IMPACT OF DIVIDEND POLICY ON STOCK PRICE OF SELECTED NEPALESE COMMERCIAL BANKS

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of Requirement for the Master's Degree

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Impact of Dividend Policy on Stock Price of Selected Nepalese Commercial Banks".** The work of this dissertation has not been submitted preciously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

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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Yashoda Kumari Thapa

Date: August, 2025

Report of Research Committee

Ms. Yashoda Kumari Thapa has defended research proposal entitled **"Impact of dividend policy on stock price of selected Nepalese commercial banks"** successfully. The research committee has registered the thesis for the further progress. It is recommended to carry out the work as per suggestions guidance of supervisor Mr. Arun Neupane and submit the thesis for the evaluation and viva voce examination.

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Approval Sheet

We have examined the dissertation entitled **"Impact of Dividend Policy on Stock Price of Selected Nepalese Commercial Banks"** presented by Ms. Yashoda Kumari Thapa for the degree of Master of Business Studies (MBS). We hereby certify that the dissertation is acceptable for the award of degree.

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I acknowledge full responsibility for any mistakes that are made in this work.

Researcher

Yashoda Kumari Thapa,

August, 2025

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Abbreviation

CIBL = Citizen International Bank Limited

C.V = Covariance

D/P = Dividend Payout Ratio

DPS = Dividend per Share

D/Y = Dividend Yield Ratio

EPL = Everest Bank Limited

EPS = Earnings per Share

GIBL = Global IME Bank Limited

MPS =Market price per share

NRB = Nepal Rastra Bank

P/E = Price Earnings Ratio

SBI = State Bank of India

SD = Standard Deviation

SE = Standard Error

Abstract

The topic of this dissertation is "Impact of Dividend Policy on Stock Price of Selected Nepalese Commercial Banks." The study's main goal is to investigate how dividend policies affect Nepalese commercial banks' stock market values. Purposive sampling is used to select the data for this descriptive and analytical study design. The study makes use of secondary data sources, which are logically and thematically analyzed and interpreted.

The performance of commercial banks and other financial institutions depends on their dividend policies because they serve as a major incentive for shareholders and promote investment. Using the proper descriptive and statistical methodologies, this dissertation examines data from three commercial banks covering the fiscal years 2011–12–2020–21. The results show that market price per share (MPS) is positively correlated with price-earnings ratio (P/E), dividend payout ratio (DPR), earnings per share (EPS), and dividend per share (DPS). On the other hand, there is a negative correlation between MPS and the dividend yield ratio (DYR). Additionally, the study finds a strong link between MPS and both P/E and DPS. On the other hand, the relationship between MPS and DYR and DPR is negligible.

On the basis of these results, it is advised that businesses share accurate details about their dividend policy, operations, and results. Investors are able to assess the company's status and make well-informed investment decisions because to this transparency. Dividend policies should therefore be carefully taken into account by investors when forecasting future returns and choosing investments.

Key Words: Market Price per Share, earning per share, Dividend per Share, Dividend Payout Ratio, Price Earnings Ratio, Dividend Yield Ratio.

Chapter – I
Introduction

1.1 Background of the Study

In general, three sorts of financial decisions can have an impact on a company's value: investment, financial, and dividend decisions. There is interdependence among these three choices. The study's primary goal is to draw attention to the dividend policy as a crucial financial choice made by commercial banks. Because commercial banks have not been satisfied with their dividend decisions, this study compares the dividend policies that they have established and suggests to interested parties the paths that commercial banks should take in order to expand.

The distribution of profits between paying stockholders and reinvesting in the company is decided by the dividend policy. Consequently, the dividend policy determines how much profit should be retained by the company and how much should be distributed to shareholders. Since dividends are one of the things that encourage shareholders to invest, dividend policies are essential to the performance of commercial banks and other financial institutions. It is one of the most important financial management choices since it impacts the firm's worth as well as general finance choices including corporate liquidity, financial structure, and investor sentiment. One of the board of directors' primary decisions is the dividend policy. The board must choose between giving out dividends to shareholders and satisfying their short-term needs or holding onto them for investments that would benefit them more in the long run. A dividend policy's primary goal should be to increase shareholders' wealth. Understanding how a company allocates its net earnings between retained earnings and dividends is made easier by researching its dividend policy. The allocation of profits between paying investors and reinvesting in the company is decided by the dividend policy. The firm's financing decision is heavily influenced by its dividend policy.

The Board of Directors has the authority to decide whether to pay the corporate dividend. The majority of businesses pay dividends on a quarterly basis. Cash, stock, or merchandise can be used to pay dividends. While merchandise dividends are at least common, cash dividends are the most prevalent. Although they are not guaranteed a dividend, investors come to anticipate one based on the company's past

distribution trends. Preferred stockholders, the government, and creditors' claims must be resolved before dividends are distributed to common investors.

In order to improve their reputation and standing in the financial market, companies typically pay out their entire earnings as dividends at first. However, they may later decide to alter their strategy and declare a specific proportion of dividend distribution term. Dividend policy is the choice of whether to retain a portion of earnings or distribute a piece as a dividend.

The economy as a whole is greatly influenced by the market value and financial performance of commercial banks and other financial institutions. The dividend policy that these institutions have chosen is one of the main elements affecting market valuation. The term "dividend policy" describes the strategic choices a business makes about paying dividends to its shareholders rather than keeping the revenues for internal use. Dividends are not only a source of cash for shareholders, but they are also a crucial sign of a company's financial stability and potential.

Dividend policies are important for Nepalese commercial banks since they have a direct effect on stock price fluctuations and investor trust. Dividends are frequently interpreted by investors as an indication of sound financial standing and profitability. As a result, a well-designed dividend policy draws in new investors in addition to encouraging current owners to keep their shares. Because of this, banks must balance paying dividends with holding onto profits for future growth and expansion.

1.2 Problem Statement

One of the most important and contentious aspects of managerial finance is deciding on the type of dividend. The capital market in Nepal is only getting started in terms of development and expansion. When choosing which securities to invest their money in, investors lack the necessary expertise. They just make educated guesses about market trends for stock purchases. They favor purchasing equities with greater market prices due to their bigger dividends. The majority of investors are unaware of the risks of purchasing such assets.

Various financial experts have presented their perspectives on dividend payment through the introduction of dividend payment methods. Among these, the MM model asserts that dividends have no bearing on the firm's worth. It holds that profits should

only be kept in order to take advantage of investing possibilities. "If there is no investment opportunity, all the earnings should be distributed as dividend" (Walter). James Walter had developed a pertinent dividend hypothesis. He put forth a share valuation model. He asserts that the firm's dividend policy has an impact on share value. The relevance of dividends is supported by his model. He contends that an enterprise's worth is nearly always impacted by the dividend policies chosen. In contrast to Modigliani and Miller, he believes that a company's investment and dividend strategies are inextricably intertwined. The link between a company's internal rate of return (r), or return on investment, and its cost of capital (k), or needed rate of return, is crucial in deciding on its dividend policy, as demonstrated by Walter's model. If the internal rate is higher than the cost of capital, retention will increase the share price, which will fluctuate in the opposite direction of dividend payments. Various financial professionals have introduced the dividend payment model, presenting various perspectives on dividend payment. This is how Walter's approach is also known. The MM Model claims that dividends are unimportant among them. The firm's dividend policy has no bearing on its worth. Walter contends that dividends are important and that a company's dividend policy influences its overall worth. Therefore, the dividend policy will generally have an impact on the market price of stocks. However, other analysts disagree with the correlation between stock market price and dividends. Additionally, this study seeks to answer the following questions:

- What is the position of MPS, EPS, DPS, DPR, P/ER and DYR of selected commercial banks?
- What is the relationship between dividend announcement and movement of share price?
- What are the major factors affecting dividend policy of a firm?

1.3 Objective of the Study

The objective of the study is the impact of dividend policy in Nepalese financial institution and factors affect dividend policy directly and indirectly of only selected commercial banks. The next objective of the study is to determine the trend and practices of dividend payment by the Nepalese Commercial Bank of Nepal from fiscal year 2011/12 to 2020/21.

The following are the specific objectives of this study:

- To assess the position of MPS, EPS, DPS, DPR, P/ER and DYR of selected commercial banks.
- To analyze the major factor affecting divided policy.
- To examine the significant relationship between dividend announcement and movement of share price.

1.4 Rationale of the Study

Currently, investors are highly motivated to purchase shares in order to increase their returns. So, dividends are now a good approach to draw in a lot of investors and keep the company's reputation positive. Shareholders will find the research's findings useful in comparing the dividend policies of the two banks. As a result, this could help them determine the return on their investment and support their investment decision. After that, the management will also profit from pointing out the solutions regarding the proper dividend policy. This investigation is beneficial from the firm's point of view as well. Because of this investigation, they are aware of the investor's goals. There are essentially two different kinds of goals: obtaining a dividend and gaining money. They can adjust their strategies and policies based on their understanding of the investor's goal. The investor benefits from this study when making investments. In order for them to invest and make the appropriate choice at the right moment regarding the impact of dividends on share market prices. The fact that this study solely looks at characteristics connected to dividends has particular significance. The dividend policy of the banking and insurance sector is crucial for the socioeconomic development of the country, and this study will be very helpful to those who are concerned, including shareholders, managers, and policy makers, as well as to future researchers looking for more information on the same topic.

However, the specific rational is as follows:

- This study will be very helpful for further researcher to find more details on the same topic.
- It will be very helpful to the concerned people like shareholders, managers and policy maker.

- The dividend policy of the banking and insurance sector plays vital role for socio - economic development in the nation.

1.5 Limitation of the Study

One of the most important financial management decisions is dividends. To accomplish the organizational objective, financial management makes decisions on a number of different topics, including dividend policy, capital structure management, leverage, liquidity management, and investment decisions. This study only chose dividend policy; it has limitations, which are detailed below. This study takes into consideration the following limitations:

1. This study is solely concerned with the banking industry, with commercial banks serving as the primary subject of examination.
2. The study's sample consists of a carefully selected group of commercial banks.
3. The majority of the data included in the study comes from secondary sources.
4. Although there are many factors that affect dividend decisions, only a handful are examined in this study.
5. This analysis solely includes listed commercial banks due to time and resource restrictions. Just five commercial banks are included in the study.
6. The study's secondary data sources include journals, unpublished and published theses, articles, papers, annual reports of the chosen banks, and other pertinent information that were gathered from a variety of websites.
7. The study of sample firms is carried out utilizing certain instruments and methodologies within certain parameters.

Chapter – II
Literature Review

This chapter attempts to analyze the theoretical component as well as the related literature on the topic. Finding out what research has been done and what needs to be done in one's chosen topic of study is the goal of a literature review. Finding out what other researchers have done while discovering what was previously left undiscovered in the field of study is possible through a review of the literature. The review of various dividend policy literature sources, including books, journals, research papers, and unpublished theses, is the focus of this chapter. Similar to that, this chapter has two primary headings: a review of related research and a conceptual framework. Reviewing domestic and foreign research as well as relevant theories regarding dividends and policies on dividends will undoubtedly aid this study. It is structured into two sections, which are organized as follows:

- Theoretical Review
- Empirical Review

2.1 Theoretical Review

Authors and intellectuals of various backgrounds provide theoretical reviews. A dividend, to put it simply, is a percentage of earnings that are given to shareholders as compensation for their share capital investment. Cash dividends are typically paid. The dividend policy is a company's policy regarding the distribution of its profits between shareholders as a dividend and retention for investment in opportunities. It gauges the goodwill of banks and businesses. Put another way, dividend policy is the question of how much of a company's overall earnings should be distributed to its shareholders and how much should be kept for investments in order to maximize the wealth of stockholders through both now and future benefits.

However, the dividend policy outlines not only the dividend amount but also the method of payment, among other things. Any modifications to the dividend policy can affect the stock price of the company in both positive and negative ways. The following are the main factors affecting the company's dividend policy: legal regulations, liquidity situation, debt repayment obligations, debt contract restrictions, rate of asset expansion, Similar to this, other factors influencing the firm's dividend

policy include the rate of profit, stability of earnings, access to the capital market, desire for control, and the tax status of the shareholders. The company's dividend policy should be such that it properly balances the decisions of wealth maximization and financing. Retained earnings and cash dividends have a negative relationship. Dividend payments fall when a company keeps its earnings to pay for the additional equity capital it needs, which could have a negative impact on the share price. On the other hand, this results in higher earnings per share. Because it either directly or indirectly determines or influences the maximization of owners' or shareholders' wealth, the dividend decision is therefore one of the most important managerial finance decisions.

2.1.1 Forms of Dividend

A firm may choose to pay dividends to its shareholders in cash, share properties, or a mix of these. However, dividends are distributed in Nepal in the form of shares or cash. The dividend is paid out by the financial institution on a monthly, quarterly, semiannual, or annual basis. In Nepal, dividends are typically paid out once a year. In Nepal, there are no strict laws or regulations governing dividend payments. The smallest and least developed nation is Nepal. Nepal's capital market is still in its infancy and lacks organization. Public businesses cannot pay dividends to the government.

Dividends are paid out in a variety of ways based on the company's strategy and the evolving needs, goals, and rules of the financial institution. In addition to cash and stock dividends, there are numerous more types of dividends, including the following:

Cash Dividend

The dividend stability model was first presented by Lintner (1956), who emphasized that in order to keep investors' trust, businesses desire steady and predictable cash payouts. The primary type of dividend that is paid to shareholders in cash from earnings is the cash dividend. Making a cash budget allows one to predict the amount of money required to pay dividends. "The market price of the share drops in most cases by the amount of the cash dividend distributed" (Hasting). When a cash dividend is given, a company's cash balance and reserves account will be depleted. Consequently, the distribution of the cash dividend lowers the company's net worth as

well as its total assets. When a dividend is announced, a business should have sufficient funds in its bank account.

Stock Dividend (Bonus Share)

Stock dividends are the second most common type of payout that businesses give out. Another name for it is the bonus share. Stock dividends, often known as bonus shares, are dividends given to current stockholders in the form of shares or stock. The total amount of outstanding shares increases whenever the stock dividend is paid. "A stock dividend simply is the payment of additional stock to shareholders nothing more than a recapitalization of the company, stock holders' proportional ownership remains unchanged" (Van Horne, 1997).

Instead of receiving a cash dividend, stockholders were given more shares of the corporation under the stock dividend. Despite the fact that stock dividends are worthless, companies nonetheless pay them as a supplement to cash dividends.

- **Stock Split:**

  Another type of stock dividend is a stock split, in which the firm divides the par value of its shares to increase or decrease the number of shares. Split occurs in two ways. They are the reverse split and the straight split.

  - **Straight Split**

    In this instance, the corporation splits its stock and raises the number of shares by proportionately lowering the stock's par value. Dividends on stocks are comparable to stock splits. The par value of the stock is the only thing that changes after a stock split; the ordinary shares paid in investment and retained earnings accounts, as well as shareholders' equity, remain intact. In terms of accounting treatment, stock splits and dividends are fairly comparable. For instance, a 2-for-1 stock split creates two shares of a single stock, whereas a 3-for-2 stock split creates three shares of two stocks.

