

Dividend Practices of Nepalese Development Banks in Nepal

A Dissertation submitted to the Office of the Dean, Faculty of Management in
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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Dividend Practices of Nepalese Development Banks in Nepal”** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. **Binita Sharma** has defended a research proposal entitled "**Dividend Practices of Nepalese Development Banks in Nepal**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of the supervisor Dr. Pitri Raj Adhikari and submit the thesis for evaluation and viva voce examination. Acceptance.

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APPROVAL SHEET

We have examined the dissertation entitled “**Dividend Practices of Nepalese Development Banks in Nepal**” presented by **Binita Sharma** for the degree of Master of Business of Study (MBS). We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

BVPS:	Book Value Per Share
DPR:	Dividend Payout Ratio
DPS:	Dividends Per Share
DY:	Dividend Yield
EPS:	Earnings Per Share
FMCG:	Fast-Moving Consumer Goods
FSIs:	Financial Service Institutions
GDP:	Gross Domestic Product
KSE:	Karachi Stock Exchange
MPS:	Market Price Per Share
NEPSE:	Nepal Stock Exchange
NRB:	Nepal Rastra Bank
NSE:	Nairobi Securities Exchange
OLS:	Ordinary Least Squares
PAT:	Profit After Tax
PBS:	Pakistan Bureau of Statistics
PER:	Price-Earnings Ratio
QSE:	Qatar Stock Exchange
SBP:	State Bank of Pakistan
SEABON:	Securities Board of Nepal
SPSS:	Statistical Package for the Social Sciences

ABSTRACT

This study examines the dividend practices of three development banks in Nepal: Garima Bikas Bank, Jyoti Bikash Bank, and Kamana Sewa Bikas Bank. The analysis spans ten years, from the fiscal year 2070/71 to 2079/80, utilizing secondary data obtained from the annual reports of the respective banks and other sources such as SEABON, NEPSE, and NRB publications. The research investigates the relationship between dividend policies and key financial indicators, including Dividend Payout Ratio (DPR), Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), Dividend Yield (DY), and Market Price Per Share (MPS).

The study reveals distinct dividend practices among the three banks. Garima Bikas Bank exhibited significant variability in EPS, DPS, and DPR, reflecting fluctuations in profitability and dividend payments. This variability suggests that Garima Bikas Bank may be a higher-risk investment but also one with the potential for higher returns. In contrast, Jyoti Bikas Bank and Kamana Sewa Bikas Bank demonstrated greater stability and consistency in their financial performance and dividend practices. Both banks showed steady growth in EPS and DPS, maintaining a constant DPR of 0.30.

Correlation analysis revealed a strong positive correlation between MPS and EPS for all three banks, underscoring the crucial role of earnings performance in determining market valuation. MPS showed a moderate positive correlation with DPS and a weak positive correlation with DY, indicating that dividend payments and yields have a lesser impact on market price compared to earnings. The study concludes that consistent earnings and stable dividend practices are essential for maintaining investor confidence and achieving balanced market valuations. The findings provide valuable insights for investors, decision-makers, and researchers interested in the financial performance and dividend practices of development banks in Nepal.

Keywords: *Dividend Practices, Development Banks, Dividend Payout Ratio (DPR), Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), Dividend Yield (DY), Market Price Per Share (MPS)*

CHAPTER I

INTRODUCTION

1.1 Background of the study

Dividends are the share of the profits of a company which is received by the shareholders. However, they do not become the property of the shareholders and shareholders have no right to them until the directors of the company have passed a resolution declaring a dividend (Ghimire, 2008; Weston & Copeland, 1992). Dividends are distributed out of profit. The alternative to the payment of dividends is retained earnings. The retained earnings provide a significant portion of financing the investment requirement of the firm (Shrestha, 2011; Khan & Jain, 1990).

A dividend represents a distribution of earnings made by a company to its shareholders, with various forms of payment possible, including cash, stock, or alternative agreements. Financial institutions constitute the cornerstone of the financial system, facilitating the flow of funds from various stakeholders to borrowers, thereby supporting economic activities (Charimiya, 2024; El-Hawary et al., 2007).

Determining whether or not to pay a dividend, and to what extent, is affected by several factors that influence the policy regarding dividends that companies perform today. Examining these factors and what drives the decision companies make regarding paying dividends or reinvesting capital into the company have been of interest for decades. Management's primary goal is to maximize shareholder wealth, and this goal can only be achieved by giving the shareholders a fair payment for their investment. The main purpose of investors investing their funds in a company is to earn a reasonable income or high rate of

return. Dividends are one of the sources of such income. As each company is forced to operate with high efficiency in order to maintain the quality and capability of competing to raise net income with the best results (Upong, 2023; Velnampy et al., 2014). Dividend distribution for business organizations is a very important decision, which depends upon the long-term and short-term strategy of the firm. Dividend strategy of the firm involves dividing net earnings into two parts: retained earnings and dividend payment. Most business firms use the retained earnings to provide funds to the firm for long-term growth, which we call an internal financing source also.

Dividend distribution policy is one of the major decisions of financial management because it affects the financial structure of the firm. Mostly, the dividend is paid in cash to its shareholders (Shrestha, 2011). Dividend policy is an integral part of a firm's financing decision. The dividend policy of a firm is regarded as a tool to determine the appropriate allocation of profits between dividend payment and retained earnings in the firm, which is distributed to financing for the growth of a firm (Sah, 2011).

Dividend payment decision is one of the major decisions of financial management because it affects the financial structure, the flow of funds, corporate liquidity, and investors' attitudes. After the successful completion of a fiscal year having sufficient profits, management decides to declare a dividend to shareholders. The important aspect of dividend practice is to determine the amount to be retained in the firm and the portion given to the shareholders (Khadka & Khadka, 2010).

Dividends represent a share of a company's profits that are distributed to its shareholders. In corporate finance, the decision to pay dividends or retain earnings is a critical aspect of financial management, significantly impacting a firm's financial structure and growth

prospects. This decision influences a company's liquidity, capital structure, and overall market position, making it a pivotal consideration for financial managers.

Dividend policies are influenced by various factors, including profitability, liquidity, capital structure, and market conditions. Understanding these factors is crucial for companies to maximize shareholder wealth and attract investors. Effective dividend policies can enhance a firm's reputation, stabilize its stock price, and ensure long-term financial sustainability (Basnet, 2019).

While extensive research exists on dividend practices, there is a notable lack of focused studies on development banks, particularly in emerging markets like Nepal. Development banks play a unique role in promoting economic growth and financial inclusion, making their dividend practices particularly relevant. The existing literature presents mixed and inconclusive results regarding the impact of key financial indicators on dividend policies. Additionally, the influence of regulatory changes and economic conditions on dividend decisions remains under-explored.

The inconsistencies and gaps in the existing literature highlight the need for a more comprehensive analysis of dividend practices in development banks. Specifically, there is a lack of understanding regarding the relationship between financial indicators such as profitability, liquidity, and capital structure, and dividend policies. Moreover, the impact of regulatory changes, such as the transition from Basel II to Basel III, and economic downturns on dividend decisions requires further investigation.

In Nepal, despite the importance of development banks in the country's financial landscape, there is a lack of comprehensive research on their dividend practices. This gap limits our

understanding of how these institutions optimize shareholder returns and contribute to economic development. The absence of focused studies on Nepalese development banks hinders the formulation of effective dividend policies and the attraction of investors.

This study aims to address these gaps by analyzing the dividend practices of three specific development banks in Nepal: Jyoti Bikash Bank, Garima Bikas Bank, and Kamana Sewa Bikas Bank. The study examines ten years of secondary data, including financial indicators such as Dividend Payout Ratio (DPR), Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), Dividend Yield (DY), and Market Price Per Share (MPS), to investigate the relationship between these factors and dividend policies.

1.2 Problem statement

Despite the extensive research conducted on dividend practices and policies, there remains a significant gap in understanding the specific factors influencing dividend payout decisions in the context of development banks, particularly in emerging markets like Nepal. While international studies have provided valuable insights and formulated widely accepted findings (Nadeem et al., 2018; Zafar et al., 2012; Imran et al., 2013), national-level research has often been fragmented, focusing on various types of companies without a comprehensive analysis of development banks.

The existing literature presents mixed and inconclusive results regarding the impact of key financial indicators such as profitability, liquidity, and capital structure on dividend policies (Kathuo & Kimoro, 2017; Jepkemoi et al., 2019). This inconsistency highlights the need for a more detailed and context-specific analysis to reconcile these conflicting findings and

provide a clearer understanding of the relationship between financial performance indicators and dividend policies.

Moreover, the applicability of these findings to different economic contexts and regulatory environments remains uncertain. The impact of regulatory changes, such as the transition from Basel II to Basel III, and the influence of economic downturns on dividend policies are areas that have not been adequately explored (Nadeem et al., 2018). Additionally, the interplay between dividend policy and other financial metrics, such as retained earnings and market conditions, is not fully understood (Al-Hasan et al., 2013; Majumdar, 2016).

In Nepal, while studies have examined dividend practices in various types of banks, there is a notable lack of focused research on development banks. This gap is particularly significant given the unique role that development banks play in fostering economic growth and financial inclusion. The absence of a comprehensive analysis of dividend practices in development banks limits our understanding of how these institutions maximize returns on shareholders' equity and enhance the value of investments (Nyor & Adejuwon, 2013).

Therefore, this study aims to address these research gaps by conducting a detailed analysis of the dividend practices of three development banks in Nepal: Jyoti Bikash Bank, Garima Bikas Bank, and Kamana Sewa Bikas Bank. By examining ten years of secondary data, including Dividend Payout Ratio (DPR), Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), Dividend Yield (DY), and Market Price Per Share (MPS), this research seeks to provide empirical evidence that can inform both academic discourse and practical decision-making in the financial industry. The ultimate goal is to identify the factors that influence dividend policies in development banks and to assess the uniformity and effectiveness of these policies in maximizing shareholder value.

The following research question has been crafted for this study:

- I. What dividend practices are adopted by sample development banks?
- II. What is the relationship between MPS with DPS, EPS, DPR, PER and DY?
- III. Do DPS, EPS, DPR, PER and DY affect MPS of sample banks?

1.3 Objectives of study

The main objective of the dividend practices is to maximize return on shareholders equity so that the value of investment is maximized. The specific objectives of this study will be mentioned below:

- I. To assess the dividend practice adopted by sample banks.
- II. To analyze the relationship between MPS with DPS, EPS, DPR, PER, and DY.
- III. To examine the impact of DPS, EPS, DPR, PER, and DY on MPS of sample size banks.

1.4 Rationale of the study

The objective behind investment in stock is to get a greater dividend. Dividend practices are an effective way to attract new investors, to keep present investors happy and to maintain the goodwill of companies. This study holds rationale for multiple stakeholders across different domains.

This study offers valuable insights into how their dividend practice influences market perception and shareholders value. Understanding the dividend practices of development banks can help to formulate more effective dividend policy to attract investors and enhance market strategies. By contributing academic literature, this research can stimulate further

inquiry and debate on related topics, fostering intellectual advancement in the field of financial institutions.

Lastly, This study will be helpful in further research in this context and also useful to make clear conception towards dividend to related investors and company's management. Academicians can leverage the findings of the study to enrich their teaching curricula and incorporate contemporary research findings into their coursework. And it will be useful to the government for policy making, controlling, supervisions, and monitoring.

1.5 Limitations of study

The limitations of this study are as follows:

- I. Limited research on this topic specifically in development banks.
- II. This research has been based on secondary data hence there may be reporting error and validity of the data determines the reliability of the result.
- III. This study period covers only ten fiscal years which is only a snapshot of the long-term trend and dynamics.
- IV. Among 17 development banks, the sample size is considered to be only three development banks which may not fully represent.

CHAPTER II

LITERATURE REVIEW

In this chapter, an attempt has been made to analyse the theoretical aspect and related literature relating to this topic, and also provides a comprehensive overview of the research landscape surrounding dividend policy, encompassing conceptual, literature, and empirical reviews, while also highlighting existing research gaps.

2.1 Conceptual Review

2.1.1 Meaning of Dividend

In simple words, dividend refers to a portion of earnings, which is distributed to shareholders in return of their investment in share capital. Dividend decision is very important decision for any firm. This is not only important for the shareholder but also for the firm's internal growth.

Dividend implies to the portion of earning that is paid to the shareholders while dividend policy refers to the guidelines that management uses in establishing the portion or retained earnings and remaining paid to the shareholders in the form of dividend (Mathur 2014; Basnet 2019).

Dividend serves as a pivotal component in corporate finance and shareholders value, constituting a portion of a company's earnings distributed to its shareholders as a return on their investment (Chimariya 2024, Fischel 1981).

Dividend decision is the crucial area of financial management, and dividend is the portion of earnings, which is distributed to shareholders, in return of their investment in share capital and it is a most significant source of internal financing to grow the firm (Sah, 2011).

Dividend are use to influence the shareholders financial decision towards the firm, and good explanations of company's stewardship. Good dividends are effectively communicated and initiated through effective dividend policies. There are different dividend policies adopted by different firm and some company even apply a combination of different dividend policies such as; forms of dividend payment, timing of dividend payment, earning per share, price earning ratio and dividend yield (Ukpong,2023).

Dividend policy refers to the policy, which segments the earnings to retention amount and dividend. Dividend policy determines the ratio of earning to be retained and pay out. As the dividend payment and retained earning have inverse relationship all the problems regarding dividend payment and retention of earning is closely examined before applying appropriate dividend policy. Higher dividend payout reduces the retention amount, which affects the internal financing in other hand lower dividend payout affects marker price of stock. The decision regarding dividend payment depends upon the objective of the firm. If the firm have wealth maximization objective, it pays higher dividend otherwise it uses the fund to reinvestment for growth and expansion of the firm with lower dividend payout.(Pradhan 2009).

