CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Nepal, one of the least development countries in the world, is trying to develop its economy by maintaining peace, political stability, best suiting economy liberalization and of course through globalization. As the agricultural sector of the nation is not being able to contribute significantly to the GDP, economy development is significantly dependent upon corporate sector. But the corporate of the nation is still in nascent stage. Economic development refuses to the efficient flow and generation funds in the productive sector and corporate sector. The nation is being quit effecting in collection funds from the corners of the corners of country and investing in productive sectors and corporation, which is good single for economic development.

Corporate sector has shown new momentum by different types of securities in capital market. Capital market is the market place through which the entrepreneurs collect the long term capital by mobilizing the individual and institutional savings either directly or indirectly. Investors purchase shares available in the capital market expecting two forms of future return: dividend and capital gain (Pradhan and Adhilkari, 2002: 16). So, if company pays out a portion of its earnings of shareholders in the form of dividend, shareholders benefit directly. But, instead of paying dividend, If the company retains the fund to exploit other growth opportunities, the shareholders can expect to benefit indirectly through future increase in the price of their stocks. Thus shareholders wealth can be increased either through dividend of through capital gain.

The policy of the any company, for the division of its net profit between dividend and retention is known as dividend policy. All the aspects and questions related to payment of dividend are contained in the dividend policy. The wealth maximization objectives, in the long run can be achieved only by maintaining adequate funds for investment. Financing growth can be considered as a secondary objective of dividend policy. Therefore, the firm should forecast the future need for funds and should determine the amount of retained earning available after payment of dividend (Adhikari 1999: 2).But most of the shareholders prefer cash dividends

because it is predictable than future gain in the form of capital gain (Brealey and Myers,1998: 17).

Through the establishment of corporations in Nepal has been increased, the actual owners of the corporations are not adequately respected by paying dividends. Joint Venture banks and some other public limited companies have shown new trend of paying dividend to shareholders. Despite the fact the only few companies are paying dividend, there is also growing practice of paying stock dividend among some Nepalese companies. It is said that if the firms need to retain a high percentage of earnings; the issue stock dividends so that shareholders of the firm are content. (Adhikari, 1999: 2). Stock split and stock repurchase are other aspects of dividend policy.

Despite the fact that only few banks are paying dividend regularly, there is also growing practice of paying stock dividend among some Nepalese companies. It is said that when the firms need to retain a high percentage of earnings, they issue stock dividend so that the shareholders are content. At and alternative form of dividend is share repurchase. If a firm has surplus cash, it may choose to buy back some of its own share. In the developed capital market, corporations are allowed to buy back share and better utilize unused cash. However, Nepalese company Act. 2064, section 61 has prohibited company from purchasing its own share before.

Dividend policy affects the financial structure, the flow of fund, corporate liquidity and investors' attitude. It is one of the central decision areas related to policies seeking to maximize the value of firm's common stock. Therefore corporate dividend policy is not an easy, straightforward and simple job as many people conceive it. Dividend policy is considered as a critical variable since it involves the controversy between dividend payment and retention of earnings so that it is a complex decision. Dividend policy has remained a source of controversy despite years of theoretical and empirical research including one aspect of dividend policy that is linkage between dividend policy and stock price risk. Paying large dividend reduces risk and thus in fluencies stock price and is proxy for future earnings. A number of theoretical mechanisms have been suggested that cause dividend yield and payout ratio to vary inversely with common stick volatility. There are duration effects, ratio of return effect, arbitrage pricing effect and information effect. However there is not year one acceptable dividend policy.

In practice, company pays whole earnings as dividend the beginning it create better image and existence in the financial market but latter it may change its policy and announce a certain percentage of dividend payout term (khatiwada,

2001: 3). The payment of dividend is at the discretions of the Board of Directors. Dividend may be paid in cash or as stock.

The trading price of the listed company is authorized or legal stick exchange is market price of stock (MPS). It is that value of stock, which a firm obtains from the market. Market price of stock is affected by the dividend per share (DPS) and earning per share (EPS). If the EPS and DPS are high the MPS will also be high.

Generally dividend policy and MPS have positive correlation if the company pays high dividend MPS increase and vice versa. But in some cases out if this interrelation, the price may remain constant or decrease too. MPS of stock usually fluctuates by the adequate information hence it information lack of flow is also vital in the analysis of MPS.

At present in Nepal so many commercial banks are performing their banking activities. The adequate in the banking sector is in the stage of growth. Commercial banks are more effectively working than other governments commercial banks. It is because the banks have highly skilled personnel, modern banking services management skills quick and prompt services international network and country suited survives.

Nepal stock exchange, in short NEPSE is a non-profit organization operating under Securities exchange Act 1983. NEPSE opened its trading floor on 13th January 1994. Member of NEPSE are permitted to act as intermediates in buying and selling of government bonds find listed corporate securities. At present, there are 27 member broker and two market markers who operate on the trading floor as per the securities exchange act 1983, rules and bylaws (www.nepalstock.com)

Market price of the stock (MPS) is the trading price of stock listed in authorized or legal stock exchange (Bhattarai, 2002: 5). In context of Nepal MPS is the price that is coated for purchasing or selling under Nepal stock exchange Act or related laws and regulations on the stock exchange floor.

MPS is that value of stock which can be obtained by a firm from the market. Market value of share is one of the variables which are affected by the dividend per share and eating per share of the firm. The issue of how much a company should pay its shareholders dividend is one that has concerned manager for a long time. It has often been pointed out that accompany that raises its dividend often experiences an increase in its stock price and that a company that lowers its dividend has a falling stock price. This seems to suggest that dividend do matter (Adhikari 1999: 3). In that they affect stock price, but this causal relationship has been refuted by several researcher on the grounds that dividend per share do not

affect stock prices rather it is the information content of dividend, that affect stock prices stock prices (Rao,1992: 448) thus there should be no direct link between dividend and stock prices. Ross(1977) and Bhattacharya(1979) have argued that dividend policy could be viewed as signaling mechanisms where by firms with profitable projects are able wicking to pay higher dividends in order to segregate themselves from firm with less profitable projects (Adhikari,1999: 3).

Generally dividend policy and MPS has always positive correlation. If the company pays high dividend, the MPS increase and remains constant and decrease too. Therefore, the information lack or flow is also vital in the analysis of MPS.

1.2 Focus of the Study

The study focuses on the evaluation of price fluctuation of the common stock price in capital market due to the policies adopted by banks about dividends. This study aims to deal with how much the stock price is fluctuated with respect to changes in dividend policy. To study the fluctuation of stock price, related variable such as EPS DPS NWPS dividend payout ratio (D/P ratio) and MPS will be analyzed separately or in combined form.

1.3 Statement of the Problem

Numerous studies have been conducted on the corporate dividend policies. However dividend policy has remained a crucial as well as a controversial area. One of the aspects of controversy in dividend policy is linkage between dividend policy and stock price volatility. Hence corporate dividend is not clearly understood by large segment of financial community.

In Nepal, firms followed some kind of dividend policy but of course, with an ad-hoc trend. That is why it can be said that dividend policy is not matching with the earnings made by the firms. But at the same time, it is the truth that many scholars have not been able to define simple and conducive relationship between dividend policy and market price of stock. Some experts believe to have positive relationship but others believe no relation at all (Bhattarai, 2002).

Investors are not found to be active sufficiently conscious enough to safeguard their fundamental investment rights and their other powers to get timely information from companies. Investors in Nepal are investing in stocks without having effective analysis of company. Some things they invest their fund just by reading the prospectus availed by the issuing company. So investment patters of

investors have also been affecting the market price of stock. Stock privet increase with announcement of dividend although the firm announcing dividend might be under capitalized (Bhattarai, 2002).

There are few companies paying dividends to shareholders. Some companies have paid high dividend even though they have low stock privet and some companies have high stock price though they have not paid dividends constantly. Therefore following problems are deal with in this study.

1. What is the dividend policy of Nepalese commercial banks?
2. How does dividend policy affect stock price?

1.4 Objective of the Study

The major objective of the study is to assess the effect of dividend policy on stock price determination. The specific objectives are as follows.

1. To explores the dividend policy followed by Nepalese commercial banks.
2. To analyze the relationships between dividend policy and stock price.
3. To explore the factors affecting market price of stock.
4. To analyze the before and after stock price adjustment.

1.5 Signification of the Study

Dividend is the most inspiring aspect for the investment on share of corporations. Generally dividends make temp investors to invest in a particular companies share. So dividend policy has significant role in enhancing and maintaining the image of the companies.

In the context of Nepal most of the companies have not adopted appropriate dividend policies due to the lack of appropriate knowledge and information regarding dividend policy. So they will be directly benefited from this study. Shareholders and investors may also be benefited from this study. Moreover this study will support the future researcher by providing valuable information. The significance of this study can be highlighted as follows.

1. This study will helps investors and shareholders to know about the relationship between the dividend policy and stock price.
2. It will be milestone for the management and policy maker to set and formulate suitable dividend policy.

3. It raises the public awareness about the relation between dividend policy and market price of share in order to help for making rational decision of their investment.
4. This study will help investors and shareholders to know the lagged factors affecting stock price.

1.6 Limitation of the Study

In the context of Nepal, data problem is acute. Even the financial statements of the companies published by them are not readily available since they are retreated as confidential. Nepal stock exchange LTD. Publishes financial statements of some of the listed companies to ease information regarding capital market. There is no proper data base so it has made difficult for researchers to carry on any research in Nepalese capital market.

Secondary data analysis is based on financial data obtained from the publication of NEPSE. Thus it possesses all the inherent limitations of financial data. The regression analysis along with other remaining analysis is based on the pooled data from the different source.

1. The reliability of the statistical tools used and lack of experience is primary limitation of the research work.
2. The dividend used here has been referred only to the cash dividend.
3. Only five commercial banks are considered.
4. The data taken for study covers only the fiscal year 2003/04 to 2007/08

CHAPTER- II

REVIEW OF LITERATURE

2.1 Conceptual Framework

Corporate dividend policy is not clearly understood by a large segment of the financial community. There is a misconception that dividend policy is a straight forward and simple aspect of finance as compared with the more technical areas such as taxation, liquidity management and cost accounting. However, dividend policy decision is a complex one having numerous implications for the firm. "During the last decades research efforts in this are have led to the development of valuation models seeking to establish the irrelevance of dividend payout on shareholders wealth. Moreover, a number of behavioural models have also come out in course of time, attempting the categorize, explain and measure different types of observed dividend behaviour. (Mahapatra and sahu, 1993: 1)

The policy of a company on the division of its profit between distribution to shareholders as dividend and retention for its investment is known as dividend policy. There is a reciprocal relationship between retained earning and cash dividends. If retained earning is kept more by the company less will be dividend and vice versa. The third major division of a company is the distribution of cash to its stockholders. It is in the sense that the firm has to choose between distributing profits to shareholders and ploughing them back into the business. The firm will use the net profit for paying dividend to the shareholders, if the payment will lead to maximization of the wealth of the owners. If not, it is better to retain them to finance in investment programmes. (Adhikari, 1999: 12)

Most of the shareholders except two forms of return while purchasing the common stock. There may be capital gain and dividends. Capital gain can be defined as the profit resulting from the sale of common stock. The shareholders either expect an increase in the market value of the common stock overtime or a distribution of the firm's earnings in the form of a dividend. Thus shareholders expectation can be fulfilled through either capital gain or dividends. So it is wise policy to maintain a balance between shareholders interest with that of corporate growth from internally generated funds. The funds that could not be used due to lack of investment opportunities should be better paid as dividends, since shareholders have investment opportunities to employ elsewhere.

Dividends therefore refer to that of portion of a firm's net earning which are paid out to the shareholders (Khan and Jain, 1992: 543). Generally dividends are paid out in terms of cash. Therefore it reduces the cash balance of the company. So dividend policy affects the financial structure, the flow of fund, corporate liquidity and investor's attitude. Therefore dividend policy is one of the critical decisions related to maximize the value of firm's common stock.

2.1.1 Commercial Bank

Commercial banks are considered as the base pillar of economic development of any nation. Especially in the least developed countries as well as under developed countries, the operation of commercial banks records the economic pulses of the economy.

The history of banking sector in our country is not of far time interval with an establishment of Nepal Bank Ltd., in 1937, the commercial banks history was opened. At that time 51% government and 49% by public held in equity in general. After then, Rastriya Banijya Bank came in existence in 1977 as the second commercial bank but with 100% government ownership after 1980; many foreigner joint venture banks were introduced in Nepal. It could be possible only when government applied the financial liberalization policy. Since 1984 to 1997 nine foreign joint venture banks were established. Many of new banks registered to open even today (Adhikari, 1999: 14).

A bank is a financial institution that trade money. It accepts deposits from the public i.e. fixed deposit, current account deposit and saving account deposit. The bank gives money in the form of loans and advances to person. It provides customer a cheap medium of exchange like cheques. It gives the facilities transfer of funds, collecting customer's funds, purchase of shares, collecting dividend and purchase and sell foreign exchange etc. Therefore commercial banks are a financial institution that accepts the demand and time deposits from the business institution and individuals and engage in both business and customer lending. It uses funds raised from public deposits providing loans to different sectors with the prime objectives of profit maximization. Moreover commercial banks provides technical and administrative assistances to industries, trade and business persons. Commercial banks have played significance role in giving a direction in financing the requirement of trade and industry in the country.

2.1.2 Major Forms of Dividends

Many business corporations pay the different forms of dividend that depends upon the dividend policy of the corporation. Especially there are two major forms of dividends which are cash dividend and stock dividends.

2.1.2.1 Cash Dividends

Generally business corporations are paying the dividend in the form of cash and cash dividends are paid from the portion of earning to the investors in proportion of their shares of the company. Both the total assets and net worth of the company are reduced when cash dividend is distributed. The market price per share drops in most cases by the amount of cash dividend distributed. Regular cash dividend is usually paid quarterly but a few companies declare them monthly, semi-annually or annually. The term regular merely indicates that the company does not want to give that land of assurance; it usually declares both a regular and an extra dividend (Bhattari, 2002: 20)

Paying a dividend reduces the amount of retained earning shown on the firms balance sheet. However if all retained earnings are used up and if firm not adequate balance of cash for the payment of cash dividend otherwise funds is to be borrowed for this purpose.

2.1.2.2 Stock Dividend and Stock Split

Dividends are not always in the form of cash. So stock dividend is the dividend in which the firm issues additional shares of its stockholders in proportion to the number of the shares held by the shareholders. "Stock dividend is a payment of additional shares of stock to shareholders often used in place of or in addition to cash dividend (Van Horne, 2006: 324). Stock split is also a kind of stock dividend where company breaks (increase/decrease) share through splitting the par value of the share. With a stock split, the number of share is increased through a proportional reduction in the par value of stock. "For example, a 10% stock dividend would mean that each ten shares is given own share of stock for every ten shares already owned. Under two-for one stock split, each share holders would be given one additional shares of stock for every share already owned, thus doubling the number of share owned by each shareholder" (Adhikari, 1999: 14). Split takes place in two ways.

2.1.2.3 Straight Stock Split

In the straight split company increase numbers of shares through a proportional reduction in the par value of stock. As a result of the stock split, the common stock split, the common stock, paid in capital and retained earnings account remain unchanged. Shareholders equity also stays the same (Bhatarai, 2006: 383).

2.1.2.4 Reverse Stock Split

In the reverse stock split, company reduces number shares outstanding through merging the par value of the stock. Reverse split where the par value increase but the common stock, retained earnings, additional paid in capital remain unchanged.

In conclusion, with a stock dividend the par value is not deduced where as with split, it is. As a result, the common stock paid up capital and retained earnings accounts remain unchanged. Shareholders equity of course, also stays the same; the only change is in the par value of the stock. Except in accounting treatment, the stock dividend and stock split are very similar. A stock split however is usually reserved for occasion where a company wishes to achieve a substantial reduction in the market price per share (Van Horne, 2006: 325).

2.1.3 The Effect of Stock Dividend or a Stock Split

The Effect of Stock Dividend or a Stock Split can be summarized as follows.

- The issue of the stock dividend increases the number of the outstanding shares.
- There is no change in the firm's assets or liabilities or in shareholders equity.
- The issue of the stock dividend does not affect the stock holder's proportional ownership.
- There is fall in per share earnings, book vale and market price and an offsetting rise in the number of shares held by each shareholders.

A stock dividend or split does not change the assets of the firm. Since nothing is received by the firm for new share issued. In spite of the face that stock dividend and stock split do not change the underlying assets, liabilities or equity of the firm (Schall and Haley, 1991: 448). The effect of stock dividend or stock split can be summarized below (Van Horne, 2006: 326)

2.1.3.1 Effect on Cash Dividend

The stock dividend or stock split may be accompanied by an increased cash dividend for example; an investor owns 100 shares of a company paying a Re.1 dividend. The company declares a 10% stock dividend and at the same time announces that the cash dividend per share will remain unchanged. The investor will have 110 shares and total cash dividend will be Rs. 110 rather than Rs. 100, as before. In case, a stock dividend increases the total cash dividend.

2.1.3.2 More Popular Trading Range

A stock split to a lesser extent, a stock dividend is used to place stock in a lower, more popular trading range. So by doing more buyers may be attracted increasing the number of individual's holders. Whether this wider ownership is thing of value is another matter. "More popular trading range" motivation for stock and dividends is widely supported.

2.1.3.3 Informational or Signaling Effect

The declaration of stock dividend or a stock split may convey information about future earning to investor. There may be asymmetric information between management and investor. As with capital structure and cash-dividend changes, a stock dividend or split may come out more convincingly management's belief about the favorable prospects of the company. In this sense, the stock dividend or split is an attention getting device (Van Horne, 2006: 327).

2.1.4 Share Repurchase

Corporate share repurchase is often viewed as an alternative to paying dividends. Especially stock is repurchase when the firm has abnormally high profits and is not in a position to effectively surplus. Under this plan, company distributes cash to the share holders buying back some of its outstanding stock, there by decreasing the number of shares which would increase earning per share (EPS) and stock price. By repurchasing stock, the remaining share holders receive future benefits instead of current high dividend (Adhikari, 1999: 15).

"If a company/firm has excess cash and insufficient profitable investment of opportunities to justify the use of these funds, it is in the share holder's interest to distribute the funds. The distribution can be accomplished either by repurchases of stock or by paying the funds out in increased dividends." *(Van Horne, 2006: 321).*

So share repurchase is often viewed as an alternative to paying dividends. With repurchase fewer share remain outstanding and earning per share and ultimately dividend per share rises. As a result the market price per share should rise as well.

