IMPACT OF DIVIDEND DISTRIBUTION ON STOCK PRICE OF COMMERCIAL BANKS OF NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

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

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

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Surya Kumar Khatiwada

June 2024

REPORT OF RESEARCH COMMITTEE

Mr. Surya Kumar Khatiwada has defended research proposal entitled **"Impact of Dividend Distribution on Stock Price of Commercial Banks of Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor, Kamal Prakash Adhikari and submit the dissertation for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Impact of Dividend Distribution on Stock Price of Commercial Banks of Nepal"** presented by Surya Kumar Khatiwada, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

CV	:	Coefficient of Variation
DPR	:	Dividend Payout Ratio
DPS	:	Dividend per Share
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
MPS	:	Market Price Share
MVPS	:	Market Value per Share
NABIL	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NEPSE	:	Nepal Stock Exchange
NICA	:	NIC Asia Bank Limited
PE	:	Price Earning
SBI	:	Nepal SBI Bank Limited
SD	:	Standard Deviation
SEBON	:	Securities exchange Board in Nepal

ABSTRACTS

The research aims to assess the relationship between earnings and dividends, the market price of stocks and dividend payout ratio, the market price of stocks and earnings, and earnings and dividend yield in Nepalese commercial banks. Five banks NABIL, EBL, NICA, NBL, and SBI were chosen as the sample. Research designs often fall into one of five categories: quantitative, qualitative, or both. Only an analytical and descriptive research design will be used for this investigation. To achieve the objectives of the study, both financial and statistical tools have been used. The study found that higher earnings indicate stronger companies, with NABIL and EBL paying higher dividends to shareholders. The mean dividend per share (DPS) and dividend payout ratios fluctuated, with NBL having the highest fluctuating DPR. The mean MVPS for five commercial banks over a 10-year period was 834.92, with EPS ranging from 33.99 to 86.04 and a deviation of 7.1247. A regression model showed that changes in independent variables explained 93.60 percent of changes in the dependent variable. Earnings per share, dividend per share, dividend yield, and price earnings ratio have positive and statistically significant relations with MVPS, making them good explanatory variables for banking performance analysis.

Keywords: earning per share, dividend per share, dividend payout ratio, dividend yield, price earnings ratio, market value per share, bank performance and returns on equity.

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Bank is a type of financial intermediary that takes deposits from the general public and uses loan operations to distribute the funds to various economic sectors. The growth of the banking sector is essential to a nation's success and prosperity since banks are seen as essential parts of the financial system. The founding of Nepal Bank Limited on April 30, 1994 B.S. marked the beginning of the country's modern banking sector. On Baisakh 14, 2013 B.S., Nepal Rastra Bank was founded following the formation of Nepal Bank Ltd., which had existed for 12 years. Up until Nepal Rastra Bank's founding, Nepal Bank Limited served as both a commercial bank and a central bank. There are twenty commercial banks in Nepal as of Poush 2080.

The portion of a company's profits or free cash flows that is given to shareholders in the form of cash or equity is known as the dividend. The choice to pay dividends has a significant impact on both the value of the firm and shareholder wealth. The decision of whether to pay cash dividends now, increase payouts later, or pay dividends in the form of stock dividends is known as dividend policy. The expectations of shareholders guide financial managers' judgments on dividends. Essentially, the main goal of a dividend policy is to determine the proportion of a company's income that should be retained for internal use as investments and distributed to shareholders as dividends (Lintner, 1956).

There is a lot of research on the relationship between dividend levels and share prices. Theories like agency theory, signaling theory, and stakeholder theory suggest that rising dividends should be accompanied by rising firm value, but Miller and Modigliani contend that decisions about dividends have no bearing on firm value. Dividends and retained earnings are inversely correlated, with dividend payments lowering retained earnings and profit retention reducing shareholder value. The dividend policy should be suitable for the company as well as its investors. The dividend policy's main purpose is to maximize the buying power and, consequently, the wealth of shareholders. As such, its success in attaining this goal will be critical in deciding how well the firm does overall. The effect of a company's dividend policy on stock price is important for investors building portfolios, economists studying the capital market, and management responsible for establishing the policy. Based

on this premise, the study sought to determine how dividend policy influences the market value of shares in Nepal's banking sector (Miller & Modigliani, 1961).

The effect of dividend policy on stock prices has been a subject of debate among managers, policy officials, and academics for some years, ever since Miller and Modigliani's (1961) dividend hypothesis. If a company has an optimal investment program, Miller and Modigliani (1961) state that the decision on the dividend policy of the company has no impact on the wealth of its shareholders. However, Gordon (1963) argues that dividend policy affects the firm's value and the market price of its shares. The author claims that since they desire an early resolution of uncertainty, shareholders will pay more for a share with a greater dividend payment ratio. The author asserts that investors would never choose capital gains above dividends as a dependable source of current income.

The dividend is one of the primary elements affecting the public's desire to buy bank or other institution shares. It discusses the portion of earnings distributed to shareholders in exchange for their ownership of the shares. In general, a profitable company has the ability to pay dividends. A sizeable portion must be distributed as a dividend in order to meet the average expectations of shareholders. Securities, cash, or a mix of these might be awarded as a dividend. There is a reciprocal relationship between retained earnings and cash dividends. Therefore, the cash dividend payment reduces the overall amount of internal financing. There are three themes covered in this section. First off, how do businesses decide how much to pay in dividends and how to distribute those payments to investors? Next, we look at the dividend payout ratio and the dividend yield, two metrics that are frequently used to determine a company's amount of dividend payments. Next, we look at some factual data about the decisions and actions made by businesses regarding dividend adjustments.

In finance theory, dividend selection is very crucial. Dividend selection is still a crucial and divisive aspect of management finance, nevertheless. Given its complexity and extensive impact on the organization, it is a more advanced facet of finance. A company's dividend policy may affect a variety of aspects of the firm, such as cash flow, stock prices, investor satisfaction, corporate development, and financial structure. Such other major decisions the company makes, such finance and investment choices, the dividend decision is crucial to the operation of any given firm. Dividend payments reduce the amount of earnings retained by the firm and have an effect on the total amount of internal financing. Expanding a business

requires additional money. Financing for this might come from the inside or the outside. An illustration of an external source would be the issuing of bonds, debentures, shares, etc. Conversely, the internal source is the remaining earnings following dividend payments. Thus, the amount of internal funding is greatly influenced by the company's dividend policy. The cost of external funding is significantly greater than retained earnings due to the additional expenses involved, hence it is critical for the existing organization to choose which source is most profitable.

Retained earnings are used to fund lucrative endeavors, which quickens the company's rate of expansion. The dividend rate is the main source of disagreement between the management and the shareholders; the former would want to see a greater payment while the latter would prefer to retain a larger percentage of the company's income for investment reasons. The company's dividend policy is the main financial decision that will impact its future capital structure and pace of development.

Most state-owned companies in Nepal are losing money. Dividend payments are not possible in this situation. The main goal for these companies is to minimize their losses. In reality, very few companies pay dividends. But new standards for effective capital raising have been set by the practice of paying dividends to shareholders when joint venture enterprises are formed. The trend of dividend distribution has not only attracted investors but also raised management's awareness of the dividend payment policy.

1.2 Problem Statement

Despite a great deal of research on the subject, corporate dividend policy has long been a matter of interest in the financial literature. Dividend policy has remained a contentious topic ever since the findings of several studies, which were followed by Miller and Modigliani's (1961) work. This has really been the case since Miller and Modigliani's irrelevance argument from 1961, which states that all dividend policies are equal and that, in ideal capital markets, no one policy can raise shareholders' wealth.