  - **Reverse Stock Split**

    By combining the stock's par value, the corporation lowers the number of shares that are outstanding in a reverse stock split. In a reverse stock split, the par value of the common stock, retained earnings, and additional capital paid stay intact, in contrast to a straight stock split.

> One for four reverse split, for instance, creates one share of four stock, while one for six reverse split creates one share of six stock.

Bond Dividend

Pearson, H., Williams, C.M., and Donald's son, D. (1973) and their research on company finance capital allocation techniques. In order to control liquidity and postpone payments in cash while still providing shareholders with compensation, companies offer bond dividends. Its stockholders receive bond dividends in the kind of bonds. Delaying dividend payments for a while is another goal and objective of bond dividends. Bonds carry comparatively longer duration data than script dividends, which is the only distinction between the two.

Scrip Dividend

According to Nuhu (2016), ownership arrangements and their impact on decision-making in publicly traded companies are linked to dividend policies, particularly scrip distributions. The term "scrip dividend" refers to dividend payments made in promissory notes or scrip. Sometimes the company needs cash generated from its earnings to meet various criteria due to a temporary cash deficit. In order to meet such requirements, a scrip payout is issued with the assurance that payment would be paid later.

Property Dividend

The function of non-cash dividends is discussed in passing by Kharel (2016), particularly in sectors like banking that have sizable physical asset bases. It is referred to as a property dividend if the corporation distributes its dividend in the manner of assets rather than cash. Property dividends are paid to shareholders when a corporation possesses assets that aren't needed to run the business.

2.1.2 Theories of Dividend

The main goal of dividend theories is to explain how a company's dividend policy impacts its valuation, shareholder wealth, and market behavior. Important models include the tax preference theory, dividend irrelevance theory, and bird-in-hand theory.

Wealth Maximization Theory

According to this theory, a larger dividend is declared and paid to shareholders in order to maximize their wealth. Newly created and failing businesses typically use this theory to maintain their good reputation and keep shareholders' positive sentiment towards the company's stock.

Residual Theory

According to the residual theory of dividends, if there are profitable investment opportunities, the company should pursue them first. Only the residual amount of earnings, if any, should be handed to shareholders. According to this theory, the company first establishes the average weighted cost of capital (WAAC) and the optimal amount of the investment opportunity schedule (IOS). The company calculates the investment prospects using the ideal capital structure proportion. Because the cost of new common stock to satisfy the equity financing need is higher than the cost for internal equity (retained earnings). New common stock must be sold if the earned profits are insufficient to satisfy the requirement. Any remaining retained earnings would be paid out as dividends.

2.1.3 Forms of Stability Dividend

Forms of stable dividends include Constant Dividend per Share, Constant Payout Ratio, Stable Rupee Dividend plus Extra Dividend (low regular dividend plus extra); each designed to provide consistency and predictability for shareholders.

Constant Dividend per Share

Tandon & Singh (2019), Emphasise that consistent payouts increase investor demand because investors respect predictability and believe that these businesses are financially stable. Regardless of changes in earnings, the fixed dividend payment would be paid annually. Stated differently, the dividend payout would remain unaffected by changes in earnings. In actuality, a business that adheres to this dividend policy will continue to distribute dividends to its shareholders even in the event of a loss. It is important to understand that this strategy does not guarantee that the dividend rate or dividend per share will never rise. As the business achieves new profits levels and anticipates maintaining them, the dividend per share is raised over time. Naturally, the annual dividend per share stays the same if the rise is only anticipated to last temporarily. When earnings are steady, this policy is simple to

adhere to. Maintaining such a policy is challenging if a company's earnings pattern exhibits significant variations. The constant dividend policy is preferred by investors who rely solely on dividends for their income.

Constant Payout Ratio

In 2020, Kanakriyah implies that maintaining a steady payout ratio is a good way to control internal funding requirements as well as investor expectations, which will improve long-term financial success. Some businesses use a steady dividend policy in the form of a constant payout ratio. The payout ratio is the percentage of earnings used to pay dividends or the ratio of dividends to earnings. A company that has a consistent payout ratio distributes a fixed portion of its net profits to shareholders as dividends. Stated differently, a consistent dividend payout ratio suggests that the annual percentage of earnings distributed is set. As a result, dividend payments will vary in direct proportion to earnings and are probably going to be quite volatile after significant swings in the company's stock price. This policy has to do with a business's capacity to distribute dividends. Regardless of shareholder preferences, no dividends will be paid if the business experiences a loss. When this policy is implemented, internal financing via retained earnings happens automatically. The quantity of dividends and retained profits additions rise with rising earnings and fall with falling earnings at any fixed payout ratio. This approach has the benefit of shielding a business from both excessive and insufficient dividend payments while also streamlining the 13-dividend choice. It guarantees that dividends are paid out when profits are generated and are not paid out when losses occur.

Stable Rupee Dividend plus Extra Dividend (low regular dividend plus extra)

According to Masum (2014), companies that employ a hybrid dividend strategy such as steady plus additional payouts frequently strike a compromise between appeasing investors who are looking for dividends and adjusting to fluctuations in earnings. A compromise between the first two approaches is to pay a little regular dividend plus an additional sum at the end of the year in years when business is doing well. According to this policy, a company typically pays its shareholders a predetermined dividend, with supplementary or extra dividends paid in years of notable prosperity. The company reduces the excess payout and distributes the regular dividend per share when normal circumstances resume. Although it allows the company flexibility,

investors are left with some uncertainty over the amount of their dividend payments. This may be the greatest option if a company's cash flows and earnings are highly erratic.

There are various reasons why investors desire consistent dividends, including the following:

- **Desire for Current Income**

  According to Hunjra et al. (2014), demand for shares of companies that pay dividends is driven by the fact that risk-averse investors and retirees value steady dividends as their main source of income. Investors are constantly looking for present revenue. Investors like widows and retirees see dividends as a source of income, so they are willing to pay a premium for their shares in order to prevent unpredictable dividend distributions that could jeopardize their investment.

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  According to Ramadan (2013), dividend stability lowers stock price volatility and boosts investor trust by demonstrating the company's consistent profits potential. Because they utilise dividends and changes in dividends as a source of information about the profitability of the company, investors favour stable dividends. The amount of dividends tells investors about management's views regarding the company's earnings if they are aware that the company will only alter payments if it anticipates a long-term change in earnings.

- **Requirement of Institutional Investors**

  According to Sharif et al. (2015), consistent dividend payments are essential for establishing enduring bonds with institutional investors and enhancing the stability and liquidity of the company's stock price. Institutional investors, including general and life insurance firms, favour businesses with consistent dividend payments. Therefore, a steady dividend strategy is preferable.

2.1.4. Factors affecting Dividend Policy

Determining the portion of earnings that should be given to shareholders is the focus of dividend policy. A company's decision regarding dividends may be influenced by a variety of factors, some of which are specific to that business and some of which are more generic and are listed below:

Investment Opportunity

The dividend decision is influenced by the firm's successful investment opportunities. If the business has a lot of these opportunities, it will need more money to finance them. As a result, the business keeps more of its profits and pays out smaller dividends.

Size of the Earnings

A high-earning company will often distribute a bigger percentage of its profits as dividends. A lower portion of the profit may be given to shareholders if earnings are modest. As a result, the firm's dividend policy is impacted by earnings size.

Liquidity Position

The firm's cash or liquidity status affects its dividend payment capacity. Even with adequate retained earnings, a company may not have enough cash on hand to pay dividends if those earnings have been invested in fixed assets. To pay dividends, the business must therefore have enough cash on hand in addition to retained earnings.

Legal Rules

A company's ability to pay dividends may be restricted by certain legal requirements. These legal limitations are divided into two groups. First, legislative limitations may prohibit a business from disbursing dividends. Although each state has different restrictions, in general, a corporation is not allowed to pay a dividend if (i) its obligations exceed its assets (a clause known as "the insolvency rule") or (ii) the dividend sum exceeds the cumulative profit (retained earnings). The Net Income Rule is the name given to this law clause (iii) if a dividend from invested capital is suggested. This clause is also referred to as "the capital impairment rule" in the company. The second kind of legal limits is specific to each company and arises from contracts for preferred stock and restricted loans.

Desire of Shareholders

Capital gains or dividend incomes may be of interest to shareholders. In contrast to present dividends, wealthy shareholders in high-income tax brackets might be more interested in capital gains. An elderly and retired individual who receives dividends as a source of income would prefer to get dividends on a regular basis. The management of a closely owned corporation typically understands what the shareholders want. As a result, they can quickly implement a payout policy that pleases every client.

However, a big number of shareholders in a widely held corporation have a variety of preferences when it comes to dividends and capital gains. While some stockholders desire bonus shares, others demand cash dividends.

Growth Prospects

Because there are so many alluring investment prospects, a fast expanding company typically needs a significant amount of funding. Rather than trying to generate the necessary equity investment capital by selling additional shares after paying out substantial dividends. In addition to avoiding the cost and inconvenience of public stock issues, this kind of company typically keeps a bigger percentage of its profits.

Need to Repay Debt

The quantity of money to pay dividends is also impacted by the requirement to repay debt. Whether the business must pay back the debt this year. It requires more capital, keeps more of the earnings, and pays out smaller dividends. Limitations in debt contracts may stipulate that dividends can only be paid from subsequent earnings. Signing the loan contract and only after net working capital surpasses a predetermined threshold. Additionally, preferred dividends are paid out before dividends on common stock.

Rate of Assets Expansion

A high rate of asset expansion creates a need to retain funds rather than to pay dividends. A company's ability to scale operations, invest in new prospects, and improve overall financial strength is shown by the Rate of Assets Expansion, which is the growth rate of its total assets over a given time period.

Stability of Earning

In general, a company with a steady earnings trend will distribute a higher percentage of its profits as dividends. Although its earnings vary greatly, a greater portion of the income are available for investment initiatives when required.

Profit Rate

Retaining earnings instead of paying out if the investor will earn less is preferred when the net worth profit rate is high.

Access to the Capital Markets

Because a company's size and age will affect its access to capital markets, a larger, more established company is probably going to have a greater payout ratio than a smaller, more recent one.

Control

It is crucial for many small businesses and some large ones to keep the majority vote. Instead of issuing new stock to finance fresh investments, these owners would rather use debt and retained profit. Consequently, the dividend payment will be decreased.

2.1.5 Theoretical exploration

In order to comprehend and analyze the research problem, a theoretical review looks at current theories, models, and frameworks that are pertinent to the study.

Linter's model (1956)

The "behavioral aspect of dividend policy" in the American context was the subject of a significant research conducted by Linter. He examined the dividend trends for 28 corporations and looked into a partial adjustment approach. He came to the conclusion that a significant amount of a company's dividend may be stated as follows:

$$Divt = pepst$$

$$Divt - divt\text{-}1 = p\ epst - divt\text{-}1$$

$$Divt - divt\text{-}1 = b\ (p\ epst - divt\text{-}1)$$

$$Divt - divt\text{-}1 = a+b\ (p\ epst - divt\text{-}1) + et$$

$$Divt = a + bpepst - b\ divt\text{-}1 + et$$

$$Divt = a + bpepst - bdivt\text{-}1 + et$$

$$Divt = a + b\ divt\text{-}1 + (1\text{-}b)\ divt\text{-}1 + et$$

Where,

epst = earnings per share

divt = dividend in time t

p = target payout ratio

a = constant relation to dividend

(1-b) = safety factors

et = error term

B = the relationship between the adjustment factor and the dividends from the prior period and the new intended dividend level. When b < 1

The following was the study's main finding:

1. Forms typically consider the percentage of earnings that will be distributed. When changing the dividend per share (or dividend rate) pattern, investment requirements are not taken into account.
2. When determining the change in dividend per share (or dividend rate), firms typically have target payout ratios in mind (Bhattarai, 2009:41).

Modigliani and miller's model (1961)

The mm hypothesis was developed by Modigliani and Miller to explain why a company's dividend policy is irrelevant. The significance of the dividend structure and its impact on the firm's share price were overlooked by this model, which was predicated on a few assumptions. The model suggests that the firm's investment policy should be given more weight because it is the only one that will affect the firm's share value. This model's presumption is:

- The rationality of all investors is the fundamental characteristic of a flawless market. Information is easily accessible in a perfect market, and there are no expenses associated with transactions or floatation. Since the investments are infinitely divisible, no single investor can have a significant enough impact on the share price.
- Since it is believed that there's are no taxes, there are no differing tax rates for capital gains and dividend income.
- The firm does not have a consistent dividend policy that will alter the expected rate of return or the risk completion, even when investments are financed by retained earnings.
- Additionally, it was expected that investors could accurately predict the firm's future earnings, dividends, and share value. However, this assumption was removed from the model.

The following is how Modigliani and Miller presented the evidence to back up their claim.

Step-1

In the initial step, the market price for shares is equal to the total of the market value at the end of the time period and the current value of the dividend that was paid.

Symbolically;

$$Po = \frac{(D1+P1)}{1+Ke}$$

Where,

Po = current market price of the share

P1 = market price of the share at the end of the period (t=1)

D1 = dividend per share to be paid at the end of the period (t=1)

Ke = cost of equity capital

Step-2

The market value of a company can be calculated by dividing the two sides by the total number of existing shares in the absence of fresh external financing.

$$npo = \frac{n\,(D1}{+P1)} \quad \text{…….. (ii)}$$

Where,

n = number of equity share at zero period

Step-3

If the investment potential cannot be financed by retained earnings alone. The other option is to issue fresh shares. The firm's value at time zero, assuming that "m" is the number of newly issued equity shares at the price of p1, will be:

$$Npo = \frac{nD1 + P1\,(n+m) - mp1}{1+ Ke}$$

Where,

n = no of shares at the begging

m = no of new equity share issued at the end of the period

Step-4

If the company were to fund every investment proposal, it could do so by issuing new shares, using retained earnings, or doing both. Consequently, the newly issued stock's total value will be as follows:

$mp_1 = i-(e-nd_1)$

or $mp_1 = i - e + nd_1$ ……..(iv)

Where,

i = total investment amount required

e =total amount of earning

nd_1= total amount of dividend paid

$e-nd_1$ = amount of retained earning

mp_1= value of newly issued stock

Step-5

Substituting the value of mp1 from equation (iv) to equation (iii), we get

$$np_0 = \frac{nD_1 + P_1 - 1 + E - nD_1}{1 + Ke}$$

$$np_0 = \frac{P_1(n+m) - 1 + E}{1 + Ke}$$

Conclusion:

Since the formula does not explicitly state the dividend, it is presumed that e, i, p1 (n+m), and ke are independent of the payout. To put it another way, mm concludes that dividends are irrelevant and do not matter. Consequently, the firm's dividend policy has no bearing on its market value.

