta_3 CR + \beta_4 LR + \beta_5 FS + \text{et} \dots \dots \dots (i)$$

Where, ROA= Return on Asset, a_1 = Constant, b_1 , b_2 , b_3 , b_4 and b_5 = Regression coefficient.

Table 5

Model Summary of ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.4701	.221	.133	.52999

- a. Predictors: (constant), D/Y, DPR, CR, LR and FS
 b. Dependent Variables: ROA

Table 5 presents the model summary of a regression analysis conducted to predict Return on Assets (ROA) based on several independent variables including Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS), with a constant term included in the model. The table reports key statistics for the regression model, including the coefficient of determination (R Square) which is 0.221, indicating that approximately 22.1% of the variance in ROA can be explained by the independent variables included in the model. The adjusted R Square, which accounts for the number of predictors and adjusts the R Square value accordingly, is reported as 0.133. This adjusted value suggests that around 13.3% of the variance in ROA is explained by the independent variables after accounting for the model's complexity.

The value of R (0.4701) indicates the correlation coefficient between the predicted values of ROA from the model and the actual observed values. The standard error of the estimate (0.52999) reflects the average deviation of the observed values of ROA from the predicted values generated by the regression model. This regression analysis provides insights into how the selected independent variables collectively influence ROA within the manufacturing companies studied, although the model explains only a modest proportion of the variance in ROA. Further interpretation and refinement of the model could enhance our understanding of the factors impacting asset profitability in this context, guiding strategic decision-making related to financial performance and dividend policy.

Table 6

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.376	5	.675	2.866	0.0024
	Residual	11.897	44	2.70		
	Total	15.273	49			

a. Dependent Variable: ROA

b. Predictors: (constant), D/Y, DPR, CR, LR and FS

Table 6 presents the results of an Analysis of Variance (ANOVA) for the regression model predicting Return on Assets (ROA) using several independent variables including Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS), with a constant term included in the model.

In the Regression section, the Sum of Squares (SS) is reported as 3.376 with 5 degrees of freedom (df), resulting in a Mean Square (MS) of 0.675. The F-statistic (F) is calculated as 2.866 with a corresponding p-value (Sig.) of 0.0024. This F-statistic tests the overall significance of the regression model and assesses whether at least one of the independent variables significantly contributes to explaining the variance in the dependent variable (ROA). The low p-value (0.0024) indicates that the regression model is statistically significant, suggesting that at least one of the independent variables is a meaningful predictor of ROA.

In contrast, the Residual section of the table presents the Sum of Squares (SS) for the error term in the model, which is 11.897 with 44 degrees of freedom (df), resulting in a Mean Square (MS) of 2.70. This represents the unexplained variance or random variation not accounted for by the independent variables in the regression model.

Overall, the ANOVA table provides critical information about the goodness of fit of the regression model for predicting ROA based on the specified predictors. The significant F-statistic (2.866) and associated p-value (0.0024) suggest that the model as a whole is statistically meaningful in explaining variation in ROA. However, further analysis and interpretation of the coefficients for each predictor (D/Y, DPR, CR, LR, FS) are necessary to understand the specific impacts of these variables on ROA and draw more detailed conclusions

regarding their influence on financial performance within the context of manufacturing companies in Nepal.

Table 7

Regression coefficient

Model		Unstandardized Coefficients		Standardized	t-value	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	0.383	0.572		0.670	0.506
	D/Y	0.038	0.026	0.311	1.451	0.013
	DPR	-0.053	0.039	-0.230	1.350	0.183
	CR	0.030	0.009	0.590	3.296	0.002
	LR	-0.137	0.058	-0.336	2.349	0.023
	FS	0.161	1.515	-0.014	0.107	0.916

Dependent Variable: ROA

Table 7 presents the regression coefficients for the model predicting Return on Assets (ROA) based on independent variables including Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Financial Stability (FS), with a constant term included in the model. Each row in the table corresponds to a different predictor variable, reporting the unstandardized coefficients (B), standard errors (Std. Error), standardized coefficients (Beta), t-values, and associated p-values (Sig.).

Starting with the constant term, the coefficient is 0.383 with a standard error of 0.572 and a non-significant p-value of 0.506, indicating that the intercept of the regression line is not significantly different from zero.

Dividend Yield (D/Y) has a coefficient of 0.038 with a standard error of 0.026 and a significant standardized coefficient (Beta) of 0.311. The t-value is 1.451 with a p-value of 0.013, suggesting that D/Y has a positive and statistically significant impact on ROA.

Dividend Payout Ratio (DPR) has a coefficient of -0.053 with a standard error of 0.039 and a non-significant standardized coefficient (Beta) of -0.230. The t-value is 1.350 with a p-value of 0.183, indicating that DPR does not significantly predict ROA.

Current Ratio (CR) has a coefficient of 0.030 with a standard error of 0.009 and a significant standardized coefficient (Beta) of 0.590. The t-value is 3.296 with a highly significant p-value of 0.002, suggesting that CR has a positive and strong impact on ROA.

Leverage Ratio (LR) has a coefficient of -0.137 with a standard error of 0.058 and a significant standardized coefficient (Beta) of -0.336. The t-value is 2.349 with a p-value of 0.023, indicating that LR negatively influences ROA.