Joshi (2012) discovered that DPS is a driving force in the Nepalese financial sector, powerful enough to raise the market price per share of banking and non-banking companies, after observing the effect of dividends on the stock price of the Nepalese stock market. Comparatively, it is also discovered that DPS has a bigger impact on market price per share

than REPS. In conclusion, the research indicates that fluctuations in share prices in the banking and nonbanking industries may be largely explained by retained earnings and dividends. After performing research on the relationship between dividend policy and share price volatility: a case study of Nepalese commercial banks, Gautam et al. (2016) conclude that, in the case of Nepalese commercial banks, the dividend is the decisive element that changes the wealth of the shareholders. The results showed that while dividend yield, dividend payment, and size all significantly reduce share price volatility, there is a substantial positive correlation between dividend yield and share price volatility. Price volatility has a negative and negligible relationship with growth and earnings volatility.

While there exist several theories explaining the distinct effects of dividend policies on stock prices, Nepal's commercial banks lack a comparable dividend policy characteristic. In light of this, the study aims to address the following research issues in relation to Nepal.

- What are the major factors for the determinants of the stock price?
- Is there any relationship between EPS, DPS, DPR, DY, PE and MVPS of commercial banks?
- What are the effects of EPS, DPS, DPR, DY, and PE on MVPS of commercial banks?

1.3 Objectives of the Study

The desired results are known as objectives. Any kind of research is meaningless without specific aims. Thus, this research has certain goals as well. Analyzing the relevant variables impacting dividend policy is the primary goal of the study, which is further divided into the following sub goals:

- To examine the major factors that affect the determinants of the stock price.
- To assess the relationship between EPS, DPS, DPR, DY, PE and MVPS of commercial banks.
- To assess the effects of EPS, DPS, DPR, DY, PE on MVPS of commercial banks.

1.4 Hypotheses

H1: Earning per share has a positive and significant impact on the stock price.

H2: Dividend per share has a positive and significant impact on the stock price.

H3: Dividend payout ratio has a positive and significant impact on the stock price.

H4: Dividend yield has a positive and significant impact on the stock price.

H5: Price earnings ratio has a positive and significant impact on the stock price.

1.5 Rationale of the Study

A business organization's dividend policy is one of the most significant decisions since it is a critical component. The purpose of this study is to give relevant information to investors and the corresponding companies that were used as the sample. Furthermore, this study will assist potential investors in making informed decisions about their investments. In addition to stock brokers, financial agencies, academics, policy makers, and other stock holders, this study will be helpful to management in identifying the gaps in the dividend policy and offering potential solutions. The following points might be used to emphasize the study's relevance in particular:

i. The study will assist management and policymakers in developing and establishing an appropriate split policy.
ii. This study will yield important data about how dividend policies affect stock market prices.
iii. iii. To increase public knowledge of the connection between a company's dividend policy and its market price, assisting people in making informed investment decisions.
iv. This study will offer recommendations and suggestions that will be beneficial for investors and other researchers.

1.6 Limitations of the Study

This study is also not free from the limitation. There will be some limitations while making analysis such as shortage of time, reliability of statistical tools used and lack of research and experience. Basically, these studies come with following limitation:

- Among 20 commercial banks, this study is based on five commercial banks name NABIL Bank Limited, Everest Bank Limited, NIC Asia Bank Limited, Nepal Bank Limited and Nepal SBI Bank Limited.
- This study covers with only of 10 years from 2070/71 to 2079/80.
- The whole study will be based on secondary data collected from annual financial reports of sample banks.
- The limited financial and statistical tools are used for analysis.

CHAPTER II
LITERATURE REVIEW

The evaluation of various dividend policy literature sources, including books, journals, research papers, and unpublished theses, is the focus of this chapter. The theoretical review and the empirical review are two of the chapter's primary headings. This research will greatly benefit from a review of research on the dividend and dividend policy, as well as relevant theory and context studies from Nepal and throughout the world.

- Theoretical Review
- Empirical Review

2.1 Introduction

A crucial component of corporate financial management, dividend policy affects shareholder wealth and business performance. This research examines a number of aspects of dividend policy's effects on investor behavior, corporation value, and overall financial strategy.

A complicated and multidimensional part of financial management is still dividend policy. Although different theoretical frameworks present different viewpoints about its significance, empirical research presents inconsistent findings that are impacted by variables including investor inclinations, market dynamics, and company governance frameworks. It is crucial for investors looking to maximize returns as well as corporate managers trying to enhance company value to comprehend the subtleties of dividend policy.

2.2 Theoretical Review

A crucial component of financial management is dividend policy, which deals with choices about how earnings are distributed to shareholders as dividends. Numerous theories have been established to elucidate the reasoning and significance of dividend policy determinations. The primary theoretical frameworks are covered in this overview, including the Bird-in-the-Hand Theory, Dividend Irrelevance Theory, Tax Preference Theory, Agency Theory, and Signaling Theory.

The impact of dividend policy on a company's value has been widely discussed. Since the turn of the century, several research have been carried out to ascertain how dividend policy

affects stock value. According to some academicians, distributing dividends to shareholders increases the stock's worth. Conversely, although some contend that dividends are meaningless, others counter that dividend payments cause shareholder value to decline. Though a great deal of research has been done in the area of value and dividend policy, very little of it explains how dividend policy affects MVPS. As a result, this study looks at how dividend policy affects the MPPS of commercial banks in an effort to further the field and add value to existing studies.

Over time, payment theories have changed to explain how corporate dividend distributions impact stock prices. Miller and Modigliani (1961) argued that in a perfect market, shareholders would not care about dividend policy since the firm's worth is decided by its finance and investment decisions rather than its payment selections. The premise of this argument is that perfect capital markets exist in which there are no taxes, no flotation or transactions, symmetrical and priceless information (i.e., all market participants have free and equal access to the same information), no conflicts of interest between managers and shareholders and hence no agency costs, and price taking by all market participants. Based on these presumptions, Miller and Modigliani (1961) argue that all payout schemes are essentially the same for all investors. This is due to the fact that stockholders who sell off a portion of their ownership might produce "homemade" dividends. For investors, dividends and capital gains would thus be meaningless. Empirical data abounds to support the dividend irrelevance argument.

There are several different viewpoints on why and how businesses decide to allocate earnings to shareholders within the theoretical frameworks of dividend policy. Different facets of investor behavior, flaws in the market, and corporate governance are highlighted by each theory. Although there isn't a single theory that can fully account for dividend policy choices, knowing these ideas helps to clarify the intricate workings of investor relations and corporate finance. These ideas and their application in different market settings can be improved with further empirical research and studies that are context-specific.

2.2.1 Dividend Relevance Theory

According to this idea, which dates back to 1934, the influence of a particular dividend on stock prices is four times greater than that of a given amount of retained earnings. Known by another name, the "Rightist Theory," it proposes that businesses ought to boost their dividend

payments since doing so will double the value of their stock (Brealey & Myers, 1996). Proponents wanted companies to consistently pay dividends to investors because they felt that the stock market consistently favored large dividend payments over small ones. The two main proponents of this hypothesis are Gordon (1959) and Walter (1956). According to Walter (1956), who was referenced by Brealey and Myers (1996), Akintoye (2006), and Olowe (2017), an organization's choice to pay dividends depends on how profitable the investment alternatives it has access to are. They said that the decision between the firm's internal rate of return and its cost of capital determines how to maximize returns for shareholders. The underlying presumptions of Walter's (1956) model are as follows:

The entity's funding is limited to equity, and all investors want to avoid any level of risk; the business will primarily finance investment opportunities through retained earnings, so there won't be any external financing or new fund raising; the cost of capital, internal rate of return, earnings per share, and dividend per share will all remain constant over the course of the period; all earnings will either be distributed as dividends to shareholders or retained for internal reinvestment; and the entity will have a perpetual or lasting earnings stream (Araoye et al., 2019).

