

DIVIDEND POLICY OF COMMERCIAL BANK

A THESIS

Submitted By:

Reena Baniya

Khwopa College

T.U. Registration No: 7-1-25-86-2001

Exam Roll No: 4253

Submitted To:

Office of The Dean

Faculty of Management

Tribhuvan University

**In partial fulfillment of the requirements for the Master's Degree of
Business Studies (M.B.S)**

Dekocho, Bhaktapur

March, 2013

DECLARATION

I hereby declare that the work reported in this thesis entitled **DIVIDEND POLICY OF COMMERCIAL BANK** submitted to Khwopa college , faculty of management, is my original work for the partial fulfillment of Master's Degree Of Business Studies (M.B.S) under the supervision of **Rupak Joshi** ,Khwopa College, Dekocha, Bhaktapur.

Reena Baniya
Researcher
Khwopa College
Exam Roll No: **4253**
T.U. Regd No: **7-1-25-86-2001**
March, 2013

ACKNOWLEDGEMENTS

I express my performed gratitude to my supervisor **Rupak joshi** for their patient and continuous guidance with valuable comments and kind support to me all way through this thesis. I owe an indebtedness to all reputed authors whose writings have provide me the necessary guidance and invaluable materials for the enrichment of my research paper in all possible ways. I would like to express my genuine appreciation to all the staff of Khwopa College and also express my gratitude to all the staffs of various corporate bodies who bigheartedly made accessible the requisites information.

At last but not the least, my paramount dedication is to my family members who have been uninterrupted source of sustain for me while in during the tribulation of this research work. Thanks to my entire respective teacher and my friends and those support me kindly.

I have tried to cover the entire possible are that I felt, important to sum up the **DIVIDEND POLICY OF COMMERCIAL BANK**.I am hopeful that this task will be helpful to the students of Business studies and to those who want to make further researches under this topic.

Reena Baniya
Researcher

TABLE OF CONTENTS

Subjects	Page No.
Viva-voce Sheet	
Recommendation	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
Chapter I: Introduction	1-5
1.1 Background of study	1
1.2 statement of problem	2
1.3 objectives of study	3
1.4 Significance of the study	4
1.5 Limitations of the Study	4
1.6 Chapter Scheme	5
Chapter II: Review of Literature	7-31
2.1 Conceptual Framework	7
2.1.1 Dividend	7
2.1.2 Forms of Dividend payments	8
2.1.3 Reliability of Dividend	9
2.1.4 Dividend dates	10
2.1.5 Factors influencing dividend decision	12
2.1.6 Dividend Policy	14
2.1.7 Reason for Paying dividends	15
2.1.8 Reason For Investor to go with dividends	17
2.1.9 Dividend Theories	20
2.1.10 Do Dividends Signal Future Success?	21
2.2 Review of Journals and Articles	23
2.3 Review of Thesis	26
2.4 Research Gap	31

Chapter III: Research Methodology **32-37**

3.1 Research Design	32
3.2 Population and Sample	32
3.3 Sources of data	33
3.4 Research Tools	33
3.4.1 Financial Tools	33
3.4.2 Statistical Tools	34

Chapter IV: Data Presentation and Analysis **38-63**

4.1 Secondary data Analysis	38
4.1.1 Dividend per Share	38
4.1.2 Dividend Payout ratio	41
4.1.3 Dividend Yield	44
4.1.4 Relationship between DPS and MPS	46
4.1.4.1 Correlation test Between DPS and MPs	46
4.1.4.2 Regression Test of MPS on DPS	47
4.1.5 Relationship between DPS and DY	48
4.1.5.1 Correlation Test between DPS and DY	48
4.1.5.2 Regression test Between DY and DPS	49
4.1.6 Relationship between MPS and DPR	50
4.1.6.1 Correlation Test between MPS and DPR	50
4.1.6.2 Regression test Between MPS and DPR	51
4.1.7 Relationship of MPS with DPS and EPS	52
4.1.7.1 Multiple Correlation Test of MPS with DPS and EPS	52
4.1.7.2 Multiple Regression Test of MPS on DPS and EPS	53
4.2 Primary Data Analysis	54
4.2.1 Major Motive of Cash Dividend	54
4.2.2 Dividend Practice Followed	56
4.2.3 Impact of Dividend on Liquidity	57
4.2.4 Suggestion for Dividend Policy in Nepal	59
4.2.5 Reasons to investment in share capital	60
4.3 Major Finding of the Study	61

Chapter V: Summary, Conclusion and Recommendations

5.1 Summary	64
5.2 Conclusion	65
5.3 Recommendations	66

References

Annex

LIST OF TABLES

Table No	Title	Page No
4.1	Dividend per Share	38
4.2	Dividend Payout ratios	41
4.3	Dividend Yield	44
4.4	Correlation test Between DPS and MPs	46
4.5	Regression Test of MPS on DPS	47
4.6	Correlation Test between DPS and DY	46
4.7	Regression test Between DY and DPS	49
4.8	Correlation Test between MPS and DPR	50
4.9	Regression test Between MPS and DPR	51
4.10	Multiple Correlation Tests of MPS with DPS and EPS	52
4.11	Multiple Regression Tests of MPS on DPS and EPS	53
4.12	Major Motive of Cash Dividend	55
4.13	Dividend Practice Followed	56
4.14	Impact of Dividend on Liquidity	58
4.15	Suggestion for Dividend Policy in Nepal	59
4.16	Reasons to investment in share capital	60

LIST OF FIGURE

Figure No	Title	Page No
4.1	Dividend per Share	38
4.2	Dividend Payout ratios	41
4.3	Dividend Yield	44
4.4	Major Motive of Cash Dividend	55
4.5	Dividend Practice Followed	56
4.6	Impact of Dividend on Liquidity	58
4.7	Suggestion for Dividend Policy in Nepal	59
4.8	Reasons to investment in share capital	60

ABBREVIATION

EPS	: Earning per Share
DPS	: Dividend per Share
MPS	: Market Price of share
DPR	: Dividend Payout Ratio
DY	: Dividend Yield
SD	: Standard Deviation
CV	: Coefficient of Variance
FY	: Fiscal Year
SCBNL	: Standard Chartered Bank of Nepal Ltd.
NABIL	: Nepal Arab Bank Ltd.
EBL	: Everest Bank Ltd.
BOK	: Bank of Kathmandu
HBL	: Himalayan Bank Ltd.
MBS	: Master of Business studies
TU	: Tribhuvan University