Mm comes to the conclusion that the firm's current worth is unaffected by its dividend policy. The decrease in the stock's terminal value precisely offsets the increase in dividends that investors receive. Mm demonstrates that the Np0 is unaffected by both present and future dividend decisions. As a result, the wealth of stockholders remains unchanged by decisions regarding current and future payouts, and they are apathetic towards both retention and dividend payments in all future times.

It appears that the mm approach is not applicable in the Nepalese context since the assumptions made by mm are greatly altered when this approach is used. We are

making it possible in Nepal to locate the ideal capital market and logical investors that mm takes into consideration. The flotation cost, transaction cost, and tax effect on capital gain that were ignored don't seem to be as sound. According to mm, arbitrage considerations are only relevant in situations involving extremely sensitive investors, which are not present in Nepal. A conscious in use constantly distinguishes between retained earnings and dividends. Therefore, in the case of Nepal, the mm proposition is irrelevant.

Gorden's model (1962)

Myron Gorden created this strategy in 1962. Gorden investigates the impact of the company's the policy of dividends on the stock price using the dividend capitalization approach. His research concludes that present dividends are more valuable to investors than capital gains. Because investors believe the yield on dividends (d1/po) is lower than the anticipated capital gain, he argued that a rise in the dividend payout ratio raises the stock price.

As a result, when dividends decline, investors' needed rate of return rises. This demonstrates that there is a positive correlation between stock prices and dividend amounts.

The following are the assumption based on which Gorden based the dividend policy model for firms;

1. The firm will be an all- equity firm with the new investment proposals being financed solely by the retained earnings.
2. Return of investment (r) and the cost of equity capital (ke) remain constant.
3. No external financing is available.
4. The firm has an endless lifespan.
5. Since retains ratio stays constant, the growth rate likewise stays constant (g = br).
6. K> br, meaning that the cost of equity capital exceeds the rate of growth.

Gorden offered the following method, a condensed form of the original formula (Franc, 1972), to calculate the market value of a share based on the aforementioned assumption.

$$Po = \frac{EPS(1-b)}{Ke - br}$$

Where,

Po=market price per share

Eps=earning per share

B=retention ratio

1-b=dividend payout ratio

Ke=cost of equity capital or cost of capital of the firm

Br=growth rate (g) in the rate of return on investment.

Gorden therefore concluded that when re > ke, the firm's share value is positive with the payout ratio, and when r > ke, it decreases as the payout ratio increases. As a result, companies with higher rates of return than their cost of capital ought to have higher retention ratios, whereas companies with lower rates of return ought to have lower retention ratios. However, a company's dividend policy won't affect its share price if its rate of return is equal to the cost of capital. (Bhattrai, 2008:356)

Walter's model (1966)

Professor James E. In 1966, Walter studied stock prices and dividends. He put forth a share valuation model. He contends that a company's dividend policy and investment policy are inextricably linked. His reasoning simply contradicts those of Modigliani and Miller. He maintained that stock prices are impacted by dividend policy. In order to provide a dividend policy that optimizes shareholder wealth, he examined the link between the firm's cost of capital (k) and internal rate of return (r) in this model.

The following presumptions form the foundation of Walter's model:

- Retained earnings are the only source of funding. The company doesn't use equity or debt funding.
- Both the cost of capital and the internal rate of return of the company remain constant.
- All of the company's profits are either reinvested internally or dispersed as dividends.
- The value of earnings per share and dividends per share remain unchanged.
- The firm's life is endless or permanent.

Walter claims that the market price of a share is determined by adding the present values of the capital gains and future cash dividends. His formula, which is derived from the share valuation model, looks like this:

P = dps/ke + r/k (eps-dps)/ke

Or,

P=dps+r/ke (eps-dps)/ke

Where,

p= Market price per share

Eps= Earnings per share

Dps= Dividend per share

Ke= Cost of capital or capitalization rate

R= Internal rate of return.

The model examines the dividend's applicability in three scenarios.

Firms	nature	optimal payout ratio
Growth	r > ke	0%
Normal	r = ke	dpr does not affect
Decline	r < ke	100%

Walter's model states that the link between the firm's internal rate of return (r) and cost of capital (k) determines the best dividend policy. His theory regarding the ideal dividend payout ratio can be summed up as follows:

Growth firms (r > k)

Dividends and stock price have a negative association if the company's internal rate of return is higher than its cost of capital. For example, higher dividends will result in lower stock prices. Growth firms are the name given to this type of business. Walter maintained that for growing companies, paying out no dividends would increase the market value of their stock.

Normal firms (r = k)

A firm with r = k is called a regular firm. For a typical firm, there is no specific optimal payout ratio. Both dividend policies are equally effective. The payout ratio has no effect on the market price per share where r is equal to k.

Decaling firms (r < k)

The relationship between dividends and stock price is positive if the company's internal rate of return (r) is lower than the cost of capital (k); that is, more dividends

per share translate into higher stock prices. This type of business is known as a deckling firm. He maintained that a 100% dividend policy would optimize the share price for a failing company. Therefore, according to Walter's model, the firm's dividend policy is determined by the investment possibilities that are accessible as well as the link between the firm's internal rate of return (r) and cost of capital (k). If r is greater than 1, the company should utilize its earnings to finance investments; if r is less than k, it should disperse all of its earnings; and if r is equal to k, it should remain neutral (Regmi, 2021).

Chawla and Srinivasan's study (1969-73)

They looked into how the share price was affected by retention and dividends. They assessed the cross-sectional association for the years 1969 and 1973 after choosing 18 chemicals and 13 sugar businesses. They gathered the necessary information from the Bombay Stock Exchange's official directory. For estimation, they employed a two-stage least squares technique. Additionally, they substituted the lagged earnings price ratio (i.e., P/e (t-1)) for the lagged price earnings ratio.

The followings were the prime objectives of their study.

1. To evaluate the retained earnings and dividend hypothesis.
2. To calculate a model that explains the link between retained earnings, dividends, and share price.
3. To investigate how the estimated relations have changed structurally over time. They employed the simultaneous equation model created by Friends and Puckett (1964) to accomplish these goals.

The following was the model in its unspecified form

Price function,

$P_t = f [d_t, r_t, p/e (t-1)]$

Dividend supply function,

$D_t = f [e_t, d(t-1), p/e (t-1)]$

Identity,

$E_t = d_t + r_t$

Where,

P= market price per share.

D= dividend per share.

R= retained earnings per share.

E= earnings per share (d+r)

P/E= deviation from the sample, (average of price earnings ratio)

T= subscript of time.

Van Horne and mc Donald's study (1971)

A comparative analysis of dividend policy and fresh equity financing was carried out by Van Horne and Mc Donald (1971). Investigating the combined impact of the company's dividend policy and fresh equity financing decision on the market value of its common stocks was the aim of this study. With tear end cross, empirical tests were favored. Section utilizing a well-known valuation technique for two industries. The 86 electric utilities in the continental United States that were included on the Constant utility data tape and the 39 electronics and electronic component companies listed on the Constant industrial data tape in 1968 were the two samples of businesses they used for their analysis.

The first model was

Po/eo = ag o a1 (g) + a2 (do/eo) + a3 (lev) + u

Where,

Po/eo= Dividend by the closing market price in 1968, calculated using the compound annual growth rate of assets per share from 1960 to 1968.

Do/eo= Dividend payout, measured by the cash dividend in 1968 dividend by earning in 1968.

Lev= Financial risk, measured by interest charge dividend by the different of operating revenues and operating expenses.

U= error term

The second model was

Po/eo = a0 + a1 (g) + a2 (do/eo) + a3 (lev) +a4 (fa) + a5 (fb) +a6 (fc) + a7 (fd) + u

Where,

Fa, fb, fc and fd are dummy variables corresponding to new issue ratio (Nir) group a through d.

It should be mentioned that Nir had categorized the businesses into five groups: a, b, c, d, and e. each firm's Nir group is represented by a dummy variable with a value of one, while the remaining dummy variables have zero values.
Again, they tested the following regression equation for electronics- electronic components industry.

Po/eo = a0+a1 (g) +a2 (do/eo) + a3 (lev) + a4 (or) +u

Where,
Lev = financial risk, as defined by long-term debt plus preferred stock dividend divided by net wealth as of 1968. The standard deviation for a regression analysis of operating profitability per share on time for 1960 through 1968 can be used to quantify operating risk. The remaining variables are the same as in the first model mentioned above.
They used these models to compare the outcomes for companies that pay dividends and take on fresh equity funding to those of other companies in a selection of industries. In 1968, they came to the conclusion that, for electric utility companies, new equity financing did not negatively impact share value in the presence of cash dividends, with the exception of those in the highest new issue category. This made new equity a more expensive source of financing than remaining earnings. Additionally, they stated that share prices are lowered when dividends are paid out by excessive equity financing. There was no evidence of a substantial correlation between value and new equity investment for forms in the electronics component sector (Adhikari, 2008: 46).

Friend and Puckett's study (1958)

A study concerning the connection between dividends and stock prices was carried out by Marshall Puckett and Irwin's friend. In each of the two years 1956 and 1958, they employed regression analysis on the data of 110 companies from five industrial samples: chemicals (n = 20), electronics (n = 20), electric utilities (n = 25), foods (n = 25), and steels (n = 20). The industries were chosen to enable differentiation between the outcomes for industries experiencing development and those that are not, as well as to offer a foundation for comparing the results from previous years by other authors. The topics of cyclical and noncyclical industries were discussed. The covered eras include a year of economic boom in which stock prices levelled out following a

significant increase in 1956 and a year of mild depression in which stock prices surged sharply in 1958. They employed a pricing function and dividend supply function two-regression model. While earnings, dividends from the previous year, and price-earnings ratio are independent variables in the dividend supply function, dividends, retained earnings, and price-earnings ratio are independent variables in the pricing function. Their dividend supply function and pricing function can be expressed symbolically as follows:

Price function; pt=a+b dt+c rt+ d (e/p) t-1

Where,

Pt = per share price at time t

Dt = dividends at time t

Rt = retained earnings at time t

(e/p) t-1 = lagged earnings price ratio

And, dividend supply function;

Dt= e + f et + g d t-1 + h (e/p) t-1

Where,

Et = earnings per share at time t

P t-1= last year dividend

Their study's fundamental presumptions were as follows.

1. Dividends do respond to changes in earnings from year to year.
2. There are no speculative elements in the price.
3. Variations in earnings might not add up to zero throughout the sample.

The typical straightforward linear relationships between average prices, dividends, and retained earnings are displayed with the data using the regression pt = a + b dt + c rt. In three of the five industries—chemicals, foods, and steels—they discovered the traditional robust dividend and comparatively moderate retained earnings effect.

By adding lagged earnings price ratio to the above equation, they got the following results.

Pt = a + b dt+ c rt + d (e/p) t-1

They discovered the following outcomes after testing this equation. In the same three of the five industries, dividends have a significant impact on stock prices; however, the distinctions between the retained profits and dividends coefficients were not as pronounced as they were in the initial set of regressions. With the exception of steel in 1956, all industries' dividend and retained profits coefficients were closer to one another in both years, and the correlations are higher now.

In 1958, they also determined the price equation for four industrial groups and the dividend supply equation, which is dt = e + f et + g d t-1 +h(e/p) t-1. Since the stock price, or more precisely the price-earnings ratio, does not appear to have a substantial impact on dividend distribution, the resultant price equation does not much differ from those produced from the single equation approach as previously discussed. However, they pointed out that the retained earnings effect is comparatively increased in three of the four scenarios that were examined. Furthermore, their findings indicated that price effects on dividend supply are most likely not a significant source of bias in the conventional methodology used to derive the effects of retained earnings and dividends on stock prices. However, this bias may be obscured if the distributing effects of short-term income fluctuations are significant enough. Furthermore, rather than using the lagged earnings price ratio as a variable, they used the lagged price. In most of the cases, they discovered, retained earnings were given more relative weight than dividends. In 1958, the only exceptions were meals and steels. For both years under consideration, the retained earnings effect outweighed the dividend effect, with chemicals, electronics, and utilities being regarded as growth industries. There no longer appear to be any notable systematic disparities between the retained earnings and dividend coefficients for the other two industries (foods and steels).

Likewise, they used normalized earnings once more to test the regression of pt = a +b dt+ c rt. Dividends were deducted from normalized profits to arrive at normalized retained earnings. The 1950–1961 time frame served as the basis for that normalization process. Once more, they included the normalized wages price variable from the previous year and compared the outcomes. When they compared the results, they discovered that normalized earnings and retained earnings played a substantial contribution, while the normalized price-earnings ratio had no effect. They discovered that the discrepancy between the retained earnings and dividend coefficients vanished

after looking at the later equation. Finally, they conclude that management may be able to raise prices a little bit by increasing dividends in the steel and food industries.

Finally, buddy and Puckett came to the conclusion that management might be able to raise stock values in non-growth businesses by increasing dividends and in growth industries by increasing retention, i.e., smaller (lower) divided corporations.

2.2 Empirical Review

An empirical review examines earlier research and studies that have put theories and models to the test in practical settings, offering proof and perspectives pertinent to the subject of the study.

2.2.1 Review of Journal and Articles

Some of the journals, articles and previous research works that are reviewed for this study are as follows:

Asghar, Hamid, and Suleman (2011) investigated how Pakistani stock price risk was affected by dividend policy. The study's data comes from the Karachi Stock Exchange and State Bank of Pakistan's public resources about five key industries from 2005 to 2009. The data analysis is done using regression models, correlation, and descriptive statistics. The study's findings show that, in comparison to other variables, there is a strong association between price volatility and dividend yield. Furthermore, there is a negative association between price volatility and asset growth. In order to create a comprehensive model that could forecast the visual economic situation and price volatility in the dominant market in its genuine perspective, it is recommended that future research use data from the era that includes more sectors with small and large business sizes.

After adjusting for debt, firm size, investment growth, and earnings volatility, Zakaria, Muhammad, and Zulkifli (2012) used the least square regression method to examine the effect of dividend policy on the share price volatility of Malaysian listed construction companies. Their findings indicate that a higher DPR will result in a more volatile share price. The only control variables that exhibited a strong connection with changes in company share prices were firm size (FZ) and leverage (LEV). The likelihood that a corporation may experience share price volatility

increases with its size. The findings indicate that investment growth and earnings volatility have no discernible impact on variations in the company's share price.

Muhammad Mahbubur Rahman (2015) tested the attitude of managers of twenty-four enterprises regarding the dividend payout policy of Bangladeshi listed companies. Examining several dividend theories shows that managers polled are more supportive of the relevant value theory and the bird-in-hand theory. The analysis makes it clear that the state of the capital market, limitations imposed by debt providers, and external factors associated with the present financial market problems all have a significant role in determining dividend policy. The current study adds to the little body of prior research on dividend policy based on questionnaires and surveys. Thus, it offers fresh data from a developing and rapidly expanding country such as Bangladesh.