Gordon (1959) made the primary case that paying dividends to shareholders raises the price of the company's shares on the trading floor (Hirschey & Nofsinger, 2008). The following claims were made by Lintner (1956) to highlight the necessity of consistent dividend payments:

- A long-term goal for companies' dividend payment ratio. Mature companies with consistent earnings and a larger profit margin for investors anticipate this. Conversely, growth corporations will pay out less to protect the stability of the company (Akintoye, 2006).
- The belief that the manager will increase the dividend payment in the current year by concentrating more on adjustments to the payout levels than on the absolute levels in prior years. Because of the demand for shares in anticipation of the dividend payment, this should increase the firm's worth.

2.2.2 Bird-in-the-Hand Theory

The notion known as "bird-in-hand" provides guidance to investors and was first identified by Myron Gordon and John Lintner in 1964. According to this idea, investors consider dividends to be less dangerous than future capital gains because they wish to minimize the risk associated with their investments. As a refutation of dividend irrelevance hypothesis, this notion is found. Investors think that companies can't change a dividend's attributes to make it less likely that they would lose money. Since the stock market is so unpredictable, it is hard to predict the value of a capital gain in the future. In contrast, dividend investors are given dividend payout ratios, and the real return on investment in capital gains is known when the stocks are sold and the selling price must be higher than the cost price. Payout ratios are used by investors to determine the returns on their investments. The majority of investors believe that dividends are one method to track an organization's progress and contend that stocks paying larger dividends are worth more, and the more investors can buy these stocks, the greater their value.

2.2.3 Tax preference theory

The tax preference hypothesis was discovered by K. Ramaswamy and R.H. Litzenberger. According to this idea, because of the tax benefits, investors would rather hold onto their assets for a long time with the expectation of a low payout ratio. Investors contend that because of the modest dividend, the capital gain is invested for the long term and is tax-free unless the shares is bought or sold. The ability of a stockholder's family to inherit and sell their shares in the firm in the event of their death without selling is another benefit of the tax preference theory in capital gains. Sales of deceased stock on the open market are not subject to taxation by the government.

The American stock markets served as the model for this tax advantage. In the American stock market in 1968, capital gains and dividend payouts were subject to a mere 40% tax. However, only 20% of long-term capital gains are subject to tax after that. The tax preference hypothesis is not relevant in India, according to the country's tax regulations, as taxes are levied on the proceeds received by the stock once it is sold, regardless of dividends or capital gains.

2.2.4 Signaling Theory

Michael Spence first created the notion of signaling based on the differences between potential employees and the organization, which led to the adaptation of many other fields. These are the financial choices sent by the firms to each other. Experts claim that the financial choices a firm makes are what convince potential investors to put money into it. This is known as the signaling theory.

2.2.5 Agency Cost Theory

Barry Mitnick discovered the agency cost hypothesis in 1973. The relationship between an agent and a principle is stated in this theory. In this case, the term "principal" refers to the business, while "agent" refers to the individual making decisions on the business's behalf. An economic concept known as "agency costs theory" describes the expenses related to the agent-relationship.

A key feature of this agency cost theory is the conflict of interest that exists between managers and owners. This theory postulates that widespread profit retention motivates managers to act in a way that undervalues the company for the benefit of shareholders. The tension between the company's managers and the dividend to shareholders for their investments is examined using this idea.

Dividend Policy and Share Price Volatility: A corporation may highlight its dividend policy in an effort to get investors to contribute money to the business. As a sign of their commitment, investors buy firm shares, and they anticipate receiving dividend payments in exchange. The recipient of the dividend is a shareholder in the firm. The share price, which varies based on market conditions, represents the company's monetary worth and is determined by Ilaboya and Aggreh (2013).

Dividend policy and share price infringement refers to how the dividend policy affects the company's share price.Typically, a firm announces the dividend amount, date of payment, and the last day that shares are available for purchase prior to the distribution of dividends. As a result of this announcement, investors express interest in buying the company's shares before the final day. As more investors seek to purchase shares, this drives up the price of the stock on the market. Pointon & Omran (2004).

The stock price and dividend policy violation are influenced by a few different factors. The variables consist of the following: share price, dividend yield, payout ratio, and earnings per share. The relationship between dividend policy and share price violation was found through analysis of the presented factors. In order to determine the substantial relationship between a company's dividend and share price, we take controllable variables into account. The study may vary depending on the industry. Other factors also affect the dividend policy and share price violations, such as government taxation policies. Because of these policies, investors are less interested in buying shares, even though the dividend declared is profitable, because of the taxes that must be paid when buying and selling shares, which has a negative impact on investors.

2.2.6 Dividend Irrelevance Theory

Miller and Modigliani's (1961) premise is the main tenet of the dividend irrelevance theory. They believed that the value of the company is unaffected by the payment or nonpayment of dividends. They contended that a company's dividend payment ratio has no impact on shareholders' wealth if it makes a certain investment decision over time (Alajekwu & Ezeabasili, 2020). Additionally, they said that a company's profits or investing practices are the primary factors determining its worth, and as such, the division of earnings between dividends and retained earnings is not required and would not impact the stock price of the company (Bhalla, 2013; Black, 1996; CFA, 2018). The following presumptions form the foundation of the dividend irrelevance policy:

- An ideal capital market with evenly distributed investors and complete assurance on the prevailing market values (Olowe, 2017). A perfect market is one in which there are no buyers or sellers with sufficient volume of transactions to affect the dominant price, according to Miller and Modigliani (1961). As a result, both buyers and sellers have equal and unrestricted access to data on the elements influencing the current price as well as any other pertinent share attributes.
- When investors purchase and sell securities on the exchange, they do not pay brokerage fees or transaction expenses, and this has no effect on the share price.
- There are no tax differences between dividends and capital gains, nor between dispersed and undistributed earnings (Araoye et al., 2019). According to Agila and Jerinabi (2018), this assumption suggests that dividends and capital gains are subject to the same tax rate.

- Miller and Modigliani (1961) clarified that investors will always choose to have greater wealth over a decrease in wealth based on the rational behavior assumptions. Because of this, they don't care if their increased wealth comes in the form of cash payments or a rise in the share price (Brealey & Myers, 1996).
- As long as a company falls into the same risk class, there is no difference between dividend-paying and non-dividend-paying companies in terms of market value.
- Investors are completely assured about the future investment plans and profit positions of these companies.

A number of academics have severely attacked the dividend irrelevance argument, citing assumptions about a perfect market, tax implications, and transaction costs. The theory's detractors point out that there are always going to be transaction costs, tax implications, and bankruptcy expenses associated with trading shares on the market (Alajekwu & Ezeabasili, 2020). In response, Miller and Modigliani (1961) noted that the idea of dividend irrelevance is still unclear both internationally and in Nigeria with regard to the tax shield and bankruptcy expenses.

2.3 Empirical Review

The effects of different dividend policies on financial measures, stock prices, and business performance are examined in an empirical review of the topic. Such a review offers important insights into how dividend policy affects several facets of company finance and investor behavior by methodically examining empirical data.