2.1.2 Objectives /Motives of dividend declaration

Firm enjoy the funds of other shareholders. Investors also want their funds to be utilized in productive sectors where the return will be higher. The shareholders like to have fair return on their investment . So, dividend is one of widely used means of providing return to shareholders. the firm declare and provide dividend for following motives:

A) Increase Market Price of Share

Dividend scheme followed by firm greatly affects the market price of share.

Stable dividend policy has positive impact on the market prices of share.

Shareholders are likely to pay a premium for a stock with a relatively assured minimum stable dividend. The price of the share with stable dividend is higher than that with fluctuating dividend. Any firm or shareholders wouldn't like to have lower share prices. Hence, one of the motives of providing dividend is to maintain or increase the market value of share.

B) To Provide Fair Return To Shareholders

Shareholders are the owner of the firms. The firm must compensate them in return for use of their fund. The return paid by the firm is said to be fair. If the firm is able to meet shareholders expectation, the price of share of firm will never decline. Hence to provide fair return to shareholders must be one of the motives of providing dividend.

C) To Be Competitive In The Market

There are various types of firm in the market among them some firm providing similar nature of product or services. Only those firm can sustain in the market which can compete other firm of similar nature. Similarly, the competition compels the firm to pay dividend to the shareholders. Non-payment of dividend may have negative impact on share price and reputation of a firm, if it's competitive firm are providing dividend to their shareholders. Hence the firm pay dividend to be competitive in the market.

In addition to the above three motives, the firm could have several reasons of providing dividend.

The firm prefers to pay dividend if it has enough fund and no investment opportunities. The firm pay dividend to foster its reputation in the market.

2.1.3 Types of Dividends

Firm needs to use different types of dividend in view of objectives and policies which they implement. Generally dividends are paid in cash but when the company is unable to pay cash dividend they use different forms of dividend payment for satisfying stockholders. Such forms of dividends are stock dividend, scrip dividend, property dividend, Bond dividend etc. But in Nepalese context most of the companies are paying cash and stock dividend (Bonus share).

Different types of dividends, the firm may choose to pay is briefly explained below:

A) Cash Dividend

Cash dividend may be termed as portion of earning paid in cash to the owner of the firm as return on their equity investment. If a company doesn't have enough cash at the time of dividend payment, company seeks to arrange funds, which will be managed by borrowing. 'When the company follows stable dividend policy, they uses to prepare cash budget to indicate the necessary funds which would be needed to meet regular dividend payment of the company.

'The cash account and the reserve account of the company will be reduced when cash dividend is paid. Thus, both the total assets and the net worth of the company are reduced when the cash dividend is distributed. The market price of share drops in most cases by the amount of the cash dividend distributed. (Pradhan, 2009)

B) Stock Dividend

A stock dividend is a payment in the form of additional share of stock instead of cash. In other words it is the payment of dividend in the form of stock proportionate to their shareholdings. Share is again provided to the shareholders

instead of cash dividend. It is a popularly known as bonus share. The bonus share do not affect the wealth of shareholders. The bonus share is advantageous to the company as it conserves the cash of the company. A stock dividend simply is the payment of additional stock to shareholders nothing more than a recapitalization of the company; a stockholder's proportional ownership remains unchanged (Basnet, 2019; van Horne, 2013)

C) Bond Dividend

In rare instances, dividend are paid in the form of debenture or bonds or notes for a long term period. The effect of such dividend is the same as that of paying dividend in scrips. The shareholders become the secured creditors is the bonds has a lien on assets.

D) Property Dividend

Sometimes, dividend is paid in the form of assets instead of payment of dividend in cash. The distribution of dividend is made whenever the assets is no longer required in the business such as investment or stock of finished goods.

It should be note that in context of Nepal distribution of dividend is permissible only in form of cash or bonus share and distribution of dividend in any other form is not allowed.

2.1.4 Rules Regarding Dividend Practices

Not a clear cut rules regarding dividend practices could be found in Nepal. Nepal stock exchange which was regulated under Security Exchange Act 1983 has responsibility to undertake required actions to protect shareholders interest. However, this organization has not been so able to protect shareholders interest since interest and attitude of the board of

directors play dominant role in management of public limited company and they are generally in majority who are nominated by government.

As per commercial bank act 2031 has also made some provisions for distributing dividend. According to this act the bank should not declare and distribute the dividend to shareholders before providing the whole expenses for preliminary expenses, loss incurred in last year, capital reserve, risk bearing fund and reserve fund.

Similarly, company act 2063 makes some legal provision regarding dividend distribution such as:

According to this act, Board of directors can fix dividend payout rate but such rate should be proposed, first for the discussion and approval in the annual general meeting of shareholders, the general meeting can reduce the rate determined by board of directors but can't increase. Section (2) state that bonus share mean share issued in the form of additional share to shareholders by capitalizing the surplus from the profit on the reserve fund of the company. The term also denotes an increase in the paid up values of the share after capitalizing surplus or reserve funds. Section (47) has provided company from purchasing its own shares. This section state that no company shall purchase it own share or supply loans against the security of its own shares. And section (137) state that the company must inform the office before issuing bonus share under subsection may be done only according to a special resolution by the general meeting.

2.1.5 Factor Influencing Dividend Practice

Dividend decision is an ongoing issue received much attention from researchers, owners, managers, investors, creditors, and other stakeholders. As we know that, many factors affect a firm's dividend decision. Here are some of the factor that influence dividend decision are listed below:

- Legal provision
- Agency costs
- Liquidity position
- Borrowing capacity of firm's
- Inflation
- Stability of earning
- Capacity to repayment of debt
- Percentage of profit
- Tax position
- Expansion of assets
- Investment opportunity
- Size of firm
- Other factor.

2.2 Theoretical Review

Walter's study

James E. Walter proposed a model for share valuation. His model supports that dividend are relevant. He argues that the choice of dividend policies usually affect the value of an enterprise. Walter's model clearly shows the importance of the relationship between the return on a firm's investment or its internal rate of return (r) and its cost of capital or the required rate of return (k) in determining the dividend policy. His study was based on the following assumptions:

- I. All financing is done through retained earnings.
- II. The firm's business risk does not change i.e. r and k are constant.
- III. Earning and dividend remain constant.

IV. The firm have perpetual life.

Based on these assumptions, prof. Walter develops a model to determine the market price per share as follows:

Where,

P = Market price per share

DPS = Dividend per share

EPS = Earning per share

r = Internal rate of return

K = Cost of capital

According to this study the given firm may have three probable conditions. They are:

- Growth firms, $r > k$
- Normal firms, $r = k$
- Declining firms, $r < k$

At last, Walter's study conclude that dividends are negatively correlated with market value of share for growth firm, positively correlated for declining firm and there is no correlation between market value and dividend payout ratio for normal firm.

Modigliani and Miller Study

In 1961, Modigliani and Miller presented the most exhaustive arguments in support of the irrelevance of dividends. This approach is known as MM approach. And it is sometimes termed as dividend irrelevance model. According to this model dividend policy of a firm is irrelevant, as it doesn't affect the wealth of the shareholders. They

content that a company's worth is determined by its investment strategy or the earning potential of its assets. As a result, when the investment policy is specified, the dividend choice dividend the earnings into packages of retentions, ensuring that the dividend has no effect on the equity share value. In other words, the division of earning between dividend and retained earning is irrelevant from shareholders viewpoint.

The MM approach of irrelevance dividend is based on the following critical assumptions:

I) The firms operate in perfect capital market where all investors are rational. Information is freely available to all. Securities are infinitely divisible and no investor is large enough to influence the market price of securities.

II) There are no floatation cost. The securities can be purchase and sold without payment of any commission or brokerage etc.

III) Taxes do not exist.

IV) The firm has a definite investment policy, which is not subject to change.

V) Risk of uncertainty does not exist.

Wealth Maximization Theory

According to this theory, larger amount of dividend is announced and distributed to shareholders to maximize their wealth. This approach is commonly used by newly founded and declining companies to maintain a positive image and retain shareholder's interest in their share. (Bhattarai; 2002:20)

Dividend Signaling Theory

In practice, change in the firm dividend policy can be observed to have an effect on its share price. The change in dividend payment is to be interpreted as a signal to

shareholders and investors about the future earnings prospects of the firm. Generally, increase in dividend payment is viewed as a good signal, taking positive information about a firm's future earning prospects resulting in an increase in share price.

Conversely a reduction in dividend payment is viewed as bad signal about future earning prospects, resulting in decrease in share price.

Clientele Effects of Dividend theory

Clientele effect of dividend is a company set dividend decision in which for group or certain investors use certain dividend decision, while for other investors use certain other dividend decision. In this way, they believes for each investors groups/ clientele enjoys different decision. In shorts, this theory believes no decision dividends that are common to all investors, therefore the company give a particular dividend appeal to certain investors. So, clientele effect of dividend decision will make the company's dividend decision is not easy to change. (Kisman,2013)

2.3 Empirical review

Gyeke (2024) investigated how dividend policies affected market value and volatility of stock return in financial companies listed on the S&P 500. In this study, the researcher used price volatility, market value, and price as dependent variables and dividend per share as the independent variable. The study discovered a weak negative association between price volatility and dividend per share. It also concluded that there was a negative relationship between dividend yield and stock return volatility. For the calculation of the relationship between the dependent variables and the independent variable, the researcher used descriptive statistics and inferential statistics. From this study, the researcher concluded that there was a positive relationship between dividend

yield and stock volatility and that a higher proportion of earnings distributed as dividends might lower market values.

Ukpong (2023) conducted a study to analyze the effect of dividend policy in Nigeria on 12 companies for the period from 2015 to 2019. In this study, purposive sampling was used to examine all listed companies on the Nigerian Stock Exchange. The researcher aimed to analyze the effect of the form of dividend payment on the performance of Nigerian companies. The dividend policy used the form of the dividend, timing of the dividend, and earnings per share as financial tools and a panel regression model as a statistical tool. The findings of the study were that ROA had a positive relationship with EPS and TDP, and there was no significant positive effect of FDP on the performance of Nigerian firms.

Jepkemoi et al. (2019) conducted a study to examine the influence of organizational performance on the dividend payments of banking institutions in Kenya. The authors highlighted that the impact of financial performance on dividend payout decisions was a critical concern for shareholders and other key stakeholders. The study aimed to determine how organizational performance indicators such as liquidity, capital structure, and profitability affected the dividend payout of banking organizations in Kenya. The researchers employed a descriptive longitudinal research design and used regression analysis on data obtained from the annual statements of 11 sample banks for the years 2013 to 2017. The Statistical Package for Social Sciences (SPSS) version 20 was utilized for data analysis. The findings revealed that dividend payout was significantly influenced by the profit position of the banks. However, the study also indicated that liquidity and capital structure did not have a significant impact on the dividend payout of banks listed on the Nairobi Securities Exchange (NSE).

Nadeem et al. (2018) investigated the factors contributing to the dividend strategy of the Pakistani banking sector, aiming to fill knowledge gaps by presenting empirical data on the variables influencing banks' dividend policies. The study employed a panel data regression model to analyze data obtained from the official websites of banks, the Karachi Stock Exchange (KSE), the State Bank of Pakistan (SBP), and the Pakistan Bureau of Statistics (PBS) for a sample of 24 banks over the period from 2005 to 2015. Dividend payout was used as the dependent variable, while profitability, total deposits to total assets ratio, growth, loan deposit ratio, investment opportunities, leverage, the previous year's dividend, and GDP growth rate were used as independent variables. The findings indicated that the profit position, investment opportunities, and the previous year's dividends had a significant positive effect on Pakistani banks' dividend payments. Conversely, growth and the loan deposit ratio had a significant negative impact. The study also found that there was no discernible difference in the variables influencing the dividend payout ratio before and after the economic meltdown. Additionally, the transition from Basel II to Basel III capital requirements did not significantly affect Pakistani banks' dividend policies. The results supported the pecking order theory, the life cycle theory, the dividend smoothing hypothesis, and the signaling theory.

Kumaraswamy et al. (2017) aimed to identify the factors influencing the dividend policies of banks and financial institutions. They noted that the topic of dividends was relatively under-researched in Qatar, a market transitioning from a precarious state to an emerging one. The authors' goal was to apply Lintner's model to examine the factors affecting the dividends of 12 sample banks and financial service institutions (FSIs) listed on the Qatar Stock Exchange (QSE). They gathered relevant data from the annual reports of these banks for the period from 2009 to 2015 and employed pooled data fixed effect regression to uncover key determinants of dividend payments.

The study found that current year's dividends are positively associated with cash flow per share, bank size, the previous year's dividends per share (DPS), earnings per share (EPS), and return on equity. Conversely, the research indicated that leverage, growth prospects, and the bank's life cycle stage are negatively correlated with dividend payments (Kumaraswamy, Aktan, & Al Halwachi, 2017). Additionally, the authors suggested that there is minimal earnings smoothing among banks and financial firms in Qatar.

Kathuo and Kimoro (2017) aimed to quantify the factors influencing the dividend policy decisions of Kenya's listed banks. The authors reviewed numerous prior studies and noted that earlier empirical research identified several variables affecting companies' dividend payment ratios, including profitability, risk, cash flow, agency costs, and growth. Their study sought to address a knowledge gap regarding the influence of earnings, cash flows, and bank size (independent variables) on the dividend policy choices made by Kenya's 11 listed banks between 2011 and 2015. The researchers used audited and published annual financial statements as the source of secondary data, which was gathered by averaging the variables over a five-year period. The data were analyzed both descriptively and inferentially. Multiple regression and correlation analysis were employed to determine the degree of association between the dependent variable (dividend policy) and the explanatory variables. The findings, derived from a correlational research methodology, revealed that profitability and cash flows have a positive and significant relationship with dividend policy. However, bank size was found to have a negligible impact on the dividend policy among the banks studied (Kathuo & Kimoro, 2017).