Yanqiong Zhong (2016) examined the features of Chinese listed banks' cash dividend policies. The study's data, which came from 14 Chinese listed banks, revealed a negative relationship between return on equity and cash dividend payment rate. The majority of China's listed banks have high profits but low dividend payment rates; they focus heavily on financing but neglect to repay shareholders. Earnings per share is a key component of cash dividend policy, according to empirical research using the regression analysis model. The debt-to-asset ratio has a negative but non-significant relationship with the dividend payment rate, and the total assets and capital adequacy ratio also has a negative relationship with the dividend payment rate.

Memon, Channa, and Khoso (2017) looked at how dividend policies affected company market prices. The results of the fixed effect regression model showed that dividend payout had a large positive impact on stock market prices, whereas dividend yield had a considerable negative impact. Thus, all of the research's findings indicated that the dividend policy significantly affected Pakistani stock market values.

Rahman (2018) looked into whether the dividend policy has an effect on Pakistani companies' performance, particularly in the cement industry. The positive link between return on equity (ROE) and dividend per share (DPS.) has been estimated using person's correlation, suggesting that for the chosen companies, return on equity rises as cost dividend per share rises. Additionally, a strong positive correlation was

discovered between return-on-equity (ROE.) and earnings per share (EPS). Financial leverage had an insignificant association with firm performance (ROE), but firm size had a strong relationship with ROE.

The goal of Kanakriyah (2020) was to identify the key factors that could influence financial performance as well as the type of relationship that exists between dividend policy and a company's financial success in developing nations. 92 businesses in the industrial and service sectors that were listed between 2015 and 2019 on the Amman Stock Exchange (ASE) were included in the study. Panel data analysis, cross-sectional time series data, and simple and multiple linear regression models were all used in the study. To find out if guess factors (such dividend yield, dividend payout ratio, firm size, leverage ratio, and current ratio) can have an effect on financial performance, a multiple regression model was also created. The information was taken from the ASE website's yearly reports and data, which covered the years 2015 through 2019. The findings show a high correlation between the firm performance-explaining variables of DY, DPR, and FSIZE. Additionally, ROA and AOE have a negative and strong relationship with the leverage ratio. Furthermore, no correlation between financial performance and the current ratio was found. According to the study's findings, a company's dividend policy has a statistically significant influence on its financial performance and can account for a large portion of its financial performance.

The impact of dividend policies on the market value of common stocks of companies listed on the Nigeria Stock Exchange was investigated by Bamidele (2021). The unresolved dividend policy problem in financial management is what spurred the study. The audited annual reports and daily stock prices of the chosen companies listed on the Nigeria Stock Exchange provided the panel data set for the years 2010–2014. Pooled regression, random regression, and fixed regression models were used for analysis. The study's findings showed that while earnings per share (EPS) and size have a substantial positive relationship with stock price, payout ratio (POR) has a positive effect on stock price, albeit one that is not statistically significant. Conversely, market to book value (MBV) has a negligible positive impact on stock price, while leverage (LEV) has a negative but not statistically significant effect.

Georgina Maria Tinungki, Robiyanto, and Powell Gian Hartono (2022) looked into how Indonesian company dividend policy were affected by the COVID-19 pandemic. The most widely used metric for assessing economic circumstances, such as GDP growth, was utilised to measure the variable. In order to assess the coherence and resilience of the key qualities in the complex models, this study additionally conducted a robust check by using a dummy variable to measure the pandemic-induced crisis and by looking at explanatory variables as additional exogenous variables on dividend policy. Profitability, financial leverage, investment opportunity, business size, and age were the exogenous variables that were tested. This study looked at every company that paid dividends during the study period and was listed on the IDX. However, due to their distinct characteristics from those of the other industries, those in the financial industry must be eliminated. As a result, it concentrates on the corporate entities that are listed on the Indonesia Stock Exchange but are not financial. This study found that during the COVID-19 epidemic, people exhibited distinct behaviors'. In an effort to keep the stock market optimistic, corporate companies often pay out dividends that are even more than they were the year before. Firm size has a negative impact on dividend policy, whereas profitability, age, and financial leverage have a positive impact.

Additionally, it was positively impacted by the dividend from the prior year and lagged by DPS. The premise of the signaling theory states that the pandemic-related crisis conditions are supported by the factors influencing dividend policy. Corporate enterprises typically distribute dividends without taking retained earnings, loan finance, or equity sources into account, as seen by the negligible impact of the investment opportunity factor.

Table 1

Meta-analysis of Recent International Article

S.N.	**Date and Author**	**Topic**	**Objectives**	**Methodology**	**Findings**
1	Asghar, Hamid And Suleman (2011)	Impact of Dividend Policy on Stock Price Risk:	The study's goals were to assess the impact of dividend policy measures (payout ratio and	Descriptive Statistics and regression model	The outcome demonstrated that, in comparison to other variables, there is a substantial association between price volatility

		Empirical Evidence from Equity Market of Pakistan	dividend yield) on long-term share price fluctuations as well as the relationships between the pre-reform (1981–1990) and reform (1991–2000) periods.		and dividend yield. Additionally, there is a negative association between price volatility and asset growth.
2	Zakaria, Muhammad, and zulkifli (2012)	The Impact of Dividend Policy on the Share Price Volatility: Malaysian Construction and Material Companies.	To ascertain how listed oil and gas businesses' Return of Asset (ROA) is impacted by the Dividend Payout Ratio (DPR).	Least square regression	According to the study's findings, dividend payments and payout ratios show shareholders that a company is financially stable and lucrative.
3	Muhammad Mahbubur Rahman (2015)	Managers' Perception towards Dividends and Dividend Policy—Evidence from Bangladesh	Analyse critically how management see dividends and the dividend policies of companies that are listed on Bangladesh's Dhaka Stock Exchange (DSE).	Survey	Examining several dividend theories shows that managers polled are more supportive of the relevant value theory and the bird-in-hand theory.

4	R. Paviththira (2015)	Impact of Dividend Policy on Corporate Profitability: Evidence from Listed Beverage Food and Tobacco Companies on Colombo Stock Exchange (CSE) in Sri Lanka	The purpose of the study was to examine how dividend policies affected the corporate profitability of food, beverage, and tobacco companies that were listed on Sri Lanka's Colombo Stock Exchange (CSE). During the years 2010–2014, it aimed to determine whether dividend policies had an impact on financial performance metrics such as return on equity (ROE) and return on assets (ROA).	Sample Size, Time Frame, Data Collection, Statistical Analysis	The study's findings will help beverage, food, and tobacco companies decide on their dividend policies. They will also help academics, practitioners, policymakers, and investors develop appropriate policy models for these businesses.
5	Yanqiong Zhong (2016)	Analysis of Dividend Policy Influence Factors of China’s Listed Banks	To investigate the elements influencing dividend policy.	Regression analysis model	Regression analysis revealed that the cash dividend policy's primary determinant is earnings per share, that the debt-to-asset ratio has a negative but non-significant relationship with the dividend payment rate, and that the total assets and capital adequacy ratio also has a negative relationship with the dividend payment rate.
6	W. G. R. Harshapriya (2016)	The Impact of Dividend Policy on	To investigate the connection between share price	Sample, Variables, Statistical	The study came to the conclusion that the payout ratio, in particular, and the

		Share Price Volatility: Evidence from Banking Stocks in Colombo Stock Exchange	volatility and dividend policy for commercial banks with licenses that are listed on the Colombo Stock Exchange (CSE). Its specific objective is to evaluate the impact of dividend yield and dividend payout ratio on changes in share price.	Techniques	dividend policy help to reduce share price volatility in the banking industry of the Colombo Stock Exchange.
7	Khadija Farrukh, Sadia Irshad, Maria Shams Khakwani, Sadia Ishaque & Nabeel Younus Ansari (2015)	Impact of dividend policy on shareholders wealth and firm performance in Pakistan	To investigate the degree of correlation between dividend policy and company performance (profitability), dividend policy and earnings per share (shareholder wealth), and dividend policy and share market price (shareholder wealth).	Data collection and sampling	According to regression analysis, dividend policy has a positive relationship with both share price and earnings per share. Additionally, there is a considerable positive correlation between dividend policy and return on equity.
8	Memon, Channa and Khoso (2017)	The impact of dividend policy on market prices of firms.	To examine how DPS, EPS, and ROE are related effect of dividend policies on company market prices.	Regression model	This study demonstrated that the dividend policy significantly affected stock market values.

9	Rahman (2018)	The dividend policy makes an impact on the firm performance in Pakistan	To examine the connection between ROE, EPS, and DPS	Correlation regression	Return on equity (ROE) and dividends per share (D.P.S.) have a positive relationship, meaning that when the cost of dividends per share rises, so does return on equity for the chosen companies. Additionally, a strong positive correlation between return-on-equity (R.O.E.) and earnings per share (EPS) was discovered.
10	Raj Kumar Baral and Ajay Pradhan. (2018)	Impact of Dividend Policy on Share Price of Commercial Bank in Nepal	To investigate the connection between market share price and dividend policy.	Regression, correlation analysis and Wilcoxon Sign Rank Test	The study's findings show that a number of factors are taken into account before paying dividends to shareholders.
11	Hassan Ahmed (2019)	The Effect of Dividend Policy on Share Price: An Evaluative Study	The study's findings show that a number of factors are taken into account before paying dividends to shareholders.	correlation and linear regression	The relevance theory of dividend policy is supported by the study's demonstration of a substantial impact of dividend policy on MPPS.
12	Rabindra Joshi (2019)	Effects of Dividends on Stock Prices in Nepal	This paper's main goals are to examine how dividends affect Nepal's stock price.	Regression Analysis	According to the report, retained earnings and dividends account for a sizable portion of share price fluctuations in the banking and non-banking industries.
13	Narinder Pal Singh And Aakarsh Tandon (2019)	The Effect of Dividend Policy on Stock Price: Evidence from the Indian		Regression model	It demonstrates that dividend policies have a major impact on company stock prices.

		Market			
14	Kanakriyah (2020)	Determine the nature of the association between dividend policy and a corporation's financial performance in emerging countries	The analysis financial performance	Simple and multiple linear regression models	The findings show a high correlation between the firm performance-explaining variables of DY, DPR, and FSIZE.
15	Arni Surwanti, Wihandaru Sotya Pamungkas (2020)	Dividend Policy, Firms' Characteristics and the Impact on the Southeast Asian Firms' Value	To examine the elements influencing the non-financial corporate sectors in Southeast Asia's dividend policy	Regression analysis	This result suggested that since the value of large enterprises tended to rise and would obviously affect shareholder welfare, investors would be better off funding them.
16	Ivan Eryomin, Olga Likhacheva, and Lyudmila Chernikova (2021)	Impact of Dividend Policy on the Market Value of the Company	To the evaluation and study of dividends' effects on the company's market value	Regression analysis	The study's findings offer suggestions and a statistical evaluation of reliance, which can be used practically to decide on an organization's dividend policy and forecast shifts in company capitalization.
17	Bamidele (2021)	The effect of dividend policy on market value of common stocks	To examine the main variables an effect on market price of stock	Random regression model and fixed regression model	The study's findings showed that while earnings per share (EPS) and size have a substantial positive relationship with stock price, payout ratio (POR) has a positive effect on stock price, albeit one that

					is not statistically significant.
18	Sahadev Bhatt, Dr. Swati Jain (2021)	Dividend Policy and Share Price Volatility: Evidence from Commercial Banking Sector	The purpose of this study is to determine whether dividend policies and the share price volatility of banks listed on the Nepal Stock Exchange are related.	Regression models	According to the empirical results, dividend yield, together with share size and earnings volatility, seems to be the most important predictor of share price volatility in the commercial banking industry. Dividend yield and bank size are inversely predicted, although share price volatility is positively impacted by earnings volatility.
19	Georgina Maria Tinungki, Robiyanto and Powell Gian Hartono (2022)	The Effect of COVID-19 Pandemic on Corporate Dividend Policy in Indonesia	To evaluate the dividend policy in relation to financial leverage, age, and profitability.	Regression Analysis	Firm size has a negative impact on dividend policy, whereas profitability, age, and financial leverage have a positive impact.
20	Nabaraj Adhikari (2022)	Managers' Views on Dividend Policy of Nepalese Enterprises	Managers' Views on Dividend Policy.	Survey	Major features of dividend policy are equally viewed by management in the banking and non-banking sectors. In Nepal, dividend policy affects the enterprise's worth.
21	Jas Bahadur Gurung, Ramkrishna Chapagain, Amrit Baral & Lija Boro (2023)	The Impact of Dividend Policy on Stock Prices: Evidence from Nepalese Banking Sector	To investigate the connection between stock prices and dividend policy	Regression analysis	The results can be used by management to enhance their own policies and by investors to have a better understanding of how dividend policies affect their assets. The comparative analysis can also be used by

					policymakers to develop dividend policies that work.
22	Pragati Karki and Sneha Shrestha (2023)	Impact of Dividend on the Stock Price of Commercial Banks in Nepal	With an emphasis on the connection between dividend decisions and market valuation, the study attempts to investigate how dividend announcements affect the share prices of Nepalese commercial banks.	Quantitative techniques, including regression analysis	An important factor influencing the market value of shares in Nepalese commercial banks is the announcement of dividends. Stock prices are positively impacted by dividend programs that are steady and predictable because they boost investor trust.
23	Narayan Prasad Aryal and Samita Maharjan (2023)	Dividend Policy and its Impact on Price: Empirical Insights from Nepalese Life Insurance Companies	To investigate how predictor variables affect MPS	The ordinary least square	For investors looking to boost their returns and enhance their wealth by making investments in lucrative industries, the study's findings may be helpful.

All of the papers emphasize how crucial dividend policy is as a tactical instrument that has a big impact on stock prices, company performance, and shareholder wealth. Although investors generally value dividend policies that are steady and predictable, their effects are greatly influenced by geographical and market-specific factors. To further understand the effects of dividend policy, future research can concentrate on comparative assessments across industries and geographical areas.

The goals of K.C. (2013)'s study on the dividend policy of joint venture banks in Nepal were to provide a conceptual framework for dividend models, analyses the financial factors influencing stock value, interpret the implications of dividend paying under the dividend valuation model, and offer recommendations that will provide direction for deciding on and supporting joint venture banks' dividend policies. The study's main conclusions were as follows: the market value per share of joint venture

banks' stocks in the security exchange center was highly volatile and trading at a high price; the earnings per share of all joint venture banks increased satisfactorily; there was a correlation between EPS and BVPS; the amount of cash dividend had been increasing annually; the P/E ratio, earning yield, and dividend yield percentage exposed cyclical behavior. Since the actual capitalization rate (r) is larger than the usual capitalization rate (k), or r>k, joint venture banks in Nepal were viewed as growth banks. Joint venture banks' beta risk was lower under CAPM. Each year, joint venture banks' cash dividend per share (CDPS) increased dramatically.