In general, empirical data indicates that dividend distributions and firm value are positively correlated, especially for established and financially sound businesses. Positive stock price reactions are linked to dividend initiations and increases, suggesting that investors interpret dividend adjustments as indicators of future success. Nonetheless, different industries, market circumstances, and institutional arrangements may have different dividend policy effects, indicating the necessity for context-specific research. A portion of the work has been used as an empirical review reference.

Sharif et al., (2015) wrote an article Effect of Dividend Policy on Stock Prices. This study looks into how stock prices are affected by dividend policies. Finding any relationship at all between dividend policy and stock prices is the aim of this study. We looked at 45 non-

financial companies that are part of the KSE-100 index, have been profitable, and have paid dividends continuously since 2001. The sample technique that is employed is convenience sampling. Due to the nature of the data, tests for pooling, random, and fixed effects are carried out. After the Hausman test, the random effect results are more focused. Regression study results indicate that share market prices, retention ratios, and dividends per share do not significantly correlate. The high positive link between share prices and the dividend payout ratio is supported by the Bird in Hand Theory, which suggests that owners would choose a dollar of projected dividends over a dollar of future capital gains. Return on equity, earnings per share, profit after taxes, and earnings are the five control variables. Stock prices are not significantly impacted by after-tax earnings. Earnings per share and stock prices are significantly positively correlated. Return on equity and share prices have a distinctly negative connection. As this will increase stock market values, it is suggested that the example corporations pay dividends on a regular basis. Conversely, the value of stock market prices will decrease for businesses that keep their earnings.

Bhattarai (2016) wrote an article Effect of Dividend Payment on Stock Prices of Commercial Banks in Nepal: Panel Approach. The impact of dividend payments on Nepali commercial banks' stock prices has been investigated in this study. A causal comparative research strategy was used for the investigation. Six commercial banks' secondary data were gathered during a seven-year period (2010–2016). Both descriptive and inferential statistics were used to analyze the data. This study's empirical research revealed a strong positive correlation between dividend payments and share price. The study comes to the conclusion that Nepalese commercial banks' share prices are positively impacted by their dividend payments.

Farrukh et al. (2017) wrote an article Impact of dividend policy on shareholders wealth and firm performance in Pakistan. In the field of corporate finance, the question of whether dividend policies affect shareholders' wealth remains unanswered. The purpose of this research study is to ascertain how dividend rules impact the wealth of shareholders and the performance of Pakistani companies. A highly debated subject in the literature on corporate finance has been the application of dividend policy. Despite the efforts of several researchers to identify issues surrounding dividend policy, we are still in need of a convincing explanation for the behavior of the policy. This analysis takes into account the dividend policy, shareholder wealth, and corporate success. Dividend yield and dividend per share are

used to evaluate dividend policy. The share price and earnings per share are used as stand-ins for the wealth of shareholders. The return on equity measures the company's success. Regression research shows that dividend policy has a positive and significant impact on shareholder wealth and business success. This study provided validation for the clientele-effect theory, bird in hand theory, signaling effect theory, and dividend relevance theory. The study highlights how the company's financial management, working with an effective supervisory framework supervised by capital market regulatory authorities, has enhanced the company's performance and the wealth of its Pakistani shareholders by implementing a target-oriented, controlled, and steady dividend policy. Furthermore, adequate corporate information about dividend distribution and dividend per share is needed to safeguard potential investors from making bad investment choices in listed firms.

Baral and Pradhan (2018) wrote an article Impact of Dividend Policy on Share Price of Commercial Bank in Nepal. The purpose of this study is to look at how dividend policies impact the share prices of Nepali commercial banks. The cross-sectional data sets from ten commercial banks together form the basis of the study. The selection of banks was based on their performance in the Nepalese stock market, specifically identifying the top performers and underperformers. Data was collected from Nepalese commercial banks listed in NEPSE for the fiscal years 2012–2013 through 2016–17. The study analyzes the effect of these factors on stock price using P/E ratios, DPR, ANOVA, correlation and regression, and Wilcoxon Signed Rank Test. The articles conclude that EPS and P/E ratio have positive connections with stock price, except from DPR. P/E is the factor that affects share price the most for commercial banks that perform well; among other factors, EPS, P/E ratio, and DPR have a positive effect on stock price. DPR is the factor that most affects the share price in the case of the top loss bank.

Sing and Tandon (2019) wrote an article The Effect of Dividend Policy on Stock Price: Evidence from the Indian Market. The link between dividend policy and market price of shares is one of the most discussed topics in the world of corporate finance. A sizable body of literature both supports and refutes this claim. The goal of the current study is to assess how dividend policies have affected Nifty 50 firms' market values for shares that have been listed on the National Stock Exchange (NSE) between 2008 and 2017. Multiple panel data regression methods, including pooled regression, fixed effect models, and random effect models, have been used to analyze the data. The best regression model has been

recommended using the Hausman test. The random effect model is more pertinent in explaining the relationship between the supplied variables, according to the Hausman test result. The pertinent dividend policy methods are supported by the random effect regression model's results. Thus, we draw the conclusion that dividend policies have a big impact on company stock prices.

Bhattarai (2020) wrote an article determinants of dividend payout decisions of commercial banks in Nepal. The goal of this study is to identify the variables influencing Nepalese commercial banks' decisions to issue dividends. The secondary balance panel data from 12 commercial banks, including 60 observations between 2070/71 and 2074/75, served as the study's foundation. While return on assets, bank size, market value per share, and inflation rate are considered independent factors, the dividend payout ratio is considered a dependent variable. This study estimates the outcomes of panel data analysis using the Random Effects and Pooled OLS models. The results of these models' regression show that Nepalese commercial banks' decisions to pay dividends are inversely correlated with their profitability, bank size, and inflation rate. It demonstrated that decisions on dividend payout will be made with greater profitability, bank growth, and reduced inflation rates in mind. Nonetheless, the findings indicate a favorable correlation between the choice to pay dividends and market value per share. This suggests that the choice to enhance dividend distribution is influenced by an increase in market value per share. The market value per share is the primary factor influencing the decision to pay out dividends, according to the study's findings.

Usman et al., (2020) wrote an article The Effect of Dividend Policy on Share Price Manufacturing Companies in Indonesia. The empirical study aims to investigate and evaluate the effect of dividend policy on stock prices. Manufacturing businesses that were listed between 2014 and 2018 on the Indonesia Stock Exchange served as the sample object for this study. Dividend per share, earnings per share, dividend yield, retention ratio, and return on equity are the independent variables. The manufacturing sector's share prices are the dependent variable. Using the purposive sampling approach, 36 firms served as the sample size for this study. The panel data regression model's results suggest that dividends per share positively affect share prices. Share prices are negatively impacted by dividend yield. Retention ratio, return on equity and earnings per share has insignificant impact on share prices. The results of this study are expected to be the reference for companies and investors to increase share prices.

Bhatta and Jai (2021) wrote an article Dividend Policy and Share Price Volatility: Evidence from Commercial Banking Sector. Investors and management are concerned about price volatility in this case. In order to determine a correlation between dividend policy and share price volatility of banks listed on the Nepal Stock Exchange, this study is being conducted. Nineteen commercial banks from 2009 to 2020, a 12-year period, make up the sample. We used five multiple panel data regression models based on Baskin's basic model, adopting three explanatory variables of dividend policy (dividend per share, dividend payout ratio, and dividend yield separately) and controlling for financial leverage, earning volatility, bank size, asset growth, and dividend payout ratio. The empirical results showed that, after size and earning volatility, dividend yield seems to be the most important predictor of share price volatility in the commercial banking industry. The relationship between bank size and dividend yield is negative, although the relationship between earning volatility and share price volatility is positive. The study is unique and significant because it examines the dividend policy and share price volatility of banking firms in developing nations using a fresh, current data set that focuses on commercial banks listed on the Nepal Stock Exchange.