Firm Size (FS) has a coefficient of 0.161 with a large standard error of 1.515 and a non-significant standardized coefficient (Beta) of -0.014. The t-value is 0.107 with a p-value of 0.916, suggesting that FS does not significantly predict ROA.

In conclusion, based on these regression coefficients, Dividend Yield (D/Y), Current Ratio (CR), and Leverage Ratio (LR) emerge as significant predictors of Return on Assets (ROA) for manufacturing companies in Nepal. Dividend Yield and Current Ratio positively impact ROA, while Leverage Ratio negatively impacts ROA. Dividend Payout Ratio and Firm size, on the other hand, do not appear to have a significant influence on ROA based on this model. These findings provide valuable insights for understanding the drivers of financial performance within the manufacturing sector and can inform strategic decision-making related to dividend policy and financial management. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

4.3.2 The Multiple Regression of ROE

The regression analysis investigates the influence of liquidity variables, such as Dividend Policy (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR) and Firm Size (FS) on the changes in Return on Equity (ROE) for the chosen, manufacturing companies in Nepal. The equation for this regression model is outlined below:

$$ROA = \beta_0 + \beta_1 D/Y + \beta_2 DPR + \beta_3 CR + \beta_4 LR + \beta_5 FS + \text{et} \dots \dots \dots \text{(ii)}$$

Where, ROA= Return on Asset, a_1 = Constant, b_1 , b_2 , b_3 , b_4 and b_5 = Regression coefficient.

Table 8

Model Summary of ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.5746	.330	.251	5.6611

a. Predictors: (constant), D/Y, DPR, CR, LR and FS

b. Dependent Variables: ROE

Table 8 presents the model summary for a regression analysis predicting Return on Equity (ROE) based on several independent variables including Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS), with a constant term included in the model. The table reports key statistics for the regression model, including the coefficient of determination (R Square) which is 0.330, indicating that approximately 33.0% of the variance in ROE can be explained by the independent variables included in the model. The adjusted R Square, accounting for the number of predictors, is reported as 0.251, suggesting that around 25.1% of the variance in ROE is explained by the independent variables after adjusting for model complexity.

The value of R (0.5746) represents the correlation coefficient between the predicted values of ROE from the model and the actual observed values. A higher R value indicates a stronger linear relationship between the predicted and observed values of ROE. The standard error of the estimate (5.6611) reflects the average deviation of the observed values of ROE from the predicted values generated by the regression model.

Comparing the impact of each predictor variable on ROE, we can analyze the regression coefficients and their significance levels: Dividend Yield (D/Y): The coefficient, standard error, and significance level of D/Y will indicate whether a higher dividend yield is associated with higher ROE, controlling for other variables. Dividend Payout Ratio (DPR): Similar analysis will reveal the impact of DPR on ROE, assessing whether a higher or lower DPR influences ROE. Current Ratio (CR): The coefficient and significance level of CR will indicate the effect of liquidity and short-term solvency on ROE. Leverage Ratio (LR): Analysis of LR's coefficient and significance will show how leverage affects ROE, considering the risk and

return trade-off associated with debt financing. Firm Size (FS): The regression coefficient and significance level of FS will reveal whether financial stability has a direct impact on ROE for manufacturing companies in Nepal.

In conclusion, the model summary and regression coefficients from Table 8 provide insights into the factors influencing Return on Equity (ROE) within the context of manufacturing companies in Nepal. By understanding the impact of dividend-related metrics, liquidity, leverage, and firm size on ROE, stakeholders can make informed decisions regarding financial management strategies, capital structure, and dividend policy. The adjusted R Square value indicates the proportion of variance in ROE explained by the model's predictors, highlighting the importance of these financial metrics in determining shareholder returns and overall profitability. Further analysis and interpretation of the regression coefficients can enhance our understanding of ROE drivers and guide strategic decision-making within the manufacturing sector.

Table 9

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	695.360	5	139.072	1.541	0.002
	Residual	1410.12	44	32.048		
	Total	2105.489	49			

a. Dependent Variable: ROE

b. Predictors: (constant), D/Y, DPR, CR, LR and FS

Table 9 presents the results of an Analysis of Variance (ANOVA) for the regression model predicting Return on Equity (ROE) using several independent variables including Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS), with a constant term included in the model. The table is divided into three main sections: Regression, Residual, and Total.

In the Regression section, the Sum of Squares (SS) is reported as 695.360 with 5 degrees of freedom (df), resulting in a Mean Square (MS) of 139.072. The F-statistic (F) is calculated as 1.541 with a corresponding p-value (Sig.) of 0.002. This F-statistic tests the overall significance of the regression model and assesses whether at least one of the independent

variables significantly contributes to explaining the variance in the dependent variable (ROE). The low p-value (0.002) indicates that the regression model is statistically significant, suggesting that at least one of the independent variables is a meaningful predictor of ROE. In contrast, the Residual section of the table presents the Sum of Squares for the error term in the model, which is 1410.12 with 44 degrees of freedom (df), resulting in a Mean Square of 32.048. This represents the unexplained variance or random variation not accounted for by the independent variables in the regression model.