Lekhaka (2014) used secondary data from three banks to do his master's project on A Comparative Study of Dividend Policy of Commercial Banks. To determine what kind of dividend policy is being implemented, assess if the policy is suitable, and look at how dividends affect share prices. Despite their strong profitability and potential, commercial banks are not regarded to be guided by a cleanly deigned dividend policy, according to analysis, which shows the biggest swings in earnings per share and dividend per share. All of the sample banks' DPS and EPS have a reasonably good correlation, although it is safe to assume that there is no substantial association between dividend payout and liquidity, profitability, asset turnover, and interest coverage ratios.

Bhattrai (2014) used data from two commercial banks and two insurance businesses to perform his master's study on dividend policy and its effect on stock market price. He used various regression equations to analyses the data. Examine whether there is any consistency in DPS, MPS, and DPR among the sample companies in order to determine the effect of dividend policy on stock market price. In this sense, the MPS of the sample firms appears to fluctuate, as it is influenced by the firms' financial status and dividend payments. It indicates that investors from Nepal are not given equitable treatment.

The study "Dividend Policy of Listed Companies in Nepal: A Comparative Study of Banking, Finance, and Insurance Companies" was carried out by Basnet (2015). She carried out this study to evaluate the current dividend practices of Nepalese listing businesses, to draw attention to the listed companies' current dividend policies, and to evaluate the effect of dividends on the market price of the chosen companies' shares. She examined how dividends relate to EPS, net profit, and net wealth and offered a

practical solution. Her main conclusions demonstrated that the policies and procedures used by a few chosen corporations to distribute dividends were not consistent. The impact of a change in the payout ratio and DPS on share prices varies depending on the industry. All sector companies showed a favorable correlation between DPS and EPS, net profit, and net worth. She recommends that legal regulations be implemented and that a well-defined divided policy be established. She said that businesses should have a long-term plan and set up an organization to support and safeguard investor-friendly activities. She also suggested giving shareholders the option to choose between cash and equity dividends while utilizing goal earnings rates, or profit planning and target payout rates. Finally, she recommended that all tasks and performance-related information be delivered on schedule.

Kharel (2016) used data from three commercial banks in 2006 to analyze the dividend policies of commercial banks with regard to NABIL, BOK, and HBL. After five years of data analysis, she came to the conclusion that there are no laws requiring businesses to pay dividends annually. Not only do businesses lack dividend policies, but the government also lacks a defined dividend policy. In Nepal, shareholders lack consciousness. The banks' dividend payments appear to be erratic and inconsistent.

A study titled Dividend Policy and Its Impact on Market Price of Stock was carried out by Yadav (2017). According to his definition, a business must choose what to do with its profits after it has turned a profit. They have two options: either they keep the profits in the business or they distribute them as dividends to the company's shareholders. The corporation may create a somewhat permanent dividend policy after deciding whether to pay dividends, which could have an effect on investors and how the company is seen in the financial markets. His specific goals were to examine the current practices and efforts made by enterprises in relation to dividend policy in order to determine the effect of dividend policy on stock market price and to examine the consistency of DPS, EPS, MPS, and DPR. Yadav came to the conclusion that there was inconsistency in the sample firms' dividend policies; as a result, the theoretical assumptions of dividend policy are sometimes accepted and other times not by the results of various tests. When deciding whether to pay dividends, most Nepalese companies priorities "earning." The "cash availability" comes in second, while the "pass dividend" comes in third. After all, the company's dividend policy in

Nepal is likewise influenced by the "concern about maintaining or increasing the stock price" priority. HBL is one of the sample companies with a solid reputation in the financial industry. Based on its performance, it can be concluded that while EPS influences DPS, MPS is less important to it than EPS. Consequently, in an efficient capital market, the MPS and DPS are somewhat reliant on one another. According to a study by Bist (2018) on the relationship between dividend policy and share price volatility: a case study of Nepalese commercial banks, the dividend is what ultimately determines how much wealth the shareholders of Nepalese commercial banks have. The results showed that while dividend yield, payout, and size significantly positively affect share price volatility, there is a strong negative correlation between dividend yield and share price volatility. Price volatility has a negative and negligible relationship with growth and earnings volatility.

Joshi (2019) examined the effect of dividends on the price of Nepalese stocks and discovered that DPS is a powerful motivator in the country's financial sector that can raise the market price per share of both banking and nonbanking companies. Comparatively speaking, it is also discovered that DPS has a stronger impact on market price per share than REPS. Lastly, the study demonstrates that retained earnings and dividends account for a considerable portion of the share price fluctuations in the banking and nonbanking industries. However, the dividend's impact is far more noticeable than the retained earnings'. In every situation, retained earnings and dividends have a positive relationship with the share price.

In order to determine the effect of a divided policy on the market price of stock, to explain the current dividend policies and practices in Nepalese firms with reference to the sample firm, and to determine whether there is any uniformity in the DPS EPS MPS and DPR of the sample firms, Baral (2020) calculated his master's research on the impact of dividends on the market price per share of selected commercial banks using secondary data from six commercial banks. The majority of businesses constantly aim to increase their earnings in order to maintain their competitiveness in the capital market. Earnings are therefore a firm's signal. The high correlation between DPS and MPS suggests that the market price of the company is positively impacted by dividends. It implies that as dividends rise, share prices rise as well, and vice versa.

In order to highlight the dividend practices of commercial banks and to reflect (identify) the relationship between dividend per share and other financial indicators like earnings per share, net profits, net worth, and market price of stock, Shrestha (2021) conducted a study on the dividend policy and practices of commercial banks using secondary data from two commercial banks. One of the key studies that enables us to determine the dividend policy and practices used by the relevant banks is the use of descriptive and financial techniques to determine the dividend payout ratio. This research reveals that the dividend payout ratios of both banks are not constant, and there is a strong positive correlation between DPS and MPS.

2.3 Research Gap

The main goal of the many national and international studies on dividend policy has been to comprehend how dividend policy and stock market prices are related. Although Nepal's capital market is still in its infancy, the results of foreign research could not be immediately relevant to the country's situation. The field has benefited greatly from some local studies, such those by Shrestha and Bhattarai, although the capital market environment in Nepal has changed significantly in recent years, making the findings of earlier research less applicable today. Furthermore, a lot of earlier research has depended on small sample sizes, frequently confined to businesses in a single industry, which might not fully represent the more general patterns and behaviors' in the Nepali capital market. New study on the dividend policy of Nepali corporations is therefore desperately needed.

In order to set itself apart from previous studies, this one will use a more robust approach, diversify the sorts of organizations involved, and increase the sample size. Key financial indicators including earnings per share (EPS), dividends per share (DPS), dividend payout (D/P) ratio, dividend yield (D/Y) ratio, price-to-earnings (P/E) ratio, and market price of shares (MPS) are included in the analysis, which uses 10 years' worth of data and covers three banks. Regression analysis, standard deviation, and financial analysis are only a few of the analytical methods used in the study to guarantee the precision and applicability of the findings. With more perceptive and useful findings than earlier studies, it is intended that this study would offer a new viewpoint on payout patterns in the Nepali context.

Chapter – III

Research Methodology

A research methodology refers to a specific approach to finding, evaluating, managing, and interpreting data. Research methodology enables the assessment of accuracy, compatibility, and dependability. Finding the investigation's goal can be aided by the use of research methods. The study objectives are the reason behind the application of the carried out approach.

3.1 Research Design

The research design describes the precise techniques and steps taken to collect the data required to properly address and resolve issues. Stated differently, it functions as the conceptual framework that guides the investigation. To achieve its goals, this study uses both descriptive and causal research designs. The study makes use of the yearly reports released by the pertinent banks for analytical reasons. Following tabulation, a combination of statistical and financial tools will be used to analyze the data. In descriptive research, information is systematically gathered and presented to give a clear picture of a situation.

3.2 Population and Sample, and Sampling Design

In Nepal, there are currently 20 commercial banks that serve as the study's population. However, it is not possible to thoroughly examine them all because of limitations like time and resources. For this investigation, a sample of three banks has been chosen. The following banks were chosen:

1. Everest Bank Limited
2. Citizens Bank Limited
3. Nabil Bank Limited
4. Sanima Bank Ltd
5. Nic Asia Bank Ltd

3.3 Nature and Source of Data, and the Instrument of Data Collection

The necessary information for this study has been collected from the annual reports of the selected sample banks for the specified study periods, obtained from their official websites. Additional data, including NRB regulatory directives, statistics of

commercial banks in Nepal, and other related publications, have also been sourced from official websites.

3.4 Methods of Analysis

To improve the research's specificity and dependability, all of the collected data is arranged and compiled under various areas. The study is then clarified by statistical analysis. All of the data has been entered and evaluated using the SPSS software. The statistical techniques utilized to display and analyze the data were regression analysis and correlation. The sample period for the data was ten years, from 2011–12 to 2020–21. First, the gathered information is displayed appropriately, arranged in different tables based on its type. After that, statistical, financial, and descriptive approaches were used.

In general, both proper statistical tools and financial methodologies are used to conduct this investigation. Here are these two tools:

- **Financial method.**
- **Statistical method.**

3.4.1 Financial Tools

Financial indicators, or ratio evaluations, can be found in financial instruments. By showing the mathematical relationship between two numbers, a ratio analysis is carried out to determine the qualitative relationship between two variables.

When examining the impact of dividend policy on stock price of selected Nepalese commercial banks, these financial metrics are crucial indicators.

Market Price per Share (MPS)

The price at which a company's stock is traded on the stock exchange at a specific moment is known as the market price per share, or MPS. The dependent variable in this thesis is MPS, which represents investors' perceptions of the chosen Nepalese commercial banks' valuation. The bank's financial performance, the state of the macro economy, investor sentiment, and—above all—dividend policy are some of the variables that affect it. Decisions on dividend policy, such as the payout ratio, dividend yield, and whether to pay out cash or stock dividends, have a big impact on investor confidence and expectations, which in turn affects the MPS.

$$P_0 = \frac{D_1}{(K_s - g)} = \frac{D_{0(1+g)}}{(K_s - g)}$$

Where,

Po = Current market price per share

Do= Current dividend per share

D_1= Expected dividend per share at the end of year

g_1= Dividend growth rate

Ks= Investor's required rate of return.

Earnings per Share

One important financial indicator that assesses a company's profitability on a per-share basis is earnings per share, or EPS. It is computed by dividing the net income of the business by the total number of outstanding common shares, after taxes and preferred dividends have been subtracted. Investors frequently use EPS to evaluate a company's profitability and financial health since it offers insight into its earnings performance. Since it frequently affects the market price per share (MPS), which reflects investor sentiment regarding the company's capacity to turn a profit, EPS is significant in the context of this study. When examining how dividend policy affects stock valuation, a greater EPS is a crucial aspect because it usually indicates stronger profitability, which can raise stock prices.

$$EPS = \frac{(Earning\ available\ to\ common\ shareholder\ )}{No\ of\ Common\ Stock\ outstanding}$$

Where,

EPS= Earnings per share.

Price Earnings (P/E) Ratio

Investors' willingness to pay for every share of what a business makes is shown by the P/E ratio. While a lower P/E ratio may reflect undervaluation or possible risk, a higher P/E ratio indicates that the market anticipates strong future growth or views the company as less risky. The P/E ratio is a pertinent indicator in this study since it captures investor sentiment, which may have an impact on changes in stock prices in connection to dividend policy. Based on their earnings and market price dynamics, it

offers information on whether Nepalese commercial banks' stocks are overpriced or undervalued. The mathematical expression for it is:

$$\text{P/E Ratio} = \frac{Market\ Price\ per\ Share}{Earnings\ per\ Share}$$

The P/E ratio represents investor expectations for future profits growth. A higher P/E ratio may indicate that investors expect better growth in the future, which might increase the share price, whilst a lower P/E ratio would suggest the opposite.

Dividend per Share (DPS)

A financial indicator known as dividend per share (DPS) shows how much a firm has paid out in dividends for each outstanding share of common stock over a given time frame, often a fiscal year. As a gauge of the return on investment for equity holders, DPS is the percentage of a company's profits that are paid out as dividends to its shareholders. As part of the dividend policy, DPS has a significant impact on the Market Price per Share (MPS) in the context of this study. Stock prices and investor confidence can both benefit from a steady or rising DPS, which can indicate financial stability and profitability. On the other hand, erratic or declining DPS could raise questions about the company's financial stability and have an impact on the value of its stock.

$$\text{DPS} = \frac{\text{Total dividend to Ordinary Sharesholders}}{\text{No of Common Stock outstanding}}$$

Where,

DPS = Dividend per share

Dividend Payout Ratio

A financial metric called the dividend payout ratio calculates the percentage of a company's profits that are paid out as dividends to shareholders. This ratio shows the proportion of the company's profits that are given back to shareholders as opposed to being kept for internal business reinvestment. Since it has a direct effect on investor perception and the Market Price per Share (MPS), the Dividend Payout Ratio is an essential part of dividend policy in the context of this study. Stock prices may rise if a larger payout ratio draws in income-focused investors looking for consistent returns. A lower ratio, on the other hand, can suggest that the

business is giving reinvestment more importance than dividends, which could affect stock value based on investor preferences and market circumstances.

It is expressed as a percentage and calculated using the formula:

$$\text{DPR} = \frac{\text{DPS}}{\text{EPS}} \text{OR} \frac{\text{Total Dividend Paid}}{\text{Total earning}}$$

Where,

DPR = Dividend payout ratio

DPS = Dividend per share

EPS = Earnings per share

Dividend Yields Ratio

An investor's yearly dividend income in relation to the market price per share is displayed by the Dividend Yield (DY) Ratio, a financial statistic. This ratio shows how much a shareholder receives in dividends for each dollar they invest in the company's stock. Income-focused investors are frequently drawn to higher dividend yields since they indicate larger dividend returns in relation to stock price. On the other hand, an abnormally high dividend yield could also be a sign of possible financial instability or a dropping stock price. Given its direct impact on investor behavior and the Market Price per Share (MPS), the Dividend Yield Ratio is a crucial component of dividend policy in the context of this study. It is expressed as a percentage and is calculated using the formula:

$$\text{DY Ratio} = \frac{\text{DPS}}{\text{MPS}} \text{OR} \frac{\text{Dividend per share}}{\text{Market price per share}}$$

Where,

DY= Dividend yield

DPS= Dividend per share

MPS = Market price per share

3.4.2 Statistical Tools

To measure the link between two or more variables, statistical methods are necessary. The mean, standard deviation, coefficient of variance, and multiple regression are employed in this investigation.

a) Arithmetic Means (Average)

The arithmetic mean, sometimes referred to as the mean or average, is used to quantify central tendency. The mean is one of the statistical constants that researchers may understand with only one attempt. The arithmetical mean is a single value that represents all of the data. The mean gives the researcher a broad overview of our massive data set and distils it into a single result.