2.1.5 Dividend Policies

A company should endeavour to establish a dividend policy that will maximize share holders wealth. Dividend policy refers to the paying of how much portion out of total profit a firm should pay to its shareholders and how much is to be retained or profitable investment opportunities. There are several dividend established by different companies are as follows.

2.1.5.1 Stable Dividend

The financial manager must be concerned with the stability of dividends to investors. "By stability, we mean maintaining a position in relation to a dividend trend line, preferably one that is upward sloping *(Van Horne, 2006: 330).* The stable dividend policy may convey management's view that future of the company is better than the drop in earning suggests. Thus, management may be able to influence the expectation of investors through the informational content of dividends, if there is a downward trend in earnings; a stable dividend will not convey forever an impression of a rosy future *(Van Horne, 2006: 330).* When a firm pays a fix amount of dividend per share over the year and does not change it with fluctuation in the level of its earnings, it is said to be persuade relatively stable dividend policy. This policy is completely a rational policy and poses the strategic financial management. Therefore, it is related to company's ability to pay dividends.

2.1.5.2 Stable dividend at lower level than the present level

Sometimes firms are compelled to reduce the dividends per share at level than the present level if the firm has high profitable investment opportunities and needs the funds to finance them. As result this may affect MPS. To minimize this impact, the firm might announce that new level will be maintained in the near future and the board of directors does not anticipated for their lowering of dividends. This will reduce dome of the uncertainty associated with the reduction of dividends.

2.1.5.3 Stable dividend a higher level than present level of the dividends.

It occurs when the firm has not the high profitable opportunities to finance the fund with having high earnings. Frequently, the dividend announcement will favorably affect the price of the common stock. In many cases, the higher earnings will already have caused a rise in the stock price and the dividend declaration will have no effect.

2.1.5.4 Residual Theory of Dividend

Residual dividend decision is kind of cash dividend payment and the word residual implies "leftover". Under this policy dividends are paid out form the leftover earnings, "If the firm has retained earnings leftover financing all acceptable investment opportunities, these earnings them will be distributed to stockholders in the form of cash dividends. If not, there will be no dividends" *(Van Horne, 2006: 310).* When we treat dividend policy as strictly a financing decision, the payment of cash dividend is a positive residual. It assumes that the internally generated funds are comparatively cheaper than the funds obtained from external sources. The amount of dividend payout will fluctuate from period to period in keeping with fluctuation in the amount of all acceptable investment opportunities available to the firm. If these opportunities abound, the percentage of dividend payout is likely to be zero. On the other hand, if the firm is unable to find profitable investment opportunities, dividend payout will be 100 percent.

Although the residual theory of dividend appears to make further analysis of dividend policy unnecessary, it is indeed not clear that dividends are solely a means of disbursing excess funds. "It would therefore be important to conclude that there are no other implications of dividend policy and so this study shall take a close look at the relationship between dividends and value" (Adhikari, 1999: 18).

2.1.6 Factors Affecting Corporate Dividend Policy

Every corporate organization always tends to set a corporate dividend policy efficiently and effectively for behalf of the corporate and shareholders as well. There are some factors which are affecting to corporate dividend policy but at that time, therefore these factors have to be taken into consideration while establishing the corporate dividend policy. Following factors needs to be considered:

2.1.6.1 Earning Stability

A company with stable earning pays more dividends in a prospect of continuity of the earnings in the future. But company having fluctuating earning pays less dividend to faced its future financial difficulties. The unstable firm is not certain that in subsequent years the hoped for earnings will be realized so it is likely to retain a high proportion of current earnings a lower dividend will be easier to maintain if earnings fall off in the future.

2.1.6.2 Investment Opportunities

The available4 profitable investment opportunities of firm affects the dividend decision of the company have lot of such opportunities. It needs excess fund to finance. So the company retains more profit paying fewer the company may not be justified in retaining the earning at least during the periods when such opportunities exist. If the company retains earning during such periods the retained fund would either be reinvested in short-term securities fielding nominal return or remain idle. This will have an impact of reducing the wealth of the shareholders. Thus the better course in such a case is to follow a policy of paying dividend and raise the external funds when investment opportunities occur.

2.1.6.3 Liquidity of Firm

The liquidity position of the firm also affects the fraction of profit to be distributed to the shareholders. Dividend payment represents cash outflows the greater the cash position and overall liquidity of a company the great its ability to pay dividend. But a rapidly growing firm with many profitable investment opportunities find it difficult to maintain adequate liquidity and pay fewer dividends at the time. Because, the management of such a company desires to maintain some liquidity cushion, it may be reluctant to jeopardize this position in order to pay a large dividend or engage in a substantial share buy back.

2.1.6.4 Growth Prospects

A rapidly growing firm usually has a substantial need funds to finance the abundance of attractive investment opportunities. Instead of paying large dividends and then attempting to sell new shares to raise the equity investment capital it needs. This type of firm usually retains larger portion of its earnings and avoids the expense had in convenience of public stock offerings.

2.1.6.5 Ability to Borrow of the Company

A liquid position is not the only way to provide for flexibility and there by against uncertainty. If a firm has the ability to borrow on comparatively short notice it may be relatively flexible. This ability to borrow can be in the form of a line of creditor a revolving credit from bank of simply the informal willingness of a financial institution to extend credit. In addition, flexibility may come from the ability of company to go to the capital markets with a bond issue. The larger and more established a company, the better its access to capital markets. The greater the ability of the firm to borrow, the greater its flexibility and the greater its ability to pay cash dividend.

2.1.6.6 Assessment of any Valuation Information

To the extent that there are insights into the effects into effects of a dividend on valuation, they should be gathered. Most companies look at the dividend payout ratios of other companies in the industry, particularly those having about the same growth. Also a company should judge the informational effect of a dividend the company should ask itself which information is conveying with its present dividend.

2.1.6.7 Control

If a company pays substantial dividend, it may need to raise capital at a later time through the sale of stock. Under such circumstances the controlling interest of the company may be diluted if controlling stockholders donot or cannot subscribe for additional shares. Thus shareholders who are very sensitive to a potential loss of control prefer a low dividend payout policy.

2.1.6.8 Restriction in Bond Indenture of Loan Agreement

The protective covenants in a bond indenture or loan agreement often include a restriction or payment of dividend and share repurchases. The restriction is employed by the lenders to preserve the company's ability or service debt. Usually it is expressed as a maximum percentage of cumulative earnings when such a restriction is in force. It naturally influences dividends and share repurchase.

2.1.6.9 Legal Constraint

Dividend declaration is not only the concern of shareholders and company but it is and issue of the government regulation. So, legal provision of the concerned government has been affecting the dividend decision of the firm. For example, a

firm capital (share capital) cannot be used to make dividend payments dividends must be paid out of a firms' present and past net earnings, dividend cannot be paid when firm is insolvent, company can't borrow to pay dividend etc. the governments of the dividend/ so the company must consider the provision made either in company act or by government.

2.2 Review of Related Studies

This section specially is related to review of the major studies in general concerning dividend and stock prices, management view on dividend policy and management view on stock dividend. Different studies made by different international scholars and researcher should be overviewed to put light on share issue. Some of the main researchers there are going there are going to be discussed below.

2.2.1 Modigliani and Millers Study

Modigliani and Miller have an argument for irrelevancy of dividend payout meaning that the payout of dividend doesn't affect the value of firm or wealth position of shareholder's .MM argue that the value of the firm is determined by the earnings power of the firm's assets or its investment policy and that the manner in which the earnings stream is split between dividends and retained earning does not affect this value. The following are the critical assumption;

- Perfect capital markets in which all investors are rational. Information available to all at no cost, instantaneous without cost infinitely divisible, securities and no investor large enough to affect the market price of securities.
- An absence of flotation costs on securities issued by the firm.
- A world of no taxes.
- A given investment policy for the firm, not subject to change/
- Perfect certainly by every ancestors as a future investment and profits of the firm (MM drops this assumption later)

Modigliani and Miller provided the proof in support of their argument on the following manner.

Market Price of Share

The market price of share at the beginning of the period is equal to the present value of dividend paid at the end of the period plus the market price of the share at the end of the period.

Thus,

$$P_0 = \frac{D_1 + P_1}{1 + K_e} \quad \text{……..(1)}$$

Where,

P_0= Market Price at the beginning or at the zero period.

K_e= Cost of equity capital (assume constant).

D_1 = Dividend per share to be received at the end of the period.

P_1 = Market price of the share at the end of the period.

No External Financing.

Assuming that the firm does not resort to any external financing, the market value of the form can be computed as follows.

np_0 = $$np_0 = \frac{n(D_1 + P_1)}{1 + K_e} \quad \text{……..(2)}$$

Where,

n = Number of equity shares at zero period.

New share

Assuming that the retained earning is not sufficient to finance the investment need of the founds, incase issuing new share is the other alternative; say is the newly issued equity shared at the price of P_1.

$$nP_0 = \frac{nd_1 + P_1(n+) - mP_1}{1 + K_e} \quad \text{……..(3)}$$

Where,

n = Number of shares at the beginning

m = Number of equity shares issued at the end of the period.

Total number of shares

The issuing of new shares is determined by the amounts of investment in period 1 not by retained earning. The total numbers of new shares can be find out by the following way,

$Mp_1 = I - (E - nD_1)$ ……(4)

Where,

mp_1 = the amount collected by issuing new shares.
m = the numbers of shares.
P_1 = Price of shares
I = Total new investment requirement
E = Earning of the firm during the period.
nD_1 = Total dividend paid
$E - nD_1$= Retained earning

Conclusion

By substituting the value of mp_1 from equation (4) to the equation (3), we find,

$$nP_0 = \frac{nd_1 + P_1(m + n - I + E - nD_1}{1 + K_e}$$

$$= \frac{P_1(m+n) - I + E}{1 + K_e}$$

In such a way, MM concludes its result that there is no any role of dividend (D_1) in the above equation. So MM conclude that dividend policy is irrelevant and dividend policy has no effect on the share price (Van Horn 2006: 311).

2.2.2 Friend and Puckett's Study

Friend and Puckett conducted a study on the relationship between dividend and stock prices by formulating regression analysis on the data of 110 firms forms live industries in the years 1956 and 1958. These five industries were chemicals, electric utilities electronics, food and steels. The industries were selected to permit a distribution to be made between the results from growth and non growth industries and pride a basis for companies with results by other authors for earlier years. Botch cyclical and non cyclical industries are covered. The periods covered and included a boom year for the economy when stock price leveled off afar a

substantial rise (1956) and a sum what depressed year for the economy when stock prices, however, rose strongly (1958)

They present the usual simple linear relationship between average price and dividend and retained earnings to show with the data. In addition, they used dividends retained earnings and price earnings ratio as an independent variables in their regression model of price on function.

They also argued what investors should be indifferent if the present value of the additional future returns resulting from earnings retention equals the amount of dividend forgone. Moreover because increase in present value (market price) are realizable as capital gains, earnings retention carries a tax advantages that lowers the rate of return on corporate investment necessary for shareholders indifference between current dividends and earnings retention. Therefore the influence of earning retention on share price should be a function of the profitability of corporate investment opportunities, ceteris Paribas, in view of the fact that external equity financial is generally not completely satisfactory substitute for internal financing. When this corporate rate of profit exceeds the minimum rate required by stockholders, price should be increased as the proportion of earning retained increases. Conversely, when the corporation's profit rate is less than the market rate, price should be decreased with increasing earnings retention.

Their empirical findings indicate that when stock prices are related to current dividends and retained earnings, higher dividend payout is usually associated with higher price-earnings ratio. This results, (it might be noted) is found just about as often in highly portable growth industries as it is in less profitable ones.

Their analysis suggest that there is little basis for the customary view that in the stock market generally, except for unusual growth stocks, a dollar of dividends has several times the impact of price of a dollar of retained earnings. It also concluded that it is possible that management might be able, at least some measure, to increase stock prices in non growth industries by raising dividends an in growth industries by greater retention (friend and Pucketl, Sept.1964: 656)

2.2.3 Robert J. Shiller's Study

He has an argument regarding the stock market volatility that according to the efficient market hypothesis, price chances occur when new information about the true investment value of stock becomes to the public, the price changes are big because the information is about something vary important. He has also used the statistical tools like standards deviation. There are three indicator of change in true

investment value of the aggregate stock markets in the United States from 1871 to 1986 are considered, change in dividends , in real interest rates and in a direct measure of inter temporal marginal rates of substitution. So statistical analysis of aggregate historical data have recently raise questions of whether some thin sufficiently large does indeed happen to true investment value to justify the price movements.

It concluded that price (P_t) *or its ratio to dividend* $\frac{P_t}{D_{t-1}}$ *generally*

Appears to show too much variability given its correlation with its perfect foresight counterpart under any of the models considered.

For an aggregate stock market, the wide sprees impression that there is a strong evidence for market efficiency may be due just to lack of appreciation to the low power of many statistical tests. The notion of efficient markets of course also has value in the simple sense that stock markets returns are not highly forecast able (shiller ,Jan 2, 1987: 33)

2.2.4. G William Schwert's Study

He analyzed the relation of stock volatility over the time. In his argument, be claimed that not only the dividend policy factor causes in the fluctuation of the stock price in the stock market but also stock market may fluctuate due to change in time. He therefore brought the relation of stock volatility wit real and nominal macro comic volatility, economic activity, financial leverage and stock trading activity using monthly data from 1857 to 1987. An important fact, previously noted by officer (1973), is that stock return variability was unusually high during the 1929-1939 great depression while aggregate leverage is significantly correlated with volatility; it explains a relatively small part of the movements in stock volatility. "The amplitudes of the fluctuation in aggregate stock volatility are difficult or explain using simple models of stock valuation especially during especially darning the great depression.

Estimation of the standard deviation of monthly stock returns vary from two to twenty per month during the 1857-1987 period, large changes in the extent volatility of market returns have important negative effect on capital investment, consumption and other cycle variables. The therefore raises the question of why stock volatility changes so much over time.

In addition researchers have studied movements in aggregate stock market volatility. For example officer (1973) relates these changes to the volatility of

macro economic variables. Black (1976) and Christie (1982) argue that financial leverage partly explains this phenomenon. Similarly Shiller (1981a, b) argues that the level of stock market volatility is too high relative to the ex-post variability dividends.

Finally stock market volatility increase during recession. It is useful to think of the stock price (P_t) as the discounted present value of expected future cash flows to stockholders.

$$E_{t-1}P_t = E_{t-1}\sum_{k=1}^{\infty} \frac{D_{t+k}}{1+R_{t+k}}$$

Where,

P_t = Discount Present Value

D_{t+k} = Capital gain plus dividend paid to stock holders in period t+k

$\frac{1}{1+R_{1+k}}$ = The discount rate for period t+k based on the information available at time (t-1)

E_{t-1} = Conditional expectation

In over all, it can be concluded as that the changes in stock market occurs over the time. At the aggregate time the value of corporate equiy clearly depended on the health of the health of economy if discount rate sre constant overtime in equation (1) the conditional variance of security price is proportional to the conditional variance of expected future cash flows (schwert, 1989: 1115).

2.2.5 Ross Watts Study

Ross Watt's study of an annual dividend model is some how disagreed by Michel Laub. He disagrees with Watt's specification of an annual dividend model instead of a quarterly dividend model and with his conclusion that information content of dividend is trivial.

Laub placed his views by "Reinterpretation of Watt's study" and gave some empirical evidence for his argument. But Watt denied laub's views and for that de said, neither Laub's neither evidence nor reinterpretation, indicates the superiority of a quarterly dividend model to the non-triviality of the information content in dividends earning relationship is important and the result of any dividend information content study depends crucially on the approach used.

Ross Watt's interpretation

Ross Watt in his own way had interpreted quarterly versus annual dividend model and adds;

- The accountant tends to base their accounting procedures for the calculation of the earning on 1 year period.
- The quarterly earnings often include in their calculations simple extrapolation of many of the preceding year's expense.
- As a consequence, an expectation of future annual earning based on quarterly earning may be less efficient then an expectation base on annual earning which that extrapolation are absent. There fore it is the case; management may prefer to wait for the determination of annual earning before changing regular dividend.

Watt points out two third of the regular dividend changes and nine tenths of evidence of management for annual dividend rather than quarterly model of Laub. Therefore according to Watt if Laub's dispute ware valid it would not affect stock price tests (Watts, Jan.1976: 81).

2.2.6 Walters Study

Walter studied on dividend and stock price in 1966. According to him the dividend policy of a firm cannot be looked aside from investment policy. His argument is just the opposite of what Modigliani and Miller said. Walter argued that dividend policy affects the stock prices, means dividend is relevant with stock prices, the relationship between firm's internal rate return and cost of capital is determining factors to retain profits or distribute dividends. As long as the internal rate is greater than the cost of capital, the stock price, the stock price will be enhanced by retention and will vary with dividends payout.

His model was based on numbers of assumptions as given below;

- Retained earnings constitute the exclusive source of financing. The firm does not resort to debt of equity financing.
- The firm's int4rnal rate of return and its cost of capital are constant.
- The firm's distributes its entire earning or retain it for reinvestment immediately.
- There is no change in values of earnings per share and dividends per share.
- The firm has perpetual life.

Considering the above assumptions, Walter's model to determine the market price per share is as follows:

$$P = \frac{DPS + \frac{r}{K(EPS - DPS)}}{K}$$

Where,

P = Market price per share

DPS = Dividend per share

EPS = Earning per share

r = internal rate of return

K = Cost of capital

According to him the given firm may have three situations. They are;

R > k,

If the firm's internal rate of return exceeds the cost of capital, the relation between dividends and stock prices is negative, means, more dividend leads to low stock prices. This kind of firms is referred t as growth firm. Walther argued that zero dividends would maximize the market value of share for growth firm.

r = k,

If the firm has r = k, there is no stock price means, dividends are indifferent from stock prices. In other words, dividend payout does not affect the value of share whether the form retains the profit or distributes dividends, is a matter of indifference. This kind of firm is referred as normal firm.

r < k,

If the firm's internal rate of return (r) is less than the cost of capital (K), the relation between dividends and stock prices is positive, means; increase in dividends per share yield increase in stock prices. This kind of firm is referred to as declining firm. He argued cent percent dividends policy would maximize the market price of shared for declining firm.

To conclude, according to Walter, when the firm in growth stage, then dividends are negatively correlated with stock prices. In the declining firms, dividends are positively correlated wit stock prices. In the normal firm, there is no relationship

between dividends and stock prices, means; dividends are indifferent to variation in market price of share.

2.3 Legal Provisions Regarding Dividend

In Nepal Company Act 2064 has made some legal provision for dividend payments. The provisions may be seen as under.