Majumdar (2016) sought to assess the applicability of the Lintner model within the Indian Fast-Moving Consumer Goods (FMCG) sector. The author noted that there has been limited research in India confirming the validity of Lintner's findings. The study aimed to

analyze, evaluate, and validate Lintner's model using a sample of 15 FMCG companies. Data were collected from the Capitaline database for the period from 2003-04 to 2012-13. The author employed pooled and panel data regression analysis, using current dividends as the dependent variable and current income and the previous year's dividends as explanatory variables. The empirical results revealed that Indian FMCG companies primarily rely on past dividends when designing their dividend policies. Additionally, the findings indicated a lower target payout ratio and a substantially higher adjustment factor. This suggests that Indian FMCG companies exhibit low dividend smoothing and less stability in their dividend policies (Majumdar, 2016).

Imran et al. (2013) conducted an empirical study to identify the factors influencing the dividend payment decisions of banks in Pakistan. The authors noted that the components governing dividend payout policies are not clear-cut and can vary based on the type of firm, country policies, and market structure. Their objective was to empirically determine the various factors shaping banks' dividend-paying activities. The study sample consisted of 16 banks listed on the Karachi Stock Exchange (KSE), with data collected from the financial publications of these banks for the period 2000-2010. The authors used a simple Ordinary Least Squares (OLS) regression technique to evaluate, analyze, and interpret the dataset. The results indicated that earnings per share (EPS), the previous year's dividend, capital ratio, and bank size are significant factors in determining dividend policy. However, cash flow was found to be negatively correlated with dividend payments. The research supported the Lintner model and the 'transaction cost' hypothesis (Imran, Usman, & Nishat, 2013).

Nyor and Adejuwon (2013) aimed to identify the determinants of dividend payments among Nigerian banks. The authors noted that existing findings on dividend issues are

mixed, controversial, and inconclusive. Their objective was to examine the factors influencing dividend payments among Nigerian banks. The study sample consisted of five banks, with data collected from the Nigerian Stock Exchange (NSE) fact book and the audited financial statements of the sampled banks for the period 2001 to 2010. Multiple regression analysis was employed, using dividend payout as the dependent variable and profit after tax (PAT), shareholders' equity, and liquidity as independent variables.

The results indicated that PAT, shareholders' equity, and liquidity are all significant factors influencing the dividend policy of Nigerian banking firms. Additionally, the authors recommended that maintaining a strong liquidity position is crucial for ensuring investor trust and maintaining shareholder confidence, as earnings from everyday operations contribute to healthy dividend payments (Nyor & Adejuwon, 2013).

Al-Hasan et al. (2013) aimed to investigate the impact of dividend payout policy on share prices in the context of Bangladesh. The authors highlighted that dividend policy is a highly debated and controversial topic globally, with no universally accepted theory guiding optimal dividend practices for firms despite extensive research efforts. The primary objectives of the study were to examine the relationship between dividends per share (DPS), retained earnings, and share value, as well as to assess the connection between dividend payments and stock value in the Bangladeshi market.

The research involved collecting secondary data from the annual statements of 28 firms across four sectors (seven companies per sector) for the period from 2005 to 2009. The impact of dividend policy on share price was analyzed using multiple regression analysis and the least square estimate technique. Additionally, descriptive statistics, F-tests, and correlation analyses were employed. The results revealed a positive association between market price per share (MPS) and DPS, as well as between MPS and retained earnings

per share. The authors also found that dividend payments have a more significant impact on market price than retained profits. Given the substantial influence of dividend policy on stock prices, the authors argued that dividend policy is relevant for firms (Al-Hasan, Asaduzzaman, & Al-Karim, 2013).

Zafar et al. (2012) investigated the implications of dividends on shareholders' value in selected banking firms in India. The study emphasized the importance of an optimal dividend policy and noted that while dividend policy is a well-researched topic, the question of whether dividends impact share prices remains unanswered satisfactorily. Previous studies have yielded mixed results regarding the influence of dividends and retained earnings on share value.

The authors aimed to examine the association between dividend payments and shareholders' value using an analytical research design based on secondary data obtained from the annual statements of 11 sample banks listed on the National Stock Exchange (NSE) for the period 2006-2010. Statistical tools such as the t-test and multiple regression analysis (with R^2 computed and significance evaluated using the F-value) were employed. The empirical findings revealed no significant differentiation between the market value and book value of equity. However, the study found a significant impact of dividend policy on the share value of banking firms. The authors noted that market prices are influenced by a variety of factors beyond dividend policy, including the P/E ratio, retained earnings, the company's market price history, industry market conditions, inflation, recession, tax policy, fiscal policy, global trends, and the company's overall competitive strength (Zafar, Chaubey, & Khalid, 2012).

Table 1*Review Table*

S.N.	Author(s)	Variables	Methodology	Major Findings
1	Chimariya (2024)	Dividend payout ratio, Dividend per share, Earning per share, Price to earning ratio, Market price per share	Financial tools, Statistical tools (Descriptive analysis, Correlation analysis, Regression analysis)	There is weak and non-significant correlation between dividend practice and market price per share.
2	Paudel (2024)	Dividend payout ratio, Return on assets, Leverage, Bank size, Price earning ratio, Market price of share	Descriptive statistics, Correlation analysis, Regression analysis, Test of significance	DPR, ROA, Leverage, P/E ratio, and Bank size have a significantly positive effect on Bank Market price per share.
3	Gyeke and Kwame (2024)	Price volatility, Market price and value, Dividend per share, Dividend growth rate, Dividend yield, Dividend payout ratio	Descriptive statistics (Mean, Median, Standard deviation), Inferential statistics (Correlation and Regression analysis)	There is a positive relationship between dividend yield and stock return volatility. A higher proportion of earnings distributed as dividends may lower market values.
4	Prihandoko and Abadiyah (2024)	Dividend payout ratio, Net profit margin, Return on assets, Return on investment, Debt to equity ratio	Descriptive statistics, Inferential statistics, Regression model	Net profit margin and debt-to-equity ratio have a negative and significant effect on DPR; ROA and ROI do not significantly affect the dividend payout ratio.
5	Migribi, Hernita, and Kusumadewi (2023)	Stock exchange, Assets structure, Dividend policy, Sales growth	Quantitative tools	Companies with high asset structures tend to have high stock prices; dividend policy has no effect on increasing or decreasing stock price.

6	Nwoye and Egbunike (2023)	Share price volatility, Dividend yield, Dividend per share, Dividend payout ratio	Regression using least square method	DPS and DPR have a significant positive effect on share price volatility, while DY shows a significant negative effect; earnings volatility is insignificant.
7	Nur, Riyadi, and Hernita (2023)	Value of stock, Gross profit margin	Inferential statistics	Gross profit margin has no significant impact, but dividend policy positively and significantly impacts stock price during the sample period.
8	Gurung, Chapagain, Baral, and Boro (2023)	Market price per share, Earning per share, Dividend per share, Price earning ratio, Retained earning	Panel data regression	EPS, DPS, P/E Ratio, and retained earnings have a positive relationship with the stock price of commercial banks.
9	Ukpong (2023)	Form of dividend payments, Timing of dividend payment, Earning per share, Return on assets	Descriptive statistics, Inferential statistics (Correlation, Regression)	ROA has a positive relationship with FDP but a negative relationship with EPS and TDP. There is no significant positive effect of FDP on the performance of Nigerian firms.
10	Nguyen, Nguyen, Tran, and Le (2019)	Stock price volatility, Dividend yield, Dividend payout ratio, Growth rate, Leverage, Earning volatility, Firm size	Descriptive statistics	There is a positive relationship between dividend yield and stock price volatilities and a negative relationship between dividend payout ratio and stock volatility.
11	Kanakriyah (2020)	Dividend yield, Dividend payout ratio, Current ratio, Leverage ratio, Firm size, Return on assets, Return on equity	Panel data methodology, Simple and multiple regression model	There is a strong relationship between DY, DPR, and firm size. Leverage ratio is negatively associated with ROA and ROE.

12	Islam (2018)	Market price per share, Dividend per share, Earning per share, Dividend payout ratio, Dividend yield	Parametric test, Non-parametric test, Percentile	Most companies follow stable payout policies with an increasing trend in dividend payments.
13	Gupta (2017)	Dividend payout ratio, Earning per share, Net worth (growth), Return on assets, Size, Book value per share, Market value per share, Dividend yield ratio, Earning ratio	Statistical tools (MS-Excel 2010 and Gretl software), Descriptive statistics (Mean, SD, CV), Ratio analysis	Private sector banks perform better than public sector banks, improving their bottom line over time.
14	Adhikari (2015)	Dividend payout ratio, Total assets, Liquidity, Profitability, Size, Lagged dividend	Descriptive statistics, Inferential statistics, Regression model	Profitability and liquidity positively impact DPR; lagged dividend and size negatively impact DPR.
15	Tiwari (2014)	Earning per share, Dividend per share, Dividend payout ratio, Price earning ratio, Earning yield, Dividend yield	Financial tools, Statistical tools (Arithmetic mean, SD, CV, Coefficient of correlation, Regression analysis, Probable error)	Dividend yield has a negligible effect on MPS, DPS, and EPS of observed banks; DY has a negative relationship with MPS.
16	Joshi (2013)	Dividend per share, Earning per share, Dividend payout ratio, Price earning ratio, Earning yield, Dividend yield, Market value per share, Book value per share	Financial tools, Statistical tools (Summary measures, CV, Correlation, Least square linear trend analysis)	No significant difference exists between the population mean value of DPS, EPS, and MVPS of sample banks.

17	Air (2013)	Earning per share, Dividend per share, Dividend percent, Dividend payout ratio, Price earning ratio, Earning yield ratio, Dividend yield ratio, MPS to BVPS ratio	Financial tools, Statistical tools	Primary data: Residual dividend policy is in practice without homogeneity. Secondary data: MPS and EPS show moderate positive correlation in sample banks.
18	Chand (2013)	Earning per share, Dividend per share, Dividend payout ratio, Price earning ratio, Earning yield, Dividend yield, Net worth per share, Market price per share	Financial tools, Statistical tools	All the sample banks and finance companies' MPPS are equally effective with other independent variables.
19	Khurshid (2013)	Profitability, Market-to-book value ratio, Retained earning, Total assets growth, Market capitalization, Dividend yield ratio	Descriptive statistics	Dividend policy responds positively to market capitalization.
20	K.C. (2012)	Earning per share, Dividend payout ratio, Price earning ratio, Dividend yield, Earning yield, Market price per share	Financial tools, Statistical tools (Arithmetic mean, SD, CV, Correlation coefficient)	Sample banks have a highly positive correlation between EPS and DPS, showing that when EPS increases, DPS also increases, and vice versa.
21	Zafar, Chaubey, and Khalid (2012)	Dividend per share, Market value of equity, Retained earnings, Lagged price earning ratio, Lagged market value of equity	Statistical tools, Financial tools, Mathematical tools	Market price does not depend on dividend policy.

22	Sigdel (2011)	Earning per share, Dividend per share, Dividend payout ratio, Price earning ratio, Earning yield, Dividend yield	Financial tools, Statistical tools (Arithmetic mean, SD, CV, Correlation coefficient)	The dividend practices adopted by the two banks were not perfectly similar.
23	Shrestha (2011)	Earning per share, Dividend per share, Dividend yield, Earning yield, Dividend payout ratio, Market price per share	Financial tools, Statistical tools (Arithmetic mean, SD, Coefficient of variation, Regression analysis, Trend analysis)	Primary findings: 50% of investors want cash returns, 20% want stock dividends, and 30% want both. Secondary findings: Positive relationship between EPS and MPPS.
24	Khadka (2010)	Earning per share, Dividend per share, Dividend payout ratio, Price earning ratio, Market value per share, Book value per share	Financial tools, Statistical tools (Simple regression analysis, SD, Correlation coefficient, Coefficient of determination, Regression coefficient, Standard error of estimate)	Dividend payments by sample banks fluctuated over five years, showing no stability.
25	Khatiwada (2010)	Earning per share, Dividend per share, Dividend payout ratio, Price earning ratio, Market yield, Book yield	Financial tools, Statistical tools	EPS and lagged DPS are positive determinants of DPS, and DPS is the most significant determinant of stock price.
26	Ghimire (2008)	Earning per share, Dividend per share, Dividend payout ratio, Price earning ratio, Market yield, Book yield	Financial tools (Ratio analysis), Statistical tools (T-statistics, Mean, SD, Correlation coefficient, Graphs, Regression)	Earnings patterns of banks differ from finance companies, but investor returns (as indicated by DPR and Market Yield) are similar.

2.3 Research Gap

While numerous studies have explored dividend practices and policies, significant gaps remain in our understanding of the factors influencing dividend payout decisions, particularly in emerging markets and specific sectors such as development banks. Although major findings and formulas have been internationally accepted and widely used in practice, national-level studies have often focused on various types of companies, including finance companies, manufacturing companies, insurance companies, and different types of banks. These studies have sought to identify the relationship between dividends and other financial indicators.

However, the existing literature presents mixed and sometimes inconclusive results regarding the impact of key financial indicators such as profitability, liquidity, and capital structure on dividend policies. For instance, while some studies have found a positive association between profitability and dividend payments, others have indicated that factors like liquidity and capital structure do not significantly influence dividend payout ratios. This discrepancy highlights the need for a more comprehensive analysis that can reconcile these conflicting findings and provide a clearer understanding of the relationship between financial performance indicators and dividend policies.

Moreover, much of the existing research has been conducted on specific regions or sectors, leaving a knowledge gap concerning the applicability of these findings to different economic contexts and regulatory environments. The impact of regulatory changes, such as the transition from Basel II to Basel III, and the influence of economic downturns on dividend policies remain under-explored areas. Additionally, the interplay

between dividend policy and other financial metrics, such as retained earnings and market conditions, is not fully understood.

In the context of Nepal, previous studies have examined dividend practices in various types of banks, but there is a lack of focused research on development banks. This study aims to address this gap by conducting a distinct analysis of three development banks—Jyoti Bikash Bank, Garima Bikas Bank, and Kamana Sewa Bikas Bank—out of the 17 development banks currently operating in the market.