Lavanya (2021) wrote an article a study on dividend policy and its impact on stock prices of selected companies with reference to bse sensex 100. Businesses are torn between using their gains for future investments or allocating a large, little, or none at all as dividends to their shareholders. Companies' dividend policies can either positively or negatively affect the price of their stock since they have to strike a balance between the conflicting interests of various shareholders. The effect of dividend policy on stock prices is investigated in this study. The goal of the study is to ascertain whether stock prices and dividend policies are related in any way. Dividend payment percentages for each of the 100 index businesses were determined by the study. Companies that fall within the dividend payout percentage range of 0%–10% are classified as no dividend yield stocks, 11%–20% as low dividend yield stocks, and 21% and above as high dividend yielding stocks, according to the derived values. Thus, during the period from 2008 to 2020, 16 businesses listed under the Bombay Stock Exchange SENSEX 100 index are chosen as the real sample, with 8 of them being classified as High dividend yield stocks, 4 as Low dividend yield stocks, and the remaining 4 as No dividend yield stocks. The statistical method employed for the analysis is multiple linear regression, with the stock price acting as the dependent variable and the gross profit margin, earnings per share, dividend payout ratio, return on equity, and retention ratio acting as the

independent variables. The findings of the regression analysis showed that, at the 5% significance level, there is no relationship between return on stock and return on dividend. Dividend yield on stock has no bearing on return on stock. There is no correlation whatsoever between the size of the dividend announcement and the fluctuation in stock prices. Therefore, the company's announcement of its dividend policy has no effect on stock prices.

Venkata Ramana et al., (2022) wrote an article A Study on Impact of Dividend Policy and Stock Price Volatility on Health Care Market. The goal of this study is to determine how strong electronic rumors that circulate via social networking sites affect consumers' desire for food in the context of the COVID-19 pandemic. For this reason, the scope of social networking sites and electronic rumors has been analyzed, together with the need for food in the wake of the COVID-19 epidemic. Additionally, the study showed that there is a statistically significant impact of electronic rumors on consumer demand for food in the context of a pandemic, based on a field study using a questionnaire that was given to a specific sample of 394 consumers who use social networking sites. More specifically, this study linked that effect to five factors related to the type of electronic rumors and how they spread, as well as factors related to the personality of the consumer and additional factors related to the environmental conditions—economic, social, and psychological—caused by the pandemic. Moreover, among the most significant of these factors are the following: the relative importance of rumors in relation to the consumer; the level of uncertainty that characterized the crisis period regarding the actions taken by the government to address the crisis; the degree of credibility and confidence that the consumer accords to those rumors; and the dissemination of stress and anxiety as a result of the crisis under consideration.

Koleosho et al., (2022) wrote an article The Effect of Dividend Policy on Share Price Volatility of Selected Companies on the Nigerian Exchange. In many international exchange marketplaces, such as the Nigerian Exchange (NGX), share price volatility has shown distinct patterns. There have been several attempts to identify the potential reasons of this volatility and strategies for reducing them, but few research have been conducted in this area, particularly in emerging nations like Nigeria. For this reason, the impact of dividend policy on the share price volatility of particular NGX-listed businesses is investigated in this study. The EGARCH was utilized to quantify volatility in the study, which employed an ex-post facto research approach. For the panel data, a random sample of 49 out of 162 businesses listed between 2010 and 2020 on the Nigerian Exchange was chosen. The dividend policy

and share price volatility (3, 2156) (SPV) were shown to be significantly correlated by the study, with an adjusted Rvalue of 0.116, a Wald value of 32.89, 2, and a p-value of 0.000. Dividend yield (DY), dividend per share (DPS), and financial leverage (LEV) have a negative insignificant effect on SPV (DY = -0.0003, t(2156) = -2.713, $p > 0.05$; DPS = -0.0508, t-test = -1.8952, $p > 0.05$; and LEV = -0.2066, t-test = -1.4742, $p > 0.05$, respectively). The dividend payout ratio (DPR) has a significant impact on SPV (DPR = 0.0036, t(2156) = 4.7237, $p < 0.05$). The analysis comes to the conclusion that share price volatility is significantly influenced by dividend policy. Based on the results, it is recommended that companies should focus more on payouts, while investors should opt for corporate entities with a constant payout ratio.

Bachmeier and Sinha (2022) wrote an article The Effect of Dividend Policy on Stock Price Volatility: Empirical Analysis of the S&P 100. The focus of this research is to examine empirically if the volatility of stock prices in the S&P 100 is influenced by the dividend policy. Between 2010 and 2020, a sample of 34 firms was evaluated on a quarterly basis. A fixed effect model, a random effect model, and a pooled ordinary least-squares regression were used to analyze the 1,496 data. The independent variables of payout ratio and dividend yield were used to represent the dividend policy, and the dependent variable of share price volatility was regressed against these. Leverage, size, asset growth, and earnings volatility were included as control variables to take into account other factors influencing stock price volatility. The findings indicate that, although the payout ratio was not statistically significant, the dividend yield had a favorable impact on share price volatility. All other control factors were deemed unimportant, with the exception of size, which was determined to be considerably negative. These results provide credence to the dividend relevance theory and imply that dividend policy—that is, dividend yield—has an impact on share price risk. These findings only apply to the sample; the population is not affected because the fixed effect model was the most accurate estimate.

Gurung et al., (2023) wrote an article The Impact of dividend policy on stock prices: Evidence from Nepalese Banking Sector. The study looked at how Nepal's banking industry's dividend policy affected share prices. Ten banks, chosen by convenience selection from a total of 27 commercial banks, had their ten-year data from 2068–2069 to 2077–2078 gathered for analysis. The Hausman test indicates that the random effect model is the best suitable for characterizing the connection between the supplied variables, hence panel data

regression models, or the random effect model, have been used to evaluate the data. The findings show a favorable correlation between the stock prices of commercial banks and earning per share, dividend per share, price-earnings ratio, and retained earnings. The study came to the conclusion that dividend payments cause a stock's market price to grow. Thus, it can be concluded from the random effect regression model's result that it is compatible with the relevant techniques concerning dividend policy, suggesting that dividend policy has a notable effect on company stock prices. The study's conclusions will add to the body of knowledge already available on dividend policy and share market pricing, particularly as it relates to Nepal. Important conclusions from the study will also be useful to businesses, investors, and legislators when they decide how to implement dividend policies and how they affect stock prices.

Njoku and Lee (2024) wrote an article revisiting the Effect of Dividend Policy on Firm Performance and Value: Empirical Evidence from the Korean Market. This study examines the relationship between dividend policy, company performance, and value in the Korean market within the unique context of Chaebol ownership structures. We conduct empirical research using a solid dataset of 5478 observations from the Korean Composite Stock Price Index, as well as advanced regression models. We can distinguish the effects of various dividend policy approaches by applying assumptions related to interest alignment and management entrenchment. Interestingly, a deeper look reveals distinct impacts for Chaebol and non-Chaebol firms, despite cash dividend payments showing a high positive connection with market to book ratios and Tobin's Q, indicating a favorable association with market values generally. Chaebol corporate dividend policy proxies consistently have positive effects on performance metrics, highlighting strategic signaling activities and bolstering the concept of interest alignment. Conversely, non-Chaebol enterprises exhibit intriguingly unfavorable outcomes that support the managerial entrenchment argument and raise the possibility of market value challenges. Businesses have to prioritize giving investor’s comprehensive information about their dividend policy in the fast-paced Korean market in order to enhance corporate governance and help investors make better decisions.