Section 2(P) stated that share (stock dividend) means shares issued in the form of additional share to shareholders by capitalizing the surplus from the profits or the reserve found of Company. The term also denotes an increase in the paid up values of the share after capitalizing surplus or reserve funds.

Section 61 Has prohibited company from purchasing its own shares. This section states that no company shall purchase its own shares or supply loans against the security of its own shares.

Section 179 Bonus shares and sub section (1) states that the company must inform the office before issuing bonus shares under sub-section (1), this may be done only according to a special resolution passed by the general meeting.

Section 182 Dividends and Sub-sections of this section are as follows.

Subsection (1) Except in the following circumstances, dividends shall be distributed among he share holders within 45 days from the date of decision to distribute them.In case any low forbids the distributed of dividends.

1. In case of any law forbids the distribution of the dividends.
2. In case the right to dividend is disputed.
3. In case dividends can not be distributed within the time limit mentioned above owing to circumstances beyond anyone's control and without any fault on the part of the company.

Subsections (2). Without the permission of the government, fully owned shares or majority owned shares of the government's institution can't be distributed as the dividend. Government can forward the direction for distribution of these organizations for distribution of dividend.

Subsection (3) Incase dividends are not distributed within the time limit mentioned in Sub-section (1), this shall be done by assign interest at the prescribed rate.

Subsection (4) only the person whose name stands registered in the register of existing shareholder at the time of declaring the dividend shall be entitle to it.

All the above indicate that Nepalese low prohibits repurchase of stock which against the theory of fiancé. The reason for this kind of provision is not known. (Nepal Company Act, 2064)

2.4 Review of Major Studies in Nepal

There are few studies made in context of Nepal with regard to dividend and stock price because of information lack and lack of experts, the studies is limited in this reared. Even though, some studies are made which are reviewed as follow;

2.4.1 Radhe S. Pradhan's Study

The study, Stock Market Behavior in a small Capital Market: A case on Nepal was conducted in the study period 1986-1990, covering 17 enterprises. Following findings were observed in connection with dividend behavior;

- Higher the earnings on the stock, larger the ration of dividends per share to market price per share.
- Stock with larger ratio of dividends per share to market price per share has higher liquidity.
- Positive relationship between dividends per share to market price per share and interest coverage ratio.
- Dividends per share and market price per share was positively correlated.
- Positive relationship between dividend payout and profitability.
- Positive relationship between dividend payout and interest coverage
  (Pradhab, 1993)

2.4.2 Review of Thesis

Adhakari (1996): The study has covered the period of 1990-1996 with the total observation of 47 firms in financial sector and 30 in non- financial sector. The basic objectives of the study are

- To analyze the properties of portfolio forms on dividends.
- To examine the relationship between dividend and stock price.
- To survey the opinion of financial executives on corporate dividend practices.

The main findings of the study are;

- Stocks with large ration of dividend per share to book value per share have higher liquidity.

- Stocks with larger ratio of dividends per share to book value per share have higher profitability.
- Positive relationship is there between relations of dividends per share to book value per share have higher profitability.
- There is positive relationship between the dividends payout ratio and current ratio whereas the negative relationship between dividends payout and quick ratio.
- There is negative relationship between dividends payout and the earnings before tax to net worth.
- There is positive relationship between dividends payout and interest coverage ratio. (Adhikari, 1999).

Timilsina (1994): This study on dividends and stock prices was curried out using the data for 16 enterprises from 1990 through 1994 Timilsina's study was based on 45 observations.

The objectives of this study were as follows;

- To test the relationship between dividends per share and stock prices.
- To determine the impact of dividends policy on stock prices.
- To identify weather it is possible to increase the market value of the stock changing dividend policy or payout ratio.

To explain prices behavior, the study used simultaneous equation model as developed by Friend Puckett(1964). The findings of this study used simultaneous equation models developed by Friend and Puckett(1964). The findings of this study were as follows;

- The relationship between dividend per share and stock prices is positive in the sample companies
- Dividend per share affects the share prices variedly in different sectors.
- Changing the dividend policy or dividend per share might help to increase the market price per share.
- The relationship between price and retained earnings per share in not prominent.

The relationship between stock and lagged earnings price ratio is negative (Timilsina, 1997).

Bhattari(1999): Bhattarai has conducted a thesis study on "share Market in Nepal" in 1990 through some light on dividend performance of the companies. This thesis indicates the following findings;

- Many companies were paying less than the expected cash dividend per share of the investors. Most companies were companies were under rating the expectation of investors and there by resulting the low marketability of shares on trading floor of the stock exchange.
- There were miss match between calculated price and quoted price of the share observed only one calculated price of share was near the actual price of share. It clearly signals over pricing of the share and market price was guided by technical factors.
- Most of the companies displaying the lower price earning ratio.
- Wide gap was recorded in the percentage of cash dividend paid by the listed public listed ltd companies.
- The expected percentage of dividend of investor was not matching with the actual percentage, so majority of the companies declaring less percentage than the risk free of return plus risk premium are unable to maintain investor's psychology in marketing. (Bhattarai 1990)

K.C (2000): The thesis paper "Dividend Policy of Joint Venture Banks in Nepal" of Mr. Pramesh K.C have covered the period of 1984/90wit the following objectives;

- To provide conceptual framework of dividend models.
- To analyze the financial variables affecting the stock value and interpret the dividend paying implication under dividend valuation model.
- To suggest the policy that will gave vision for determination and espousal of dividend of joint venture banks.

The summary of the major finding of the study are as follows;

- The earning per share of all joint venture banks were raised satisfactorily.
- The P/E ratio, earning yield dividend yield percentage exposed cyclical behavior.
- R/E ratio is fluctuated in smaller proportion.
- The market value per share joint venture banks stocks in security exchange centre was significantly and trading on high price.
- Joint venture banks in Nepal were seen as growth banks because actual capitalization rate (r) is higher than the normal capitalization rate (K) which is r>k.

- Cash Dividend Per Share (CDPS) of joint venture banks is significantly increasing in each year (K.C,1991)

Num Prasad Parajuli (2003), carried out a research on the topic "Dividend Policies and Practice of Joint Venture Banks in Nepal; a Comparative Study of Commercial Joint Venture Banks".

His objectives of the study were to analyze dividend policy and practice of these banks, examine the relationship of dividend with various factors DPS, MPS, Net Worth, Net Earnings and Book value off Stock. He recommended possible future guideline and to suggest to the policy makers executive and investors to overcome various issues and gaps based on the findings of the analysis.

He included the four banks as samples. His conclusion had shown that banks declare high dividend return on paid up capital. He found relationship between DPS and net earning was positive in these sample banks. He did not find uniformity in dividend policy. MPS had highly fluctuated and traded on high price. Change on DPS affects MPS.P/E ratio dividend and yield were in consistent. He did not find stable dividend policy adopted by these banks for a long period.

Pooja Basnet (2004), conducted a study on "Dividend Policy of Listed Companies in Nepal: A comparative study of Banking, Finance and Insurance Companies". She conducted this study to assess the prevailing practice of Nepalese listing companies regarding dividend; to highlight the prevailing dividend policy adopted by the listed companies; to assess the impact of dividend on market price of share of the selected companies. She analyzed the relationship between dividend with EPS, net profit and net worth and provides a useful workable suggestion.

Her major findings showed that, there was not uniformity of dividend distributing policy and practices in selected companies. A change in DPS and payout ratio affects the share prices differently in different sector companies. The relationship between DPS with EPS, net profit and net worth were positive in all sector companies.

She suggests and recommended that there must have clearly defined divided policy, legal rules must be enacted. She suggested that Companies should have long-term vision and establish the organization to promote and to protect activities in favor of investors. Further, she recommended that choice should be given to shareholders whether they prefer stock dividend or cash dividend with using target rate of earnings i.e profit planning and target payout rates. At last, she suggested that all activities and information regarding performance should be timely provided.

CHAPTER- III
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology describes the methods and processes applied in the entire aspects of study. Every research should be outlined in a systematic manner and for that reason Research Methodology is one of the most important parts of every research.

In fact, Research Methodology is a way to systematically solve the research problems. It refers to the various sequential steps to adopted by a researcher is studying a problems with certain objects in views.

The basic objectives of this study are to explain, test and analyses dividend policy and stock price volatility means its impact of market price of stock. Therefore some systematic research methodologies are used. This study is basically based on secondary data but primary data too are used. Hence some related questionnaires are given to concerned bodies for the purpose of practical study.

3.2 Research Design

Research design is a plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variance. Analytical and descriptive approaches are used to evaluate dividend policy of the sample firms. The analysis is basically based on the secondary data; financial statement of five years (from 2003/04 to 2007/08) of five commercial banks is being taken.

3.3 Population and sample

There are 17 listed commercial banks spreading there share in the stock marked. So it not easy to study all of them. Therefore five banks are taken as a sample among the 17 listed commercial banks. The five banks (SCBL, NABIL, SBIL, EBL and HBL) are taken as samples because by nature they are established as joint venture bank though some are not joint venture banks at present time. They are listed banks are as follows.

Name of Banks	Estd. Date	Head office	Date of listing
Bank of Kathmandu Ltd.	2051/11/26	Kathmandu	2054/04/02
Everest Bank Ltd. *	2051/07/01	Kathmandu	2052/12/25
Himalayan Bank Ltd.*	2049/10/05	Kathmandu	2050/03/01
Kumari Bank Ltd	057/12/21	Kathmandu	2061/04/14
Laxmi Bank Ltd.	2058/12/21	Birgunj	2061/01/08
Lumbini Bank Ltd.	2055/04/01	Narayanghat	2061/07/25
Machhapuchhre Bank Ltd.	2057/06/17	Pokhara	2060/02/14
NCC Bank Ltd.	2053/06/28	Bhairahawa	2061/10/18
Nepal Bangladesh Bank Ltd.	2050/02/03	Kathmandu	2052/09/09
Nepal Investment Bank Ltd.	2042/12/06	Kathmandu	2043/04/07
Nepal SBI Bank Ltd.*	2050/03/23	Kathmandu	2051/10/03
NIC Bank Ltd.	2055/04/05	Bitarnagar	2057/03/31
Siddhartha Bank Ltd.	2049/09/09	Kathmandu	2062/11/12
Standard Chartered Bank Ltd.*	2043/10/16	Kathmandu	2045/03/20
NABIL Bank Ltd.*	2041/03/23	Kathmandu	2042/08/09
NMB Bank Ltd.	2053/08/11	Kathmandu	2058/03/06
Development Credit Bank Ltd.	2057/10/10	Kathmandu	2059/02/30

Source: Security Board of Nepal

**** = Banks selected as sample***

3.4. Sources and Technique of Data Collection

Almost all the analysis is based on secondary data. In this analysis, data are collected from different sources i.e. Nepal Stock Exchange, Annual Reports of commercial Banks business Journal Newspapers and different websites like www.nepalstock..com, www.google.com etc. For the purpose of analysis of data of five years are taken as sample years from 2003/04 to 2007/08. All the collected secondary data will be analyzed by using financial and statistical tools as follows.

3.4.1 Financial Tools

Financial tools are those which help us to study the financial strength and weakness of sample firms. The financial tools are used in study are briefly presented below.

3.4.1.1 Earning Per Share

EPS is calculated to know earning capacity to make the comparison between the commercial banks. EPS is defined as the result received by dividing net profit after all taxes by number of common stocks outstanding in equation.

$$EPS = \frac{Net\ Profit\ After\ Tax}{No.\ of\ Common\ Stock\ Outstanding}$$

3.4.1.2 Dividend per Share (DPS)

DPS indicate the port of earning distributed to share holders on per share basis and calculated by dividing the total dividend to equity share holders by total number of the equity share.

$$DPS = \frac{Total\ Dividend}{No.\ of\ Common\ Stock\ Oustanding}$$

3.4.1.3 Dividend Payout Ratio (D/P Ratio)

D/P Ratio is calculated to indicate percentage of the profit of share that is distributed as dividend. The following equation is solved o calculate the D/P ratio.

$$D/P = \frac{Dividend\ Per\ Share\ (DPS)}{Earning\ Per\ Share\ (EPS)}$$

3.4.1.4 Market Price per Share (MPS)

MPS is the Value of socks, which can be obtained by a firm from markets. MPS is one of the variables, which is affected by DPS of the firm. If the earning per share and dividend per share are high, the market value of share will also high. The Capital market determines MPS. In this study the market price of share means the closing price of the share indicated in the NEPSE index.

3.4.1.5 Net Worth Per Share

It is Rupee value per share. It is calculated by the dividing book value of net worth by total number of shares outstanding.

$$NWPS = \frac{Net\ Worth}{No.\ of\ Common Stock\ Outstanding}$$

3.4.2 Statistical Tools

The brief explanation of statistical tools is as follows;

3.4.2.1 Arithmetic Mean

Arithmetic mean of the given set of observation. In general X1. X2,.....X_n are given "n" observation and their arithmetic mean is usually denoted by X is given by;

$$\bar{x} = \frac{x_1 + x_2 \ldots\ldots\ldots + X_n}{n}$$

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

Where,

$\overline{x}$ = Mean

$X_1, X_{2.....}X_n$ = Set of Observation

n = No. of Items Observed.

3.4.2.2 The Coefficient of Variation (CV)

The coefficient of Variation is the relative measure of dispersion which is denoted as the ratio of standard deviation of mean expressed in percent (Levin and Rubin 1995).

Symbolically,

$$CV = \frac{S.D}{\bar{X}} \times 100$$

Where,

S.D = Standard deviation

$\overline{x}$ = Mean average

The higher the CV, the higher is variability of variables and vice versa.

3.4.2.3 Standard Deviation (SD)

The measurement of the scattering of the mass of figures in a series about an average is known as dispersion. The standard deviation means the absolute dispersion. The standard deviation means the absolute dispersion. The greater

amount of dispersion greater the standard deviation will be. A small standard deviation means high degree of uniformity of the observation as well as homogeneity of series whereas a large standard deviation means just opposite.

Symbolically,

$$SD = \sqrt{\frac{\Sigma(X-\overline{X})}{n}}$$

3.4.2.4 Coefficient of Correlation (R)

Correlation analysis is the statistical tools that can be used to describe the degree to which one variable is linearly related to another (Levin and Rubin, 1995, P. 713). The coefficient of correlation measures the direction of relationship between two sets of figures. It is the square root of the coefficient of determination. If both variables are changing in the same direction, then correlation I said to be positive but when the variations in the two variables take place in opposite direction, the correlation is termed as negative. In this study, coefficient of correlation is calculated between MPS and DPS, MPS and EPS, NWPS and DPS and EPS.

3.4.2.5 Coefficient of Determinations ($R^{2)}$

The coefficient of determination is a measure of degree (extent or strength) of linear association of correlation between two variables, one of which happens to be independent and other being dependent variable. In other being dependent. In other words, R^2 measures the percentage total variation in dependent explained by independent variables. The coefficient of determination can have value ranging from zero to one. In this study, R^2 is calculated as the requirement of model.

3.4.2.6 Regression Equation

Regression is the statistical tool which is used to determine the statistical relationship between two (or more) variable on the basis of the other variables. In other words, regression is that statistical tool with the help of which the unknown value of one variable can be estimated (or predicted) on the basis of known value of the other variable. There are two types of regression analysis which is concerned with the study of the relationship between one variable called the dependent or explained and one another variable called the dependent or explained variable and other more than one variable called independent or explanatory variable. The regression analysis submits the following two concepts.

3.4.2.6.1 Regression Constant (a)

The value of the constant which is the intercept of the model indicates the average level of dependent variable when independent variable (s) is (are) zero. In other words, it is better to understand that 'a' (constant) indicates the mean or average effect on dependent variable of the entire variable omitted from the model.

3.4.2.6.2 Regression Coefficients (b_1,b_2,b_3.....)

The regression coefficient of each independent variable indicates the marginal relationship between that variable and value of dependent variable, holding constant the effect of all other independent variable in the regression model. In other words, the coefficients describe how changes in independent variables affect the values of dependent variables estimates.

This study analyses the simple regression analysis of following variables.

- **Market Price Per Share On Dividend Per Share**

The model is,

MPS = a + b DPS

MPS = Market Price per Share (Dependent Variable)

DPS = Dividend per Share (Independent Variable)

a = Regression Constant (Y intercept)

b = Regression Coefficient (Slope of the line)

This model helps to analysis the dependency of MPS on EPS

- **Market Price Per Share On Earning Per Share**

MPS = Market Price per Share (Dependent Variable)

DPS = Dividend per Share (Independent Variable)

a = Regression Constant (Y intercept)

b = Regression Coefficient (Slope of the line)

This model helps to test the dependency of MPS on EPS

- **Dividend Per Share on Earning Per Share**

This Model is,

DPS = a + b EPS

DPS = Dividend per Share (Dependent Variable)

EPS = Earning Per Share (Independent Variable)

a = Regression Constant (Y intercept)

b = Regression Coefficient (Slope of the line)

This analysis enables to know whether EPS is influencing factor of DPS or not.

- **Net Worth on Dividend Per Share**

The Model is,

NWPS = a + b DPS

NWPS = Net Worth per Share (Dependent Variable)

DPS = Dividend per Share (Independent Variable)

EPS = Earning Per Share (Independent Variable)

a = Regression Constant (Y intercept)

This model test the dependency on net worth of dividend per share

This study analyses the multiple regression variable considered as per the following model,

$MPS = a+b_1DPS+b_2EPS=+b_3NWPS$

MPS = Market Price per share (Dependent variable)

DPS = Dividend per Share (independent variable)

NWPS= Net Worth per Share

a = Regression Constant (Y intercept)

b_1, b_2, b_3 = Regression Coefficient (Slope of the line)

3.4.2.7 Standard Error of Estimates (SEE)

With the help of regression equations perfect prediction is practically impossible. Standard error of estimate is a measurement of the reliability of the regression line, that is, extend to which observed values differ from their predicted value on the regression line. The smaller value of SEE, the closer will be the dots to the regression line and the better the estimates based on the equation for this line. If SEE is zero, then there is no variation about the line and the correlation possible for us to ascertain how good the representative the regression line is as a description of the average relationship between two series.

3.4.2.8 Probable Error (PE)

The probable error is used to measure the reliability and test of significance of correlation coefficient. It is calculated by the following formula.

$$PE = 0.6745\frac{1-R^2}{\sqrt{N}}$$

Where,

r = The value of correlation coefficient

n = Number of pairs of observation

PE is used in interpretation whether the calculated value of e is significant is not.

1. If r < 6 PE, it is insignificant, I. e. there is no evidence of correlation.
2. If r < 6 PE, it is significant,
3. If r < r < 6 PE, nothing can be inferred.