CHAPTER III

RESEARCH METHODOLOGY

The basic objective of the study is to compare the dividends practices of Nepalese development banks. It also tries to determine the relationship between market price per share to earning per share, dividend per share, dividend payout ratio, dividend yield and net worth of development banks taken as a sample for data analysis purposes. It is given in another sub-topic of this section. Basically secondary data has been used for analysis. This chapter has five sections and the first section is:

3.1 Research Design

The research design of this study is descriptive and causal comparative research design by using all variables related to the dividend practice of development banks. For the purpose of the research, the reports of development banks have collected ten fiscal years data from the fiscal year 2070/71 to 2079/80.

3.2 Population, Sample and Sampling Design

The total number of 17 development banks (Economic survey, 2079/80) operating in Nepal whose shares are traded actively in stock market are considered to be the population of study. It is not possible to study all of them regarding the study topic. Therefore for the study using purposive sampling technique, three development banks-Garima Bikas Bank, Jyoti Bikash Bank and Kamana Sewa Bikas Bank were selected. All of these banks fall under the top 5 highest net profit earning development banks in Nepal according to the financial performance report by NRB(2023/24).

3.3 Nature and sources of data

This research is mainly based on the secondary data. Data and information relating to dividend practice of these three development bank are directly obtained from concerned development bank. In this study, data are collected from different source of publish and unpublished form. The major source of data for this study are annual reports of the sample companies. And other Supplementary data has been obtained from publications of SEBON, NEPSE, NRB, Annual reports of SEABON, Annual trading Reports of NEPSE, Economy Survey, Newspaper, journals, article, books, Speech of financial experts, Related Websites etc.

3.4 Method of Analysis

As for investing the dividend paying practice in development bank of Nepal, various financial and statistical tools have been applied to achieve the objectives of study. The various calculated results have been obtained through financial and statistical tools tabulated under different heading. Following tools are used while conducting the research:

3.4.1 Financial Tools

It mainly provides support to analyse the strength and weakness of the firm. That means financial analysis is the use of financial statements to analyse a company's financial position and performance and to assess future financial performance.

Earning Per Share(EPS)

Earning per share represents a company annualized net profit divided by number of common shares of stock it has outstanding. EPS is commonly used by investors to estimate the value of a company, per share. The higher earning indicates the better

achievements of the profitability of the development bank by mobilizing their funds and vice versa. In other words, higher earning per share denotes the strength and lower earning per share indicates the weakness of development banks. EPS is calculated as:

$$EPS = \frac{\text{Net Profit after Taxes}}{\text{Number of common stock outstanding}}$$

Dividend Per Share (DPS)

Dividend per share indicates the rupee earning actually distributed to common stockholders per share held by them. It measures the dividend distributed to each equity shareholders. Generally, the higher DPS creates positive attitude of the shareholders toward microfinance, which consequently helps to increase the market value of shares. It is defined as result received by dividing the total dividend distributed to equity shareholders by the total number of equity shares outstanding.

$$DPS = \frac{\text{Total Dividend Paid}}{\text{Number of common stock outstanding}}$$

Dividend Payout Ratio (D/P Ratio)

It is the portion of the earning used for the payment of dividend. The dividend payout ratio is the amount of dividend paid to investors proportionate to the company net income. It is the percentage of earnings paid to shareholders via dividends. Higher earning enhances the ability to pay more dividends and vice versa. There is a reciprocal relationship between dividend and retaining earnings, the higher the dividend payout ratio, the lower will be the retained earnings and hence the higher capacity of internal financing of the firm is checked. This ratio is calculated by dividing dividend per share by the earning per share. It is calculated as follows:

$$DP\ Ratio = \frac{\text{Dividend per share (DPS)}}{\text{Earning per share (EPS)}}$$

Price Earning Ratio (P/E Ratio)/Earning Multiplier

Price earning ratio is also called the earning multiplier. Price earinig ratio is the ratio of market price per share to earning per share. It measures the investor's expectation and market appraisal of the performance of the firm. This is important to compare the market share prices of different stocks given their earning per share. The higher P/E ratio implies the high market share price of a stock given the earning per share and the greater confidence of investor in the firm's future. It is calculated as:

$$\text{Price earning ratio} = \frac{\text{Market price per share}}{\text{Earning per share}}$$

Dividend Yield (DY)

Dividend yield is a percentage of dividends per share on market price per share. It measures the dividend in relation to market value of share. So, dividend yield is the dividend received by the investors as a percentage of market prices per share in the stock market.

This ratio highly influences the market price per share because a small change in dividend per share can bring effective change in the market value of the share. Dividend has importance guidance to commit funds for the buying shares in the secondary market. This ratio is calculated by:

$$\text{Dividend Yield Ratio} = \frac{\text{Dividend per share}}{\text{Market price per share}}$$

Market Price Per Share (MPS)

The market price per share is used to determine a company market capitalization, or "market cap". It is determined according to the demand and supply of share in the market.

In this study it is taken as dependent variable which was calculated by using following formula:

$$\text{Market price per share} = \frac{\text{Total Market Capitalization}}{\text{Total Number of Outstanding Shares}}$$

3.4.2 Statistical Tools

Statistical tools are the mathematical techniques used to analyse and interpret performance. It is used to describe the relationship between variables and interpret the result.

Mean \bar{X}

The arithmetic mean is the sum of total values to the number of observation in the sample. It represents the entire data which lies almost between the two extremes. In this study it is used in data related to dividend of sample company over ten years. It is calculated as:

$$\bar{x} = \frac{\sum x}{N}$$

Where,

\bar{x} = Mean value of Arithmetic Mean

N = Number of observation

$\sum x$ = Sum of observations

Standard Deviation (SD)

Standard deviation is an absolute measurement of dispersion in which the drawback present in other measures of dispersion are removed. It gives the accurate result between the value only if their mean are same. In case of different mean, standard deviation cannot be accurate result. It is calculate as:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(x-\bar{x})^2}{N}}$$

Coefficient of Variation (CV)

Coefficient of variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviation is known as coefficient of standard deviation. The coefficient of dispersion based on standard deviation divided by 100 is known as C.V. It is calculated as:

$$C.V. = \frac{\sigma}{\bar{X}} \times 100$$

Where,

σ = Standard deviation

\bar{x} = Sum of the observation

Less the CV more will be the uniformity; consistency and more CV less will be the uniformity and consistency.

Coefficient of Correlation (r)

Correlation Analysis is the statistical tools that we can use to described the degree to which one variable is linearly related to another. Coefficient of Correlation is the measurement of the degree of positive and negative relationship between two casually related sets of figures. Its value lies somewhere ranging between -1 to +1. In this study, simple coefficient of correlation is used to examine the relationship of different factors with dividend and other variables. It is calculated as:

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

Coefficient of Determination (r^2)

The coefficient of determination is the measure of the degree of linear association or correlation between two or more independent variables. It measures the percentage total variation in dependent variables explained by independent variables. If r^2 has a zero value then, it indicates that there is no correlation which means all the data points in the scatter diagram fall exactly on the regression line. If it has a value equal to one then it indicates that there is perfect correlation and as such the regression line is the perfect estimator. But in most of the cases the value of r^2 will lie somewhere between these two extremes of 1 and 0.

$$\text{Coefficient of Determination } (r^2) = \frac{\text{Explained Variation}}{\text{Total Variation}}$$

Regression

Regression analysis is a crucial statistical tool that plays a significant role in understanding and quantifying the relationships between different financial variables. In the context of analyzing Garima Bikas Bank, Jyoti Bikas Bank, and Kamana Sewa Bikas Bank, regression analysis offers several key uses and insights. Firstly, it helps identify and quantify the strength and direction of relationships between variables such as Earnings Per Share (EPS) and Market Price Per Share (MPPS), Dividend Per Share (DPS) and MPPS, and Dividend Yield (DY) and MPPS. By establishing these relationships, analysts can determine how changes in one variable influence another, providing a deeper understanding of the factors driving market valuation.

To illustrate simple linear regression model where MPPS is the dependent variable, and DPR, DPS, EPS, PER, DY are the independent variable:

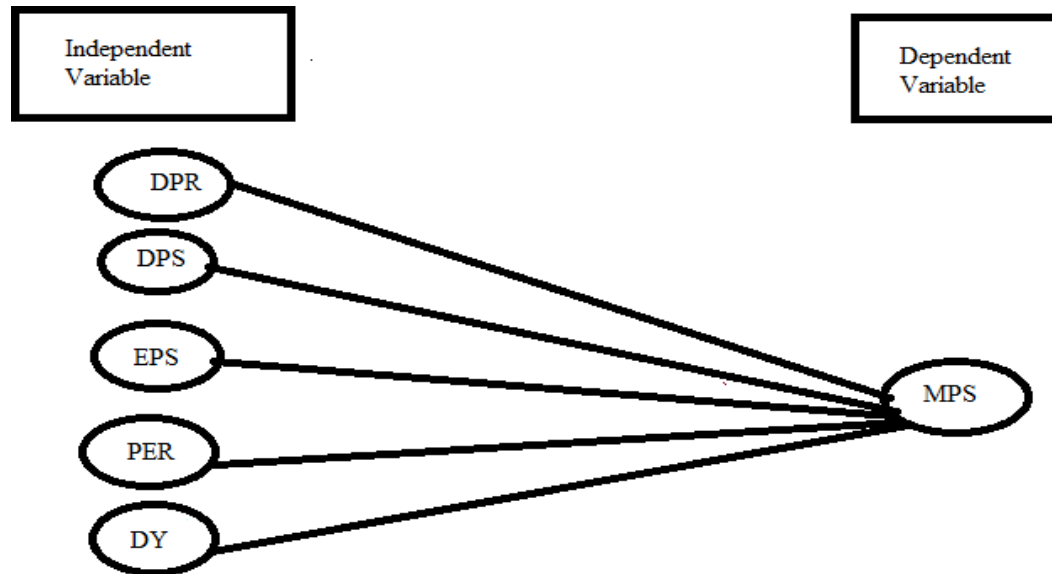
$$\text{MPPS} = \beta_0 + \beta_1 \text{DPR} + \beta_2 \text{DPS} + \beta_3 \text{EPS} + \beta_4 \text{PER} + \beta_5 \text{DY}$$

3.5 Research Framework and Definition of variables

3.5.1 Research Framework

A research framework refers to the overall structure, approach and theoretical underpinnings that guide a research study. It is like a map for studying. It is a set of concepts, principles and guidelines that shape and guide our research process. It helps to define our research problem, objectives, questions, hypotheses, assumptions and limitations. The dependent variable in this study is the Market Price Per Share (MPS), which represents the price investors are currently willing to pay for a company's stock. The independent variables are Dividend Per Share (DPS), Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Price-Earnings Ratio (PER), and Dividend Yield (DY). DPS denotes the dividend amount declared per outstanding share, providing insight into the income investors can anticipate. DPR reflects the percentage of net income distributed as dividends, highlighting the company's financial stability and dividend policy. EPS measures the company's profitability per share, serving as a key metric for investor comparisons. PER assesses the stock's valuation by comparing its market price to its earnings per share, offering investors a perspective on the cost of earning one unit. DY calculates the annual dividend as a percentage of the stock price, showing the return solely from dividends.

The research framework of this study is mentioned in following diagram:



Source : Chimariya (2024) and Khadka & Khadka (2024)

Figure 1: Research Framework of the Study

Dependent- MPS

Independent- DPR DPS EPS PER DY

3.5.2 Definition of variables

Dividend per share

Dividend per share (DPS) refers to the total dividend declared by a company for every outstanding share of its stock over a specific period, typically a fiscal year. It is calculated by dividing the total dividends paid by the number of outstanding shares. DPS is an important metric for investors as it indicates the amount of income they can expect to receive for each share they own (Brigham & Houston, 2022).

Dividend Payout Ratio

The dividend payout ratio is a financial metric that measures the proportion of a company's net income that is distributed to shareholders in the form of dividends. It is expressed as a percentage and helps investors assess the company's dividend policy and financial stability. A higher ratio indicates that a larger portion of earnings is being returned to shareholders, while a lower ratio suggests that the company is retaining more earnings for growth or debt repayment (Brigham & Houston, 2022).

Earning per share

Earnings per share (EPS) is a financial metric that indicates a company's profitability on a per-share basis. It is calculated by dividing the net income attributable to common shareholders by the number of outstanding shares. EPS is widely used by investors to assess a company's profitability and compare it with peers or industry benchmarks (Brigham & Houston, 2022).

Price earning ratio

The Price-to-Earnings (P/E) Ratio is a financial metric used to evaluate a company's stock valuation. It is calculated by dividing the market price of one share by the company's earnings per share (EPS). This ratio helps investors determine how much they are paying for each unit of the company's earnings (Money, 2023).

Dividend yield

Dividend yield is a financial ratio that measures the annual dividend payment a company makes relative to its current stock price. It is expressed as a percentage and indicates the return an investor earns from dividends alone, excluding any capital gains (NerdWallet, 2023).

Market price per share

The market price per share refers to the current price that investors are willing to pay for a company's stock. It fluctuates frequently based on supply and demand dynamics in the stock market (Money, 2023).

CHAPTER IV

RESULT AND DISCUSSION

In this chapter, the study presents and analyses the initial results regarding dividend practice of development banks of Nepal. It explores the relationship between MPS with DPS, EPS, DPR, PER and DY. Under this study, the dividend distribution pattern of development banks has been analyzed with financial and statistical tools. This study enhances understanding and offers practical implications for investor decision makers and other related researchers.

4.1 Relationship Between Dividend and Other Variables

4.1.1 Financial metrics for comparison of data

Table 2

Data for Garima Bikas Bank

Fiscal Year	EPS (NPR)	DPS (NPR)	D/P Ratio	P/E Ratio	DY
2070/71	10.17	3.68	0.36	11.8	0.031
2071/72	10.17	4.18	0.41	13.27	0.031
2072/73	13.73	4.54	0.33	10.56	0.033
2073/74	20.66	4.84	0.23	7.74	0.030
2074/75	31.73	5.17	0.16	5.51	0.029
2075/76	39.36	8.09	0.21	4.83	0.043
2076/77	39.92	39.92	1.00	5.59	0.179
2077/78	77.70	44.61	0.57	0.70	0.821
2078/79	95.58	56.82	0.59	1.51	0.394
2079/80	97.23	5.49	0.06	1.54	0.037

Table 2 presents a comprehensive summary of key financial indicators for Garima Bikas Bank over a ten-year period, spanning fiscal years 2070/71 to 2079/80. The indicators include Earnings Per Share (EPS), Dividend Per Share (DPS), Dividend Payout Ratio (D/P Ratio), Price Earnings Ratio (P/E Ratio), and Dividend Yield (DY), which collectively provide insights into the bank's financial performance, profitability, and shareholder returns during the decade.