Pandey et al., (2024) wrote an article Study explores the factors affecting the market price of Nepalese commercial banks over the period from 2074/75 to 2078/79 BS. Data from the annual reports and official publications of eight NEPSE-listed banks were subjected to a thorough study using bivariate correlation and regression models, made possible using MS

Excel and SPSS. The findings show a strong positive association between price-earnings ratio (P/E ratio) and earnings per share (EPS), meaning that when EPS rises, the P/E ratio and the market price both rise in tandem. However, it was discovered that book value and dividend per share had no effect on market pricing, indicating that these variables had little bearing on market values. The main conclusion to be taken from the data emphasizes how important price-earnings ratio and earnings per share are in determining share prices in Nepalese commercial banks. This suggests that when assessing the investment potential of Nepalese companies, investors place a high value on these parameters. This study investigates the variables influencing Nepalese commercial banks' market prices between 2074/75 and 2078/79 BS. Data from the annual reports and official publications of eight NEPSE-listed banks were subjected to a thorough study using bivariate correlation and regression models, made possible using MS Excel and SPSS. The findings show a strong positive association between price-earnings ratio (P/E ratio) and earnings per share (EPS), meaning that when EPS rises, the P/E ratio and the market price both rise in tandem. However, it was discovered that book value and dividend per share had no effect on market pricing, indicating that these variables had little bearing on market values. The main conclusion to be taken from the data emphasizes how important price-earnings ratio and earnings per share are in determining share prices in Nepalese commercial banks. This suggests that when assessing the investment potential of Nepalese commercial banks, investors give these criteria a lot of weight. The market dynamics and major factors influencing share prices in the Nepalese banking industry are better understood by investors, financial analysts, and policymakers thanks to these results. Furthermore, they emphasize how crucial it is to take the P/E ratio and EPS into account when choosing which Nepalese commercial banks to invest in.

2.4 Research Gap

Numerous research on the variables influencing Nepalese commercial banks' market prices during 2074/75 and 2078/79 BS According to the study, there is a substantial positive association between the P/E ratio and earnings per share (EPS), meaning that when EPS rises, the P/E ratio also rises, impacting market prices (Pandey et al., 2024). The study looked at how dividend policy affected the share market price in Nepal's banking industry. According to Gurung et al. (2023), the study discovered that dividend payments had a major positive influence on stock market values, supporting dividend policy approaches. This study looks at 34 firms every quarter from 2010 to 2020 to see how dividend policies affect stock

price volatility in the S&P 100. According to the findings, payout ratio has no bearing on share price volatility, while dividend yield does. All other control factors were deemed irrelevant, with the exception of size, which was determined to be significantly negative (Bachmeier and Sinha, 2022). The impact of dividend policies on the volatility of some companies' share prices on the Nigerian Exchange. According to the study, dividend policy has a major influence on share price volatility. It is recommended that investor select stable corporate entities and that corporations prioritize dividends. This research attempts to get new knowledge, insights, and suggestions in this field by determining the factors affecting the stock values of Nepali commercial banks. This research looks at the earnings, dividends, retained earnings, stock market price, dividend payout ratio, dividend yield, and the effect of dividends on share price of Nepalese banking businesses. It also looks at the policies and practices regarding dividends and profits. Thus, in the context of the Nepalese banking industry, this study will employ secondary data to investigate the empirical effects of earnings and dividend policies on share market price. This study also demonstrates how the companies' dividend practices affect the value of their shares.

CHAPTER III
RESEARCH METHODOLOGY

The research methodology employs a combination of analytical and descriptive techniques to determine the variables affecting stock price. It is analytical in that it uses a range of analytical techniques to look at investor preferences for variables affecting stock price. Likewise, it is descriptive in that it clarifies a great deal of the aspects of investors' preferences. Secondary data have been used a lot, given the nature of the study.

3.1 Research Design

A research design is an organized plan of action for a research project. Research designs aid in the development of research topics, methods, strategies for execution, and procedures for data collection and analysis. One of the following five categories applies to most research designs: quantitative, qualitative, or combined. For this examination, only an analytical and descriptive research design will be employed.

3.2 Population and Sample, and Sampling Design

All of the listed companies on the Nepal Stock Exchange make up the population for the study and collection of items or components for research through sampling. The aim of this research is to identify the variables that affect Nepali listed companies' stock prices. Therefore, all 20 Commercial Banks listed in NEPSE, as well as Rastriya Banijya Bank Limited, a non-listed business, comprise the study's population. The study's sample consisted of five commercial banks: NABIL, EBL, NICA, NBL, and SBI banks. These banks are listed corporations. The sample banks were selected using a random sampling technique.

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

Secondary data make up most of the study's base. Data sources include the relevant bank's annual report, evaluations of previous theses, journals, articles, Nepal Security Exchange, handbooks, published books of accounts, periodic reports published in newspapers, websites of relevant businesses and regulatory bodies, books, and articles.

3.4 Methods of Analysis

First, data is collected and recorded into a sheet from the annual reports of the related businesses. Then, data is entered into the spreadsheet in order to compute financial ratios and

offer necessary figures according to the requirements and details of the study. Second, the collected data was processed using computer programs such as Microsoft Excel and the statistical program SPSS Statistics (version 18.1).

3.4.1 Tools Used

Financial and statistical techniques have both been utilized to meet the study's aims;

3.4.1.1 Financial Tools

The financial tools primarily measure the banks' dividend policy and profit metrics.

a. Earnings per Share

Earnings per share, or EPS, is the portion of the company's distributable profit allocated to each outstanding equity share, or common share. Earnings per share (EPS) is a commonly utilized statistic in the evaluation of profitability as it is a highly dependable indicator of a company's profitability. Investors usually look for companies with steadily increasing earnings per share.

$$\text{Earnings Per Share} = \frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{Number of Common Stock}}$$

b. Dividend per Share

The total dividends paid to the primary common shareholders per share is known as the dividend per share. When a business has multiple types of common shares, the DPS for the principal share is utilized. The principal share is often the common stock with the largest number of outstanding shares for the firm and is considered the most regularly traded in the market. Under some conditions, DPS may be tax-net.

$$\text{Dividend Per Share} = \frac{\text{Total Dividend Payment to Common Stocks}'\text{Shareholders}}{\text{Number of Common Stock}}$$

c. Price Earnings Ratio

The price-earnings ratio, or P/E ratio, is a valuation metric that contrasts the current share price of an organization with its earnings per share. In contrast to companies with a lower P/E ratio, a high P/E frequently signifies investor expectations for higher future profit growth. Investors using the P/E ratio as a basis for their investment would be foolish to compare the high P/E of a technology firm to a low P/E utility company, since each has quite different growth potential.