The formula for the calculation of mean can be shown as: $\bar{x} = \frac{\text{Sum of all data points}}{\text{Number of data points}}$

b) Standard Deviation

The degree to which the separate things vary from a core value is known as dispersion. The absolute dispersion is measured by the standard deviation. The standard deviation increases with the degree of dispersion. A series' homogeneity and the degree of uniformity of the observations are both indicated by modest standard deviations, and vice versa. When the projects have the same outlay, it can be used as an absolute metric. It informs us of the degree of risk and the variability related to the anticipated cash flows. It calculates overall risk. This formula can be used to compute it.

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

Where:

x= each individual observation of sample manufacturing firm

$\bar{X}$= Mean, an average in the data set of sample manufacturing firm

N= The total number of populations in a data set

c) Correlation Coefficient (r)

The degree of a linear link between two or more variables is known as correlation. When one variable's value changes and another variable's value changes as well, these variables are said to be correlated. Others' effects are not taken into account in simple correlation; instead, they are assumed to be constant and have no discernible impact on the dependent variable.

Co-efficient of correlation (r) $= \frac{N\sum XY - \sum X.\sum Y}{\sqrt{[N\sum x^2 - (\sum X)^2]}\sqrt{[N\sum Y^2 - (\sum Y)^2]}}$

Where,

If r = 0, there is no significant relationship between the variables.

If r < 0, there is negative relationship between the variables.

If r > 0, there is no positive relationship between the variables.

If r = +1, there is perfectly positive relationship between the variables.

d) Regression Analysis

EPS, DPS, DPR, P/ER, DYR, and market price per share are the primary financial metrics that will be used as performance variables. As described below, the equation to be estimated has been specified as follows.

Regression Equation for dependent variable:

MPS= β0 + β 1 EPS it+ β 2 DPS it +β 3DPRit +β4PE/R it+ β5DYR +βit + e_{it}... (1)

Where,

MPS= Market Price Per Share

EPS= Earnings per share

DPS= Dividend Per share

DPR= Dividend payout ratio

PE/R= Price earnings ratio

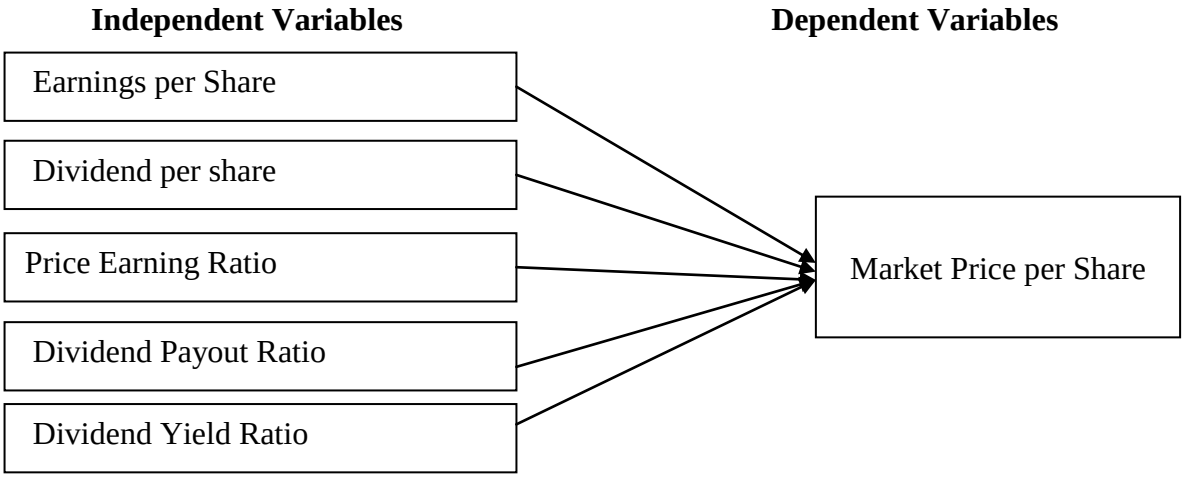
DYR= Dividend yield ratio

e_{it}: Residual or error term for bank i at time t, accounting for variation in MPS not explained by the model.

i: Represents individual banks

t: Represents time periods

3.5 Research Framework and Definition of Variables



Source: Aryal N.P. (2023)

Market Price Per Share

Earnings Per Share (EPS) and Dividend Per Share (DPS) are two of the most important factors that affect the Market Price of Share (MPS). The value at which a firm's stock is traded on the secondary market is reflected in its MPS, which often rises when a company implements advantageous dividend policy. Strong profitability is shown by a high EPS, which shows that the business is solvent and able to provide investors with sizable profits. The market price rises as a result of investors being willing to pay more for shares of such a company. In the same way, a greater DPS indicates that the business is giving shareholders a sizable amount of its profits, which is sometimes seen as an indication of sound financial standing. More investors looking for consistent dividend income may be drawn in as a result, which would raise demand for shares and, in turn, the MPS. To put it simply, a high EPS and DPS send a favorable signal to the market, which in turn boosts investor confidence and raises the share's market value. These correlations demonstrate how earnings and dividends have a direct effect on market price since investors tend to favor businesses that provide steady dividend payments in addition to robust earnings growth.

Earnings Per Share (EPS)

Since the Market Price of Share (MPS) and Return on Equity (ROE) have a strong positive correlation, Earnings Per Share (EPS) is a key factor in determining both. Since a company's ability to generate significant earnings is a sign of financial strength and success, a higher EPS usually draws in more investors. A crucial indicator of a business's profitability is its earnings per share (EPS), which is

determined by dividing net income after taxes by the total number of outstanding common shares. Investors keep a careful eye on this measure, which shows the profit made per share of common stock, to determine a company's potential for profits. A greater EPS indicates that the business is in a solid financial position, efficiently mobilizing its money and producing returns, as is the case in the banking and other sectors. The stock of the company has a higher chance of doing well in the stock market as a result. Furthermore, a company's dividend policy is directly impacted by EPS since higher EPS frequently results in larger dividends, which can raise the MPS even more. The potential for dividend payments increases with EPS, which tends to raise the stock's market price and increase its appeal to investors. Consequently, a high EPS is a crucial component that influences a company's stock price, dividend policies, and general market perception in addition to being a reflection of its financial health.

Price Earnings (P/E) Ratio

One important financial indicator that shows the connection between a company's market price per share (MPS) and earnings per share (EPS) is the price-to-earnings (P/E) ratio. The market price per share is divided by the earnings per share to determine the P/E ratio, often known as the earnings multiplier. In essence, this ratio shows the price that investors are prepared to pay for every rupee of the company's profits. Strong investor confidence in the company's potential for future growth can be indicated by a higher P/E ratio, which suggests that investors are prepared to pay more for the company's shares based on its earnings. Investor optimism or pessimism regarding a company's potential to turn a profit in the future is frequently reflected in the P/E ratio.

The P/E ratio may benefit from a stable dividend policy since it indicates sound financial standing and steady earnings growth. Investors are given the impression that a business is prosperous, well-run, and likely to continue producing strong earnings in the future when it maintains a consistent or growing dividend. A higher P/E ratio and increased investor confidence result from this. As a result, a higher P/E ratio indicates that investors anticipate future growth, which is frequently fueled by the company's capacity to produce consistent profits and dividends, in addition to reflecting a higher market share price in relation to earnings. As a result, consistent dividend policies

may help raise the P/E ratio, indicating the company's promising earnings prospects and positive market outlook.

Dividend per Share (DPS)

In comparison to retained earnings, dividends per share (DPS) have a bigger influence on the market price of shares (MPS) and are a major source of motivation for Nepalese investors. The dividend per share (DPS) is the percentage of a company's profits that are given to common stockholders. It indicates the company's capacity to distribute profits to investors by reflecting the actual rupee earnings distributed to shareholders. Dividend payments are only feasible for financially stable businesses that can provide steady profits. Because it offers a consistent flow of revenue, DPS is frequently a crucial consideration for Nepalese investors when determining whether to invest in a business. Higher DPS companies are viewed as more financially solid, which boosts investor trust. Therefore, this enhances the MPS and the demand for the company's stock. Compared to retained earnings, which are reinvested in the business and are not immediately available to shareholders, DPS typically has a bigger impact on MPS since it directly represents the company's profitability and readiness to share earnings. As a result, the market interprets a greater DPS as a good signal, which raises the stock price and encourages investors to purchase firm stock.

Dividend Payout Ratio

The Market Price of Shares (MPS) is significantly impacted by the Dividend Payout Ratio (DPR), underscoring its significance in generating shareholder value. The DPR is the proportion of a company's profits that are paid out as dividends to shareholders, with the other portion being held in reserves and surplus to fund the company's future development. Because it displays the amount of profit distributed to investors as opposed to the amount invested in the business for future growth, this ratio is essential. Retained earnings and dividends have a reciprocal connection. Retained earnings, or the amount kept in the business for expansion, fall as the DPR rises since a greater percentage of the company's profits are given to shareholders. A lower DPR, on the other hand, results in a smaller dividend for shareholders but more earnings being kept within the business to finance growth, acquisitions, or other expenditures. This balance is crucial since it has a direct impact on the company's long-term growth

potential (via retained earnings) as well as the short-term returns for investors (via dividends).\

Dividend Yields ratio (DY)

In Nepalese commercial banks, where greater dividend yields typically stabilize stock prices, Dividend Yield (DY) is a crucial indicator of share price volatility. A measure of the amount of income an investor is likely to get from dividends in relation to the stock's present market value is called dividend yield, which is the percentage of dividends per share (DPS) to market price per share (MPS). Based on the share's market price, the dividend yield essentially calculates the return on investment in the form of dividends. Because it indicates that they will receive a higher dividend return in relation to the price they paid for the shares, investors generally view a higher DY favorably. This might lessen stock price volatility since income-focused investors may find a firm more appealing if it has a steady or attractive dividend yield. Investors are frequently less inclined to sell the stock when they believe they are getting strong dividend yields, which increases price stability. This ratio shows the dividend as a percentage of the share's market price. When it comes to Nepalese commercial banks, a greater DY indicates robust and steady dividend payments, which helps lessen price swings by drawing in more investors looking for steady income and enhancing market equity.

Chapter – IV

Result and Discussion

The display, analysis, and interpretation of data gathered from various sources are the topics of this chapter. A variety of tables and graphs are used to display the information and data that was gathered. This study's primary goal is to accomplish its objectives by conducting an examination of secondary data. Actually, this chapter is the most crucial component of the study that fills in the gaps that now exist.

4.1 Results

In order to analyze and evaluate financial data and gain important insights into the financial health of a firm, financial tools are necessary. With the use of these instruments, a company's financial situation may be thoroughly evaluated, giving management insight into how investors see the company's historical performance and prospects. These tools provide a more comprehensive understanding of the firm's strengths and weaknesses by analyzing important financial variables. They also provide a framework for evaluating overall performance and determining ways to boost growth, profitability, and operational efficiency—all of which help the company perform better and succeed in the long run.

4.1.1 Financial Analysis

Examining a company's financial accounts, such as the cash flow, income, and balance sheets, in order to assess its financial performance and status is known as financial analysis. It entails evaluating the firm's profitability, financial stability, and operational efficiency using a variety of financial instruments and ratios, including profitability, liquidity, and solvency ratios. Management, creditors, and investors can all make well-informed judgements regarding the company's risk, investment potential, and future prospects with the use of financial analysis. Financial analysis offers important insights for enhancing company performance and reaching long-term financial objectives by highlighting strengths and deficiencies.

Table 2

Mean, Standard Deviation and coefficient of Variation of Citizen Bank

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	18.95	23.7	22.74	3.52	0.8	539
2014/15	21.05	30.94	15.8	4.3	0.68	489
2015/16	25.78	35.25	19.29	3.79	0.73	680
2016/17	17	20.27	19.88	4.22	0.84	406
2017/18	5.26	15.37	15.36	2.23	0.34	236
2018/19	15	17.49	12.81	7.89	0.86	224
2019/20	11	13.88	13.55	5.85	0.79	188
2020/21	16	17.35	22.24	4.15	0.92	386
2021/22	9	14.92	14.34	4.44	0.64	202.5
2022/23	5.79	13.12	13.19	3.34	0.44	173.1
MEAN	14.48	20.23	16.92	4.37	0.70	352.36
SD	6.69	7.53	3.79	1.54	0.19	175.27
CV %	46.17	37.24	22.38	35.23	26.52	49.74

Sources: Annual report of Citizen bank from 2013/14 to 2022/23.

The Table 2 the table, the market price per share was 539 in 2013–14, much higher in 2015–16, and marginally lower in 2022–23. In 2013–14, earnings per share were 23.7. Earnings per share increased to 35.25 in 2015–16. Because of variations and a minor decline in other years. The dividend payout ratio was 0.8 in 2013–14, dropped to 0.68 in 2014–15, and then increased from 2015–16 to 2016–17. From 2018–19 to 2022–2023, the DPS dropped sharply. The dividend yield ratio varied between 2013–14 and 2022–23. In 2018–19, the dividend yield ratio reached its greatest of 7.89, while in 2017/18, it was at its lowest of 2.23. In 2015–16, the price–earnings ratio was 35.25, which is significantly higher than in past years. In 2019–20, the price–earnings ratio is 21.98. The greatest dividend yield ratio, 2.23, was recorded in 2017–18, while the lowest, 0.01, and was recorded in 2014–15. The market price per share and

dividend per share may be impacted by the data's fluctuations. DPS is 14.48, D/P is 0.70, P/E is 16.92, EPS is 20.23, DY is 4.37, and the average MPPS is 352.36.

Table 3

Mean, Standard Deviation and coefficient of Variation of Everest Bank

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	30	35.98	26.96	3.09	0.83	970
2014/15	41.05	25.59	24.11	6.65	1.6	617
2015/16	27.37	28.31	28.19	3.43	0.97	798
2016/17	21.05	23.06	19.3	4.73	0.91	445
2017/18	10	16.62	19.01	3.16	0.6	316
2018/19	21.05	34.22	13.09	4.7	0.62	448
2019/20	20	31.89	17.34	3.62	0.63	553
2020/21	0	28.18	35.27	0	0	994
2021/22	0	36.45	19.1	0	0	696
2022/23	30.53	38.44	20.65	3.85	0.79	794
Mean	20.11	29.87	22.30	3.32	0.70	663.10
SD	13.38	6.85	6.41	2.04	0.47	228.20
CV %	66.53	22.94	28.75	61.42	67.03	34.41

Sources: Annual report of Everest bank from 2013/14 to 2022/23.