3.4.2.9 T-Statistics

Is the sample size is less than 30; t-test in such context of small sample size is used to test the validity of our assumption. The ' t ' value is calculated with the help of SPSS of software and compared with the Table value of ' t ' at a certain level of significance for given degree of freedom. If the calculated value of ' t ' exceeds the table value (say 0.05), We infer that the difference is significant at 5% level but if ' t ' value is less than the concerning table value of the ' t ' the difference is not treated as significant.

3.4.2.10 F-Statistics

To test whether the two independent estimate of population variance are significantly different or not, or to test whether they established the fact that both the samples have come from the same universe and have a common variance, or to test whether a given population follows an uniform distribution.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

Introduction

This chapter includes **four sub-**headings at first analysis of financial indicators and variables are presented. The simple and multiple regression analysis are the next two sub headings lastly the test of hypothesis and major findings are presented. Therefore this chapter is based on the presentation and analysis of the secondary data, which help to conclude some recommendation.

4.1 Analysis of financial Indicator and Variables

4.1.1 Analysis of market price per share (MPS)

Market price of share is the value of stock, which can be received by firm or equity holders selling it in capital market. The capital market determines MPS represents the closing market price of NEPSE index of the sample firm following table shows the market price of stock (MPS) of the sample firms.

Table 1: Market price per share (in Rs)

Fiscal year	SCBL	NABIL	SBIL	EBL	HBL
2003/04	1745	1000	307	680	840
2004/05	2345	1505	335	870	920
2005/06/	3775	2240	612	1379	1100
2006/07	5900	5050	1176	2430	1740
2007/08	6830	5275	1551	3132	1980
Mean($\bar{X}$)	4119	3014	788.2	1698.2	1316
S.D	1970.93	1799.43	477.67	939.77	458.42
C.V	0.4785	0.597	0.606	0.5534	0.3483

Source: Security Board of Nepal and Appendix I

As per the table shown above the highest MPS of SCBL, NABIL, SBIL, EBL And HBL are Rs 6830 Rs 1511, Rs 3132 and1980 respectively. In the same way the lowest MPS of SCBL, NABIL, SBIL, EBL and HBL are Rs 1745 Rs 1000 Rs 307, Rs 680, and Rs 840 respectively.

Hence from the analysis of above MPS the average MPS of SCBL is the highest and indicates the highest profitability to shareholders because it has the greater amount in MPS is respective year than the other banks.

In the same way the S.D of SCBL is the highest among sample banks, which indicates there is less consistency in MPS where as the S.D of HBL is the lowest among all the sample banks which indicates the higher degree of consistency in MPS.

Similarly the SBIL has highest CV>. Which indicts there is high degree of fluctuation in MPS among the entire sample banks whereas the HBL has lowest CV which indicates the low degree of variable in MPS among the sample banks.

4.1.2 Analysis of Earning per share (EPS)

Earning per share (EPS) is one of the most important financial indicators, which measures the earning capacity of a firm. It measures the profit available to the ordinary shareholders on a per share basis EPS is calculated by dividing net income available to the common stock holders by the total number of common share outs tending following table shows the EPS of the sample firms.

Table 2: Earning per share (in Rs)

Fiscal year	SCBL	NABIL	SBIL	EBL	HBL
2003/04	143.55	92.61	14.26	45.58	49.05
2004/05	143.14	105.49	13.29	54.22	47.91
2005/06/	175.84	129.21	18.27	62.78	59.24
2006/07	167.37	137.08	39.35	78.4	60.66
2007/08	131.92	108.31	28.33	91.82	64.74
Mean($\bar{X}$)	152.36	114.54	22.7	66.56	56.32
S.D	16.47	16.28	9.88	16.65	6.66
C.V	0.1081	0.1421	0.4352	0.2502	0.1183

Source: Security Board of Nepal and Appendix II

The above mentioned comparative table shows that EPS of the all banks are in fluctuating trend throughout the study period the maximum EPS of SCBL, NABIL, SBIL, EBL and HBL are Rs. 175.84, Rs 137.08, Rs 39.35, Rs 91.82 and 64.74 respectively. On the other hand the minimum EPS of SCBL, NABIL, SBIL, EBL, and BHL are Rs 143.14, Rs 92.61, Rs 13.29 Rs 45.58 and Rs 47.91 respectively. Thus, the analysis of EPS trend shows that average EPS is greater than that of other

banks. It indicates that the SCBL's profitability of common shareholders investment is better than other banks.

The highest S.D in EPS is of EBL, which indicates the greater dispersion in variables whereas, the HBL lowest S.D which indicates the high degree of uniformity in the given variable (DPS).

Similarly the highest CV in EPS of SBIL indicates that higher variability of variable whereas a smaller CV in EPS of SCBL shows the less variation in variables.

4.1.3 Analysis of Dividend Per share (DPS)

Dividend per share (DPS) is the amount which is paid to common shareholders on a per share basis. DPS shows what exactly the ordinary shareholders receive. It is calculated by dividend the total dividend to equity shareholders by the total number of equity shares. The following table shows the dividend per share (DPS) of the sample.

Table 3: Dividend per Share (in Rs)

Fiscal year	SCBL	NABIL	SBIL	EBL	HBL
2003/04	110	65	-	20	-
2004/05	120	70	-	-	1158
2005/06/	130	85	5	25	35
2006/07	80	100	12.59	10	15
2007/08	104	60		20	25
Mean(€X)	20.59	76	3.52	15	17.32
S.D	0.198	14.63	4.93	8.94	11.92
C.V		0.1925	1.4	0.596	0.688

Source: Security Board of Nepal and Appendix III

The above table shows that dividend per share of all the sample firms are in fluctuating trend. The highest DPS of SCBL, NABIL, SBIL, EBIL, EBL, and HBL are Rs 130, Rs100, Rs12.59, Rs 25 and Rs 35 respectively and the lowest DPS of SCBL, NABIL, SBIL, EBL and HBL are Rs 80, Rs 60, Rs 5, Rs 10, and Rs 11.58 reactivity. The mean DPS of SCBL is greater than that of other banks, this indicates the profitability of common stock holders investment is better than other banks, which creoles the positive attached of the shareholders towards the banks.

In the same way the SD of SBIL is the lowest, which mean the high degree o uniformity of the DPS paid by the banks whereas the S.D of SCBL is highest which indicated the high degree of dispersion in ops than other banks.

Similarly, the analysis of C.V rejects the SBIL has the highest C.V in DPS, which indicates high degree of variability on DPS whereas EBL has the lowest C.V in DPS which reflects lower degree of variation in DPS.

4.1.4 Analysis of Dividend Payout Ratio (D/P ratio)

Dividend payout ratio (D/P) ratio indicates that what percentage of actual earning of a firm has been received by the ordinary shareholders. It is calculated by dividing the dividend per share to ordinary shareholders by earning per share (EPS). Following table shows the dividend payout ratio of the sample banks.

Table 4: Dividend Payout Ratio

Fiscal year	SCBL	NABIL	SBIL	EBL	HBL
2003/04	0.7663	0.7019	-	0.4388	-
2004/05	0.8383	0.6636	-	-	0.2417
2005/06	0.7379	0.6578	0.3418	0.3989	0.5908
2006/07	0.478	0.7295	0.3199	0.1276	0.2473
2007/08	0.6064	0.554		0.2388	0.3985
Mean (€X)	0.6854	0.6614	0.1323	0.2408	0.2957
S.D	0.12798	0.0597	0.1627	0.1643	0.1951
C.V	0.1867	0.0903	1.2298	0.682	0.6598

Source: Security Board of Nepal and Appendix IV

From the table shown above the highest D/P ratio of SCBL, NABIL, SBIL, EBL and HBL is 0.8383, 0.7295, 0.3418, 0.4388 and 0.5908 respectively. Similarly the lowest D/P ratio of SCBL, NABIL, SBIL, EBL, and HBL is 0.478, 0.554 0.3199, 0.1276 and 0.2417 respectively. Among the sample banks the average D/P ratio of SCBL is the highest which indicates that SCBL has paid highest dividend out of its total EPS whereas SBIL has the lowest D/P ratio which indicates that SVIL has paid the lowest dividend out of its EPS.

In the same way the S.D of D/P ratio of HBL is the highest, which indicates that it has not paid dividend homogeneously out of its EPS whereas NABIL has lowest S.D of D/P ratio which indicates NABIL has paid the dividend homogeneously

than other banks taken as sample. Similarly SBIL has the highest CV of D/P ratio, which indicates that this bank has high degree of variation on D/P ratio. Indicates there is lower degree of variably in D/P ratio.

4.1.5 Analysis of Net Worth Per Share (NWPS)

Net worth per share is the value per share of total net worth in book value. It is calculated dividend total net worth by total number of share outstanding which is stated in the table below.

Table 5: Net Worth per Share (in Rs)

Fiscal year	SCBL	NABIL	SBIL	EBL	HBL
2003/04	399.24	301.37	146.8	171.53	246.33
2004/05	422.37	337.16	159.54	169.15	239.59
2005/06	468.22	381.36	153.55	185.87	228.72
2006/07	512.12	418.22	178.04	292.75	264.74
2007/08	401.52	354	160.57	321.77	247.95
Mean($\bar{X}$)	440.694	358.422	159.678	228.21	245.59
S.D	43.4699	39569	10.42	65.44	11.787
C.V	0.0986	0.1104	0.0653	0.287	0.04799

Source: Security Board of Nepal and Appendix V

From the table shown above the highest NWPS of SCBL, NABIL, SBIL, WBL and HBL are Rs. 512.12, Rs 418.22 Rs. 178.04, Rs 321.77. And Rs. 264.74 respectively. Similarly the lowest NWPS of SCBL, NABIL, SBIL, EBL, and are Rs. 399.24, Rs 301.34,Rs 146.8, Rs 169.14 and Rs 228.72 respectively. Among the sample banks the average NWPS of SCBL has the highest book value per share whereas SBIL has the lowest average NWPS, which indicates that SBIL has the lowest book value per share.

In the same way the SD NWPS of EBL is the highest which indicates that it has low degree of uniformity in book value per share, whereas SBIL has lowest SD of NWPS, which indicates SBIL has degree of uniformity in book value per share homogeneously than other books taken as sample.

Similarly EBL has the highest CV of NEPS which indicates that this book has high degree of variation in NWPS, whereas HBL has the lowest CV which indicates there is lower degree of variability in NWPS.

4.1.6 Price effect after and before book close date

Many business corporation pay the different forms dividend that depends upon the dividend policy of the corporation. Especially there are two major forms of dividends which are cash dividend and stock dividends.

Generally business corporations are paying the dividend in the form of cash and stock dividends are paid from the proportion of earning to the investors in proportion of their shares of the company.

Both the total assets and net worth of the company are reduced when cash dividend is distributed. The market price per share drops in most by the amount of cash dividend distributed.

Dividends are not always in the form of cash. So stock dividend is the dividend in which the firm issues additional shares of it's stockholders in proportion to the number of the share held by the shareholder stock dividend will increase the number of stock held by investors but it reduces the market price of the stock.

The effect of cash dividend and stock dividend on stock price of samples banks are shown in following table.

Table 6: Price effect after and book close date (Dividend)

Company	Dividend		Before book close stock price	After book close stock price	After dividend adjusted price
	Cash dividend	Stock dividend			
SCBL	80	50	8700	5010	5747
NABIL	60	40	6700	5000	4743
SBIL	-	-	1770	1770	1770
EBL	20	10	2820	2775	2545
HBL	25	20	2840	2220	2346

Source: Security Board of Nepal and Appendix VI

Above table shows the market price of the stock before and after cash dividend of samples bank. In the table SCBL, NABIL, SBIL, EBL and HBL are paying Rs 80, Rs 60 Rs 20 and Rs 25 cash dividend respectively. Similarly they are paying 50%, 40%, 0%, 10% and 20% stock dividend respectively too. Here market price of the stock after dividend of SBIL, EBL, NABIL, SCBL and HBL is Rs 5010, Rs 5000, Rs 1770, Rs 2775 and Rs 2220 respectively. But after dividend theoretically price of SCBL, NABIL, SBIL, EBL and HBL must be Rs 5747, Rs 4743, Rs 1770, Rs

2545 and Rs 2346. Here theoretically and practically price of samples banks are different.

The table shows market price of SCBL before dividend is Rs 8700 and market price after dividend is Rs 5010. It is paying Rs 80 cash dividend and 50% stock dividend according to theory after these dividend price of the SCBL must be Rs 5747. But here adjusted price is higher than after dividend market price this may be due to demand supply situation in the market, overall economy of the country, investor's perceptions about dividend, lack of information etc.

Similarly NABIL before dividend market price is Rs 6700 and after dividend market price is Rs 5000. and NABIL is paying Rs 60 cash dividend and 40% stock dividends so its adjusted price is less than its after dividend market price this may be due to over demand by the investor's of NABIL stock. In the table SBIL before and after dividend market price and adjusted price are same i.e. Rs 1770. Because this bank is not paying cash and stock dividend so the price is not affect like wise the EBL before dividend market price and after dividend market price is Rs. 2820 and Rs. 2775 respectively and this bank is paying Rs 20 and 10% cash dividend and stock dividend respectively. So its dividend adjusted price is 2545 which is less than after dividend market price. This is also due to over demand of its share in the market. Similarly in the above table we can see that HBL before dividend market price is Rs 2840 and after dividend market price is Rs 2220 and this bank is paying Rs 25 and 20% cash and stock dividend respectively. So its adjusted price is Rs 2346. Here HBL after dividend stock market price is less than its adjusted price this may be due to the investors less demand of its share in the market.

In the above analysis after dividend market price is not equal with the samples bank corresponding adjusted price. Some banks adjusted price is less than its dividend price and some banks adjusted price is higher than after dividend stock price but according to the theory these price must be equal. Here the cause of different may be the lack of information in the market, over demand in the market, economic condition in the market and attitudes of the investor towards the banking sector in Nepal.

4.2 Correlation Analysis

This analysis is generally used to describe to the degree to; which any variable is related to another. It helps to determine whether a positive or negative relationship

exists or to establish cause and effect relation if any. This part analyses the correlation between:

1. MPS and DPS
2. MPS and EPS
3. DPS and EPS
4. NEPS and DPS

4.2.1 Correlation between MPS and DPS

Table 7: Correlation between MPS and DPS

Banks	Correlation coefficient (R)	Relationship	Probable error	Result
SCBL	0.397	Positive	0.2148	Insignificant
NABIL	0.849	Positive	0.0712	Significant
SBIL	0.121	Positive	0.2512	Insignificant
EBL	0.662	Positive	0.1432	Insignificant
HBL	0.280	Positive	0.2349	Insignificant

Source: Appendix VII

Above table depicts the relationship between MPS and DPS of the sample banks SCBL, NABIL, SBIL, EBL and HBL. The correlation between MPS and DPS of all the banks is positive, which indicates that if DPS is increased then MPS will also be increased and if DPS is decreased then MPS will also be decreased.

The significance of the relationship between MPS and DPS is measured by calculating probable error of correlation of coefficient. The coefficient of correlation (R) of NABIL appears to greater than 6PE hence the relationship between MPS and DPS is significant. But in case of SCBL, SBIL, EBL, and HBL the coefficient of correlation (R) appears to be less than 6PE hence the relationship between MPS ad DPS is insignificant.

4.2.2 Correlation between MPS and EPS

Table 8: Correlation between MPS and EPS

Banks	Correlation coefficient (R)	Relationship	Probable error	Result
SCBL	0.727	Positive	0.1202	Significant

NABIL	0.747	Positive	0.1127	Significant
SBIL	0.919	Positive	0.0396	Insignificant
EBL	0.936	Positive	0.0316	Significant
HBL	0.647	Positive	0.1482	Insignificant

Source: Appendix VII

Above table depicts the relationship between MPS and EPS of the sample banks SCBL, NABIL, SBIL, EBL and HBL. The correlation between MPS and EPS of all the banks is positive, which indicates that if EPS is increased then MPS will also be increased and if EPS is decreased then MPS will also be decreased.

The significance of the relationship between MPS and EPS is measured by calculating probable error of correlation of coefficient. The coefficient of correlation (R) of SCBL, NABIL and EBL appears to greater than 6PE hence the relationship between MPS and EPS is significant. But in case of SBIL, and HBL the coefficient of correlation (R) appears to be less than 6PE hence the relationship between MPS ad EPS is insignificant.

4.2.3 Correlation between DPS and EPS

Table 9: Correlation between DPS and EPS

Banks	Correlation coefficient (R)	Relationship	Probable error	Result
SCBL	0.149	Positive	0.2493	Significant
NABIL	0.908	Positive	0.0447	Significant
SBIL	0.126	Positive	0.2509	Insignificant
EBL	0.487	Positive	0.1945	Insignificant
HBL	0.540	Positive	0.1806	Insignificant

Source: Appendix VII

Above table depicts the relationship between DPS and EPS of the sample banks SCBL, NABIL, SBIL, EBL and HBL. The correlation between DPS and EPS of all the banks is positive, which indicates that if EPS is increased then DPS will also be increased and if EPS is decreased then DPS will also be decreased.

The significance of the relationship between DPS and EPS is measured by calculating probable error of correlation of coefficient. The coefficient of correlation (R) of NABIL appears to greater than 6PE hence the relationship between DPS and EPS is significant. But in case of SCBL, SBIL, EBL and HBL

the coefficient of correlation (R) appears to be less than 6PE hence the relationship between DPS ad EPS is insignificant.

4.2.4 Correlation between NWPS and DPS

Table 10: Correlation between NWPS and DPS

Banks	Correlation coefficient (R)	Relationship	Probable error	Result
SCBL	0.397	Positive	0.2537	Insignificant
NABIL	0.849	Positive	0.0544	Significant
SBIL	0.121	Positive	0.1787	Insignificant
EBL	0.662	Positive	0.093	Significant
HBL	0.280	Positive	0.1741	Insignificant

Source: Appendix VII

Above table depicts the relationship between NWPS and DPS of the sample banks SCBL, NABIL, SBIL, EBL and HBL. The correlation between NWPS and DPS of all the banks is positive, which indicates that if DPS is increased then NWPS will also be increased and if DPS is decreased then NWPS will also be decreased.

The significance of the relationship between NWPS and DPS is measured by calculating probable error of correlation of coefficient. The coefficient of correlation (R) of NABIL and EBL appears to greater than 6PE hence the relationship between NWPS and DPS is significant. But in case of SCBL, SBIL, and HBL the coefficient of correlation (R) appears to be less than 6PE hence the relationship between NWPS ad DPS is insignificant.