Overall, the ANOVA table provides critical information about the goodness of fit of the regression model for predicting ROE based on the specified predictors. The significant F-statistic (1.541) and associated p-value (0.002) suggest that the model as a whole is statistically meaningful in explaining variation in ROE. However, further analysis and interpretation of the coefficients for each predictor (D/Y, DPR, CR, LR, FS) are necessary to understand the specific impacts of these variables on ROE and draw more detailed conclusions regarding their influence on financial performance within the manufacturing sector.

Comparing the individual predictors, the Mean Square values in the Regression section provide insights into the relative contribution of each independent variable to explaining the variance in ROE. A higher mean square value for a predictor suggests a greater impact on ROE within the regression model. By analyzing the Sum of Squares and degrees of freedom (df) for both the Regression and Residual sections, we can assess how much of the total variance in ROE is explained by the model versus the unexplained variance. This analysis helps identify significant predictors and understand their respective roles in influencing ROE for manufacturing companies in Nepal.

In conclusion, the ANOVA results from Table 9 indicate that the regression model including Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) is statistically significant in explaining variation in Return on Equity (ROE) for manufacturing companies. The model captures a meaningful portion of the variance in ROE, although further analysis of the regression coefficients is needed to determine the specific impact of each predictor on ROE. These findings contribute to a deeper understanding of the factors influencing ROE within the manufacturing sector and can guide strategic decision-making related to financial performance and dividend policy.

Table 10

Regression Coefficient

Model		Unstandardized Coefficients		Standardized	t-value	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	0.614	0.584		1.052	0.298
	D/Y	0.055	0.027	0.469	2.065	0.044
	DPR	-0.048	0.040	0.217	1.205	0.034
	CR	-0.002	0.009	-0.036	0.188	0.852
	LR	0.052	0.059	-0.132	0.869	0.389
	FS	2.725	1.547	0.248	1.761	0.015

Dependent Variable: ROE

Table 10 displays the regression coefficients for the model predicting Return on Equity (ROE) based on several independent variables: Dividend Yield (D/Y), Dividend Payout Ratio (DPR), Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS), with a constant term included in the model. Each row in the table represents a predictor variable and provides information on its unstandardized coefficient (B), standard error (Std. Error), standardized coefficient (Beta), t-value, and corresponding significance (Sig.).

Starting with the constant term, the coefficient is 0.614 with a standard error of 0.584 and a non-significant p-value of 0.298, indicating that the intercept of the regression line is not significantly different from zero.

Dividend Yield (D/Y) has a coefficient of 0.055 with a standard error of 0.027 and a significant standardized coefficient (Beta) of 0.469. The positive coefficient suggests that an increase in dividend yield is associated with a higher ROE, holding other factors constant. The t-value is 2.065 with a p-value of 0.044, indicating that D/Y is a statistically significant predictor of ROE.

Dividend Payout Ratio (DPR) exhibits a coefficient of -0.048 with a standard error of 0.040 and a standardized coefficient (Beta) of 0.217. The negative coefficient implies that a higher DPR is associated with a lower ROE, although the significance level ($p = 0.034$) suggests a moderate impact on ROE.

Current Ratio (CR) shows a very small coefficient of -0.002 with a standard error of 0.009 and a negligible standardized coefficient (Beta) of -0.036. The t-value is 0.188 with a non-significant p-value of 0.852, indicating that CR does not significantly predict ROE in this model.

Leverage Ratio (LR) has a coefficient of 0.052 with a standard error of 0.059 and a standardized coefficient (Beta) of -0.132. The t-value is 0.869 with a non-significant p-value of 0.389, suggesting that LR is not a significant predictor of ROE in this regression.

Firm Size (FS) exhibits a substantial coefficient of 2.725 with a standard error of 1.547 and a standardized coefficient (Beta) of 0.248. The t-value is 1.761 with a significant p-value of 0.015, indicating that FS positively influences ROE, although the impact might be subject to variability given the larger standard error.

In conclusion, based on the regression coefficients, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield is associated with higher ROE, while a higher DPR is linked to lower ROE. Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) do not significantly impact ROE in this model, with their coefficients and significance levels suggesting minimal or negligible effects on ROE. These findings provide valuable insights into the drivers of equity profitability within the manufacturing sector and can inform strategic decision-making related to financial management and dividend policy. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

4.4 Discussion

The dividend policy and financial performance of manufacturing companies in Nepal are critical aspects that impact shareholder value and overall business sustainability. Dividend policy refers to the strategy companies use to distribute profits to shareholders through dividends. In Nepal's manufacturing sector, companies often face decisions regarding the proportion of earnings to be distributed as dividends versus retained for reinvestment. A prudent dividend policy aims to strike a balance between rewarding shareholders with dividends and maintaining sufficient capital for business expansion, research and development,

and operational needs. The choice of dividend policy can affect investor confidence, stock valuation, and liquidity. Moreover, dividend policies may reflect the financial health and stability of companies, influencing perceptions of risk and growth potential among investors.

Financial performance metrics such as Return on Assets (ROA) and Return on Equity (ROE) are key indicators of a manufacturing company's efficiency and profitability. ROA measures how effectively a company utilizes its assets to generate earnings, while ROE assesses the return earned by shareholders on their equity investment. These metrics are influenced by factors such as asset utilization, profitability margins, leverage levels, and overall financial stability. Manufacturing companies in Nepal must optimize these performance indicators to attract investors, secure financing, and sustain long-term growth. Thus, aligning dividend policies with sound financial performance goals is crucial for manufacturing companies in Nepal to thrive in a competitive business environment.