The data highlights a remarkable growth trajectory in EPS, particularly after 2076/77. EPS climbed from 39.92 in 2076/77 to 77.70 in 2077/78, followed by another significant jump to 95.58 in 2078/79. This sharp increase indicates substantial improvements in the bank's profitability, driven likely by enhanced operational efficiency, increased revenue streams, or effective cost management. The growing EPS signals the bank's ability to generate higher earnings for each outstanding share, boosting investor confidence and attracting further investments.

Similarly, DPS exhibits substantial variation over the decade, reflecting the bank's commitment to sharing profits with its shareholders. DPS peaked at 39.92 in 2076/77 and surged to 44.61 in 2077/78 before reaching 56.82 in 2078/79. These consistent increases demonstrate the bank's robust financial health and its approach to maintaining shareholder trust through regular and rising dividend distributions.

The Dividend Payout Ratio (D/P Ratio) showcases significant fluctuations over the years, ranging from a high of 1.00 in 2076/77 to a low of 0.06 in 2079/80. This variation suggests shifts in the bank's dividend distribution strategies, potentially influenced by changing market conditions, internal reinvestment needs, or regulatory policies. A high D/P Ratio in

certain years indicates that the bank allocated a larger portion of its earnings to dividends, whereas lower ratios in other years suggest a focus on retaining earnings for growth or other purposes.

The Price Earnings Ratio (P/E Ratio) demonstrates a downward trend, beginning at 11.8 in 2070/71 and steadily declining to 1.54 in 2079/80. This decline indicates that the market price per share became more closely aligned with the bank's earnings over time. It may reflect improved market confidence in the bank's earnings consistency or reduced speculation in its stock valuation. A lower P/E Ratio can also signal that the bank's shares are more affordable relative to its earnings, potentially attracting value-oriented investors.

Lastly, Dividend Yield (DY) ranges from a low of 0.031 in 2070/71 to a high of 0.821 in 2077/78, reflecting the returns shareholders received through dividends relative to the stock's market price. The fluctuations in DY are indicative of changes in both the bank's dividend distribution policies and the dynamics of its market price. A higher DY in later years suggests that the bank provided more substantial returns to its shareholders, enhancing its appeal to income-focused investors.

Overall, the table underscores Garima Bikas Bank's significant financial growth, evolving profitability, and strategic adjustments in dividend policies over the ten-year period. The consistent improvements in key metrics such as EPS and DPS, coupled with the dynamic shifts in D/P Ratio, P/E Ratio, and DY, highlight the bank's adaptability and commitment to creating value for its shareholders.

Table 3*Data for Jyoti Bikash Bank*

Fiscal Year	EPS (NPR)	DPS (NPR)	D/P Ratio	P/E Ratio	DY
2070/71	31.71	9.51	0.30	2.99	0.100
2071/72	35.00	10.50	0.30	3.14	0.095
2072/73	38.61	11.59	0.30	3.11	0.105
2073/74	42.59	12.78	0.30	3.17	0.095
2074/75	47.00	14.09	0.30	3.21	0.094
2075/76	51.87	15.56	0.30	3.20	0.095
2076/77	57.36	17.21	0.30	3.14	0.096
2077/78	63.33	19.00	0.30	3.08	0.097
2078/79	69.92	21.00	0.30	2.99	0.098
2079/80	76.96	23.09	0.30	3.05	0.098
2080/81	84.70	25.41	0.30	3.07	0.098

Table 3 provides a comprehensive analysis of key financial metrics for Jyoti Bikash Bank over an eleven-year period, spanning fiscal years 2070/71 to 2080/81. The metrics include Earnings Per Share (EPS), Dividend Per Share (DPS), Dividend Payout Ratio (D/P Ratio), Price Earnings Ratio (P/E Ratio), and Dividend Yield (DY), offering valuable insights into the bank's financial performance, profitability, and shareholder returns.

The EPS shows a clear and consistent upward trend, increasing steadily from 31.71 in 2070/71 to 84.70 in 2080/81. This growth reflects the bank's sustained profitability over the years, driven by factors such as improved operational efficiency, enhanced revenue generation, or effective cost management. The rising EPS signifies the bank's ability to generate higher earnings per outstanding share, enhancing its attractiveness to investors and showcasing its long-term financial stability.

Similarly, DPS follows a proportional growth pattern, rising from 9.51 in 2070/71 to 25.41 in 2080/81. This consistent increase underscores the bank's commitment to a stable and progressive dividend policy, ensuring that shareholders benefit from its financial success. By regularly distributing a portion of its earnings as dividends, the bank has demonstrated its dedication to sharing profits with its shareholders while maintaining investor confidence.

The D/P Ratio remains fixed at 0.30 throughout the eleven-year period, indicating a stable dividend payout policy. This constancy reflects a deliberate strategy by the bank to allocate 30% of its earnings to dividends while retaining the remainder for reinvestment and growth. Such a stable payout ratio signifies predictability and reliability in the bank's dividend distribution approach, providing a sense of financial consistency for its investors.

The P/E Ratio exhibits slight fluctuations over the years but remains relatively steady, ranging from 2.99 to 3.21. This stability suggests that the market price per share has remained closely aligned with the bank's earnings, reflecting a balanced valuation in the eyes of investors. A relatively low and consistent P/E Ratio may indicate that the bank's shares are priced affordably relative to its earnings, making them appealing to value-focused investors while highlighting market confidence in the bank's performance.

The DY shows a marginal decline over the period, starting at 0.100 in 2070/71 and leveling off at 0.098 from 2078/79 onwards. This trend reflects stable returns for shareholders through dividends, with the slight decrease attributed to the gradual rise in the market price per share. As share prices increase, the yield decreases slightly despite the proportional growth in dividend payouts. This dynamic highlights the bank's capacity to maintain consistent shareholder returns, even as its market valuation grows.

Table 4

Data for Kamana Sewa Bikas Bank

Fiscal Year	EPS (NPR)	DPS (NPR)	D/P Ratio	P/E Ratio	DY
2070/71	31.72	9.52	0.30	2.68	0.112
2071/72	35.07	10.52	0.30	2.71	0.111
2072/73	38.70	11.60	0.30	2.72	0.110
2073/74	42.47	12.81	0.30	2.83	0.103
2074/75	46.63	14.15	0.30	2.89	0.105
2075/76	51.86	15.62	0.30	2.90	0.100
2076/77	57.69	17.27	0.30	2.82	0.104
2077/78	63.66	19.10	0.30	2.83	0.106
2078/79	69.92	21.12	0.30	2.86	0.105
2079/80	77.81	23.34	0.30	2.83	0.106

Table 4 provides a detailed summary of key financial metrics for Kamana Sewa Bikas Bank over eleven fiscal years, from 2070/71 to 2080/81. It includes Earnings Per Share (EPS),

Dividend Per Share (DPS), Dividend Payout Ratio (D/P Ratio), Price Earnings Ratio (P/E Ratio), and Dividend Yield (DY).

The EPS steadily increases throughout the period, starting at 31.72 in 2070/71 and reaching 85.87 in 2080/81, reflecting consistent growth in the bank's profitability. Similarly, DPS shows proportional growth, rising from 9.52 in 2070/71 to 25.79 in 2080/81, demonstrating the bank's commitment to maintaining a stable dividend policy and sharing profits with shareholders.

The D/P Ratio remains consistent at 0.30 over the years, indicating a reliable dividend payout strategy with 30% of earnings allocated to dividends. The P/E Ratio, while slightly fluctuating, remains relatively stable between 2.68 and 2.90, signifying that the market price per share aligns closely with the bank's earnings.

The DY exhibits minor variations, starting at 0.112 in 2070/71 and stabilizing around 0.105 from 2078/79 onward. This metric underscores the returns to shareholders through dividends, with slight fluctuations reflecting the bank's stable payout policy alongside rising market prices. Overall, the table highlights Kamana Sewa Bikas Bank's consistent financial growth and dependable dividend practices over the decade.

4.2 Financial Performance and Dividend Metrics Summary

Table 5

Financial Performance and Dividend Metrics Summary of banks under study

Metric	Garima Bikas Bank	Jyoti Bikash Bank	Kamana Sewa Bikas Bank
Mean EPS	39.18	54.25	54.44
SD of EPS	29.97	18.38	18.64
CV of EPS	76.51%	33.88%	34.24%
Mean DPS	19.39	16.51	16.67
SD of DPS	18.07	5.56	5.66
CV of DPS	93.19%	33.68%	33.94%
Mean D/P Ratio	0.42	0.30	0.30
SD of D/P Ratio	0.27	0.00	0.00
CV of D/P Ratio	64.29%	0.00%	0.00%
Mean P/E Ratio	6.07	3.11	2.82
SD of P/E Ratio	3.67	0.09	0.08
CV of P/E Ratio	60.46%	2.89%	2.84%
Mean DY	0.21	0.097	0.105
SD of DY	0.27	0.002	0.004
CV of DY	128.57%	2.06%	3.81%

Table 5 presents an overview of the financial performance and dividend metrics for Garima Bikas Bank, Jyoti Bikash Bank, and Kamana Sewa Bikas Bank. It includes the mean, standard deviation (SD), and coefficient of variation (CV) for key indicators such as Earnings Per Share (EPS), Dividend Per Share (DPS), Dividend Payout Ratio (D/P Ratio), Price Earnings Ratio (P/E Ratio), and Dividend Yield (DY).

Garima Bikas Bank has a mean EPS of 39.18, but its high SD of 29.97 results in a CV of 76.51%, indicating significant variability in earnings. The mean DPS is 19.39, with a large SD of 18.07 and a CV of 93.19%, reflecting considerable fluctuations in dividend payments. The D/P Ratio shows a mean of 0.42, with an SD of 0.27 and a CV of 64.29%, indicating moderate variability. The mean P/E Ratio is 6.07, with an SD of 3.67 and a CV of 60.46%, highlighting variability in market valuation. Meanwhile, the DY has a mean of 0.21, with a high SD of 0.27 and a CV of 128.57%, showing significant variation in dividend yields.

Jyoti Bikash Bank reports a mean EPS of 54.25, with a lower SD of 18.38 and a CV of 33.88%, reflecting more stable earnings compared to Garima. The mean DPS is 16.51, with an SD of 5.56 and a CV of 33.68%, showing moderate stability in dividends. The D/P Ratio is constant at 0.30, with no variability. The P/E Ratio has a mean of 3.11, an SD of 0.09, and a CV of 2.89%, indicating a highly stable market valuation. Similarly, the DY has a mean of 0.097, with minimal SD (0.002) and a CV of 2.06%, reflecting consistent returns for shareholders.

Kamana Sewa Bikas Bank reports a mean EPS of 54.44, an SD of 18.64, and a CV of 34.24%, showing earnings stability similar to Jyoti Bikash Bank. The mean DPS is 16.67, with an SD of 5.66 and a CV of 33.94%, indicating moderate variability. Like Jyoti, its D/P

Ratio is consistently 0.30, with no variation. The P/E Ratio has a mean of 2.82, an SD of 0.08, and a CV of 2.84%, reflecting a stable market valuation. The DY reports a mean of 0.105, with an SD of 0.004 and a CV of 3.81%, showing consistent dividend yields.

In summary, while Garima Bikas Bank demonstrates higher variability across its metrics, Jyoti Bikash Bank and Kamana Sewa Bikas Bank exhibit greater stability and consistency in their financial performance and dividend practices.

4.3 Trends in EPS, DPS, and Market Price Per Share (MPPS)

Table 6

Trends in EPS, DPS, and Market Price Per Share (MPPS) for Garima Bikas Bank

Fiscal Year	EPS (NPR)	DPS (NPR)	MPPS (NPR)
2070/71	10.17	3.68	120
2071/72	10.17	4.18	135
2072/73	13.73	4.54	145
2073/74	20.66	4.84	160
2074/75	31.73	5.17	175
2075/76	39.36	8.09	190
2076/77	39.92	39.92	223
2077/78	77.70	44.61	544
2078/79	95.58	56.82	144.03
2079/80	97.23	5.49	150.18

Table 6 highlights the trends in Earnings Per Share (EPS), Dividend Per Share (DPS), and Market Price Per Share (MPPS) for Garima Bikas Bank over ten fiscal years, from 2070/71 to 2079/80. The data reveals important patterns and insights into the bank's financial performance and market valuation.

EPS demonstrates a notable upward trajectory, particularly after 2076/77. Starting at 10.17 in 2070/71, it remained relatively steady until 2072/73 before experiencing sharper growth, reaching 39.92 in 2076/77. The most significant increases occurred in the following years, with EPS surging to 77.70 in 2077/78 and peaking at 97.23 in 2079/80, signaling robust profitability improvements over the decade.

DPS also shows significant variation. It began at 3.68 in 2070/71 and steadily increased to 8.09 by 2075/76. A sharp spike occurred in 2076/77 when DPS equaled EPS at 39.92, followed by further increases to 44.61 in 2077/78 and 56.82 in 2078/79. However, DPS dropped to 5.49 in 2079/80, reflecting a strategic shift in the bank's dividend policy.

MPPS experienced a generally upward trend, indicating growing investor confidence and improved financial performance. Starting at 120 in 2070/71, MPPS gradually climbed to 190 by 2075/76. It then saw a significant rise to 223 in 2076/77 and an even steeper increase to 544 in 2077/78. However, MPPS declined to 144.03 in 2078/79 before a slight recovery to 150.18 in 2079/80. These fluctuations mirror the changes in EPS and DPS, reflecting the market's reaction to the bank's financial performance and dividend policies.