Table 3 indicates that the market price per share was 970 in 2013–14, a significant increase in 2020–21, and a minor reduction in 2017–18. In 2013–14, earnings per share were 35.98. Earnings per share increased to 38.44 in 2015–16. The dividend payout ratio was 0.83 in 2013–14, increased to 1.6 in 2014–15, and then decreased from 2015–16 to 2016–17. Between 2018–19 and 2022–2023, the DPS experienced sharp fluctuations. The dividend yield ratio varied between 2013–14 and 2022–23. In 2015–16, the price to earnings ratio was 28.19, which is significantly higher than in previous years. The greatest dividend yield ratio, 6.65, was recorded in 2014–15,

while the lowest, zero, and occurs in 2020–21. The market price per share and dividend per share may be impacted by the data's fluctuations. EPS is 29.87, DPS is 20.11, D/P is 0.70, P/E is 22.30, DY is 3.32, and the average MPPS is 663.10.

Table 4

Mean, Standard Deviation and coefficient of Variation of Nic Asia Bank

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	12	86.04	30.58	0.46	0.14	2631
2014/15	30	78.04	27.17	1.42	0.38	2120
2015/16	70	40.33	83.94	2.07	1.74	3385
2016/17	33	32.48	41.66	2.44	1.02	1353
2017/18	0	32.78	20.23	0	0	663
2018/19	5	38.05	17.5	0.75	0.13	666
2019/20	5	29.71	22.72	0.74	0.17	675
2020/21	6	19.91	37.06	0.81	0.3	738
2021/22	13	26.3	16.69	2.96	0.49	439
2022/23	10	31.43	17.91	1.78	0.32	563
MEAN	18.40	41.51	31.55	1.34	0.47	1,323.30
SD	21.09	22.18	20.30	0.95	0.53	1,032.11
CV%	114.61	53.43	64.34	70.75	112.62	78.00

Sources: Annual report of Nic Asia bank from 2013/14 to 2022/23.

Table 4 demonstrates that the market price per share was 2631 in 2013–14, much higher in 2015–16, and marginally lower in 2020–21. In 2013–14, earnings per share were 86.86. Earnings per share increased to 40.43 in 2015–16. In 2013–14, the dividend payout ratio was 0.14; in 2015–16, it increased to 1.74. Between 2018–19 and 2022–2023, the DPS experienced sharp fluctuations. The dividend yield ratio varied between 2013–14 and 2022–23. In 2015–16, the price to profits ratio was 83.94, which is significantly higher than in previous years. The greatest dividend yield ratio, 2.44, was recorded in 2016–17, while the lowest, zero, and was recorded

in 2017–18. The market price per share and dividend per share may be impacted by the data's fluctuations. EPS is 41.51, DPS is 18.40, D/P is 0.47, P/E is 31.55, DY is 1.34, and the average MPPS is 1323.30.

Table 5

Mean, Standard Deviation and coefficient of Variation of Nabil Bank

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	45	83.68	30.29	2.56	0.78	2335
2014/15	6.84	57.24	33.37	1.93	0.64	1910
2015/16	15	59.27	39.55	1.92	0.75	2344
2016/17	18	59.86	25.44	3.15	0.80	1523
2017/18	22	49.51	18.6	3.69	0.69	921
2018/19	34	50.57	15.82	4.25	0.67	800
2019/20	35.26	36.16	21.15	4.61	0.98	765
2020/21	38	33.57	40.48	2.8	1.13	1359
2021/22	30	18.64	44.21	3.64	1.61	824
2022/23	11	23.67	25.31	1.84	0.46	599.2
MEAN	25.51	47.22	29.42	3.04	0.85	1,338.02
SD	12.74	19.53	9.79	1.00	0.32	664.13
CV%	49.95	41.35	33.29	32.79	0.38	49.64

Sources: Annual report of Nabil bank from 2013/14 to 2022/23

Table 5 shows the market price per share was 2335 in 2013–14, but it climbed significantly in 2015–16 and declined somewhat in 2022–23. In 2013–14, earnings per share were 83.68. In 2013–14, the dividend payout ratio was 0.78; in 2020–21, it increased to 1.61. Between 2018–19 and 2022–2023, the DPS experienced sharp fluctuations. The dividend yield ratio varied between 2013–14 and 2022–23. In comparison to previous years, the price per earnings ratio for 2021–2022 is significantly higher at 44.21. In 2022–2023, the dividend yield ratio is quite low at 1.84, and in 2019–20, it reaches its maximum at 4.61. The market price per share and

dividend per share may be impacted by the data's fluctuations. EPS is 47.22, DPS is 25.51, D/P is 0.85, P/E is 29.42, DY is 1.84, and the average MPPS is 1338.02.

Table 6

Mean, Standard Deviation and coefficient of Variation of Sanima Bank

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	15.79	19.28	33.09	2.47	0.82	638
2014/15	21.05	24.47	22.68	3.79	0.86	555
2015/16	15.79	32.55	23.04	2.11	0.49	750
2016/17	16	26.31	16.38	3.71	0.61	431
2017/18	14	21.22	15.27	4.32	0.66	324
2018/19	21.05	28.22	12.33	6.05	0.75	348
2019/20	13.6	20.18	16.35	4.12	0.67	330
2020/21	13.89	23.94	20.26	2.86	0.58	485
2021/22	10.98	18.48	14.94	3.98	0.59	276
2022/23	14.7	20.91	12.46	5.64	0.7	260.5
MEAN	15.69	23.56	18.68	3.91	0.67	439.75
SD	3.18	4.46	6.33	1.26	0.11	164.58
CV %	20.30	18.94	33.88	32.23	16.90	37.43

Sources: Annual report of Sanima bank from 2013/14 to 2022/23

Table 6 indicates that the market price per share was 638 in 2013–14, a significant increase in 2015–16, and a minor reduction in 2022–23. In 2013–14, earnings per share were 19.28. In 2013–14, the dividend payout ratio was 0.82; in 2014–15, it increased to 0.86. Between 2018–19 and 2022–2023, the DPS experienced sharp fluctuations. The dividend yield ratio varied between 2013–14 and 2022–23. When compared to previous years, the 2013–14 price per earnings ratio of 33.09 is significantly higher. In 2015–16, the dividend yield ratio was quite low at 2.11, while in 2018–19, it reached its highest at 6.05. The market price per share and dividend per

share may be impacted by the data's fluctuations. EPS is 23.56, DPS is 15.69, D/P is 0.67, P/E is 18.68, DY is 3.91, and the average MPPS is 439.75.

4.1.2 Statistical Analysis

4.1.2.1 Descriptive Analysis

The process of using data to find, highlight, or summaries information in a way that makes sense and enables the discovery of patterns that satisfy all of the data's requirements is known as descriptive analysis. Conducting a statistical analysis of the data is one of the most important tasks. Descriptive statistics for the years 2013–2014 and 2022–2023 have been used to characterize the data. The descriptive statistics used in this study were the mean, standard deviation, and lowest and highest values related to the variables being studied. The descriptive statistics that summaries each variable across companies and years include the mean, standard deviation, minimum, and maximum values. The dependent and independent variables are described in full below, along with year-specific percentages.

Table 7

Descriptive statistics analysis of independent and dependent variables

	N	Minimum	Maximum	Mean	Standard Deviation
MPS	50.00	173.10	3,385.00	823.31	694.60
DPS	50.00	0.00	70.00	18.84	13.03
EPS	50.00	13.12	86.04	32.48	17.10
P/E	50.00	12.33	83.94	23.77	12.04
DY	50.00	0.00	7.89	3.20	1.71
D/P	50.00	0.00	1.74	0.57	0.36

Source: IBM SPSS 26

Table 7 displays the total number of observations for this study and provides a detailed description of the variables influencing the market price of the chosen commercial banks listed on the NRB between 2013–14 and 2022–23. The model's dependent variable, market price, has a mean value of 823.51 and a standard deviation

of 694.40, and spans from 0 to 3385. Earnings per share, the first explanatory variable, has a mean value of 32.48 and a standard deviation of 17.10 and 13.12 at the lowest and 86.04 at the highest. The second explanatory variable, dividend per share, has a mean value of 18.84 and a standard deviation of 13.03, and ranges from 0 to 70. The third explanatory variable, the dividend payout ratio, has a mean of 0.57 and a standard deviation of 0.36, with a minimum value of 0 and a high value of 1.74. The price-earnings ratio, the fourth explanatory variable, has a mean value of 23.77 and a standard deviation of 12.04, with a minimum of 12.33 and a high of 83.94. Lastly, the dividend yield ratio, the fifth explanatory variable, has a mean of 3.20 and a standard deviation of 1.71, with a minimum value of 0 and a maximum value of 7.89.

4.1.2.2 Correlation Coefficient Analysis

The findings and analysis of the correlation analysis are presented in this portion of the study. The effect of dividend policy on bank stock price variables has been examined using correlation analysis. Variables. In order to determine whether there is a positive or negative relationship between six variables, correlation analysis uses a variety of tools and procedures to examine and quantify the degree of the association between two variables. The correlation analysis is used to determine the association between MPS, EPS, DPS, D/P, P/E, and DY for the five banks of the study, and it also indicates if the relationship is significant or not. The results are shown below.

Table 8

Correlation Matrix of Dependent and Independent Variables

	MPS	DPS	EPS	P/E	DY	D/P
MPS	1					
DPS	0.51073	1				
EPS	0.79943	0.30106	1			
P/E	0.77037	0.55808	0.27443	1		
DY	-0.4363	0.29001	-0.3717	-0.3864	1	
D/P	0.00355	0.57095	-0.3266	0.27147	0.5688	1

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

Source; IBM SPSS 26

Table 8 shows Independent variables Dividend payout ratio, earnings price share, and dividend per share the ratios of price to earnings, dividend yield, and dependent variables- the market price per share. The data from which the correlation coefficients are derived. 50 observations from 5 sample banks covering the years 2013–14–2022–23. EPS and MPS have a correlation value of 0.799. A few conclusions can be drawn from the meaningful link between EPS and MPS. First, EPS is determined by dividing net income after taxes by the entire amount of outstanding common shares. As a result, there is a strong and positive correlation between EPS and market share.

Dividends per share, which are paid to shareholders of considerable units of shares, are another measure of dividend policy. It calculates the bonus that shareholders receive on their share capital. Because MPS and DPS are positively connected, the correlation coefficient between the two is 0.510.

The dividend policy indicator is D/P. The D/P ratio shows how much a business is giving back to shareholders compared to how much it is keeping on hand to reinvest in expansion, settle debt, or increase cash reserves. MPS and D/P have a positive correlation of 0.00355. The dividend policy has a beneficial effect on shareholders.

Another measure of dividend policy is P/E. The ratio of the share price to the firm's yearly rate of income per share is known as P/E. The favorable influence of current investor demand for a company's shares is demonstrated by the 0.77 positive connection between MPS and P/ER.

Another measure of dividend policy is DY. It indicates that there is a negative correlation of -0.4363 between DYR and MPS. Therefore, investors in the bank stock market are negatively impacted.

4.1.2.3 Regression

In contrast to simple regression analysis, which uses a single independent variable to estimate the values of a dependent variable, coefficient analysis uses two or more independent variables to estimate the values of dependent variables. Relative mobility in the variable can be determined with the aid of multiple regression analysis. The theoretical approach is used to estimate the link between dividends and stock prices. According to the model, previous year's earnings per share and dividend per share

would determine the stock's price. The aforementioned theoretical claims can be expressed as follows:

Table 9

Analysis of Regression

Model	Coefficients	Standard Error	t Stat	P-value
(Constant)	-1098.405849	90.39316093	-12.15142647	1.18037E-15
DPS	8.72713849	2.383736338	3.661117361	0.000669794
EPS	29.81673153	1.305944617	22.83154365	5.02017E-26
P/E	37.72660641	2.464310984	15.30919054	3.07306E-19
DY	-27.65302602	17.98171889	-1.537841081	0.131248492
D/P	233.5369823	77.21265399	3.024594678	0.004145583

Sources: SPSS output (Appendix I).

Table 9 shows the coefficients of the independent variables. The regression model can be written mathematically as

MPS = -1098.40+8.7227x1+29.81x2+ 37.72x3+ (-27.62) x4+233.53 x5

The MPS regression coefficient on DPS is positive, at 8.72. When calculating MPS, EPS has a positive effect, indicating that rising DPS causes rising MPS. As a measure of the variability of the observed values around the fitted line of regression, the SE for this regression coefficient is 2.38. The t-statistic and p-value for this coefficient are 3.66 and 0.0069, respectively. Therefore, at the 5% significance level, the t-statistic is significant while the p-value is not.

With 29.981, the regression MPS coefficient on EPS is positive. When calculating MPS, EPS has a positive impact, indicating that rising DPS causes rising MPS. The variability of the observed values around the fitted line of regression is measured by the regression coefficient's SE of 1.30. These coefficients the p-value is 5.02 and the t-statistic is 22.81. Thus, at the 5% significant threshold, the t-statistic and p-value are both significant.

The regression MPS on DPR coefficient, or 233.53, is positive when calculating DPR, indicating that an increase in DPR causes an increase in MPS. As a measure of the

variability of the observed values around the fitted line of regression, this regression's coefficient has a SE of 77.21. The t-statistic for this coefficient is 3.02, and the p-value is 00. 414. Therefore, at the 5% significance level, the p-value is significant while the t-statistic is not.

The regression coefficient The P/ER MPS is positive, at 37.72. P/ER positively affects MPS, demonstrating that a rise in P/ER causes an increase in MPS. SE, which gauges the variability of the observed values around the fitted line of regression, is 2.46 for this regression's coefficient. The t-statistic for this coefficient is 15.30, and the p-value is 3.07. Thus, the p-value is significant at the 5% significance level, and the statistic is significant.

The regression MPS coefficient on DYR is negative, or -27.65. MPS is negatively impacted by DYR, with an increase in DYR resulting in a decrease in MPS. The coefficient of this regression, which quantifies the range of the values seen around the calculated line of regression, has a SE of 17.98. The t-statistic and p-value for this coefficient are -1.53 and 0.1312, respectively. Therefore, at the 5% significance level, the t-statistic and p-value are not significant.

Anova

Table 10

Anova Summary-Market Value per Share & Independent Variables

Model	Sum of squares	df	Mean Square	F	P-value
Regression	26966108	5	53932.22	66.7984	1.88
Residual	23737202	44	80738.78		
Total	50703310	49			

a. Predictors: (Constant), DYR, P/ER, EPS, DPR, DPS)

b. Dependent Variable: Market Price per Share

The regression model's overall explanatory power and significance are measured using an analysis of variance (ANOVA). Given that the p-value above the necessary

level of significance (0.05), it can be said that the dividend policy has a significant effect on stock price.

Table 10 shows the market price per share (dependent variable) and a number of independent variables, such as the dividend yield ratio (DYR), price-to-earnings ratio (P/ER), earnings per share (EPS), dividend payout ratio (DPR), and dividend per share (DPS), are compared in the table's ANOVA (Analysis of Variance) summary. The whole variability in the market price per share is represented by the sum of squares, which comes to 50,703,310. The regression model, which incorporates the predictors, accounts for 26,966,108 of this, with residuals (unexplained variance) accounting for the remaining 23,737,202. There are 49 degrees of freedom in total 5 in the regression model, which corresponds to the number of predictors, and 44 in the residuals. The residual mean square is 80,738.78, while the regression's mean square is 53,932.22. The model's overall significance is tested using the F-statistic, which comes out at 66.7984. This indicates that the predictors taken together have a considerable impact on the market price per share. The p-value of 1.88, however, is abnormally high and can point to a problem with the reporting or call for more information.