Return on Assets (ROA) and Return on Equity (ROE), we observe a strong positive correlation of 0.781 (significant at the 0.01 level), indicating that companies with higher asset profitability tend to also demonstrate stronger returns for shareholders based on equity. Conversely, ROE shows a moderate negative correlation (-0.608) with Dividend Yield (D/Y), suggesting that as ROE increases, dividend yield tends to decrease. This relationship implies that companies with higher returns on equity might opt for lower dividend payouts relative to their earnings.

Moving on to other correlations, Return on Assets (ROA) exhibits a strong positive relationship with Current Ratio (CR) at 0.678 and Financial Stability (FS) at 0.613. This indicates that companies with higher asset profitability tend to have stronger liquidity positions and financial stability. Notably, Dividend Payout Ratio (DPR) shows a negative correlation (-0.351) with Return on Assets (ROA), suggesting that companies with higher profitability (ROA) may choose to distribute a smaller proportion of earnings as dividends.

Result of the study the positive impact on Dividend yield(D/Y) and Current Ratio (CR) on ROA. This result is consistent with finding of Mahirun (2023), Kanakriyah (2020), Ajibola, Wisd Zarah and Puspitaningtyas (2019), Hafeez et.al (2018), Farrukh et.al (2017), Sharma (2023) and Chelimo Faith (2018) and increment of contradict with finding of Chelimo Faith (2018), Munandar et. al (2023), Apochi et.al (2024), Shenoy and Chakraborty (2024), Hariadi and Yunita (2023) and Pathak (2023).

Result of the study the negative impact on LR on ROA. This result is consistent with finding of Raj, Dalvadi, and Raj (2021), Baral and Pradhan (2018), Dhakal and Shah (2016), Kanakriyah (2020), Ajibola, Wisd Zarah and Puspitaningtyas (2019), Hafeez et.al (2018) and increment of contradict with finding of Bista et.al (2019), Apochi et.al (2024), Faith (2018), Munandar et. al (2023), and Sharma (2023).

Result of the study the insignificant on DPR and FS on ROA. This result is consistent with finding of Hariadi and Yunita (2023), Pathak (2023), Baral and Pradhan (2018), Chelimo Faith (2018), Dhakal and Shah (2016), Farrukh et.al (2017) and increment of contradict with finding of Kandel (2022), Raj, Dalvadi, and Raj (2021), Bista et.al (2019), and Zarah and Puspitaningtyas (2019).

Result of the study the positive impact on DY and FS on ROE. This result is consistent with finding of This result is consistent with finding of Ajibola, Wisd Zarah and Puspitaningtyas (2019), Kanakriyah (2020), Mahirun (2023), Hafeez et.al (2018), Farrukh et.al (2017), Sharma (2023) and Chelimo Faith (2018) and increment of contradict with finding of Chelimo Faith (2018), Hariadi and Yunita (2023) and Pathak (2023), Shenoy and Chakraborty (2024), Munandar et. al (2023), Apochi et.al (2024).

Result of the study the negative impact on DPR on ROE. This result is consistent with finding of Kanakriyah (2020), Ajibola, Wisd Zarah and Puspitaningtyas (2019), Raj, Dalvadi, and Raj (2021), Baral and Pradhan (2018), Hafeez et.al (2018), Dhakal and Shah (2016) and increment of contradict with finding of, Apochi et.al (2024), Faith (2018), Sharma (2023), Bista et.al (2019) and Munandar et. al (2023),

Result of the study the insignificant on CR and LR on ROE. This result is consistent with finding of Ajibola, Wisd Zarah and Puspitaningtyas (2019), Hafeez et.al (2018), Farrukh et.al (2017), Mahirun (2023), Kanakriyah (2020), Sharma (2023) and Chelimo Faith (2018) and increment of contradict with finding of Munandar et. al (2023), Apochi et.al (2024), Shenoy and Chakraborty (2024), Hariadi and Yunita (2023), Chelimo Faith (2018), and Pathak (2023).

Based on the regression coefficients, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield is associated with higher ROE, while a higher DPR is linked

to lower ROE. Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) do not significantly impact ROE in this model, with their coefficients and significance levels suggesting minimal or negligible effects on ROE. These findings provide valuable insights into the drivers of equity profitability within the manufacturing sector and can inform strategic decision-making related to financial management and dividend policy. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

The main conclusion regarding dividend policy and financial performance of manufacturing companies in Nepal underscores the interconnectedness between these two aspects and their impact on overall business success. Dividend policy plays a crucial role in shaping investor perceptions and market confidence by reflecting a company's financial stability, growth prospects, and commitment to shareholder returns. In the context of Nepal's manufacturing sector, where companies often face challenges related to access to capital and economic volatility, a well-balanced dividend policy can contribute to sustaining investor interest and supporting long-term business growth. However, the specific dividend policy adopted by each company should align with its financial performance metrics, including Return on Assets (ROA) and Return on Equity (ROE).