4.3. Test of Hypothesis

This part of study is concerned with the relationship between MPS, DPS and EPS of sample banks. In order to test whether the sample correlation coefficient 'r' is significant of any correlation between the

Variables in the population or it are just due to fluctuation of sampling, we use t-test for significance of an observed sample correlation coefficient.

4.3.1 Hypothesis Test of MPS and DPS of Sample Banks

Null Hypothesis: H_0: $\rho = 0$ i.e. the variables (MPS and DPS) are not correlated in the population or population correlation coefficient is zero.

Alternative Hypothesis: H_1: $\rho \neq 0$ i.e. the variables are correlated in the population or population correlation coefficient is not zero.

Test statistics under null hypothesis H_0 is;

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

Degree of freedom=n-2

5-2 = 3

Level of significance = 5%

Table 11: Hypothesis Test of MPS and DPS of Sample Banks

Banks	t_{cal}	t_{tab}	Comparative status	result
SCBL	0.966	3.182	$t_{cal}<t_{tab}$	Insignificant
NABIL	3.593	3.182	$t_{cal}>t_{tab}$	significant
SCBIL	0.172	3.182	$t_{cal}< t_{tab}$	Insignificant
EBL	1.532	3.182	$t_{cal}< t_{tab}$	Insignificant
HBL	0.583	3.182	$t_{cal}<t_{tab}$	Insignificant

Significant = H_0 is accepted and H_1 rejected

Insignificant = H_0 is rejected and H_1accepted

Now it is clearly seem from the above table that the variables of NABIL are correlated but the variable of SCBL, SBIL, EBL, EBL, and HBL are not correlated. It means the DPS of NABIL affects the MPS positively. Hence there is increment in MPS due to increment in DPS. But the DPS of SCBL, SBIL, EBL, and HBL do not affect MPS positively. Hence there is not any increment in MPS of SCBL, SBIL, EBL, and HBL even though the DPS is increased.

4.3.2 Hypothesis Test of MPS and EPS of Sample Banks.

Null Hypothesis: h_0: $\rho = 0$ i. e the variable (DPS and DPS) are not correlated in the population or correlation coefficient is not zero

Test statistics under full hypothesis H_0 is;

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

Degree of freedom = n-2 ; 5-2=3

Level of significance= 5%

Table 12: Hypothesis Test of MPS and EPS of Sample Banks

Banks	t_{cal}	t_{tab}	Comparative status	result
SCBL	2.370	3.182	$t_{cal}<t_{tab}$	Insignificant
NABIL	2.551	3.182	$t_{cal}<t_{tab}$	Insignificant
SCBIL	5.213	3.182	$t_{cal}> t_{tab}$	Significant
EBL	5.943	3.182	$t_{cal}> t_{tab}$	Significant
HBL	1.889	3.182	$t_{cal}<t_{tab}$	Insignificant

Significant = h_0 is accepted and h_1 rejected

Insignificant = h_0 is rejected and h_1 accepted

Now it is clearly seem from the above table that variables of SCBIL and EBL are correlated but the variable of ACBL, NABIL and HBL are not correlated. It means the EPS of SCBL and EBL affects the MPS positively. Hence there is increment in MPS due to increment in EPS. But the EPS of SCBL, NABIL, and HBL do not affect MPS positively. Hence there is not any increment in MPS of SCBL, NABIL, and HBL even though the EPS in increased.

4.3.3 Hypotheses Test of DPS and EPS of Sample Banks

Null Hypothesis: H_0: 0 i.e. the variable (DPS and EPS) are not correlative in the population correlation coefficient is zero.

Alternative Hypothesis: H_1: $\rho \neq 0$ i.e. the variables are correlated in the population of population correlation coefficient is not zero.

Test statistics under null hypothesis H_o is;

$$t=\frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

Degree of freedom= n-2; 5-2=3

Level of significance = 5 %

Table 13: Hypotheses Test of DPS and EPS of Sample Banks

Banks	t_{cal}	t_{tab}	Comparative Status	result
SCBL	0.337	3.182	$t_{cal} < t_{tab}$	Insignificant
NABIL	4.480	3.182	$t_{cal} > t_{tab}$	Significant
SCBIL	0.179	3.182	$t_{cal} < t_{tab}$	Insignificant
EBL	0.965	3.182	$t_{cal} < t_{tab}$	Insignificant
HBL	1.284	3.182	$t_{cal} < t_{tab}$	Insignificant

Significant = H_o is accepted and H_1 rejected

Insignificant =H_o is rejected and H_1 accepted

Now it is clearly seen from the above that the variables of NABIL are correlated but the variables of SCBL, SBIL, EBL and HBL are not correlated. It means the EPS of NABIL affects the DPS positively. Hence there is increment in DPS due to increment in EPS. But the EPS of SCBL, SBIL EBL and HBL do not affect DPS positively. Hence there is not any increment in DPS of SCBL, SBIL, EBL, and HBL even though the EPS is increased.

4.3.4 Hypothesis Test of NWPS and DPS of Sample banks

Null Hypothesis: H_0: $\rho = 0$ i.e. the variable (NWPS and DPS) are not correlated in the population or population correlation coefficient is zero.

Alternative Hypothesis: H_1: p≠ o i.e. the variables are correlated in the population or population correlation coefficient is not zero.

Test statistics under null hypothesis H_0 is;

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

Degree of freedom = n-2

5-2=3

Level of significance=5%

Table 14: Hypothesis Test of NWPS and DPS of Sample Banks

Banks	t_{cal}	t_{tab}	Comparative Status	Result
SCBL	0.156	3.182	$t_{cal} < t_{cal}$	Insignificant
NABIL	4.304	3.182	$t_{cal} > t_{cal}$	Significant
SBIL	0.924	3.182	$t_{cal} < t_{tab}$	Insignificant
EBL	2.283	3.182	$t_{cal} < t_{tab}$	Insignificant
HBL	1.363	3.182	$t_{cal} < t_{tab}$	Insignificant

Significant = H_0 is accepted and H_1 rejected

Insignificant= H_0 is rejected and H_1 accepted

Now it is clearly seen from the above table that the variables of NABIL are correlated but the variable of SCBL, SBIL, EBL and HBL are not correlated. It means the DPS of NABIL affects the NWPS positively. Hence there is increment in NWPS due to increment in DPS. But the DPS of SCBL, SBIL, EBL and HBL do not affect NWPS positively. Hence there is not any increment in NWPS of SCBL, SBIL, EBL, and HBL even though the DPS is increased.

4.4 Simple Regression Analysis

Regression analysis is based on the relationship between two or more variables. The known variables are independent variables and the variables to predict are dependent variables. In this study, MPS, EPS, DPS, and NWPS are analyzed. This part is related to the analysis of the relationship between.

1. Market price of stock (MPS) on dividend per share (DPS).
2. Market price of stock (MPS) on earning per share (EPS)
3 Dividend per share (EPS) on earning per share (DPS)
4 Net worth per share (NWPS) on dividend per share (DPS) of the sample banks. Following table shows the simple firms with the relationship between MPS, EPS, DPS and NWPS.

4.4.1 Market price per share (MPS) on Dividend per Share (DPS)

The regression equation is,

MPS = a+b DPS

Following table shows the regression analysis of MPS on DPS;

Table 15: Simple Regression Analysis of MPS on DPS

Banks	Constant(a)	Coefficient of DPS (b)	R	R_2	SE_b
SCBL	6940.333	-39.278	0.397	0.157	40.646
NABIL	-1904.474	56.666	0.849	0.721	15.769
SBIL	553.586	7.209	0.121	0.015	41.905
EBL	298.8458	-98.508	0.662	0.439	64.309
HBL	1025.021	8.169	0.280	0.078	14.052

Source: Appendix VII

The above table shows the linear relationship between market price per share (MPS) dividend per share (DPS). The regression line shows that MPS is dependent variable and DPS is the independent variable. This analysis shows the change in the value of DPS affects MPS or not.

It is clearly seen from above table that NABIL, SBIL and HBL have positive regression coefficient. On the other hand SCBL and EBL have negative regression coefficient. The positive regression coefficient indicates that increase in DPS will lead to increase in MPS, if other variables remain constant.

Above simple regression table indicates if other things remain constant, the regressing coefficient of DPS(b) of NABIL, SBIL and HBL indicates that one rupee increase in DPS would lead to average increase in MPS by Rs. 56.666, 7.209 and 8.196 respectively. In the same way one rupee increase in DPS of SCBL and EBL would lead to average decrease in MPS by Rs 39.278 and Rs. 98.508 respectively.

The regression constant (a) of all the banks indicate the average effect on dependent variable (MPS), if all the independent variable (DPS) are excluded from the model. The average MPS of SCBL, NABIL, SBIL, EBL, and HBL will be Rs. 6940.333, -1904.474, 553.586, 298.8458 and 1025.021 respectively if the DPS will be zero.

The standard error of estimate (SEE) measures the variability of the actual values from its predictive values. The SEE of SCBL, NABIL, SBIL, EBL, and HBL are 40.646, 15.769, 41.905, 64.305 and 14.052 respectively.

The coefficient of determination (R_2) measures the percentage of variation of dependent variable upon independent variable the R_2 of SCBL 0.157 indicates only 15.7% of variation on MPS is caused by the explanatory variable and remaining 84.3% variation in MPS is caused by un-explanatory variably. The R^2 of NABIL 0.721 indicates only 72.1% of variation on MPS is caused by explanatory

variable and remaining 27.9% variation in MPS is caused by Un-explanatory variable. The R^2 of SBIL 0.015 indicates only 1.5% of variation on MPS is caused by the explanatory variable and remaining 98.5% variation in MPS is caused by un-explanatory variable. The R^2 of EBL 0.439 indicates only 43.9% of variation on MPS is caused by explanatory variable and remaining 56.1% variation in MPS is caused by un-explanatory variable. The R^2 of HBL 0.078 indicates only 7.8% of variation on MPS is caused by explanatory variable and remaining 92.2% variation is MPS is caused by un-explanatory variable.

4.4.2 Market Price per Share (MPS) on Earning per Share (EPS)

The regression equation is,

MPS= a+b EPS

Following table shows the regression analysis of MPS on EPS

Table 16: Simple regression analysis of DPS on EPS;

Banks	Constant(a)	Coefficient of EPS (b)	R	R^2	SE_b
SCBL	85.739	0.143	0.149	0.022	0.425
NABIL	3.752	0.654	0.908	0.824	0.135
SBIL	12.549	-5.92	0.126	0.016	0.330
EBL	25.357	-0.128	0.487	0.237	0.133
HBL	-5.495	0400	0.540	0.292	0.311

Source: Appendix VII

The above table shows the liner relationship between dividend price per share (MPS) and earning per share (EPS). The regression line shows that MPS is the dependent variable and EPS is the independent variable. This analysis shows the change in the value of EPS affects EPS or not.

Above simple regression table indicates if other things remain constant, the positive regression coefficient of EPS (b) of all the sample banks SCBL, NABIL, SBIL, EBL and HBL indicates that one rupee increase in EPS would lead to average increase in MPS by Rs 69.207, 35.886, 27.478, 36.670 and 14.367 respectively.

The regression content (a) of all the banks indicates the average effect on dependent variable (MPS), if all the independent variable (EPS) are excluded from the model. The average MPS of SCBL, NABIL, SBIL, EBL and HBL will be Rs. -

7621.419, -1582.525, 61.104,-776.880 and 271.405 respectively if the EPS will be zero.

The standard error of (SEE) measures the variability of the actual values from its predictive value. The SEE of SXBL, NABIL, SBIL, EBL and HBL are 29.201, 14.293, 5.271, 6.171 and 7.564 respectively.

The coefficient of determination (R^2) measures the percentage of variation upon independent variable. The R^2 of SCBL 0.529 indicates only 52.9% of variation on MPS is caused by explanatory variable and remaining 47.1% variation in MPS is caused by un-explanatory variable. The R^2 of NABIL 0.558 indicates only 55.8% of variation on MPS is caused by the explanatory variable and remaining 44.2% in MPS is caused by un-explanatory variable. The R^2 of SBIL 0.845 indicates only 84.5% of variation on MPS is caused by the explanatory variable and remaining 15.5% variation in MPS is caused by un-explanatory variable. The R^2 of EBL of EBL 0.876 indicates only 87.6% of variation on MPS is caused by the explanatory variable and remaining 12.4% variation in MPS is caused by un-explanatory variable. The R^2 of HBL 0.419 indicates only 41.9% of variation on MPS is caused by the explanatory variable and remaining 52.1% of variation in MPS is caused by the un-explanatory variable.

4.4.3 Dividend per Share (DPS) on Earning per Share (EPS)

The regression equation is,

DPS= a+b EPS

Following table shows the regression analysis of DPS in EPS;

Table 17: Simple Regression Analysis of DPS on EPS

Banks	Constant (a)	Coefficient of EPS (b)	R	R^2	SE_b
SCBL	85.739	0.143	0.149	0.022	0.425
NABIL	3.752	0.654	0.908	0.824	0.135
SBIL	12.549	-5.92	0.126	0.016	0.330
EBL	25.357	-0.128	0.487	0.237	0.133
HBL	-5.495	0.400	0.540	0.292	0.311

Source: Appendix VII

The above table shows the linear relationship between dividend price per share (DPS) and earning per share (DPS). The regression line shows that DPS is the

dependent variable and EPS is the independent variables. This analysis shows the change in the value of EPS affects DPS or not.

It is clearly seen from the above table that SCBL, NABIL, and HBL have positive recreation coefficient. On the other hand SBIL and EBL have negative regression coefficient. The positive regression coefficient indicates that increases in EPS will lead to increases in DPS, if other variables remain constant. But incase of SBIL and EBL the DPS will decrease if the other things remain constant.

Above simple regression table indicates if other things remain constant, the regression coefficient of EPS (b) of SCBL, NABIL, and HBL indicates that one rupee increase in EPS would lead to average increase in DPS by Rs. 0.143,0.654 and 0.04 respectively. In the same way one rupee increases in EPS of SBIL and EBL would lead to average decrease in DPS by Rs. 5.92 and Rs 0.121 respectively.

The regression constant (a) of all the banks indicate the average effect on dependent variable (DPS), if all the independent variables (EPS) are excluded from the model. The average DPS of SCBL, NABIL, SBIL, EBL and HBL will be Rs 85.739, 3.752, 12.549, 25.357 and -5.495 respectively if the EPS will be zero.

The standard error of estimate (SEE) measures the variability of the actual value from its predictive value. The SEE of SCBL, NABIL, SBIL, EBL, and HBL are 0.425, 0.135, 0.330, 0.133 and 0.311respectively.

The coefficient of determination (R^2) measures the percentage of variation of dependent variable upon independent variable. The R^2 of SCBL 0.022 indicates only 2.2% of variation in DPS in caused by the explanatory variables and remaining 97.8% variation in DPS is caused by un-explanatory variable. The R^2 of NABIL 0.824 indicates only 82.4% of variation on DPS is caused by the explanatory variable and remaining 17.6% variation in DPS is caused by un-explanatory variable. The R^2 of SBIL 0.016 indicates only 1.6% of variation on DPS is caused by the explanatory variable and remaining 98.4% variation in DPS is caused by un-explanatory variable. The R^2 of EBL 0.237 indicates only 23.7% of variation on DPS is caused by the explanatory variable and remaining 76.3% variation in DPS is caused by un-explanatory variable. The R^2 of HBL 0.293 indicts only 29.3% of variation on DPS is caused by un- explanatory variable.

4.4.4 Net Worth per share (NWPS) on Dividend per Share (DPS)

The regression equation is,

NWPS = a+b DPS

Following table show the regression analysis of NWPS on DPS;

Table 18: Simple Regression Analysis of NWPS on DPS

Banks	Constant (a)	Coefficient of DPS (b)	R	R^2	SE_b
SCBL	442.495	-0.268	0.069	0.005	1.721
NABIL	114.937	2.935	0.887	0.787	0.887
SBIL	139.908	1.571	0.547	0.299	1.701
EBL	355.741	-88.778	0.797	0.635	3.844
HBL	253.898	-0.713	0.563	0.371	0.523

Source: Appendix VII

The above table shows the linear relationship between net worth per share (NWPS) and dividend per share (DPS). The regression line shows that NWPS is the dependent variable and DPS is the independent variable. This analysis shows the change in the value of DPS affects NWPS or not.

It is clearly seen from the above table that NABIL and SBIL have positive regression coefficient. On the hand SCBL, EBL and HBL have negative regression coefficient. The positive regression coefficient indicates that increase in DPS will lead to increase in NWPS, if other variables remain constant. But in case SCBL, EBL and HBL the NWPS will decrease if the other things remain constant.

Above simple regression table indicates if other things remain constant, the regression coefficient of DPS (b) of NABIL and SBIL indicates that one rupee increases in DPS would lead to average increase in NWPS by Rs. 2.935 and 1.571 respectively. In the same way one rupee increase in DPS of SCBL, EBS and HBL would lead to average decrease in NWPS by Rs. 0.268, Rs.8.778 and Rs.0.713 respectively.

The regression constant (a) of all the banks indicate the average effect on dependent variable (NWPS), if all the independent variables (DPS) are excluded from the model. The average NWPS of SCBL, NABIL, SBIL, EBL and HBL will be Rs .442.495, 114.937, 139.908, 355.741 and 253.898 respectively if the DPS will be zero

The standard error of estimate (SEE) measures the variability of the actual values from its predictive values. The SEE of SCBL, NABIL, SBIL, EBL and HBL are 1.721, 0.887, 1.701, 3.884 and 0.523 respectively.

The coefficient of determination (R^2) measures the percentage of variation of dependent variable upon independent variable. The R^2 of SCBL 0.005 indicates only 0.05% of variation on NWPS is caused by the explanatory variable and remaining 99.95% variation in NWPS is caused by un-explanatory variable. The R^2 of NABIL 0.787 indicates only 78.7% of variation on NWPS is caused by explanatory variable and remaining 11.3% variation in NWPS is caused by un-explanatory variable. The R^2 of SBIL 0.299 indicates only 29.9% of variation on NWPS is caused by the explanatory variable and remaining 70.1% variation in NWPS is caused by the explanatory variable and remaining 70.1% variation in NWPS is caused by un-explanatory variable. The R^2 of EBL 0.635 indicates only 63.5% of variation on NWPS is caused by the explanatory variable and remaining 36.5% variation in NWPS in NWPS is caused by un-explanatory variable. The R_2 of HBL 0.317 indicates only 31.7% on NWPS is caused by the explanatory variable and remaining 68.3% variation NWPS is caused by un-explanatory variable.

4.5 Multiple Regressions

4.5.1 Market price per share (MPS) on dividend per share (EPS), earning per share (DPS) and Net per share (NWPS)

The regression equation is

$$MPS = a + b_1\ DPS + b_2\ EPS + b_3\ NWPS$$

Following table shows the multiple regression analysis MPS on DPS, EPS and NWPS.