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

d. Dividend Payout Ratio

A company's dividend payments are compared to its earnings using the dividend payout ratio (DPR). Dividends and earnings are closely related. The percentage of profits that are not paid out as dividends is used for reinvestment and potential future earnings increases. Investors looking to make quick money choose to invest in companies with a high dividend payout ratio. Dividend payment ratios are often lower or more modest in younger, growth-oriented corporations.

$$\text{DPR} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$$

e. Dividend Yield

Dividend yield is defined as the ratio of dividends per share to the current share price. It conveys the percentage of dividend payments that an investor gets. Dividend yield is one measure of investment return. While the dividend payout ratio evaluates the dividend in relation to the business's earnings for the period, the dividend yield ratio compares the amount of dividend to the investment needed to purchase a share of the company. A high share price will lead to a low dividend yield, and vice versa.

$$\text{Dividend Yield} = \frac{\text{Dividend Per Share}}{\text{Market Price Per Share}} \text{ x } 100$$

f. Market Price per Share

The market price per share, also called the price per share, is a current measure of pricing as opposed to an accounting, or historical, one like the book value per share, which is based on information from a company's balance sheet. The market price per share is one financial metric that investors look at before purchasing a stock.

$$\text{MVPS} = \frac{\text{Total Market Capitalization}}{\text{Number of Common Shares}}$$

3.4.2.2 Statistical Tools

The secondary data that was gathered has been thoroughly examined using the following statistical tools:

a. Arithmetic Mean

The arithmetic mean is the quantity obtained by adding up all of the various values for every item in a series and dividing the sum by the total number of items. The most popular

and widely used way of condensing all of the data into a single number is what statisticians refer to as the arithmetic mean, and what most laypeople refer to as an average.

$$\overline{X} = \frac{\sum X}{N}$$

b. Standard Deviation

A large standard deviation shows the exact opposite, although a large deviation implies both homogeneity in a series and a high degree of regularity in the observation. The standard deviation measures the absolute dispersion; the greater the standard deviation, the bigger the). The standard deviation is very useful in assessing whether the mean is representative.

$$S.D. = \sqrt{\frac{\sum(X - \overline{X})^2}{N}}$$

c. Coefficient of Variation

Relative dispersion is measured by coefficient of variation. When calculating the overall deviation from the mean, the coefficient of variation is the percentage change in means standard deviation.

$$\text{Coefficient of Variation } (C.V.) = \frac{S.D.}{\underline{X}} \text{ x } 100$$

d. Correlation Coefficient

For determining the strength and size of a linear connection between two variables, it is a helpful statistical technique. The "Karl person's coefficient of correlation" is the most crucial technique for calculating the correlation between the two variables. The range of +1 to -1 is where the correlation coefficient is always found. X and Y are two variables. The correlation coefficients (r) between them may be found using the formula below.

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

e. Regression Analysis

There are two or more independent variables in a multiple regression study. It takes the values of the two or more independent variables and uses them to create an equation that gives estimates of the dependent variable. By utilizing the regression equation as a foundation for estimating, it is possible to derive two measures: one that indicates the

percentage of the dependent variable's variation that can be accounted for by the independent variable, and the other that measures the amount of error associated with the process. The multiple regression equations are explained by:

$Y=ßo+ß_1x_1+ ß_2\ x_{2+}\ ß_3\ x_{3+}\ ß_4\ x_{4+}\ ß_5\ x_5+e$

Where, a = point of intercept on Y-axis = The value of X_1 when X_2 =0

b1 = Slope of X_1 with variable Y holding variable X_2 constant.

b_2= Slope of X_2 with variable Y holding variable X_1 constant.

Y = Dependent variable (MVPS)

$X_{1=}$ EPS

X_2= DPS

X_3 = DPR

X_4 = DY

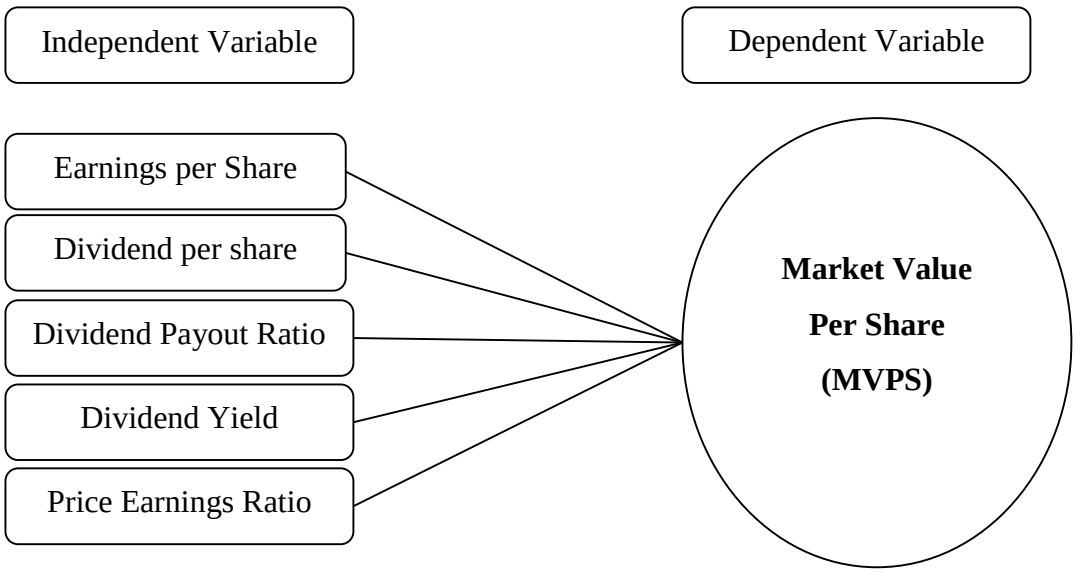
X_5 = PE

ei = Error term

3.5 Research Framework and Definition of Variables

3.5.1 Research Framework

The study's road map, known as the research framework, is derived from a review of earlier studies that looked at the components that affect stock price. In this study, the stock price of the Commercial Bank of Nepal is evaluated using the following framework.



Source: M. S. Islam (2019), Gurung et al., (2023) and Pandey et al., (2024)

3.5.2 Definition of Variable

Dependent Variable:

Market Value per Share (MVPS)

The market value per share is a dependent variable along with independent factors during the research period. Examining the factors influencing the stock prices of commercial banks on the Nepalese stock exchange is the aim of the current study. In Nepalese stock battles, the pressure from buyers and sellers varies minute by minute. Because of these changes, determining which market price to regress as a dependent variable measure is difficult. Consequently, the bank's financial annual report was where the market value per share was found.

Use a share's market value per share to determine its market value. The MVPS of a firm is calculated by dividing its assessed market value by the total number of shares held by investors. The market value of a firm is the price at which its stock is exchanged on the stock exchange. Comprehending the MVPS and total market value of a business is critical in many situations. This includes situations in which shares are transferred due to inheritance or divorce.

Independent Variable:

Earnings per Share (EPS)

Earnings per share is an independent variable for the duration of the research. It acts as a barometer for a company's profitability. Growth in profits per share is accompanied by an increase in the market price. The market price and earnings per share have a favorable relationship. As earnings per share increase, the market price will also increase proportionately.

Accounting results that display the difference between revenues and expenses, including costs associated with non-equity sources of funding (such interest on debt or dividends on preference shares), are often referred to as total profits available for common stock. By dividing this sum of profits by the total number of outstanding shares, we may get earnings per share. Quantification.

Dividend per Share (DPS)

Dividend per share is an independent variable that will be studied. The market value of the share is greatly impacted by it. DPS shows how much in dividends the company has paid out. A growth in divided has been noted to have the potential to increase the share price.

The amount of profits that a business distributes to its shareholders as cash is known as a dividend. Naturally, the dividends affect both the total amount of internal financing and the amount of earnings that the firm keeps. "The intention behind investing in company shares is to partake in the profits that the company makes." The possibility of obtaining a return on their investment is the only thing that thrills investors more than knowing about the company's prosperity, and more earnings equate to larger dividends. (Gautam & Thapa, 2009).

Dividend Payout Ratio (DPR)

The dividend payout ratio is the total amount of dividends a company pays out to its shareholders divided by its net income. Simply expressed, this ratio is the percentage of earnings paid to shareholders in the form of dividends. The company retains the money it doesn't pay shareholders in order to pay off debt or reinvest it in the company's core operations. There are times when the payout ratio and the dividend payout ratio are used interchangeably.