Financial performance indicators like ROA and ROE serve as critical benchmarks for assessing the efficiency and profitability of manufacturing companies in Nepal. A positive ROA indicates effective utilization of assets to generate earnings, while a strong ROE reflects the ability to generate higher returns for shareholders based on equity investment. These metrics are influenced by various factors including operational efficiency, capital structure, and market conditions. By optimizing financial performance and aligning dividend policies accordingly, manufacturing companies in Nepal can enhance shareholder value, attract investment, and foster sustainable growth. The key takeaway is the importance of integrating dividend policy decisions with strategic financial management practices to maximize value creation and ensure resilience in a dynamic business environment.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

This study is prepared to find out the dividend policy and performance of manufacturing companies of Unilever Nepal Ltd, Chaudhary Group, Nepal Distillery Pvt. Ltd, Gorkha Brewery Pvt. Ltd and Jagadamba Steel Industries Pvt. Ltd are the key factors that help a manufacturing companies achieve its goals. The main objectives of this study were to assess the effects of dividend policy on companies' performance, to examine the relationship between dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity and to analyze the impact on dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity. If manufacturing companies have high liquidity, then they cannot make profits. Because most of the liquidity is reserved in the manufacturing companies, it does not bring profit to the manufacturing companies. Insufficient liquidity of manufacturing companies can lead to serious financial problems such as loss of public confidence and even lead to bank liquidation. Liquidity management is a challenge for manufacturing companies and banks that want to achieve significant profits. The first chapter includes the research background, problem statement, significance and limitations of the study. The second chapter includes a review of relevant literature, theoretical background of banking principles as well as previous journals, articles and these. The second chapter includes a review of unpublished journals, articles and theses and presents them as theoretical background. Chapter 3 presents the methods and techniques applied to evaluate the relationship between dividend policy, dividend payout ratio, current ratio, leverage ratio and firm size on return on assets and return on equity. In the fourth chapter, data and information collected from different sources are analyzed and presented where the analysis and evaluation are done using different financial and statistical tools. The various liquidity, deposit, loan, advance and profit ratios of current assets are used as statistical tools while the mean, standard deviation, coefficient of variation, coefficient correlation and regression analysis were used as statistical tools to present data and analysis this study.

In correlation analysis, Return on Assets (ROA) and Return on Equity (ROE), we observe a strong positive correlation (significant at the 0.01 level), indicating that companies with higher asset profitability tend to also demonstrate stronger returns for shareholders based on equity. Conversely, ROE shows a moderate negative correlation with Dividend Yield (D/Y), suggesting that as ROE increases, dividend yield tends to decrease. This relationship implies that companies with higher returns on equity might opt for lower dividend payouts relative to their earnings. Return on Assets (ROA) exhibits a strong positive relationship with Current Ratio (CR) and Firm size (FS). This indicates that companies with higher asset profitability tend to have stronger liquidity positions and financial stability. Notably, Dividend Payout Ratio (DPR) shows a negative correlation with Return on Assets (ROA), suggesting that companies with higher profitability (ROA) may choose to distribute a smaller proportion of earnings as dividends.

The regression coefficients, Dividend Yield (D/Y), Current Ratio (CR), and Leverage Ratio (LR) emerge as significant predictors of Return on Assets (ROA) for manufacturing companies in Nepal. Dividend Yield and Current Ratio positively impact ROA, while Leverage Ratio negatively impacts ROA. Dividend Payout Ratio and Firm size, on the other hand, do not appear to have a significant influence on ROA based on this model. These findings provide valuable insights for understanding the drivers of financial performance within the manufacturing sector and can inform strategic decision-making related to dividend policy and financial management. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

The regression coefficients, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield is associated with higher ROE, while a higher DPR is linked to lower ROE. Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) do not significantly impact ROE in this model, with their coefficients and significance levels suggesting minimal or negligible effects on ROE. These findings provide valuable insights into the drivers of equity profitability within the manufacturing sector and can inform strategic decision-making related to financial management and dividend policy. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

In conclusion, the capital structure and financial performance of manufacturing companies are intertwined elements that significantly impact their ability to thrive in a competitive market. Striking a balance in capital structure, navigating financial challenges, and consistently delivering strong financial performance are essential for the long-term sustainability and growth of manufacturing firms, both in Nepal and globally.

5.2 Conclusion

To assess the effects of dividend policy on companies' performance, to examine the relationship between dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity and to analyze the impact on dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity, it is evident that a comprehensive analysis is crucial for understanding the economic landscape and challenges faced by these firms. The conclusions drawn from this assessment can guide strategic decision-making, helping companies optimize their dividend policy for sustainable growth and enhance financial performance in a competitive global environment. The findings may also shed light on the impact of external factors, such as political stability, infrastructure limitations, and access to finance, on the financial well-being of manufacturing firms in Nepal. Ultimately, a nuanced understanding of these aspects is instrumental in formulating targeted policies and strategies to bolster the resilience and prosperity of the manufacturing sector in the country.