Table 19: Multiple regression of MPS on EPS, DPS and NWPS

Banks	Constant (a)	Regression coefficients			F value	R^2	SEE
		DPS b_1	$EPSB_2$	$NWPSb_3$			
SCBL	-2956.655 (-0.767) [0.499]	-38.736 (-1.474) [0.237]	23.152 (0.394) [0.720]	15.804 (0.982) [0.399]	5.287	0.841	895.4654
NABIL	-5617.633 (-2.086) [0.128]	72.172 (1.984) [0.141]	-115.408 (-1.532) [0.223]	44.296 (1.540) [0.221]	5.490	0.846	845.0850

SBIL	-164.3536 (-0.235) [0.829]	9.735 (1.111) [0.384]	24.563 (3.504)* [0.039]	1.377 (0.263) [0.890]	10.692	0.914	131.0907
EBL	-2059.183 (-0.283) [0.824]	24.147 (0.121) [0.932]	7.795 (0.101) [0.963]	12.331 (0.319) [0.803]	9.241	0.965	303.9268
HBL	-4887.798 (-3.071) [0.092]	19.468 (1.966) [0.188]	6.174 (1.018) [0.416]	22.126 (3.360)* [0.078]	6.344	0.905	174.5359

Source: Appendix VIII

Value in ( ) = t- value at 5% level of significance

Value in [ ] = t significance

**= significant at 5% level of significance*

From the above multiple regression table, it is obtained that all the sample banks SCBL,NABIL, EBL and HBL have multi regression constant of Rs. -2956.655, Rs.-5617.633.ZRs.164.3536,- Rs.2059.183, and Z Rs.4887.798 respectively. It indicates if DPS , EPS and NWPS are kept zero, the MSP of SCBL, NABIL,SBIL, EBL, and HBL would be Rs. -2956.655, Rs.-5617.633.- Rs.164.3536,- Rs.2059.183, and - Rs.4887.798 respectively.

The above table show clearly the strong poison of NWPS in relation to DPS and EPS and hence more effect on MPS. In the same way DPS has also strong position in relation to EPS of sample banks to affect the MPS of their own. The multiple regression coefficients b_1 (DPS) of SCBL is reported negative and others have positive multiple regression coefficients. In the same way multiple regression coefficient b_2 (EPS) of NABIL is negative where as remaining banks have positive multiple regression coefficients. All the multiple regression coefficient b_3 (NWPS) are positive.

For the sample bank SCBL, one rupee increase in DPS will lead to average decrease in the MPS by Rs. 38.736 but in the case of remaining sample banks NABIL, SBIL, EBL by Rs 72. 172, Rs 72.172, Rs 9.735. Rs 24.248 and Rs 19.468 respectively while other two variable EPS and NWPS are kept constant.

Similarly, for the sample banks SCBL, SBIL, and HBL, one rupee increase in EPS will lead to the average increase of MPS by Rs.23. 152, Rs 24.563, RS 7.795 and Rs 6.174 respectively. But for the sample banks NABIL, one rupee increase in EPS will lead to average decrease in MPS by Rs 1156.408 while other variables DPS and NWPS are kept constant.

Likewise, for all the sample banks SCBL, NABIL , SBIL, EBL and HBL, one rupee increase in NWPS will lead to average increase in MPS by Rs 15.404, Rs 44.296, Rs 1.377, Rs 12.331 and Rs. 22.126 respectively while keeping other variable DPS and EPS constant.

The multiple coefficient of determination (R^2) measures the percentage of variation of dependent variable upon independent variables. SCBL has the lowest R^2 and SBIL has the highest R^2. The R^2 of SCBL 0.841 indicates only 84.1 % of variation on MPS is caused by the expletory variable (DPS, EPS and NWPS) and remaining 15.9% variation in MPS is caused by un- explanatory variables. The R^2 of NABIL 0.846 indicates only 84.6% of variation on MPS is caused by the explanatory variables (DPS, EPS and NWPS) and remaining 15.4% variation in MPS is caused by un-explanatory variables. The R^2 of SBIL 0.914 indicates 91.4% of variation on MPS is caused by the explanatory variables (DPS, EPS and NWPS) and the remaining 8.6% variation in MPS is caused by un-explanatory variables. The R^2 of EBL 0.965 indicates only 96.5% of variation on MPS is caused by the explanatory variables (DPS, EPS, and NWPS) and remaining 3.5% variation in MPS is caused by un-explanatory variables. The R^2 of HBL 0.905 indicates only 90.5% of variation on MPS is caused by the explanatory variables (DPS, EPS and NWPS) and remaining 9.5% variation in MPS is caused by un-explanatory variables.

The t-value of coefficient of DPS is statistically not significant for all the sample banks at 5% level of significance. In the same way the t-value of coefficient of EPS of all sample banks 0 is statistically not significant except for HBL and insignificant for rest of all the sample banks at 5% level of significance.

F-statistics is used to measure the statistical significance of the regression line, which explains the variation in stock prices due to the variables DPS, EPS and NWPS. The significance level of F-statistics is measured at 5% level of significance. The F-statistics for the regression of all the sample banks calculated in the above table have lower than the tabulated value at 5% level of significance and hence indicate that the regression equations do not provide statistically significant explanation of variations in stock price.

Considering the above regression model $MPS = a+b_1 DPS + b_2 EPS +b_3 NWPS$ and the above explanations, it can be inferred that the coefficients of DPS and EPS are vary high in comparison to NWPS. Hence there is positive relationship between DPS, EPS and MPS and also DPS and EPS have predominant influence than NWPS on MPS.

4.6. Analysis of Primary Data

To evaluate the managements view relation to dividend, asset of questionnaire containing nine questions relating of dividend aspect of the banks is used. The questionnaire includes the managements view relating to the present practice, shareholders expectation, types of dividend and their present dividend policy.

The respondents were regarded as the representative of the couture managements among whom majority hold higher position in their firm. However, the affirmation from the management side may not be cent percent representative due to the futuristic of policy issue.

The representatives being on the decision making position, the responses is regarded as representative for major decisions of finance, motives for pay cash and stock dividend, factors affecting corporate dividend policy, suggestion and recommendation on dividend decision.

The qualitative aspect is examined by distributing questionnaire to 25 financial executives.

For analyses and classification of the primary data, simple ranking method was used where appropriate. While ranking starting number is assumed as top prioritized and the last number imparted for the query is assumed as least prioritized. Where the ranking is not possible or not necessary, simple objectives (yes/no) questions are used. Classification of the respondents is supported with graphical and tabular presentation where appropriate.

First question was intended to find out the weight given by the companies to the formulation of dividend policy as a part of dividend decision. The views of the companies were not much differentiating regarding this query almost all of the responded showed their concern regarding dividend. The classification of views of the respondents in figure as follows.

Figure 1 : Dividend Aspects of Respondents

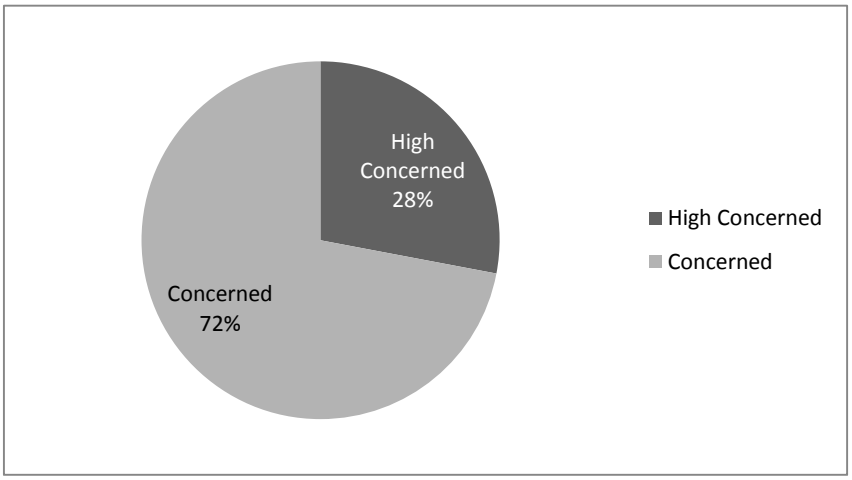
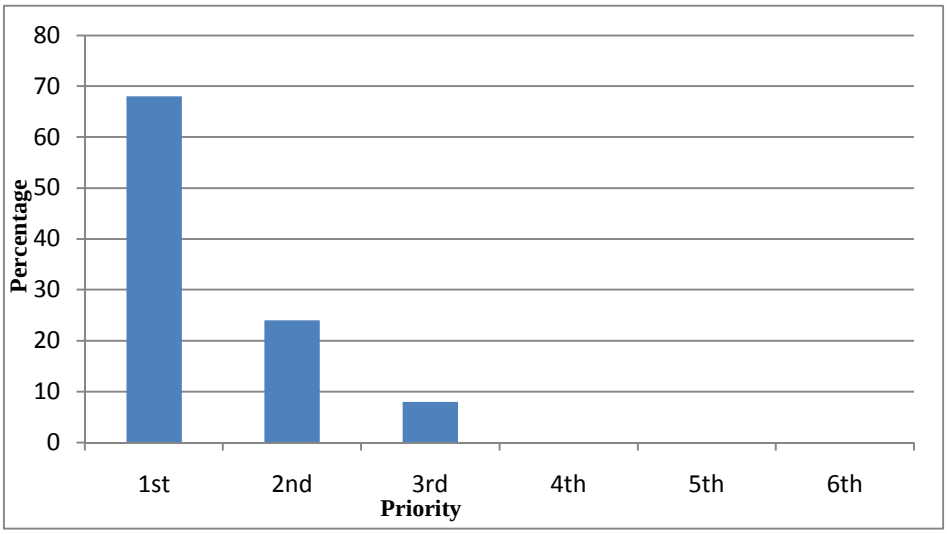


Figure 2 : Priority Among Various Factors



Second question was intended to find out the weight given to the firm while forming dividend policy. The result given by the respondents is shown is figure as follows

1st Priority = Earnings

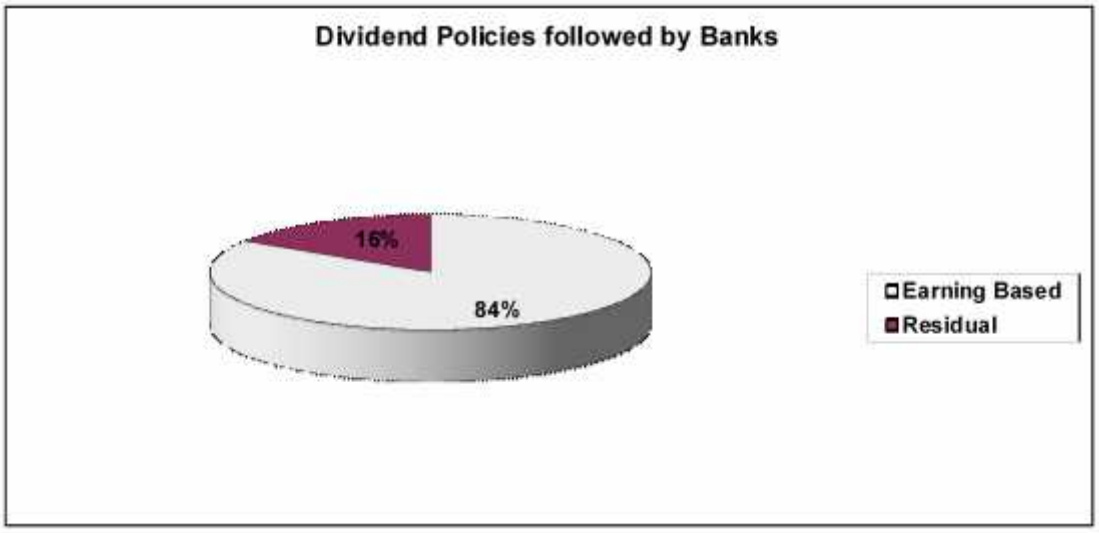
2nd priority = Liquidity

3rd priority = Last years dividend

Majority of the respondents (68%) gave first priority to earnings, seconds priority to liquidity priority or liquidity or available of cash (24%) and the respondents least priority (8%) to the last year dividend.

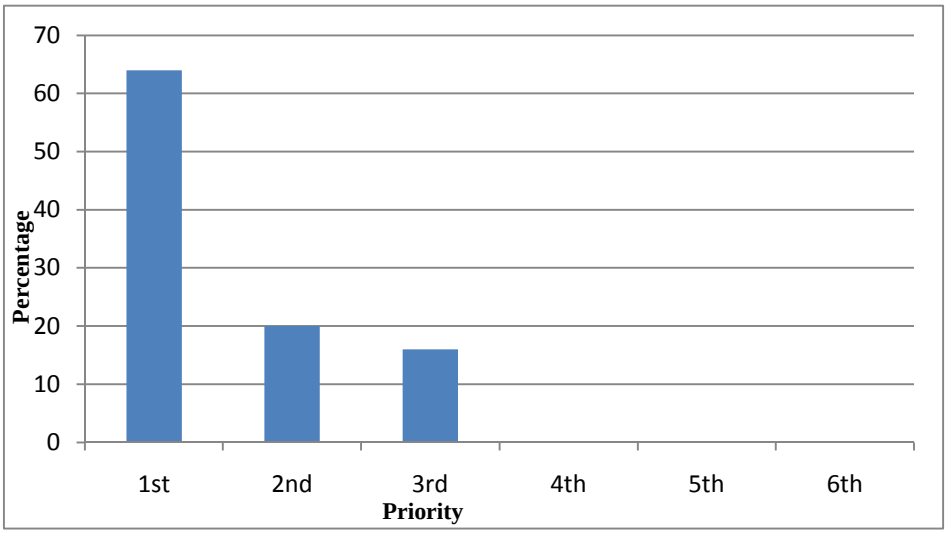
Third question was intended to find out the dividend policies made by the company. Majority (84%) followed earning based dividend while minority (16%) followed residual dividend policy.

Figure 3 : Dividend Policies Followed by Banks



Next question was intended to find out motives of stock dividend paid by the banks. Responds regarding this query is as follows.

Figure 4 : Priority Among Motives of Stock



1st Priority = Converse Cash

2nd priority = Indicate higher future profit

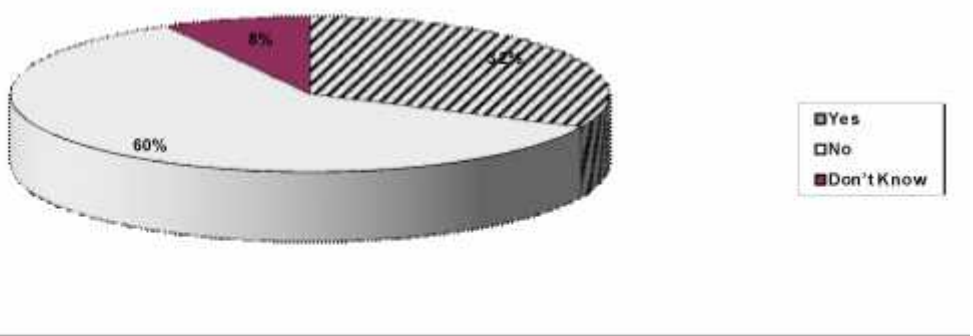
3rd priority = Raise future dividend

The majority as of the respondents gave the first importance (64%) to converse cash, the second importance to indicate higher future profits is (20%) and remaining (16%) is to raise in future dividends.

The question was related with stock split and shareholder's wealth. All the respondents gave answer in no. They said stock split cannot maximize the wealth of shareholder.

Similarly, at the time of questioner, the question was asking about legal restriction find provision about share repurchases. With respect to legal restriction on share repurchase (60%) of the respondents felt that this kind of legal restriction on share repurchase should not continue to prevail and (32%) of the respondents stated that such restriction on share repurchase should continue to prevail and rest (8%) opined they don't know whether legal restriction share repurchase should continue to prevail of not.

Figure 5 : Opinion to Legal Restriction to Share Repurchase



While answering the consistent dividend policy 56 % if the respondents answered that they do not have consistent dividend policy where was 44 % of the respondents answered that they do have consistent dividend policy.

Another question was presented to find out the type of dividend distributing by the companies. The view of the companies was not differentiating majority (88%) responds was towards cash dividend and minority (12%) responds were towards cash and stock dividend.

Next question was presented to find out the type of dividend distributing by the companies. The view of the companies was not differentiating majority (88%) responds was towards cash dividend and minority (12%) responds were towards cash and stock dividend

Major Findings

Dividend refers ft the portion o firm's net earning which are paid out of the shareholders in return to their investment. Dividend serves as a simple, comprehensive single of management's interpretation of the firms recent performance and its future prospects of paying dividend to shareholders in an effective way to attract new investors to invest in shares.

The major findings obtained from the general and some specific analysis of secondary data of sample banks are as follows.

A. Findings of Descriptive Analysis

- From the descriptive analysis, it is found that there is not any consistency or uniformity in dividend policy of the sample it has indicated the need of dividend strategy as well as the need of proper analysis of the respective sector of the banks.
- Most of the Nepalese firms from the vary past do not have profit planning and investment strategy which has imbalanced the whole position of the firms. It means there is not consistency even in the earnings.
- The MPS has affected by the financial position and the dividend paid by the firms, in atheism regards the MPS of the sample firms is to be fluctuated. It denotes Nepalese investors are not treated fairly.
- The lack of financial knowledge and the market inefficiently has affected the market price of the share in all the firms.

- The investment behavior of investor on the market has also been affecting to market price of the share.
- The information conveyed by the banks is also affecting to the market price of the share
- Rumors about the MPS among the investor is affecting to the market price of share.
- Due to the investment behavior pattern of share broker that is also affecting to the market price of share.

B. Findings of Financial Indicator Analysis

- MPS of all the sample of all sample banks are seen in fluctuating trend. The average MPS of SCBL is the highest than that of other sample banks, which was initially in decreasing trend and then it is in increasing rate. SBIL has the lowest average MPS. The S.D of MPS shows SCBL shows the highest degree of fluctuation of SBIL and the lowest degree of fluctuation of SCBL.
- EPS of all the sample banks are seen in fluctuation trend. The average DPS of SCBL is the highest tightest than that of other sample banks. SBIL has the lowest average DPS. The S.D of MPS shows SCBL is less consistent and SBIL is more consistent. The C.V of MPS shows the highest degree of fluctuation of SBIL and the lowest degree of fluctuation of SCBL.
- DPS of all the sample banks are seen in fluctuating trend. The average DPS of SCBL is the highest than that other sample banks. SBIL has the lowest average DPS. The S.D of MPS shows SCBL is less consistent and SBIL is more consistent. The C.V of DPS shows the highest degree of fluctuation of SBIL and the lowest degree of fluctuation of SCBL.
- The average D/P ration of SCBL is the highest than that of other sample banks. SBIL has the lowest average D/P
- NEPS of all the sample banks are seen in fluctuation trend. The average NEPS of SCBL is the highest than that of other sample banks. SBIL has the lowest average NWPS. The S.D of NEPS show EBL is less consistent and SBIL is more consistent. The C.V. of NWPS shows the highest degree of fluctuation of EBL and the lowest degree of fluctuation of HBL.