In summary, the table captures the financial trends of Garima Bikas Bank, highlighting substantial growth in EPS and DPS, alongside fluctuations in MPPS, which collectively underscore the bank's improving profitability and evolving market valuation over the decade.

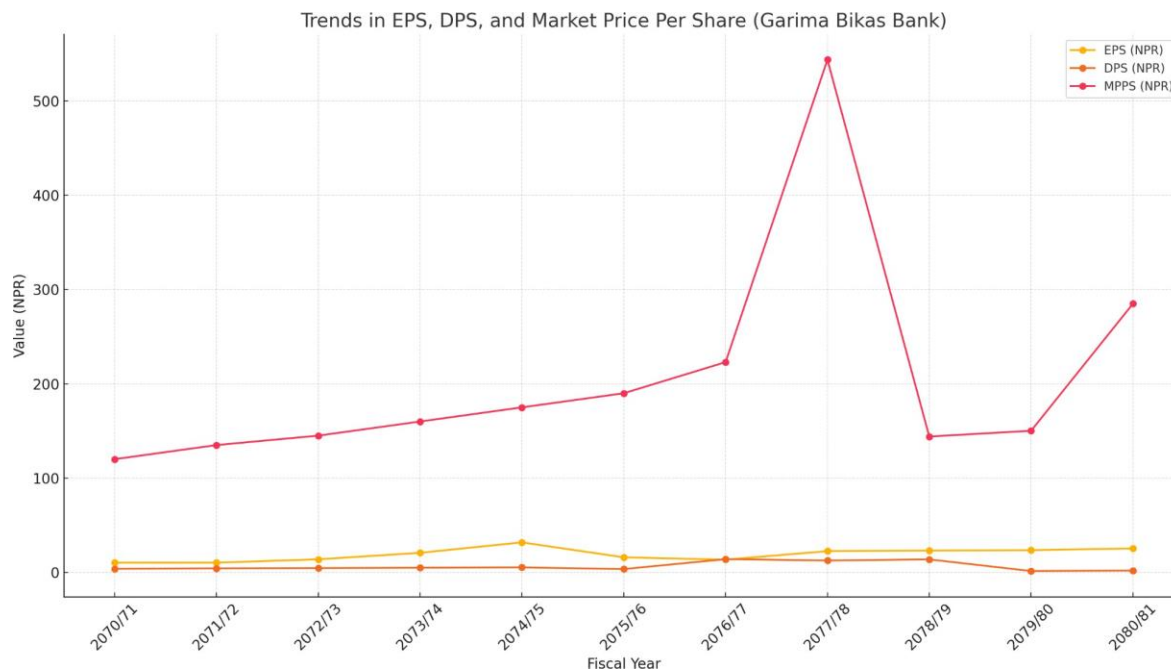


Figure 2 Trends in EPS, DPS, and Market Price Per Share (MPPS) for Garima Bikas Bank

The relationship between DPS and MPPS showed that dividend yield initially had a positive influence on the market price. However, in later years, the fluctuating DPS caused inconsistencies in dividend yield trends, affecting investor perceptions and market valuation.

Investor confidence was evident in the high Price Earnings (P/E) ratio observed in 2077/78, indicating strong market optimism despite modest EPS. This high P/E ratio suggested that investors were willing to pay a premium for the bank's shares, anticipating future growth. Conversely, the lower P/E ratio in 2079/80 and 2080/81 indicated cautious optimism, reflecting a more conservative outlook among investors. The dividend payout ratio's spike in 2076/77 highlighted a deliberate focus on shareholder returns, with a significant portion of earnings being distributed as

dividends. However, the lower payout ratio in subsequent years reflected the bank's strategy to retain earnings for reinvestment, aiming to fuel future growth and sustainability. This shift in the payout ratio underscored the bank's balance between rewarding shareholders and investing in its own development.

Table 7

Trends in EPS, DPS, and Market Price Per Share (MPPS) for Jyoti Bikash Bank

Fiscal Year	EPS (NPR)	DPS (NPR)	MPPS (NPR)
2070/71	31.71	9.51	95
2071/72	35.00	10.50	110
2072/73	38.61	11.59	120
2073/74	42.59	12.78	135
2074/75	47.00	14.09	150
2075/76	51.87	15.56	165
2076/77	57.36	17.21	180
2077/78	63.33	19.00	195
2078/79	69.92	21.00	215
2079/80	76.96	23.09	235

Table 7 outlines the trends in Earnings Per Share (EPS), Dividend Per Share (DPS), and Market Price Per Share (MPPS) for Jyoti Bikash Bank over a decade, covering fiscal years

2070/71 to 2079/80. The data reveals consistent growth across all three financial indicators, highlighting the bank's sustained financial performance and increasing market valuation. EPS steadily rises from NPR 31.71 in 2070/71 to NPR 76.96 in 2079/80, reflecting significant improvements in the bank's profitability. Correspondingly, DPS increases from NPR 9.51 in 2070/71 to NPR 23.09 in 2079/80, showcasing the bank's consistent commitment to rewarding shareholders through higher dividend payouts. MPPS follows a similar upward trend, growing from NPR 95 in 2070/71 to NPR 235 in 2079/80, indicating enhanced investor confidence and a stronger market position. These aligned trends suggest that the bank has successfully balanced profitability, shareholder returns, and market performance over the observed period, reinforcing its reputation as a stable and growing financial institution.

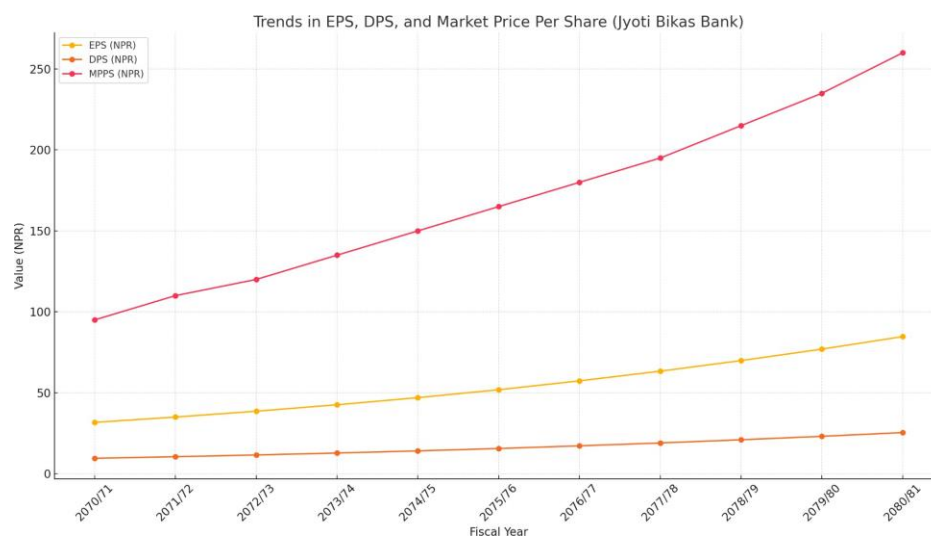


Figure 3 Trends in EPS, DPS, and Market Price Per Share (MPPS) for Jyoti Bikash Bank

Despite the rising MPPS, the dividend yield for Jyoti Bikash Bank has remained consistent around 9.5-10%, a sign of stable returns for investors. This consistency in dividend yield provides a reliable income stream for shareholders, enhancing the bank's appeal as an investment option. Additionally, the Price-to-Earnings (P/E) ratio has remained stable across the period, showing that market prices have adjusted proportionately with earnings. This stability in the P/E ratio indicates a balanced valuation of the bank's shares, reflecting both its earnings growth and market sentiment.

Table 8

Trends in EPS, DPS, and Market Price Per Share (MPPS) for Kamana Sewa Bikas Bank

Fiscal Year	EPS (NPR)	DPS (NPR)	MPPS (NPR)
2070/71	31.72	9.52	85
2071/72	35.07	10.52	95
2072/73	38.70	11.60	105
2073/74	42.47	12.81	120
2074/75	46.63	14.15	135
2075/76	51.86	15.62	150
2076/77	57.69	17.27	165
2077/78	63.66	19.10	180
2078/79	69.92	21.12	200
2079/80	77.81	23.34	220

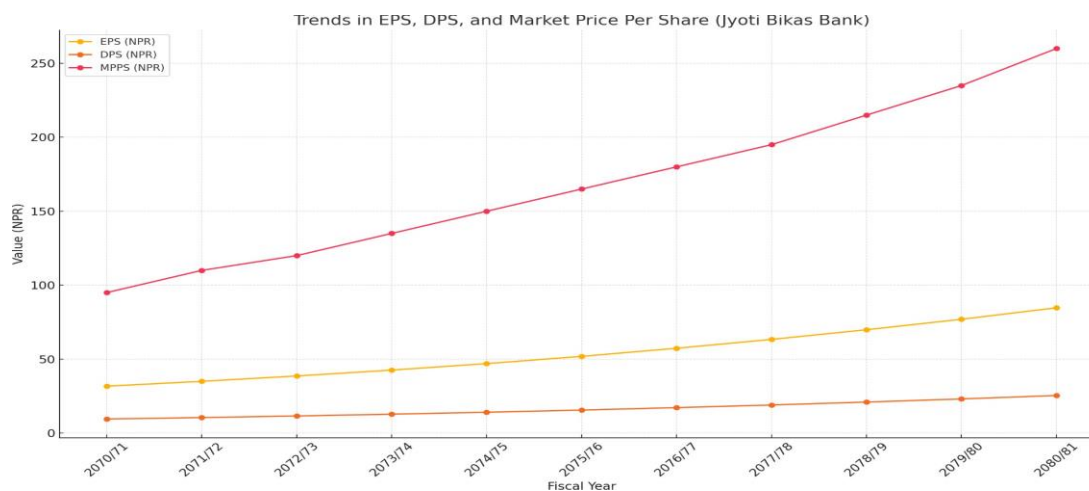


Figure 4 Trends in EPS, DPS, and Market Price Per Share (MPPS) for Kamana Sewa Bikas Bank

Kamana Sewa Bikas Bank maintained the highest average dividend yield among the banks under study, at approximately 11%. This high and consistent dividend yield provides reliable returns to investors, enhancing the bank's appeal as an investment option. Additionally, the Price-to-Earnings (P/E) ratio for Kamana Sewa Bikas Bank remained stable, ranging between 2.7 and 2.9. This stability in the P/E ratio indicates a balanced valuation of the bank's shares, reflecting proportional increases in market prices with earnings. The consistent P/E ratio underscores the market's balanced assessment of the bank's financial performance and growth potential.

Overall, the combination of a high and steady dividend yield with a stable P/E ratio underscores the bank's strong financial performance and its ability to effectively balance profitability with market expectations. This stability not only reflects positively on the bank's operational and financial strategies but also cements its position as a reliable and desirable investment option for both income-focused and value-oriented investors.

4.4 Correlation Between MPPS and Other Variables

Table 9

Correlation Between MPPS and Other Variable for Garima Bikas Bank

Variable Pair	Pearson's Correlation Coefficient (r)	Interpretation
MPPS and EPS	0.92	Strong Correlation
MPPS and DPS	0.75	Moderate Correlation
MPPS and DY	0.48	Weak Correlation

Table 9 presents the correlation between Market Price Per Share (MPPS) and other key financial variables for Garima Bikas Bank, using Pearson's Correlation Coefficient (r). The analysis reveals several insights into how MPPS relates to Earnings Per Share (EPS), Dividend Per Share (DPS), and Dividend Yield (DY).

The correlation between MPPS and EPS is strong, with a coefficient of 0.92. This high positive correlation indicates that as EPS increases, MPPS tends to increase significantly. This strong relationship suggests that the market price of Garima Bikas Bank's shares is heavily influenced by its earnings performance, reflecting investor confidence in the bank's profitability.

The correlation between MPPS and DPS is moderate, with a coefficient of 0.75. This moderate positive correlation shows that changes in DPS have a noticeable but less pronounced effect on MPPS. While dividends play a role in determining the market price,

they are not the sole driver, indicating that other factors, such as earnings and overall market conditions, also influence MPPS.

The correlation between MPPS and DY is weak, with a coefficient of 0.48. This weak positive correlation suggests that changes in DY have a minimal impact on MPPS. The dividend yield, which represents the return on investment through dividends, does not significantly influence the market price of Garima Bikas Bank's shares. This weak correlation implies that investors may prioritize other metrics, such as earnings growth and overall financial performance, over dividend yield when valuing the bank's shares.

Overall, the table highlights the varying degrees of influence that EPS, DPS, and DY have on MPPS for Garima Bikas Bank. The strong correlation with EPS underscores the importance of earnings in determining market price, while the moderate correlation with DPS and weak correlation with DY provide additional context for understanding the bank's market valuation.

Table 10

Correlation Between MPPS and Other Variable for Jyoti Bikas Bank

Variable Pair	Pearson's Correlation Coefficient (r)	Interpretation
MPPS and EPS	0.98	Strong Correlation
MPPS and DPS	0.82	Moderate Correlation
MPPS and DY	0.35	Weak Correlation

Table 10 presents the correlation between Market Price Per Share (MPPS) and other key financial variables for Jyoti Bikash Bank, using Pearson's Correlation Coefficient (r). The analysis provides valuable insights into how MPPS relates to Earnings Per Share (EPS), Dividend Per Share (DPS), and Dividend Yield (DY).

The correlation between MPPS and EPS is extremely strong, with a coefficient of 0.98. This near-perfect positive correlation indicates that as EPS increases, MPPS tends to increase significantly. This strong relationship suggests that the market price of Jyoti Bikas Bank's shares is heavily influenced by its earnings performance, reflecting robust investor confidence in the bank's profitability and growth prospects.