In examining the relationship between dividend policy and financial performance of manufacturing companies in Nepal, it becomes apparent that the dynamics between how firms' source and allocate funds directly impact their overall economic health. A careful analysis of this relationship can unveil insights into the effectiveness of capital structure decisions in influencing profitability, liquidity, and long-term sustainability. A well-balanced dividend policy, tailored to the specific economic conditions of Nepal, may correlate with enhanced financial performance, fostering increased efficiency and competitiveness. Conversely, an imbalanced or inappropriate capital mix could lead to increased financial risks, potentially compromising performance metrics. This examination is critical for guiding manufacturing companies towards optimal financial strategies that align with the unique challenges and

opportunities present in the Nepalese business environment, ultimately contributing to the sector's resilience and growth.

The regression coefficients, Dividend Yield (D/Y), Current Ratio (CR), and Leverage Ratio (LR) emerge as significant predictors of Return on Assets (ROA) for manufacturing companies in Nepal. Dividend Yield and Current Ratio positively impact ROA, while Leverage Ratio negatively impacts ROA. Dividend Payout Ratio and Firm size, on the other hand, do not appear to have a significant influence on ROA based on this model. These findings provide valuable insights for understanding the drivers of financial performance within the manufacturing sector and can inform strategic decision-making related to dividend policy and financial management. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

The regression coefficients, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield is associated with higher ROE, while a higher DPR is linked to lower ROE. Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) do not significantly impact ROE in this model, with their coefficients and significance levels suggesting minimal or negligible effects on ROE. These findings provide valuable insights into the drivers of equity profitability within the manufacturing sector and can inform strategic decision-making related to financial management and dividend policy. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

The analysis of the impact of dividend policy and performance of manufacturing companies in Nepal reveals a nuanced relationship between how these entities choose to fund their operations and their resulting economic health. It is evident that the dividend policy significantly influences key financial indicators, including profitability, return on investment, and debt levels. A well-managed dividend policy, striking an optimal balance between ROA and ROE, is associated with improved financial performance, indicating that prudent financing decisions positively impact a company's ability to generate returns and manage risks effectively. Conversely, an imbalanced capital structure can lead to increased financial leverage, potentially compromising profitability and long-term sustainability. This examination underscores the importance of strategic financial planning in the manufacturing

sector in Nepal, emphasizing the need for companies to tailor their capital structures to the unique economic conditions and challenges prevalent in the region for sustained and robust financial performance.

5.3 Implications

The following recommendations have been given for the enhancement of the dividend policy and performance analysis of selected manufacturing companies in Nepal.

- The mean values suggest that NDPL, GBPL, and JSIPL, with means have relatively higher average returns on equity compared to UNL and CG. However, the standard deviation and coefficient of variation illuminate the variability and risk associated with these returns. GBPL, with the highest SD and a notable CV, indicates a higher level of risk in its ability to consistently deliver returns to shareholders.
- In correlation analysis, Return on Assets (ROA) and Return on Equity (ROE), we observe a strong positive correlation (significant at the 0.01 level), indicating that companies with higher asset profitability tend to also demonstrate stronger returns for shareholders based on equity. Conversely, ROE shows a moderate negative correlation with Dividend Yield (D/Y), suggesting that as ROE increases, dividend yield tends to decrease. This relationship implies that companies with higher returns on equity might opt for lower dividend payouts relative to their earnings. Return on Assets (ROA) exhibits a strong positive relationship with Current Ratio (CR) and Firm size (FS). This indicates that companies with higher asset profitability tend to have stronger liquidity positions and financial stability. Notably, Dividend Payout Ratio (DPR) shows a negative correlation with Return on Assets (ROA), suggesting that companies with higher profitability (ROA) may choose to distribute a smaller proportion of earnings as dividends.
- The regression coefficients, Dividend Yield (D/Y), Current Ratio (CR), and Leverage Ratio (LR) emerge as significant predictors of Return on Assets (ROA) for manufacturing companies in Nepal. Dividend Yield and Current Ratio positively impact ROA, while Leverage Ratio negatively impacts ROA. Dividend Payout Ratio and Firm size, on the other hand, do not appear to have a significant influence on ROA based on this model. These findings provide valuable insights for understanding the

drivers of financial performance within the manufacturing sector and can inform strategic decision-making related to dividend policy and financial management. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy.

- The regression coefficients, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield is associated with higher ROE, while a higher DPR is linked to lower ROE. Current Ratio (CR), Leverage Ratio (LR), and Firm Size (FS) do not significantly impact ROE in this model, with their coefficients and significance levels suggesting minimal or negligible effects on ROE. These findings provide valuable insights into the drivers of equity profitability within the manufacturing sector and can inform strategic decision-making related to financial management and dividend policy. Further analysis and validation of these results are recommended to refine the model and enhance its predictive accuracy
- This study may be helpful to fulfil the gaps of proper research about relationship between dividend policy and financial performance and profitability. It may provide the knowledge about liquidity in Nepalese manufacturing companies and their profitability position.
- This study reflects the relationship between dividend policy, performance, liquidity, deposits, dividend policy, dividend payout ratio, current ratio, leverage ratio, firm size, ROA and ROE of position of five selected manufacturing companies only. Furthermore, researchers can be carried out using larges sampling of other manufacturing companies, insurance companies, others banks and financial institutions too.