C. Findings of Correlation Analysis

- There is positive correlation between MPS and DPS of all the sample banks. The correlation coefficient ® of SCBL, NABIL, SBIL, EBL and HBL are 0.397, 0.849, 0.121, 0.662 and 0.280 respectively. It indicates MPS of all the sample banks increase if DPS is increase and vice versa. The positive correlation between MPS and DPS of the sample banks NABIL is reliable because the evidence is significant as R>6PE. But the positive correlation between MPS and DPS for the sample banks SCBL, SBIL, EBL and HBL is not reliable because the evidence is insignificant as R < 6PE.
- There is positive correlation between MPS and EPS of all the sample banks. The correlation coefficient ® of SCBL, NABIL, SVIL, EBL, and HBL are 0.727, 0.747, 0.919, 0.936, and 0.647 respectively. It indicates MPS of all the sample banks increase if EPS is increased and vice versa. The positive correlation between MPS and EPS for the sample banks SCBL, NABIL and EBL is reliable because the evidence is significant as R> 6 PE. But the positive correlation between MPS and EPS for the sample banks SBIL, and HBL is not reliable because the evidence is insignificant as R<6 PE.
- There is positive correlation between DPS and EPS of all the sample banks. The correlation coefficient (R) of SCBL, NABIL, SBIL, EBL and HBL are 0.149, 0.908, 0.126, 0.487 and 0.54 respectively. It Indicates DPS of the sample banks increases if EPS is increased and vice versa. The positive correlation between DPS and EPS for the sample bank NABIL is reliable because the evidence is significant as R>6PE.But the positive correlation between DPS and EPS for the sample banks SCBL, SBIL, EBL and SBL is not reliable because the evidence is insignificant as R<6PE.
- There is positive correlation between NWPS and DPS of all the sample banks. The correlation coefficient (R) of SCBL, NABIL , SBIL, EBL, and HBL are 0.397,0.849,0.121,0.662 and 0.280 respectively. It indicates NWPS of all the sample banks increases if DPS in increased and vice versa. The positive correlation between NWPS and DPS for the sample banks NABIL and EBL is reliable because the evidence is significant as R>6PE.But the positive correlation between NWPS and DPS for the sample banks SCBL, SBIL and HBL is not reliable because the evidence is insignificant as R>6PE.

D. Findings of Hypothesis Test

- There is correlation between MPS and SPS of NABIL whereas remaining sample banks SCBL, SBIL, EBL and HBL do not have correlation between MPS and EPS.
- There is correlation between MPS and EPS of SBIL and HBL do not have correlation between MPS and EPS.
- There is correlation between DPS and EPS OF NABIL whereas remaining sample banks SCBL, SBIL, EBL, and HBL do not have correlation between MPS and EPS.
- There is correlation between NWPS and DPS of NABIL whereas remaining sample banks SCBL, SBIL, EBL and HBL do not have correlation between NWPS and DPS.

E. Findings of Regression Analysis

- The relationship between MPS and DPS of the sample banks SCBL and EBL is negative, which indicates MPS increases if DPS is decreased and vice versa. On the other hand the relationship of the sample banks NABIL, SBIL and HBL is positive, which indicates MPS increases if DPS is increased and vice versa. In the same way the coefficient of determination (R2) of the sample banks SCBL, NABIL, SBIL, EBL and HBLis 0.1574,0.721,0.015,0439 and 0.078 respectively, which indicates the percentage of dependency of MPS upon DPS.
- The relationship between MPS and EPS of all the sample banks is positive, which indicates MPS increase if EPS in increased and vice versa. In the same way the coefficient of determination (R2) of the sample banks SCBL, NABIL, SBIL, EBL and HBL is 0.529, 0.558, 0.845, 0.876 and 0.419 respectively, which indicates the percentage of dependency of MPS upon EPS.
- The relationship between DPS and EPS of the sample banks SBIL and EBL is negative which indicates DPS increases if EPS is decreased and vice versa. On the other hand relationship of the sample banks SCBL, NABIL, and HBL is positive , which indicates DPS increases if EPS is increased and vice versa. In the same way the coefficient of determination (R2) of the sample banks SCBL, NABIL, SBIL, EBL and HBL is 0.022, 0.824, 0.016, 0.237 and 0.292 respectively, which indicates the percentage of dependency of DPS upon EPS.
- The relationship between NWPS increases if DPS is decreased and vice versa. On the other hand the relationship of the sample banks NABIL and SBIL is

positive. Which indicates NWPS increases if DPS is increased and vice versa. In the same way the coefficient of determination (R2) of the sample banks SCBL, NABIL, SBIL, EBL and HBL is 0.005, 0.787, 0.299, 0.635 and 0.317 respectively, which indicates the percentage of dependency of NWPS upon DPS.

- From the multiple regression analysis it is found that NWPS has strong influence than of DPS and MPS. The sample banks SCBL and SBIL have negative relationship of DPS upon MPS, which means MPS will decrease if DPS is increased keeping other variables constant and vice versa. But other remaining sample banks have positive relationship, which means MPS increases if DPS is increases keeping other variables constant and vice versa. In the same way the sample banks he positive relationship which means MPS increases if EPS is increases keeping other variable constant and vice versa. But other remaining sample banks have positive relationship, which means MPS increase if EPS is increased keeping other variables constant and vice versa. The relationship of NWPS upon MPS of all the sample banks is positive which means MPS increases if NWPS is increased keeping other variables constant and vice versa.

t-test of DPS and o fall the sample banks is revealed insignificant at 5 % level of significance, which indicates statistically there is no correlation between the variables. But the t-test of NWPS of HBL is significant and implies that statistically there is correlation between variables and rest of the bank revealed insignificant F-test indicate that the regression equations do not provide statistically significant explanation of variations in stock price.

The multiple coefficient of determination (R^2) of the sample banks SCBL, NABIL, SBIL, EBL, and HBL is 0.841, 0.846, 1.00, 0.965, 0.905 respectively, which indicates the collective dependency of MPS upon the explained variables DPS, EPS and NWPS.

F. Findings of primary Data Analysis

- All the sample banks gave the importance for dividend decision.
- Majority of the banks paid cash dividend bur some times they can pay stock dividend whenever cash is scares. Sometime both cash and stock dividend is paid.
- As regards to dividend as a residual decision, majority of the company feel that it is not a residual decision.

- With respect to factor affection dividend policy the respondents gave first priority to warning second priority to liquidity and third priority to past dividend.
- Management considers the shareholders expectation while distributing the dividend.
- With respect to the stock split cannot maximization of wealth all of the banks said that the stock split cannot maximize the wealth of shareholder. So they suggested not splitting destock.
- With regards to the legal restriction on share repurchase, majority of the respondents felt that such reeducation should continue to prevail.
- Most of the banks do have consistent dividend policy.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

Dividend is the portion of a firm's net earnings is that is distributed by the firm in terms of cash, shares and others form of earning to the shareholders for their investment in share capital. Generally divided is distribute to common stock holders. The objective of dividend policy is to maximize the common stockholders return so that value of their investment is maximized. Return consists of two components, dividend and capital gain. Dividend policy has direct influence upon these components. So dividend policy is of the firm is crucial area of financial management. The important aspect of dividend policy is to determine the amount of earning to be distributed to shareholders and the amount to be retained in the firm.

Every investor expects handsome earning on their investment in share capital. The firm that is not able to distribute fair dividend will not be able to raise further equity capital market. Hence dividend should be distributed regularly to attract more funds and for this matter firms need suitable dividend policy. Dividend policy may be affected by different factors such as earnings of the firm, liquidity of position of the firm; net worth etc. these factors indicate the financial position of the company. If the firm has good performance in terms of these factors it will be able to provide return inform of dividend.

In Nepal, only few listed commercial banks have been paying regular dividend to their shareholders. Moreover some banks have not been following stable dividend payout policy. On the other hand the dividend payout ratio of listed companied in Nepal has not been able to distribute fair dividends. This study is mainly focused to assess the dividend policy and fluctuations in market price of share. It covers some specific objectives.

1. To explore the dividend policy followed by Nepalese commercial banks.
2. To analyses the relationship between dividend policy and stock price.

3. To explore the factors affecting market price of stock.
4. To analyze the before and after stock price adjustment.

The study is based on primary as well as secondary data related to dividend policy. Primary data has been collected by field observation and marking questionnaire. The secondary data have been gathered from the annual reports of the concerned banks.

In order to achieve the objectives of the study, various financial and statistical tools have been used. Various analyses are conducted to find out the appropriate relationship between dividend and other variables that may affect dividend and the stock price. To analyze the relationship, out of the 15 listed commercial banks five sample banks are selected from the period of 2003/04 to 2007/08

At first the data are analyzed using the financial tools to find out MPS, DPS, EPS, D/P ratio and NWPS then statistical tools are used to find out their average, standard deviation and coefficient of variation. Secondly stock price effect is analyzed due to dividend and comparing stock price change after dividend and its adjusted price. Furthermore to analyze the relationship between the aforementioned variables correlation analysis, hypothesis test, simple regression analysis and the multiple regression analysis are conducted. From the correlation analysis the relationship between MPS and DPS, MPS and EPS, DPS and DPS and EPS and NWPS and EPS are found out. Significance of the relationship is tested by using PE and their reliability is tested by using t-test at 5% level of significance. Then the effect of one variable (independent) on another variable (dependent) is analyzed by using simple regression analysis by using the model's MPS = a+b DPS, MPS = a+b EPS, DPS = a+b EPS and DPS = a+b NWPS. From simple regression analysis in dividend impact of independent variable is found out upon dependent variable by calculating coefficient of determination (R^2). Finally the data are analyzed by using multiple regression analysis to find out the collective effect of all the independent variables upon a single dependent variable by using the model MPS = $a+b_1$ DPS+b_2DPS+b_3NWPS and their ANOVA test is also conducted at 5% level of significance to test the reliability of relationship.

5.2 CONCLUSION

Paying dividend shareholders in an effective way to lure new investors to invest in share. An appropriate dividend policy is a must to have balance between shareholders interest and the corporate growth from internally generated fund. From the above findings it can be concluded that there is not any consistency in the dividend policy of sample banks. No specific dividend payment strategy is followed by all the sample banks. Sample banks have average earnings, which can be considered satisfactory but some banks are paying high dividend and some are paying low. The market price of share is affected more by the dividend policy. No matter, whether the banks are having more earnings or low and have greater net worth per share or low that has not greater influence on stock price as compared to the influence of dividend policy on fluctuation on market price of share. There are many un-explanatory variables that affect to the volatility of market price of stock. So, it can be concluded that although EPS and NWPS affect DPS, but are less concerned with MPS. Hence MPS is more or less dependent upon DPS in the efficient capital market. Also there are other non financial factors that affect market price of share such as lack of public answer, high liquidity, speculation, manipulation of stock price, expectation of bonus share, political instability etc. all these factors should also be considered.

5.3 RECOMMENDATION

- On the basis of the findings following recommendations can be made for the further applications of dividend policy to have strong MPS in the market.
- All financial institutions should clearly define the dividend policy.
- Formulation of dividend policy will clearly guide the way on how to follow dividend distribution strategy. The policy should determine whether the company is going to adopt stable dividend policy, constant payout ratio or low regular plus extra dividend
- The practices of dividends payments should be adopted by the companies. In cases small amount of dividend are paid without considering the risk free rate of return. The financial institution should consider the shareholders expectation as far as possible.

- Earning per share of all sample banks are in fluctuating trend, therefore the banks should search the fruitful investment opportunities and plan for maximization of shareholders wealth.
- The correlation between MPS and DPS of sample is positive so they should increase the DPS to uplifts the MPS.
- Some sample banks do not have consistent dividend payment compared to others so such banks should try paying reasonable dividend each year because higher DPS create positive attitude of shareholders towards banks, which consequently helps to increase market value of the share.
- As DPS has greater influence upon MPS than other variable hence to improve the MPS sample banks it is better to increase the DPS.
- The information conveyed by the bank may have influence on the stock price therefore banks are suggested to convey the fact and reliable information to the public.
- Market price of stock may be affected due to lack of proper knowledge to the investors about the market; hence investors should have proper knowledge about market.
- The shareholders should be well informed by the management about the dividend policy. More specifically whether cash or stock dividend is fruitful for them since stock dividend decreases market value of stock and earnings per share.
- There is no consistency in the dividend payout behavior in many cases; for example, small amount of dividend has been paid despite sufficient earnings without considering the rate of return. Further the price of share seems to increase even in years when the dividend was not paid. This is result of market imperfections. To overcome this undesired situation, government, Nepal Rastra Bank and stock exchange should work together.
- Most of the banks seem to ignore the dividend expectation of the minority shareholders. It seems necessary to be organized to promote and protect shareholders right as regard to dividend.
- The organizations formed by conscious shareholders like 'Shareholders Association Nepal' should be encouraged to work against the management ignorance.
- Due to lack of information about securities market, the potential investors are not stimulated properly. So, seminars and workshops should be organized and information should be delivered to shareholders as well as potential investors to develop efficient securities market in Nepal.

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Appendix-I

MPS of the Sample Banks

Year	SCBIL (X_1)	NABIL (X_2)	SBIL (X_3)	EBL (X_4)	HBL (X_5)
2003/04	1745	1000	307	680	840
2004/05	2345	1505	335	870	920
2005/06	3775	2240	612	1379	1100
2006/07	5900	5050	1176	2430	1740
2007/08	6830	5275	1511	3132	1980
Total	**20595**	**15070**	**3941**	**8491**	**6580**

Year	$(X_1-\bar{X}_1)^2$	$(X_2-\bar{X}_2)^2$	$(X_3-\bar{X}_3)^2$	$(X_4-\bar{X}_4)^2$	$(X_5-\bar{X}_5)^2$
2003/04	5635876	4056196	231553.44	1036731.24	226576
2004/05	3147076	2277081	205390.24	685915.24	156816
2005/06	118336	599076	31046.44	101888.64	46656
2006/07	3171961	4145296	150388.84	535531.24	179776
2007/08	7349521	5112121	522439.84	2055782.44	440896
Total	**19422770**	**16189770**	**1140818.8**	**4415848.8**	**1050720**

SCBL	NABIL	SBIL	EBL	HBL
Mean=4119	Mean=3014	Mean=788.2	Mean=1698.2	Mean=1316
S.D.=1970.93	S.D.=1799.43	S.D.=477.67	S.D.=939.77	S.D.=458.42
C.V.=0.4785	C.V.=0.597	C.V.=0.606	C.V.=0.5534	C.V.=0.3483

Appendix-II

EPS of the Sample Banks

Year	SCBIL (X_1)	NABIL (X_2)	SBIL (X_3)	EBL (X_4)	HBL (X_5)
2003/04	143.55	92.61	14.26	45.58	49.05
2004/05	143.14	105.49	13.29	54.22	47.91
2005/06	175.84	129.21	18.27	62.78	59.24
2006/07	167.37	137.08	39.35	78.4	60.66
2007/08	131.92	108.31	28.33	91.82	64.74
Total	**761.82**	**572.7**	**113.5**	**332.8**	**281.6**

Year	$(X_1-\bar{X}_1)^2$	$(X_2-\bar{X}_2)^2$	$(X_3-\bar{X}_3)^2$	$(X_4-\bar{X}_4)^2$	$(X_5-\bar{X}_5)^2$
2003/04	77.62	480.93	71.23	440.16	52.85
2004/05	85.01	81.90	88.55	152.78	70.73
2005/06	551.31	215.21	19.63	14.29	8.53
2006/07	225.3	508.05	277.22	140.19	18.84
2007/08	417.79	38.81	31.69	638.07	70.89
Total	**1357.03**	**1324.9**	**488.32**	**1385.49**	**221.84**

SCBL	NABIL	SBIL	EBL	HBL
Mean=152.36	Mean=114.54	Mean=22.7	Mean=66.56	Mean=56.32
S.D.=16.47	S.D.=16.28	S.D.=9.88	S.D.=16.65	S.D.=6.66
C.V.=0.1081	C.V.=0.1421	C.V.=0.4352	C.V.=0.2502	C.V.=0.1183

Appendix-III

DPS of the Sample Bank

Year	SCBIL (X_1)	NABIL (X_2)	SBIL (X_3)	EBL (X_4)	HBL (X_5)
2003/04	110	65	-	20	-
2004/05	120	70	-	-	11.58
2005/06	130	85	5	25	35
2006/07	80	100	12.59	10	15
2007/08	80	60	-	20	25
Total	**520**	**380**	**17.59**	**75**	**86.58**

Year	$(X_1-\bar{X}_1)^2$	$(X_2-\bar{X}_2)^2$	$(X_3-\bar{X}_3)^2$	$(X_4-\bar{X}_4)^2$	$(X_5-\bar{X}_5)^2$
2003/04	36	121	12.39	25	299.98
2004/05	256	36	12.39	225	32.95
2005/06	676	81	2.19	100	312.58
2006/07	576	576	82.27	25	5.38
2007/08	576	256	12.39	25	58.98
Total	**2120**	**1070**	**121.63**	**400**	**709.87**

SCBL	NABIL	SBIL	EBL	HBL
Mean=104	Mean=76	Mean=3.52	Mean=15	Mean=17.32
S.D.=20.59	S.D.=14.63	S.D.=4.93	S.D.=8.94	S.D.=11.92
C.V.=0.198	C.V.=0.1925	C.V.=1.4	C.V.=0.596	C.V.=0.688

Appendix-IV

D/P Ratio of the Sample Banks

Year	SCBIL (X_1)	NABIL (X_2)	SBIL (X_3)	EBL (X_4)	HBL (X_5)
2003/04	0.7663	0.7019	-	0.4388	-
2004/05	0.8383	0.6636	-	-	0.2417
2005/06	0.7379	0.6578	0.3418	0.3989	0.5908
2006/07	0.478	0.7295	0.3199	0.1276	0.2473
2007/08	0.6064	0.554	-	0.2388	0.3985
Total	**3.4269**	**3.3068**	**0.6617**	**1.2041**	**1.4783**