4.2 Discussion

This study presents the findings of the analysis, which attempts to investigate the main elements influencing dividend policy, look at the connection between dividend policy and market price per share (MPS), and evaluate how dividend policy affects stock prices. Between FY 2013–14 and FY 2022–23, secondary sources provided the data used in this study. ANOVA, regression analysis, correlation analysis, descriptive statistics, ratio analysis, and other analytical methods were used.

To identify the trends in the data and to summaries important variables, descriptive statistics were employed. In comparison to other banks, Nabil Bank had the most notable price change during the study period, according to this analysis, which also showed that the market price per share of the chosen banks varied. In a similar vein, factors like Price-to-Earnings (P/E) ratio, Dividend Payout (D/P) ratio, Dividend Yield (D/Y) ratio, Earnings per Share (EPS), Dividend Per Share (DPS), and Earnings Per Share (EPS) also fluctuated throughout time.

DPS and MPS were found to be positively and significantly correlated in the study, suggesting that banks that pay larger dividends typically have higher stock values. This emphasizes how crucial it is that banks give considerable thought to how they will distribute dividends. Furthermore, the study recognizes that the macroeconomic environment factors—such as fiscal and monetary policy decisions, rate of inflation, exchange rates, and interest rates, along with political events—play a significant role in stock price movements, even though a variety of financial factors, including EPS, DPS, D/P, D/Y, and P/E ratio, influence MPS. In particular, stock prices were negatively correlated with inflation, rate of interest, and fiscal policies, but positively correlated with currency rates and political developments.

With an average of NPR 1485.5, Everest Bank had the highest average MPS, while Citizen International Bank had the lowest, with an average of NPR 364.2.

The coefficients of variation for EPS, DPS, D/P, and P/E ratio were all positive, according to regression research on the correlation between dividend policy and stock price. These variables appeared to have a significant influence on MPS, as indicated by the t-statistics for them being significant at the 5% level. However, because its t-statistic was not significant at the 5% level and its coefficient had a negative value, the Dividend Yield (D/Y) variable was determined to be insignificant.

The effect of dividend policy on stock price risk in Pakistan was investigated in this study. The study found a negative association between price volatility and asset growth and emphasized the strong correlation between price volatility and dividend yield. Similarly, whereas EPS and firm size demonstrated a substantial positive link with stock price, the payout ratio (POR) had a positive effect on stock price, albeit one that was not statistically significant.

In summary, monetary policy, interest rates, market conditions, and governmental policies are some of the variables that affect dividend policy. These factors are important in determining changes in the stock prices of Nepalese commercial banks, as are company-specific factors like EPS, DPS, and P/E ratio.

Chapter –V

Summary and Conclusion

The data analysis in the preceding sections was finished in compliance with the goals of the study. This chapter wraps up the investigation, provides interpretations, and highlights the findings. Furthermore, it draws conclusions and interpretations from the data that allow for the development of generalizations. The contribution of the study was discussed in this chapter. Furthermore, certain recommendations have been made for the study's stakeholders.

5.1 Summary

One of the most important financial management choices that affects a company's operations and long-term profitability is dividend policy. As a return on investment, it describes the percentage of a company's net earnings that is given to shareholders. In addition to having an impact on the company's internal operations, the dividend decision has a big exterior impact as well, influencing investor opinions and affecting the market value of the company. Dividend policies can be a vital tool for businesses, particularly commercial banks, to draw in new investors and keep hold of current ones. The effect of dividend policy on firm value is still up for debate, nevertheless, especially in light of investor preferences, market conditions, and uncertainty issues.

A number of variables, including the institution's funding requirements and investor expectations, affect dividend decisions. The dividend decision has an impact on the company's capital structure and liquidity, but it also provides investors with crucial information about the company's financial situation and prospects. Furthermore, as investors generally link stable and profitable companies with high or constant dividend payments, the choice to pay out dividends has a direct impact on the stock price. Financial institutions can better meet market expectations and satisfy their own capital needs as well as those of their investors when they have the right conditions and growth prospects. Seeing the market value of their shares rise over time and earning a sizable dividend are frequently the main objectives of investors. As a result, a successful dividend policy can boost investor confidence and make the company's shares more appealing. Thus, paying dividends is a crucial tactic for winning over investors and promoting additional investment.

In the context of Nepalese commercial banks, this study investigates the connection between stock price factors and dividend policy. It focusses on three banks in particular: Global IME Bank Nepal Ltd. (GIBL), Citizen International Bank Ltd. (CIBL), and Everest Bank Ltd. (EBL). Using a descriptive research design, the study examines secondary data from these banks' annual reports and financial statements for the fiscal years 2013–14–2022–2023. This study's main goal is to evaluate the effects of dividend trends on stock prices in the banking industry in Nepal.

The following are the study's particular objectives:

- To assess important financial indicators for the chosen banks, including earnings per share (EPS), market price per share (MPS), dividends per share (DPS), dividend payout ratio (DPR), price-to-earnings ratio (P/E), and dividend yield ratio (DYR).
- To determine the main elements influencing these institutions' dividend policies.
- To look into the connection between share price movement and dividend announcements.

A company's dividend decision is influenced by a number of things. Legal restrictions, stockholder preferences, the bank's liquidity position, the need to pay back debts, loan agreement restrictions, earnings stability, asset expansion rate, profit rates, capital market accessibility, inflation, and the bank's overall financial health are a few of these. Strong financial success in these areas typically allows banks to pay dividends to shareholders, and studies indicate that a higher market price per share (MPS) is positively correlated with a well-managed dividend policy. Put another way, when all else is equal, banks that pay larger dividends typically have higher stock prices. Therefore, while creating their dividend policy, banks must carefully take into account these different considerations because a well-balanced strategy can assist maximize shareholder value and improve the bank's market position.

5.2 Conclusion

The study's conclusions are as follows, based on the objective analysis of data and discussion of results:

This study aims to investigate the connections and ascertain the influence of several explanatory factors on share price (MPS) in Nepalese commercial banks, including earnings per share (EPS), dividends per share (DPS), price-to-earnings (P/E) ratio, management expenses in relation to premiums collected, capital-to-total-assets ratio, efficiency ratio, company age, and profitability. The results demonstrate the critical role that EPS, DPS, and the P/E ratio play in determining dividend policy in the context of Nepalese banks by showing a positive and significant association with MPS. The data also demonstrates that important predictors of share value are DPS, EPS, dividend payout ratio, and dividend yield ratio.

Additionally, this analysis finds a negative correlation between MPS and profitability, indicating that better profitability does not always correspond to higher share market prices. Furthermore, MPS is significantly impacted negatively by the ratios of capital to total assets and management expenses to premiums received.

The dividend relevancy theory, which holds that dividend payments have an impact on a company's market value, is consistent with these findings. In particular, the study demonstrates that share prices, as determined by MPS, are highly impacted by DPS, EPS, and P/E ratios. The study, on the other hand, runs counter to the dividend irrelevancy argument, which contends that a company's market value is based only on its operational revenue and not on its capital structure or dividend policies. As a result, the results validate the importance of dividends in establishing market value and share price.

Key findings from the study include:

- A positive correlation between DPS and MPS.
- A positive correlation between EPS and MPS.
- A negative correlation between Dividend Yield (D/Y) and MPS.
- A positive correlation between P/E ratio and MPS.
- A negative coefficient between MPS and D/Y (-0.43), although the t-statistic was not significant at the 5% level of significance.

For investors looking to maximize their profits and make wise choices in the Nepalese market, especially in industries with robust dividend distribution policies, these data offer insightful information.

5.3 Implications

The impact of dividend policy on Nepalese commercial banks' stock prices is examined in this study, which offers important insights into how important financial metrics like price-to-earnings (P/E) ratios, earnings per share (EPS), and dividends per share (DPS) affect the market price of shares (MPS). There is, however, room for growth in terms of data, methodology, and analytical models, and the research identifies a number of areas that demand more study. The following are some ways that future research can expand on this work:

- Inclusion of Broader Financial Sectors:

This study only looks at Nepal's commercial banks. Future studies should broaden the analysis to include additional financial institutions such development banks, financing firms, and microfinance institutions, as the Nepalese financial sector is diversified. By including these industries, researchers can determine whether the conclusions drawn from commercial banks apply to other facets of Nepal's financial system or whether certain sectoral characteristics influence stock prices and dividend policy.

- Use of Advanced Statistical Techniques:

Although the current study makes use of traditional statistical tools, integrating more sophisticated statistical techniques has the potential to greatly improve the analysis. Non-linear statistical methods may be investigated in future studies in order to identify more intricate connections between stock prices and dividend policy that are missed by linear models. To find out if dividend policy directly affects stock price fluctuations or if there are other underlying variables driving both, causality analysis could also be used.

- Incorporation of Primary Data:

This study only uses secondary data, which can have a limited scope even when it is useful. By including primary data from surveys, interviews, or focus groups with stakeholders in Nepalese commercial banks, future research could take a more thorough approach. Deeper understanding of the variables affecting dividend policy and the perceptions of market participants, such as managers and investors, regarding

the connection between payouts and stock prices would be possible through the collection of qualitative data. Results from this combination of quantitative and qualitative data may be more reliable.

- Exploration of Additional Variables:

Future research could examine the effects of additional macroeconomic and microeconomic variables, even if the current study concentrates on a variety of financial measures, such as EPS, DPS, and P/E ratios. A more comprehensive knowledge of the variables affecting stock prices might be obtained by taking into account variables like GDP growth, inflation rates, and bank size. These factors could provide insight into whether the size of a bank's operations or more general economic developments significantly affect dividend policies and investor opinions.

- Further Support for Dividend Relevancy Theory:

The results of this study indicate that dividends have a major impact on the market price of shares, which is consistent with the dividend relevancy argument. In order to determine if dividends are relevant in both stable and volatile market contexts, further research could build on this by examining the idea under various market conditions or over longer time periods. Furthermore, contrasting the outcomes in various nations or areas might offer a more comprehensive viewpoint on the dividend relevancy theory's applicability worldwide.

- Practical Implications for Investors:

Investors looking to increase their wealth and maximize returns may find great value in the study's conclusions, especially if they concentrate on lucrative industries where dividend policies have a big impact on stock price fluctuations. Future studies should examine in further detail how investors' expectations of dividends influence their choices and how these expectations change among various market categories.

- Granularity of Data:

Although stock prices and other financial indicators frequently fluctuate more frequently, the current analysis analyses annual data. In order to capture more accurate changes in stock prices and dividend policies, future research might think at utilizing quarterly or monthly data. In addition to providing more detailed insights into the timing and frequency of dividend payments, this higher-frequency data would enable a better understanding of the short-term market reactions to business decisions and dividend announcements.

In summary, this study offers a fundamental comprehension of how dividend policies affect stock prices in Nepalese commercial banks, but it also creates a plethora of opportunities for more research. Future research can provide more thorough and nuanced understandings of the connection between dividend policies and stock market behavior by broadening the area of analysis, applying cutting-edge methodology, and integrating more data sources.

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Appendix I- Raw Data of EBL bank Specific Variables

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	30	35.98	26.96	3.09	0.83	970
2014/15	41.05	25.59	24.11	6.65	1.6	617
2015/16	27.37	28.31	28.19	3.43	0.97	798
2016/17	21.05	23.06	19.3	4.73	0.91	445
2017/18	10	16.62	19.01	3.16	0.6	316
2018/19	21.05	34.22	13.09	4.7	0.62	448
2019/20	20	31.89	17.34	3.62	0.63	553
2020/21	0	28.18	35.27	0	0	994
2021/22	0	36.45	19.1	0	0	696
2022/23	30.53	38.44	20.65	3.85	0.79	794

Appendix II: Raw Data of CIBL bank Specific Variables

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	18.95	23.7	22.74	3.52	0.8	539
2014/15	21.05	30.94	15.8	4.3	0.68	489
2015/16	25.78	35.25	19.29	3.79	0.73	680
2016/17	17	20.27	19.88	4.22	0.84	406
2017/18	5.26	15.37	15.36	2.23	0.34	236
2018/19	15	17.49	12.81	7.89	0.86	224
2019/20	11	13.88	13.55	5.85	0.79	188
2020/21	16	17.35	22.24	4.15	0.92	386
2021/22	9	14.92	14.34	4.44	0.64	202.5
2022/23	5.79	13.12	13.19	3.34	0.44	173.1

Appendix III: Raw Data of NICASIA bank Specific Variables

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	12	86.04	30.58	0.46	0.14	2631
2014/15	30	78.04	27.17	1.42	0.38	2120
2015/16	70	40.33	83.94	2.07	1.74	3385
2016/17	33	32.48	41.66	2.44	1.02	1353
2017/18	0	32.78	20.23	0	0	663
2018/19	5	38.05	17.5	0.75	0.13	666
2019/20	5	29.71	22.72	0.74	0.17	675
2020/21	6	19.91	37.06	0.81	0.3	738
2021/22	13	26.3	16.69	2.96	0.49	439

2022/23	10	31.43	17.91	1.78	0.32	563

Appendix IV: Raw Data of NABIL bank Specific Variables

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	45	83.68	30.29	2.56	0.78	2335
2014/15	6.84	57.24	33.37	1.93	0.64	1910
2015/16	15	59.27	39.55	1.92	0.75	2344
2016/17	18	59.86	25.44	3.15	0.80	1523
2017/18	22	49.51	18.6	3.69	0.69	921
2018/19	34	50.57	15.82	4.25	0.67	800
2019/20	35.26	36.16	21.15	4.61	0.98	765
2020/21	38	33.57	40.48	2.8	1.13	1359
2021/22	30	18.64	44.21	3.64	1.61	824
2022/23	11	23.67	25.31	1.84	0.46	599.2

Appendix V: Raw Data of SANIMA bank Specific Variables

Year	DPS	EPS	P/E	DY	D/P	MPS
2013/14	15.79	19.28	33.09	2.47	0.82	638
2014/15	21.05	24.47	22.68	3.79	0.86	555
2015/16	15.79	32.55	23.04	2.11	0.49	750
2016/17	16	26.31	16.38	3.71	0.61	431
2017/18	14	21.22	15.27	4.32	0.66	324
2018/19	21.05	28.22	12.33	6.05	0.75	348
2019/20	13.6	20.18	16.35	4.12	0.67	330
2020/21	13.89	23.94	20.26	2.86	0.58	485
2021/22	10.98	18.48	14.94	3.98	0.59	276
2022/23	14.7	20.91	12.46	5.64	0.7	260.5

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