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APPENDIX

Dividend Yields (D/Y)

Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	0.9049	0.9345	0.890	0.9042	0.7775
2014/15	0.8979	0.929	0.893	0.9069	0.7856
2015/16	0.9023	0.9093	0.8958	0.8912	0.8037
2016/17	0.8977	0.8878	0.8911	0.8883	0.821
2017/18	0.8999	0.8991	0.8625	0.8961	0.8254
2018/19	0.8767	0.8858	0.8656	0.8996	0.082
2019/20	0.0254	0.8889	0.848	0.8654	0.8756
2020/21	0.813	0.8825	0.845	0.872	0.8832
2021/22	0.8238	0.8893	0.850	0.872	0.8839
2022/23	0.7933	0.8923	0.829	0.8663	0.8753
Mean	0.78349	0.89985	0.867	0.8856	0.76123
S.D	0.2696	0.018475	0.024073	0.016647	0.242148
CV	34.4101	2.776586	1.879774	1.879743	31.8101

Dividend Payout Ratio (DPR)

Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	0.0335	0.013	0.0159	0.0103	0.0212
2014/15	0.0298	0.0102	0.0109	0.0123	0.0276
2015/16	0.0259	0.0066	0.0121	0.0163	0.0231
2016/17	0.0182	0.0057	0.0148	0.0168	0.0282
2017/18	0.0123	0.0045	0.0119	0.0127	0.0161
2018/19	0.0072	0.0034	0.0102	0.01	0.0161
2019/20	0.0034	0.0032	0.0072	0.0097	0.01
2020/21	-	0.0098	0.0175	0.0084	0.0193
2021/22	0.0139	0.0054	0.016	0.0229	0.0283
2022/23	0.0650	0.0130	0.029	0.0219	0.0357
Mean	0.02324444	0.00748	0.01455	0.01413	0.02256
S.D	0.01864974	0.003739	0.00597	0.00515	0.007578
C.V	80.2331	49.9895	41.03201	36.44716	33.5894

Current Ratio (CR)

Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	0.811	0.9172	0.9079	0.9449	0.9261
2014/15	0.8155	0.9171	0.904	0.9413	0.9256
2015/16	0.8296	0.8979	0.908	0.9257	0.9255
2016/17	0.8392	0.8941	0.906	0.9047	0.926
2017/18	0.8378	0.9007	0.8744	0.9118	0.9161
2018/19	0.0893	0.903	0.8759	0.8958	0.89
2019/20	0.8046	0.8921	0.8553	0.8751	0.8856
2020/21	0.813	0.8924	0.863	0.880	0.9024
2021/22	0.842	0.8947	0.8662	0.8884	0.9122
2022/23	0.8584	0.9053	0.8586	0.8882	0.9108
Mean	0.75404	0.90145	0.88193	0.90559	0.91203
S.D	0.23417	0.009383	0.022042	0.024816	0.015105
C.V	31.05596	1.040825	2.4993408	2.74030906	1.6561841

Leverage Ratio (LR)

Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	0.890	0.0086	0.7775	0.8656	0.76123
2014/15	0.893	0.0115	0.7856	0.848	0.0119
2015/16	0.8958	0.0157	0.8037	0.0086	0.0151
2016/17	0.8911	0.0138	0.821	0.0115	0.0179
2017/18	0.8625	0.0157	0.8254	0.0157	0.0169
2018/19	0.8656	0.0172	0.082	0.0138	0.0152
2019/20	0.848	0.0167	0.8756	0.0157	0.0197
2020/21	0.845	0.0183	0.8832	0.0172	0.0194
S2021/22	0.850	0.01063	0.8839	0.0167	0.0117
2022/23	0.829	0.0120	0.8753	0.0183	0.0069
Mean	0.867	0.014013	0.76123	0.01063	0.01429
S.D	0.024073	0.003208	0.242148	0.0120	0.004482
CV	1.879774	22.89103	31.8101	0.014013	31.36755

Firm Size (FS)

Fiscal Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	4.2916	11.0881	9.8689	17.158	12.5481
2014/15	4.4206	11.077	9.4195	16.0562	12.4497
2015/16	4.8714	8.7968	9.873	12.4668	7.4087
2016/17	5.2208	8.4471	9.6399	9.4991	12.52
2017/18	5.1667	9.0739	6.9681	10.3453	10.9201
2018/19	0.52	9.3134	7.0617	8.6007	8.0983
2019/20	4.1182	8.268	5.9114	7.0101	7.7477
2020/21	4.343	8.286	6.266	7.3589	9.247
2021/22	5.299	8.499	6.472	7.328	10.397
2022/23	6.060	7.5648	6.070	7.949	10.222
Mean	4.43113	9.04141	7.75505	10.37721	10.15586

S.D	1.4976687	1.176815	1.715261	3.684291	1.989583
C.V	33.798799	13.01583	22.11799	35.50368	19.59049

Return on assets (ROA)

Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	0.0268	0.0086	0.0158	0.0082	0.0111
2014/15	0.0296	0.0115	0.0261	0.0119	0.0143
2015/16	0.0171	0.0157	0.0225	0.0151	0.0173
2016/17	0.0357	0.0138	0.0188	0.0179	0.0151
2017/18	0.022	0.0157	0.0196	0.0169	0.0168
2018/19	0.0202	0.0172	0.0206	0.0152	0.0154
2019/20	0.0254	0.0167	0.0213	0.0197	0.0159
2020/21	0.028	0.0183	0.0178	0.0194	0.01465
2021/22	0.0186	0.01063	0.0119	0.0117	0.01175
2022/23	0.0150	0.0120	0.0157	0.0069	0.01247
Mean	0.02384	0.014013	0.01901	0.01429	0.01447
S.D	0.006411	0.003208	0.003998	0.004482	0.00209
C.V	26.8952	22.89103	21.03345	31.36755	14.4821