Year	$(X_1-\bar{X}_1)^2$	$(X_2-\bar{X}_2)^2$	$(X_3-\bar{X}_3)^2$	$(X_4-\bar{X}_4)^2$	$(X_5-\bar{X}_5)^2$
2003/04	0.0065	0.0016	0.01775	0.0392	0.08744
2004/05	0.0234	0.000005	0.01775	0.05799	0.00292
2005/06	0.0028	0.000013	0.04389	0.02499	0.08708
2006/07	0.043	0.00464	0.03519	0.0128	0.00234
2007/08	0.0062	0.01154	0.01775	0.000004	0.01057
Total	**0.0819**	**0.017798**	**0.13233**	**0.13498**	**0.19035**

SCBL	NABIL	SBIL	EBL	HBL
Mean=0.6854	Mean=0.6614	Mean=0.1323	Mean=0.2408	Mean=0.2957
S.D.=0.12798	S.D.=0.0597	S.D.=0.1627	S.D.=0.1643	S.D.=0.1951
C.V.=0.1867	C.V.=0.0903	C.V.=1.2298	C.V.=0.6823	C.V.=0.6598

Appendix-V

NWPS of the Sample Banks

Year	SCBIL (X_1)	NABIL (X_2)	SBIL (X_3)	EBL (X_4)	HBl (X_5)
2003/04	399.24	301.37	146.8	171.53	246.93
2004/05	422.37	337.16	159.54	169.15	239.59
2005/06	468.22	381.36	153.44	185.87	228.72
2006/07	512.12	418.22	178.04	292.75	264.74
2007/08	401.52	354	160.57	321.77	247.95
Total	**2203.47**	**179.11**	**798.39**	**1141.07**	**1227.93**

Year	$(X_1-\bar{X}_1)^2$	$(X_2-\bar{X}_2)^2$	$(X_3-\bar{X}_3)^2$	$(X_4-\bar{X}_4)^2$	$(X_5-\bar{X}_5)^2$
2003/04	1718.434	3254.93	165.84	3212.62	1.7956
2004/05	335.769	452.073	0.01904	3488.084	36
2005/06	757.681	526.152	38.9126	1792.676	284.597
2006/07	5101.67	3575.8	337.163	4165.412	366.723
2007/08	1534.602	19.554	0.7957	8753.474	5.5696
Total	**9448.156**	**7828.51**	**542.73**	**21412.27**	**694.685**

SCBL	NABIL	SBIL	EBL	HBL
Mean=440.694	Mean=358.422	Mean=159.678	Mean=228.21	Mean=245.59
S.D.=43.4699	S.D.=39.569	S.D.=10.42	S.D.=65.44	S.D.=11.787
C.V.=0.0986	C.V.=0.1104	C.V.=0.0653	C.V.=0.287	C.V.=0.04799

Appendix-VI

Market price before and after book close date

Company	Dividend		Before book close stock price	After book close stock price	After dividend adjusted price
	Cash Dividend	Stock Dividend			
SCBL	80	50%	8700	5010	5747
NABIL	60	40%	6700	5000	4743
SBIL	0	0	1770	1770	1770
EBL	20	10%	2820	2775	2545
HBL	25	20%	2840	2220	2346

Appendix-VII

Simple Registration (SCBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.397[a]	.157	-.011	1596.535917

a. Predictors: (Constant), DPS (SCBL)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2380233	1	2380233.333	.934	.378[a]
	Residual	12744635	5	2548926.933		
	Total	15124868	6			

a. Predictors: (Constant), DPS (SCBL)

b. Dependent Variable: MPS (SCBL)

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig.
1. (Constant)	6940.333	4396.517		1.579	.175
DPS	-39.278	40.646	-.397	-.966	.378

a. Dependent Variable: MPS (SCBL)

Simple Registration (NABIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849[a]	.721	.665	881.037718

a. Predictors: (Constant), DPS (NABIL)

Coefficients[a]

Model		Unstandardized Coefficients		Standarized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1904.474	1088.471		-1.750	.141
	DPS	56.666	15.769	.849	3.593	.016

a. Dependent Variable: MPS (NABIL)

ANOVA[b]

Model	Sum of squares	DF	Mean Square	F	Sig.
Regression	10022984	1	10022984.13	12.912	0.16[a]
Residual	3881137	5	776227.460		
Total	13904121	6			

a. Predictors: (Constant), DPS (NABIL)

b. Dependent Variable: MPS (NABIL)

Simple Regression (SBIL)

Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.121[a]	.015	-.478	473.912496

a. Predictors: (Constant), DPS (SBIL)

Coefficients[a]

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	553.586	533.166	.121	1.038	.408
	DPS	7.209	41.905		.172	.879

a. Dependent Variable: MPS (SBIL)

ANOVA[b]

Model		Sum of Squares	df`	Mean Square	F	Sig.
1	Regression	6646.642	1	6646.642	.030	.879[a]
	Residual	449186.1	2	224593.054		
	Total	455832.8	3			

a. Predictors: (Constant), DPS (SBIL)

b. Dependent Variable: MPS (SBIL)

Simple Regression (EBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662[a]	.439	.252	704.459081

a. Predictors: (Constant), DPS (EBL)

ANOVA[b]

Model		Sum of Squares	df`	Mean Square	F	Sig.
1	Regression	1164467	1	1164467.008	2.346	.223[a]
	Residual	1488788	3	496262.597		
	Total	2653255	4			

a. Predictors: (Constant), DPS (EBL)

b. Dependent Variable: MPS (EBL)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2988.458	1261.815	-.662	2.368	.099
	DPS	-98.508	64.308		-1.532	.223

a. Dependent Variable: MPS (EBL)

Simple Regression (HBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.280[a]	.078	-.152	384.210314

a. Predictors: (Constant), DPS (HBL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	50223.073	1	50223.073	.340	.591[a]
Residual	590470.3	4	147617.565		
Total	640693.3	5			

a. Predictors: (Constant), DPS (HBL)

b. Dependent Variable: MPS (HBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10025.021	312.489	.280	3.280	.030
DPS	8.196	14.052		.583	.591

a. Dependent Variable: MPS (HBL)

Simple Regression (SCBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.727[a]	.529	.435	1193.5717

a. Predictors: (Constant), EPS (SCBL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	8001801	1	8001801.399	5.617	.064[a]
	Residual	7123067	5	1424613.320		
	Total	15124868	6			

a. Predictors: (Constant), EPS (SCBL)

b. Dependent Variable: MPS (SCBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-7621.42	4391.792		-1.735	.143
EPS	69.207	29.201	.727	2.370	.064

a. Dependent Variable: MPS (SCBL)

Simple Regression (NABIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747[a]	.558	.469	1109.0862

a. Predictors: (Constant), EPS (NABIL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	7753761	1	7753760.968	6.304	.054[a]
	Residual	6150360	5	1230072.092		
	Total	13904121	6			

a. Predictors: (Constant), EPS (NABIL)

b. Dependent Variable: MPS (NABIL)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1582.53	1418.302		-1.116	.315
	EPS	35.886	14.293	.747	2.511	.054

a. Dependent Variable: MPS (NABIL)

Simple Regression (SBIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919[a]	.845	.814	136.8614

a. Predictors: (Constant), EPS (SBIL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	509108.2	1	509108.156	27.180	.003[a]
	Residual	93655.272	5	18731.054		
	Total	602763.4	6			

a. Predictors: (Constant), EPS (SBIL)

b. Dependent Variable: MPS (SBIL)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	61.104	100.824		.606	.571
	EPS	27.478	5.271	.919	5.213	.003

a. Dependent Variable: MPS (SBIL)

Simple Regression (EBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.936[a]	.876	.851	276.8293

a. Predictors: (Constant), EPS (EBL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	2706378	1	2706378.456	35.315	.002[a]
	Residual	383172.4	5	76634.480		
	Total	3089551	6			

a. Predictors: (Constant), EPS (EBL)

b. Dependent Variable: MPS (EBL)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-776.880	313.584		-2.477	.056
	EPS	36.670	6.171	.936	5.943	.002

a. Dependent Variable: MPS (EBL)

Simple Regression (HBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.647[a]	.419	.303	293.4648

a. Predictors: (Constant), EPS (HBL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	310731.4	1	310731.425	3.608	.116[a]
	Residual	430608.0	5	86121.601		
	Total	741339.4	6			

a. Predictors: (Constant), EPS (HBL)

b. Dependent Variable: MPS (HBL)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	271.405	467.324		.581	.587
	EPS	14.367	7.564	.647	1.899	.116

a. Dependent Variable: MPS (HBL)

Simple Regression (SCBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.149[a]	.022	-.173	17.3704

a. Predictors: (Constant), EPS (SCBL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	34.199	1	34.199	.113	.750[a]
	Residual	1508.659	5	301.732		
	Total	1542.875	6			

a. Predictors: (Constant), EPS (SCBL)

b. Dependent Variable: DPS (SCBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	85.739	63.915		1.341	.237
EPS	.143	.425	.149	.337	.750

a. Dependent Variable: DPS (SCBL)

Simple Regression (NABIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908[a]	.824	.789	10.4782

a. Predictors: (Constant), EPS (NABIL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	2572.466	1	2572.466	23.430	.005
Residual	548.963	5	109.793		
Total	3121.429	6			

a. Predictors: (Constant), EPS (NABIL)

b. Dependent Variable: DPS (NABIL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.752	13.400		.280	.791
EPS	.654	.135	.908	4.840	.005

a. Dependent Variable: DPS (NABIL)

Simple Regression (SBIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.126[a]	.016	-.476	7.9332

a. Predictors: (Constant), EPS (SBIL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	2.024	1	2.024	.032	.874[a]
Residual	125.872	2	62.936		
Total	127.896	3			

a. Predictors: (Constant), EPS (SBIL)

b. Dependent Variable: DPS (SBIL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	12.549	7.549		1.662	.238
EPS	-5.9202	.330	-.126	-.179	.874

a. Dependent Variable: DPS (SBIL)

Simple Regression (EBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.487[a]	.237	-.018	5.5254

a. Predictors: (Constant), EPS (EBL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	28.411	1	28.411	.931	.406[a]
Residual	91.589	3	30.530		
Total	120.000	4			

a. Predictors: (Constant), EPS (EBL)

b. Dependent Variable: DPS (EBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	25.357	7.038		3.603	.037
EPS	-.128	.133	-.487	-.965	.406

a. Dependent Variable: DPS (EBL)

Simple Regression (HBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.540[a]	.292	.115	11.5039

a. Predictors: (Constant), EPS (HBL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	218.200	1	218.200	1.649	.268[a]
Residual	529.363	4	132.341		
Total	747.562	5			

a. Predictors: (Constant), EPS (HBL)

b. Dependent Variable: DPS (HBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.5.495	19.822		-.277	.795
EPS	.400	.311	.540	1.284	.268

a. Dependent Variable: DPS (HBL)

Simple Regression (SCBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.069[a]	.005	-.194	67.6134

a. Predictors: (Constant), DPS (SCBL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	110.807	1	110.807	.024	.882[a]
Residual	22857.892	5	4571.578		
Total	22968.698	6			

a. Predictors: (Constant), DPS (SCBL)

b. Dependent Variable: NWPS (SCBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	442.495	186.193		2.377	.063
DPS	-.268	1.721	-.069	-.156	.882

a. Dependent Variable: NWPS (SCBL)

Simple Regression (NABIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	..887[a]	.787	.745	38.0967

a. Predictors: (Constant), DPS (NABIL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	26885.837	1	26885.837	18.525	.008[a]
	Residual	7256.802	5	1451.360		
	Total	34142.639	6			

a. Predictors: (Constant), DPS (NABIL)

b. Dependent Variable: NWPS (NABIL)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	114.937	47.066		2.442	.059
	DPS	2.935	.682	.887	4.304	.008

a. Dependent Variable: NWPS (NABIL)

Simple Regression (SBIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.547[a]	.299	-.051	19.2343

a. Predictors: (Constant), DPS (SBIL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	315.694	1	315.694	.853	.453[a]
	Residual	739.920	2	369.960		
	Total	1055.614	3			

a. Predictors: (Constant), DPS (SBIL)

b. Dependent Variable: NWPS (SBIL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	139.908	21.639		6.466	.023
DPS	1.571	1.701	.547	.924	.453

a. Dependent Variable: NWPS (SBIL)

Simple Regression (EBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797[a]	.635	.513	42.1126

a. Predictors: (Constant), DPS (EBL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	9245.867	1	9245.867	5.213	.107[a]
	Residual	5320.421	3	1773.474		
	Total	14566.289	4			

a. Predictors: (Constant), DPS (EBL)

b. Dependent Variable: NWPS (EBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	355.741	75.431		4.716	.018
DPS	-8.778	3.844	-.797	-2.283	.107

a. Dependent Variable: NWPS (EBL)

Simple Regression (HBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	..563[a]	.317	.146	14.3098

a. Predictors: (Constant), DPS (HBL)

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	380.184	1	380.184	1.857	.245[a]
Residual	819.081	4	204.770		
Total	1199.265	5			

a. Predictors: (Constant), DPS (HBL)

b. Dependent Variable: NWPS (HBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	253.898	11.639		21.815	.000
DPS	-.713	.523	-.563	-1.363	.245

a. Dependent Variable: NWPS (HBL)

Appendix-VIII

Multiple Regressions (SCBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917[a]	.841	.682	895.4654

a. Predictors: (Constant), NWPS, DPS, EPS

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	12719293	3	4239764.450	5.287	.102[a]
Residual	2405575	3	801858.217		
Total	15124868	6			

a. Predictors: (Constant), NWPS, DPS, EPS

b. Dependent Variable: MPS

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2956.66	3852.954		-.767	.499
DPS	-38.736	26.286	-.391	-1.474	.237
EPS	23.152	58.700	.243	.394	.720
NWPS	15.408	15.693	.600	.982	.399

a. Dependent Variable: MPS

Multiple Regressions (NABIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920[a]	.846	.692	845.0850

a. Predictors: (Constant), NWPS, DPS, EPS

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	11761616	3	3920538.563	5.490	.098[a]
Residual	2142506	3	714168.580		
Total	13904121	6			

a. Predictors: (Constant), NWPS, DPS, EPS

b. Dependent Variable: MPS

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5617.63	2692.578		-2.086	.128
DPS	72.172	36.373	1.081	1.984	.141
EPS	-115.408	75.314	-2.402	-1.532	.223
NWPS	44.296	28.769	2.195	1.540	.221

a. Dependent Variable: MPS

Multiple Regressions (SBIL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956[a]	.914	.829	131.0907

a. Predictors: (Constant), NWPS, DPS, EPS

ANOVA[b]

Model	Sum of squares	df`	Mean Square	F	Sig.
1 Regression	551209.1	3	183736.375	10.692	.041[a]
Residual	51554.303	3	17184.768		
Total	602763.4	6			

a. Predictors: (Constant), NWPS, DPS, EPS

b. Dependent Variable: MPS

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-164.353	698.212		-.235	.829
DPS	9.735	8.761	.235	1.111	.348
EPS	24.536	7.002	.821	3.504	.039
NWPS	1.377	5.245	.073	.263	.810

a. Dependent Variable: MPS

Multiple Regressions (EBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.982[a]	.965	.851	303.9268

a. Predictors: (Constant), NWPS, DPS, EPS

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	2560883	3	853627.776	9.241	.236[a]
	Residual	92371.473	1	92371.473		
	Total	2653255	4			

a. Predictors: (Constant), NWPS, DPS, EPS

b. Dependent Variable: MPS

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2059.18	7273.560		-.283	.824
DPS	24.147	199.375	.162	.121	.923
EPS	7.795	77.547	.199	.101	.936
NWPS	12.331	38.664	.914	.319	.803

a. Dependent Variable: MPS

Multiple Regressions (HBL)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951[a]	.905	.762	174.5359

a. Predictors: (Constant), NWPS, EPS, DPS (HBL)

ANOVA[b]

Model		Sum of squares	df`	Mean Square	F	Sig.
1	Regression	579767.8	3	193255.929	6.344	.139[a]
	Residual	60925.545	2	30462.773		
	Total	640693.3	5			

a. Predictors: (Constant), NWPS, EPS, DPS (HBL)

b. Dependent Variable: MPS (HBL)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-4887.798	1591.845		-3.071	.092
DPS	19.468	9.903	.665	1.966	.188
EPS	6.174	6.062	.285	1.018	.416
NWPS	22.126	6.585	.957	3.360	.078

a. Dependent Variable: MPS (HBL)

Appendix - IX

Pro forma of structured questionnaire

A survey on dividend policy and practices of listed commercial banks.

Q.1 How do you concern with dividend aspect?

( ) Concerned ( ) Highly concerned

Q.2 Which three factors do you consider most while forming dividend policy? Please rank the following.

( ) Market Price ( ) Current earning

( ) Liquidity ( ) Net worth

( ) Past dividend ( ) Regularity position

Q.3 Do you take into account the shareholders expected return while turning dividend policy?

( ) Yes ( ) No

Q.4 What kind of dividend does your bank pay?

( ) Cash dividend ( ) Stock dividend

Q.5 Among the various dividend policies, which policy does your bank follows?

( ) Earning based dividend ( ) Residual dividend policy

( ) Steady dividend policy ( ) Fixed plus extra dividend policy

Q.6 Please rank the following motives of stock dividend.

( ) To converse cash ( ) To indicate higher future profit

( ) To raise future dividend for shareholders

( ) To lower the firm's stock price ( ) Others (if any)

Q.7 Do you suggest for stock split in order to maximize the wealth of shareholders?

( ) Yes ( ) No

Q.8 In Nepal share repurchase is not allowed. Do you think that this kind of legal restriction should continue to prevail?

( ) Should continue ( ) Should not continue

( ) Don't know

Q.9. Do you have consistent dividend policy?

( ) Yes ( ) No

Thank You

Number and percentage of response (Based on Questionnaire)

		No. of respondents	Percentage
Q.1			
	a.	18	72
	b.	7	28
Q.2			
	a.	-	-
	b.	17	64
	c.	16	24
	d.	-	-
	e.	2	8
	f.	-	-
Q.3.			
	a.	25	100
	b.	3	12
Q.4.			
	a.	22	88
	b.	3	12
Q.5.			
	a.	21	84
	b..	4	16
	c.	-	-
	d.	-	-
Q.6			
	a.	16	64
	b.	5	20
	c.	4	16
	d.	-	-
	e.	-	-
Q.7			
	a.	-	-
	b.	25	100
Q.8			
	a .	15	60
	b.	8	32
	c.	2	8
Q.9			
	a.	11	44
	b.	14	56