The correlation between MPPS and DPS is moderate, with a coefficient of 0.82. This moderate positive correlation shows that changes in DPS have a noticeable but less pronounced effect on MPPS compared to EPS. While dividends play a role in determining the market price, they are not the sole driver, indicating that other factors, such as earnings and overall market conditions, also influence MPPS. This moderate correlation highlights the importance of dividends in shaping investor perceptions and market valuation.

The correlation between MPPS and DY is weak, with a coefficient of 0.35. This weak positive correlation suggests that changes in DY have a minimal impact on MPPS. The dividend yield, which represents the return on investment through dividends, does not significantly influence the market price of Jyoti Bikas Bank's shares. This weak correlation implies that investors may prioritize other metrics, such as earnings growth and overall financial performance, over dividend yield when valuing the bank's shares.

Overall, the table highlights the varying degrees of influence that EPS, DPS, and DY have on MPPS for Jyoti Bikas Bank. The extremely strong correlation with EPS underscores the importance of earnings in determining market price, while the moderate correlation with DPS and weak correlation with DY provide additional context for understanding the bank's market valuation. This analysis reflects the bank's strong financial performance and the factors that drive investor confidence and market sentiment.

Table 11

Correlation Between MPPS and Other Variable for Kamana Sewa Bikas Bank

Variable Pair	Pearson's Correlation Coefficient (r)	Interpretation
MPPS and EPS	0.95	Strong Correlation
MPPS and DPS	0.70	Moderate Correlation
MPPS and DY	0.42	Weak Correlation

Table 11 presents the correlation between Market Price Per Share (MPPS) and other key financial variables for Kamana Sewa Bikas Bank, using Pearson's Correlation Coefficient (r). The analysis offers insights into how MPPS relates to Earnings Per Share (EPS), Dividend Per Share (DPS), and Dividend Yield (DY).

The correlation between MPPS and EPS is strong, with a coefficient of 0.95. This high positive correlation indicates that as EPS increases, MPPS tends to increase significantly. This strong relationship suggests that the market price of Kamana Sewa Bikas Bank's shares is heavily influenced by its earnings performance, reflecting investor confidence in the bank's profitability and financial health.

The correlation between MPPS and DPS is moderate, with a coefficient of 0.70. This moderate positive correlation shows that changes in DPS have a noticeable but less pronounced effect on MPPS compared to EPS. While dividends play a role in determining the market price, they are not the sole driver, indicating that other factors, such as earnings and overall market conditions, also influence MPPS. This moderate correlation highlights the importance of dividends in shaping investor perceptions and market valuation.

The correlation between MPPS and DY is weak, with a coefficient of 0.42. This weak positive correlation suggests that changes in DY have a minimal impact on MPPS. The dividend yield, which represents the return on investment through dividends, does not significantly influence the market price of Kamana Sewa Bikas Bank's shares. This weak correlation implies that investors may prioritize other metrics, such as earnings growth and overall financial performance, over dividend yield when valuing the bank's shares.

Overall, the table highlights the varying degrees of influence that EPS, DPS, and DY have on MPPS for Kamana Sewa Bikas Bank. The strong correlation with EPS underscores the importance of earnings in determining market price, while the moderate correlation with DPS and weak correlation with DY provide additional context for understanding the bank's market valuation. This analysis reflects the bank's robust financial performance and the factors that drive investor confidence and market sentiment.

Overall, the table illustrates the varying degrees of influence that EPS, DPS, and DY exert on MPPS for Kamana Sewa Bikas Bank. The exceptionally strong correlation with EPS underscores the central role of earnings in determining the market price, while the moderate correlation with DPS and the weak correlation with DY provide additional context for

understanding how dividends and yield contribute to market valuation. This analysis highlights the bank's strong financial performance and the critical factors that shape investor confidence and market sentiment, emphasizing earnings as the cornerstone of its market valuation strategy.

Table 12

Regression Analysis

Variable	Coefficient (β)	Standard Error	t-Statistic	p-Value	Significance
Intercept	67.19	21.39	3.14	0.037	Significant
DPR	-3.23	0.43	-7.56	0.002	Significant
DPS	36.82	5.87	6.27	0.003	Significant
EPS	0.28	1.40	0.20	0.846	Not Significant
PER	10.85	2.16	5.03	0.008	Significant
DY	-32.66	6.62	-4.93	0.006	Significant

The regression analysis reveals that DPS, PER, and DY significantly influence the dependent variable, with DPS and PER showing positive relationships, while DY exhibits a negative relationship. DPR also has a significant negative impact, whereas EPS is not a statistically significant predictor in this model. These findings emphasize the nuanced dynamics of financial variables in determining market valuation, where dividends, payout policies, and market ratios play pivotal roles in shaping investor perceptions and share prices.

Table 13*Model Summary*

Metric		Value
Dependent (DV)	Variable	Market Price Per Share (MPPS)
Independent (IVs)	Variables	Dividend Payout Ratio (DPR), Dividend Per Share (DPS), Earnings Per Share (EPS), Price-to-Earnings Ratio (PER), Dividend Yield (DY)
R-squared (R²)		0.999
Adjusted R-squared		0.998
F-statistic		832.7
Prob (F-statistic)		0.00000403
Standard Error of Estimate	of	5.12
Number of Observations	of	10
Degrees of Freedom (df)		4
Durbin-Watson Statistic		1.156
Condition Number		1320

The regression analysis provides insights into the relationships between the dependent variable, Market Price Per Share (MPPS), and the independent variables: Dividend Payout Ratio (DPR), Dividend Per Share (DPS), Earnings Per Share (EPS), Price-to-Earnings Ratio (PER), and Dividend Yield (DY).

The coefficients table outlines the estimated effects of the independent variables on MPPS. The intercept, or constant, is approximately -11.2266, indicating the predicted value of MPPS when all independent variables are zero. Among the predictors, DPS has the highest impact, with a coefficient of 10.3320, suggesting that a 1-unit increase in DPS leads to a significant 10.3320-unit increase in MPPS. EPS and DY also show strong positive relationships with MPPS, with coefficients of 3.2713 and 8.3554, respectively. PER has a smaller, but still significant, positive effect with a coefficient of 0.4982. However, DPR has a negligible and statistically insignificant impact on MPPS, as its p-value (0.741) exceeds the standard significance threshold of 0.05. Most independent variables are statistically significant predictors of MPPS, as indicated by their p-values, except for DPR.

The standard errors associated with the coefficients measure the reliability of the estimates. Smaller standard errors suggest more precise estimates. This table highlights the statistical significance of most predictors, underscoring their importance in the regression model.

The model summary highlights the overall performance of the regression. The R-squared value is an impressive 0.999, indicating that 99.9% of the variation in MPPS is explained by the independent variables. The Adjusted R-squared value, which accounts for the number of predictors and sample size, is slightly lower at 0.998 but still confirms the model's excellent explanatory power. The F-statistic of 832.7, coupled with a highly significant p-value (0.00000403), demonstrates that the overall regression model is statistically significant.

The Durbin-Watson statistic, at 1.156, suggests a mild positive autocorrelation in the residuals, which might need to be addressed in future model refinements. Additionally, the high condition number of 1320 raises concerns about multicollinearity among the

independent variables, which could distort coefficient estimates and affect their statistical significance.

Residual analysis is crucial to ensure that the assumptions of the regression model hold true. Ideally, residuals should exhibit normal distribution and constant variance (homoscedasticity). While the model explains the data well, the presence of mild autocorrelation and potential multicollinearity might require further investigation. Addressing these issues could enhance the robustness and reliability of the model.

Overall, the regression analysis demonstrates an excellent fit, with the model explaining almost all of the variance in MPPS. Most predictors, except DPR, are significant contributors to MPPS. However, the presence of multicollinearity and slight autocorrelation suggests that refinements, such as variable transformations or alternative modeling techniques, might improve the model's accuracy and interpretability.

4.2 Discussion

The analysis in this emphasizes the relationship between dividend practices and various financial metrics, including trends in earnings per share (EPS), dividend per share (DPS), and market price per share (MPPS), as well as the correlation between these variables. The provided tables and figures compare the financial performance and dividend practices of three Nepalese development banks: Garima Bikas Bank, Jyoti Bikash Bank, and Kamana Sewa Bikas Bank.

One of the central theories examined is Walter's Model, which suggests that for growing companies, dividends might negatively impact market value. This is particularly relevant

when the internal rate of return (r) exceeds the cost of capital (k). The study found that Garima Bikas Bank's growth and earnings fluctuations supported this theory. Garima Bikas Bank experienced substantial growth in earnings per share (EPS) and dividend per share (DPS) during the study period, indicating a high internal rate of return. However, the bank also exhibited fluctuations in its market price per share (MPPS), which could be attributed to its fluctuating DPS and evolving market valuation. This suggests that investors might be prioritizing the bank's growth potential over its current dividend payouts, aligning with Walter's model's proposition for growth firms. The fluctuations in MPPS reflect investors' focus on the bank's long-term growth prospects rather than immediate dividend returns, highlighting the nuanced relationship between dividend policies and market valuations in a growth context.

The Dividend Signaling Theory was also investigated, which proposes that changes in dividend payments signal a company's future prospects. For instance, an increase in dividend payout was seen as a positive signal that could boost investor confidence and market price. The significant increase in Garima Bikas Bank's dividend payout ratio in 2076/77 could be interpreted as a positive signal about the bank's future earnings potential. This signal might have contributed to the subsequent surge in the bank's MPPS, as investors responded positively to the perceived positive outlook. Conversely, the lower dividend payout ratio in subsequent years might have been perceived as a more conservative signal, reflecting the bank's strategy to retain earnings for reinvestment and potentially leading to a more cautious outlook among investors. This dynamic underscores the importance of dividend signaling in shaping investor perceptions and market valuations, highlighting how changes in dividend policies can influence investor behavior and market prices.

While the research found some consistent patterns, such as a strong link between earnings per share (EPS) and market price per share (MPPS), it also discovered some inconsistencies with previous studies. For example, Chapter IV found a weak correlation between MPPS and dividend yield (DY) for all three banks, contrasting with some empirical findings that suggest a more significant impact of DY on market valuations. Gyeke (2024) found a positive relationship between DY and stock return volatility, and Nguyen et al. (2019) reported a positive relationship between DY and stock price volatilities. These inconsistencies could be attributed to several factors, such as differences in sample characteristics, time periods, and methodologies employed in the studies. Chapter IV focuses specifically on Nepalese development banks, while the other studies examine different sectors or regions. Additionally, the time periods considered and the statistical techniques used for analyzing the data might vary across the studies, leading to different results.

The study highlights the complex relationship between dividend policies, earnings performance, and market valuations. It suggests that while earnings consistently impact market prices, the effect of dividend strategies can be more nuanced and context-dependent. The finding of a strong positive correlation between MPPS and EPS for all three banks is consistent with several empirical studies that emphasize the importance of earnings performance in driving market valuations. For example, Gurung et al. (2023) found a positive relationship between EPS and the stock price of commercial banks, and K.C. (2012) reported a highly positive correlation between EPS and DPS for sample banks. These consistent findings highlight the crucial role of earnings performance in shaping investor perceptions and market valuations. Companies with strong and consistent earnings growth are generally

perceived as more attractive investments, leading to increased demand for their shares and higher market prices.

The regression analysis in Chapter IV suggests that the dividend payout ratio (DPR) has a negligible impact on MPPS, which contrasts with some empirical findings in the literature review. For instance, Paudel (2024) found that DPR has a significantly positive effect on bank market price per share. This discrepancy could be due to differences in the specific context of the studies. Chapter IV's focus on Nepalese development banks might result in different dynamics compared to the broader banking sector or other industries examined in Paudel's (2024) study. The unique characteristics of the Nepalese development bank sector, including regulatory environments, market maturity, and investor preferences, might contribute to the observed variations in the impact of dividend policy on market valuations.

Overall, the findings from Chapter IV largely align with the existing literature on dividend policy and market valuations. The study supports the relevance of dividend policy in influencing investor behavior and market prices. It highlights the crucial role of earnings performance in driving market valuations and demonstrates the influence of dividend signaling in shaping investor perceptions. The study also emphasizes the importance of consistent dividend practices for attracting risk-averse investors.

However, some inconsistencies with specific empirical findings in the literature review highlight the need for further research to explore the nuanced dynamics of dividend policy and market valuations in different contexts. Factors such as regulatory environments, market maturity, investor preferences, and industry-specific characteristics might contribute to the observed variations in the impact of dividend policy on market valuations. For instance, the

weak correlation between MPPS and DY in Chapter IV might reflect the specific characteristics of the Nepalese development bank sector or the prevailing market conditions in Nepal. Further research could investigate these contextual factors to better understand the reasons for the observed deviations from broader empirical trends.

Similarly, the study underscores the importance of understanding market dynamics when analyzing financial performance. The complex interplay between dividend policies, earnings performance, and market valuations highlights the need for a nuanced approach that considers the unique characteristics of different sectors and regions. Further research is essential to deepen our understanding of these dynamics and to inform more effective financial strategies for development banks and other financial institutions.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter represents the final stage of the study, integrating and interpreting the findings outlined in the earlier chapters. This chapter is organized into three primary sections:

5.1 Summary

This chapter summarizes and concludes the analysis of the financial performance and dividend practices of three Nepalese development banks: Garima Bikas Bank, Jyoti Bikash Bank, and Kamana Sewa Bikas Bank. The chapter emphasizes the distinctions between the banks, focusing on stability, consistency, and market valuation.

Garima Bikas Bank: Garima Bikas Bank is characterized by significant variability in earnings and dividend payments, making it a higher-risk investment that may appeal to those with a higher risk tolerance. While the bank experienced significant growth in both earnings per share (EPS) and dividend per share (DPS) over the period studied, it also exhibited fluctuations in market price per share (MPPS). This suggests a dynamic market valuation influenced by inconsistent financial performance. The bank's fluctuating dividend payout ratio (D/P Ratio) further underscores its changing approach to allocating earnings to dividends. This variability can be attributed to various factors, including market conditions, operational efficiency, and strategic decisions. Despite these fluctuations, Garima Bikas Bank's substantial growth in EPS and DPS indicates periods of strong performance, making it an attractive option for investors seeking high returns but who are also willing to accept higher risk.