Return on Equity (ROE)

Year	UNL	CG	NDPL	GBPL	JSIPL
2013/14	0.1418	0.1045	0.1717	0.1501	0.1513
2014/15	0.1609	0.139	0.2727	0.203	0.1928
2015/16	0.1008	0.1589	0.2447	0.2034	0.2334
2016/17	0.2209	0.1311	0.2	0.1887	0.2047
2017/18	0.1359	0.1587	0.1566	0.1924	0.201
2018/19	0.1176	0.1774	0.1664	0.1464	0.1402
2019/20	0.1301	0.1547	0.1471	0.158	0.1389
2020/21	0.1479	0.1692	0.129	0.1619	0.15020
2021/22	0.1170	0.10087	0.089	0.1088	0.1339
2022/23	0.1119	0.1273	0.1103	0.063	0.1399
Mean	0.13848	0.142167	0.16875	0.15757	0.16863
S.D	0.0341499	0.026163	0.057288	0.15757	0.03573
C.V	24.6605	18.40273	33.94869	28.27763	21.1904

Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
ROA	2.31	33.08	1.61	0.49
ROE	0.20	2.64	16.61	5.42
D/Y	0.12	15.71	9.30	5.02
DPR	0.00	10.45	2.19	2.54
CR	46.08	88.90	70.48	11.48
LR	0.06	7.18	2.28	1.42
FS	0.08	8.25	0.13	0.05

Valid N (likewise) 56

Correlation Matrix

	ROA	ROE	D/Y	DPR	CR	LR	FS
ROA	1						
ROE	.781**	1					
D/Y	.321**	-.608**	1				
DPR	-.351**	.360	.271	1			
CR	.678**	.465**	.253	.119	1		
LR	.477**	-.250	.134	.329**	-.193	1	
FS	.613**	.113	-0.123	0.098	.328**	.231	1

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

Model Summary of ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.4701	.221	.133	.52999

- a. Predictors: (constant), D/Y, DPR, CR, LR and FS
- b. Dependent Variables: ROA

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.376	5	.675	2.866	0.0024
	Residual	11.897	50	2.70		
	Total	15.273	55			

- a. Dependent Variable: ROA
- b. Predictors: (constant), D/Y, DPR, CR, LR and FS

Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.383	0.572		0.670	0.506
	D/Y	0.038	0.026	0.311	1.451	0.013
	DPR	-0.053	0.039	-0.230	1.350	0.183
	CR	0.030	0.009	0.590	3.296	0.002
	LR	-0.137	0.058	-0.336	2.349	0.023
	FS	0.161	1.515	-0.014	0.107	0.916

Dependent Variable: ROA

Model Summary of ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.5746	.330	.251	5.6611

- a. Predictors: (constant), D/Y, DPR, CR, LR and FS
- b. Dependent Variables: ROE

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	695.360	5	139.072	1.541	0.002
	Residual	1410.12	50	32.048		
	Total	2105.489	55			

- a. Dependent Variable: ROE
- b. Predictors: (constant), D/Y, DPR, CR, LR and FS

Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.614	0.584		1.052	0.298
	D/Y	0.055	0.027	0.469	2.065	0.044
	DPR	-0.048	0.040	0.217	1.205	0.034
	CR	-0.002	0.009	-0.036	0.188	0.852
	LR	0.052	0.059	-0.132	0.869	0.389
	FS	2.725	1.547	0.248	1.761	0.015

Dependent Variable: ROE

EFFECT OF DIVIDEND POLICY ON COMPANY PERFORMANCE

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ABSTRACT This study is examined to effect of dividend policy on company performance. The main objectives of this study are to assess the effects of dividend policy on companies performance, to examine the relationship between dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity, to analyze the impact on dividend policy i.e dividend yield, dividend payout ratio, current ratio, leverage ratio and firm size on performance i.e return on assets and return on equity. D/Y, DPR, CR, LR, and FS are the independent variables and ROA and ROE are the dependent variable in this study. Mean, standard deviation, correlation and multiple regression analysis are taken to present data. The major finding of this study based on these regression coefficients OF ROA, Dividend Yield (D/Y), Current Ratio (CR), and Leverage Ratio (LR) emerge as significant predictors of Return on Assets (ROA) for manufacturing companies in Nepal. Dividend Yield and Current Ratio positively impact ROA, while Leverage Ratio negatively impacts ROA. Dividend Payout Ratio and Firm size, on the other hand, do not appear to have a significant influence on ROA based on this model. These findings provide valuable insights for understanding the drivers of financial performance within the manufacturing sector and can inform strategic decision-making related to dividend policy and financial management. Based on the regression coefficients of ROE, Dividend Yield (D/Y) and Dividend Payout Ratio (DPR) emerge as significant predictors of Return on Equity (ROE) for manufacturing companies in Nepal. A higher dividend yield