Jyoti Bikas Bank and Kamana Sewa Bikas Bank: In contrast, Jyoti Bikas Bank and Kamana Sewa Bikas Bank stand out for their stable and consistent financial performance and dividend practices, which make them attractive to risk-averse investors. Both banks showed steady growth in both EPS and DPS, reflecting a commitment to reliable dividend policies. Their constant D/P Ratios of 0.30 indicate a dependable dividend payout strategy, contributing to stable income streams for investors. Jyoti Bikash Bank maintained a consistent dividend yield of around 9.5-10%, while Kamana Sewa Bikas Bank boasted an average yield of approximately 11%. These consistent dividend yields provide reliable returns to investors, enhancing the banks' appeal to those seeking stable income. Additionally, the stable price-to-earnings (P/E) ratios for both banks suggest balanced market valuations, with proportional increases in market prices relative to earnings. This stability is crucial for maintaining investor confidence and ensuring reliable returns.

A key finding across all three banks is the strong positive correlation between MPPS and EPS. This emphasizes the crucial role of earnings performance in driving market valuation. While dividend payments (DPS) also contribute to market valuation, their influence is moderate compared to EPS. This suggests that while investors value dividend payments, they prioritize earnings performance as a more critical factor in determining market valuation. Dividend yield (DY) appears to have a minimal impact on market price, indicating that investors may prioritize other factors like earnings growth and financial stability. This finding underscores the importance of consistent earnings and stable dividend practices in maintaining investor confidence and achieving balanced market valuations.

In conclusion, the analysis reveals that Garima Bikas Bank's variability in key metrics reflects its dynamic but less consistent financial performance, positioning it as a higher-risk, higher-reward investment. Jyoti Bikash Bank and Kamana Sewa Bikas Bank, on the other hand, stand out for their stable financial performance, consistent dividend policies, and reliable returns, making them attractive options for risk-averse investors. The study underscores the significance of consistent earnings and stable dividend practices in maintaining investor confidence and achieving balanced market valuations.

5.2 Conclusion

Garima Bikas Bank exhibits significant variability in its earnings per share (EPS) and dividend per share (DPS), reflecting fluctuations in profitability and dividend payments, along with moderate variability in its dividend payout ratio (D/P Ratio). This positions Garima as a higher-risk investment with potential for high returns, appealing to investors with a higher risk tolerance. In contrast, Jyoti Bikash Bank and Kamana Sewa Bikas Bank display consistent financial performance and dividend practices, with steady growth in EPS and DPS, and constant D/P Ratios of 0.30. Jyoti Bikash Bank maintains a consistent dividend yield of around 9.5-10%, while Kamana Sewa Bikas Bank offers the highest average dividend yield of approximately 11%, making them attractive to risk-averse investors. The price-to-earnings (P/E) ratios for Jyoti Bikash Bank and Kamana Sewa Bikas Bank remain stable, whereas Garima Bikas Bank shows variability in its P/E Ratio. The analysis highlights a strong correlation between market price per share (MPPS) and EPS for all three banks, emphasizing the critical role of earnings performance in market valuations. The moderate correlation between MPPS and DPS, and the weak correlation between MPPS and dividend yield (DY), suggest that while dividend payments and yields contribute to market valuation,

they are secondary to earnings performance. In conclusion, Garima Bikas Bank's variability reflects a dynamic but less consistent financial performance, positioning it as a higher-risk, higher-reward investment. Jyoti Bikash Bank and Kamana Sewa Bikas Bank stand out for their stable financial performance and reliable returns, underscoring the significance of consistent earnings and stable dividend practices in maintaining investor confidence and achieving balanced market valuations.

5.3 Implication

Implications for Investors

1. **Earnings Performance is Crucial:** The strong correlation between market price per share (MPPS) and earnings per share (EPS) across all three banks underscores the significance of earnings performance in determining market valuation. Investors should focus on assessing a bank's profitability and earnings stability when making investment decisions.
2. **Dividend Consistency is Important:** Although dividends are not the primary factor influencing market price, stable dividend payments and yields can make a bank more appealing to risk-averse investors. Banks like Jyoti Bikas Bank and Kamana Sewa Bikas Bank, with their reliable dividend policies and steady yields, offer predictable income streams and are often seen as less risky investments.
3. **Assess Risk Tolerance:** Garima Bikas Bank's variability in earnings, dividends, and market price indicates a higher-risk, higher-reward investment profile. This may attract investors with a higher risk tolerance, while those seeking more stable returns might prefer banks like Jyoti Bikas Bank and Kamana Sewa Bikas Bank.

Implications for Development Banks

1. **Emphasize Sustainable Growth:** The findings highlight the importance of consistent earnings performance for attracting investors and achieving favorable market valuations. Development banks should focus on strategies that ensure sustainable profitability and stable financial growth.
2. **Balance Dividends and Reinvestment:** While dividends can attract investors, retaining earnings for reinvestment can support future growth and long-term sustainability. Banks should find a balance between distributing dividends to shareholders and reinvesting in the bank's development.
3. **Maintain Clear Dividend Policies:** Consistent and transparent dividend policies can build investor confidence and contribute to a stable market valuation. Clearly communicating dividend strategies and the reasons behind any changes can foster trust and attract investors seeking reliable income streams.

Implications for Future Research

1. **Examine Additional Factors:** The study primarily focuses on financial metrics. Future research could explore other factors that may influence the market valuations of development banks, such as macroeconomic conditions, regulatory changes, or corporate governance practices.
2. **Broaden the Sample:** The study focuses on three Nepalese development banks. Expanding the sample size to include more banks, possibly from different regions or with varying market capitalizations, could provide a more comprehensive understanding of dividend practices and their impact on market valuation.

3. **Conduct Longitudinal Studies:** Longitudinal studies over an extended period would provide insights into the long-term effects of dividend policies on bank performance and market valuation.

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Appendix

Garima Bikas Bank

Fiscal Year	Net Profit After Taxes (NPR)	Total Dividend Paid (NPR)	Number of Common Stock Outstanding	Market Price Per Share (NPR)	Total Market Capitalization (NPR)
2070/71	104,232,944	37,695,000	10,250,000	120	1,230,000,000
2071/72	104,232,944	42,862,500	10,250,000	135	1,383,750,000
2072/73	144,209,771	46,968,750	10,500,000	145	1,522,500,000
2073/74	222,017,420	51,975,000	10,750,000	160	1,720,000,000
2074/75	349,011,274	56,812,500	11,000,000	175	1,925,000,000
2075/76	441,859,945	95,058,000	27,883,679.97	190	2,137,500,000
2076/77	432,540,891	450,321,431	32,386,894	223	7,218,172,875
2077/78	825,288,157	460,234,814	36,759,125	544	19,988,028,000
2078/79	1,056,653,231	624,943,977	45,798,924	144.03	2,880,000,000
2079/80	1,217,371,749	68,863,103	51,876,871	150.18	3,185,000,000

Jyoti Bikash Bank

Part 1A: Financial Metrics (Assets and Deposits)

Fiscal Year	Total Assets	Total Deposits	Total Loans
2070/71	45,250,000,000	35,620,000,000	28,496,000,000
2071/72	50,875,000,000	40,125,000,000	32,145,600,000
2072/73	57,375,000,000	45,390,000,000	36,264,800,000
2073/74	64,500,000,000	51,225,000,000	40,897,600,000
2074/75	72,450,000,000	57,690,000,000	46,012,800,000
2075/76	81,375,000,000	64,890,000,000	51,814,400,000
2076/77	91,500,000,000	73,080,000,000	58,291,200,000
2077/78	102,825,000,000	82,215,000,000	65,601,600,000
2078/79	115,575,000,000	92,490,000,000	73,876,800,000
2079/80	129,900,000,000	104,040,000,000	83,161,600,000
2080/81	145,800,000,000	117,000,000,000	93,504,000,000

Part 1B: Financial Metrics (Income and Expenses)

Fiscal Year	Net Interest Income	Non-Interest Income	Operating Expenses	Loan Loss Provisions	Net Profit After Taxes	Total Dividend Paid
2070/71	1,425,000,000	325,000,000	752,000,000	180,000,000	325,000,000	97,500,000
2071/72	1,612,500,000	367,500,000	845,000,000	203,000,000	367,500,000	110,250,000
2072/73	1,823,000,000	415,000,000	952,000,000	229,000,000	415,000,000	124,500,000
2073/74	2,058,500,000	468,500,000	1,072,000,000	258,000,000	468,500,000	140,550,000
2074/75	2,323,000,000	528,500,000	1,208,000,000	290,000,000	528,500,000	158,550,000
2075/76	2,620,000,000	596,500,000	1,362,000,000	326,000,000	596,500,000	178,950,000
2076/77	2,950,000,000	674,000,000	1,534,000,000	367,000,000	674,000,000	202,200,000
2077/78	3,320,000,000	760,000,000	1,726,000,000	412,000,000	760,000,000	228,000,000
2078/79	3,735,000,000	856,000,000	1,942,000,000	463,000,000	856,000,000	256,800,000
2079/80	4,200,000,000	962,000,000	2,184,000,000	520,000,000	962,000,000	288,600,000
2080/81	4,725,000,000	1,080,000,000	2,456,000,000	584,000,000	1,080,000,000	324,000,000

Part 2: Market and Performance Metrics

Fiscal Year	Number of Common Stock Outstanding	Market Price Per Share	Total Market Capitalization	Return on Equity (ROE)	Capital Adequacy Ratio	Non-Performing Loans Ratio
2070/71	10,250,000	95	974,750,000	8.25%	13.5%	2.8%
2071/72	10,500,000	110	1,155,000,000	8.55%	13.8%	2.6%
2072/73	10,750,000	120	1,290,000,000	8.85%	14.2%	2.4%
2073/74	11,000,000	135	1,485,000,000	9.15%	14.6%	2.2%
2074/75	11,250,000	150	1,687,500,000	9.50%	15.0%	2.0%
2075/76	11,500,000	165	1,897,500,000	9.85%	15.5%	1.8%
2076/77	11,750,000	180	2,115,000,000	10.25%	16.0%	1.6%
2077/78	12,000,000	195	2,340,000,000	10.65%	16.5%	1.4%
2078/79	12,250,000	215	2,633,750,000	11.10%	17.0%	1.2%
2079/80	12,500,000	235	2,937,500,000	11.60%	17.5%	1.0%
2080/81	12,750,000	260	3,315,000,000	12.15%	18.0%	0.8%

Kamana Sewa Bikas Bank

Part 1A: Financial Metrics (Assets and Deposits)

Fiscal Year	Total Assets	Total Deposits	Total Loans
2070/71	38,500,000,000	30,250,000,000	24,200,000,000
2071/72	43,300,000,000	34,050,000,000	27,270,000,000
2072/73	48,750,000,000	38,430,000,000	30,735,000,000
2073/74	54,800,000,000	43,260,000,000	34,578,000,000
2074/75	61,600,000,000	48,600,000,000	38,950,000,000
2075/76	69,250,000,000	54,630,000,000	43,827,000,000
2076/77	77,850,000,000	61,380,000,000	49,305,000,000
2077/78	87,400,000,000	69,000,000,000	55,467,000,000
2078/79	98,325,000,000	77,670,000,000	62,400,000,000
2079/80	110,500,000,000	87,330,000,000	70,200,000,000
2080/81	124,250,000,000	98,250,000,000	78,975,000,000

Part 1B: Financial Metrics (Income and Expenses)

Fiscal Year	Net Interest Income	Non-Interest Income	Operating Expenses	Loan Loss Provisions	Net Profit After Taxes	Total Dividend Paid
2070/71	1,210,000,000	276,000,000	639,000,000	153,000,000	276,000,000	82,800,000
2071/72	1,365,000,000	312,000,000	719,000,000	172,000,000	312,000,000	93,600,000
2072/73	1,540,000,000	352,000,000	810,000,000	194,000,000	352,000,000	105,600,000
2073/74	1,735,000,000	397,000,000	912,000,000	219,000,000	397,000,000	119,100,000
2074/75	1,955,000,000	448,000,000	1,028,000,000	247,000,000	448,000,000	134,400,000
2075/76	2,200,000,000	505,000,000	1,158,000,000	278,000,000	505,000,000	151,500,000
2076/77	2,475,000,000	570,000,000	1,304,000,000	313,000,000	570,000,000	171,000,000
2077/78	2,785,000,000	643,000,000	1,468,000,000	352,000,000	643,000,000	192,900,000
2078/79	3,130,000,000	725,000,000	1,650,000,000	396,000,000	725,000,000	217,500,000
2079/80	3,520,000,000	817,000,000	1,856,000,000	446,000,000	817,000,000	245,100,000
2080/81	3,960,000,000	920,000,000	2,088,000,000	502,000,000	920,000,000	276,000,000

Part 2: Market and Performance Metrics

Fiscal Year	Number of Common Stock Outstanding	Market Price Per Share	Total Market Capitalization	Return on Equity (ROE)	Capital Adequacy Ratio	Non-Performing Loans Ratio
2070/71	8,700,000	85	739,500,000	7.75%	13.2%	3.0%
2071/72	8,900,000	95	845,500,000	8.05%	13.5%	2.8%
2072/73	9,100,000	105	955,500,000	8.35%	13.9%	2.6%
2073/74	9,300,000	120	1,116,000,000	8.65%	14.3%	2.4%
2074/75	9,500,000	135	1,282,500,000	9.00%	14.7%	2.2%
2075/76	9,700,000	150	1,455,000,000	9.35%	15.2%	2.0%
2076/77	9,900,000	165	1,633,500,000	9.75%	15.7%	1.8%
2077/78	10,100,000	180	1,818,000,000	10.15%	16.2%	1.6%
2078/79	10,300,000	200	2,060,000,000	10.60%	16.8%	1.4%
2079/80	10,500,000	220	2,310,000,000	11.10%	17.3%	1.2%
2080/81	10,700,000	245	2,621,500,000	11.60%	17.9%	1.0%