Dividend Yield (DY)

The amount of income you get in dividends each year for every dollar you invest in stocks, mutual funds, or exchange-traded funds (ETFs) is shown by a ratio called dividend yield. Dividend yield, put another way, is the annual dividend payout of an investment expressed as a percentage of the investment's current price.

Price Earnings Ratio (P/E Ratio)

The market's current willingness to pay for each rupee of reported earnings as of right now (EPS) is shown by this ratio. It will also be very beneficial to potential investors. It may be calculated by dividing the market value share (MVPS) by earnings per share.

CHAPTER IV
RESULT AND DISCUSSION

The collected data is presented and analyzed in this chapter along with further details on five commercial banks that serve as examples: NABIL, EBL, NICA, NBL, and SBI. This chapter presents and analyzes data that are important financial indicators. This chapter attempts to analyze the price-earnings ratio, yield ratio, market value per share, earnings per share, dividend payout ratio, correlation between financial variables, and regression analysis of sample banks' financial data. It may be demonstrated as follows.

4.1 Results

4.1.1 Earning Per Share Analysis

Every business company aspires to increase its earnings in order to compete effectively in the market. The information about each company's earnings per share is displayed in the table that follows.

Table 1

Earnings per Share (In Rs.)

Year	NABIL	EBL	NICA	NBL	SBI	Mean	SD	CV
2070/71	76.12	86.04	34.3	18.08	34.83	49.87	29.48	59.11
2071/72	57.24	78.04	27.83	7.48	34.48	41.01	27.27	66.50
2072/73	59.27	40.33	28.31	44.59	36.78	41.86	11.43	27.30
2073/74	59.86	32.48	23.06	38.77	33.46	37.53	13.71	36.53
2074/75	51.84	32.78	16.62	39.99	25.16	33.28	13.54	40.69
2075/76	50.57	38.05	34.22	26.99	27.13	35.39	9.72	27.45
2076/77	36.16	29.71	31.89	20.68	17.23	27.13	7.91	29.16
2077/77	33.57	19.91	28.18	23.43	10.15	23.05	8.85	38.40
2078/79	18.64	26.3	36.45	20.29	16.19	23.57	8.11	34.39
2079/80	23.67	31.43	38.44	23.39	19.44	27.27	7.61	27.89
Mean	46.69	41.51	29.93	26.37	25.49			
S.D.	18.11	22.18	6.59	11.47	9.36			
C.V (%)	38.78	53.43	22.01	43.50	36.73			

Source: Annual Report of concerned banks

The EPS for NABIL, NICA, and NBL from 2070/71 to 2079/80 is displayed in Table 1. Greater earnings indicate stronger firms, whilst lower earnings indicate weaker organizations. The table indicates that NABIL's EPS is greater now than it was during the study period. Similarly, during the course of the investigation, the EPS of both sample banks varies. The EPS for NABIL for the comparable fiscal years 2070/71 and 2078/79 is the greatest at Rs. 76.12 and the lowest at Rs. 18.64. Similarly, during the comparable years 2070/71 and 2077/78, EBL had the greatest EPS of Rs. 86.04 and the lowest EPS of Rs. 19.91. Similarly, for the comparable years 2079/80 and 2074/75, NICA has the highest EPS of Rs. 38.44 and the lowest EPS of Rs. 16.62. Similarly, during the comparable years 2072/73 and 2071/72, NBL had the highest EPS of Rs. 44.59 and the lowest EPS of Rs. 7.48.

NABIL, EBL, NICA, NBL, and SBI had average mean EPSs of Rs. 46.69, Rs. 41.51, Rs. 29.93, Rs. 26.37, and Rs. 25.49, in that order. Compared to EBL, NICA, NBL, and SBI, NABIL has a greater earning price per share. The coefficient of variation (CV) for EBL is 53.43%, more than that of NABIL, NICA, NBL, and SBI, which are, respectively, 38.78%, 22.01%, 43.50%, and 36.73%. This suggests that in EPS, EBL are less dangerous than NABIL, NICA, NBL, and SBI.

4.1.2 Dividend Per Share Analysis

The subject of the investigation was banks' dividends. For the 10 fiscal years, it has taken the dividend that five sample banks have paid. This just analyzes the cash dividend per share (Rs), but the stock dividend is also taken into consideration and examined under the DPS category as a whole. For the sake of this research, it is crucial that you review the pertinent dividend data at this point.

Table 2

Dividend per Share (In Rs.)

Year	NABIL	EBL	NICA	NBL	SBI	Mean	SD	CV
2070/71	65	62.63	26.32	0	29.14	36.62	27.32	74.60
2071/72	36.84	36.58	15.79	0	29.84	23.81	15.81	66.42
2072/73	45	73.68	27.37	0	31.01	35.41	26.90	75.96
2073/74	48	34.74	21.05	0	17.16	24.19	18.18	75.17
2074/75	34	20	10	0	26.58	18.12	13.43	74.14
2075/76	34	25	21.05	25	27.68	26.55	4.79	18.05
2076/77	35.26	10.53	20	16	12.94	18.95	9.78	51.64
2077/77	38	10.32	0	17	7.12	14.49	14.50	100.06
2078/79	30	10.68	0	12	18.06	14.15	10.99	77.70
2079/80	22	20.53	32.06	0	17.34	18.39	11.66	63.42
Mean	38.8	30.5	17.4	7.0	21.7			
S.D.	11.7	22.1	11.0	9.6	8.2			
C.V (%)	30.2	72.5	63.4	136.7	38.0			

Source: Annual Report of concerned banks

During the period of analysis, NABIL and EBL have, on average, given their stockholders greater dividends than NICA, NBL, and SBI. During the research period, the sample banks' DPS showed a minor fluctuation in trend. The NABIL DPS for the corresponding years 2070/71 and 2079/80 is Rs. 65 at the maximum and Rs. 22 at the lowest, respectively. Likewise, with the comparable years 2072/73 and 2077/78, respectively, the maximum DPS of EBL is Rs. 73.68 and the lowest is Rs. 10.32. Similar to this, with the comparable years 2079/80 and 2078/79, respectively, the maximum DPS of NICA is Rs. 32.06 and the lowest is Rs. 0. In a similar vein, with the comparable years 2075/76 and 2078/79, respectively, the highest DPS of NBL is Rs. 25 and the lowest is Rs. 0. Comparably, with the comparable years 2072/73 and 2077/78, respectively, the maximum DPS of SBI is Rs. 31.01 and the lowest is Rs. 7.12.

NABIL, EBL, NICA, NBL, and SBI have mean DPS values of Rs. 38.8, Rs. 30.5, Rs. 17.4, Rs. 7.0, and Rs. 21.7, in that order. Since NABIL, EBL, NICA, and SBI have lower CVs than NBL—30.20%, 72.50%, 63.40%, and 38.0—they are less dangerous in terms of DPS.

4.1.3 Dividend Payout Ratio Analysis

Dividend payout ratio is the proportion of profit that is given out as dividends. This ratio illustrates the portion of earnings that is retained as excess for the company's expansion and portion that is dispersed as dividends. The DPS divided by the EPS is used to compute it.

Table 3

Dividend Payout Ratio (In %)

Year	NABIL	EBL	NICA	NBL	SBI	Mean	SD	CV
2070/71	85.39	72.79	76.73	0	83.66	63.71	35.98	56.47
2071/72	64.36	46.87	56.74	0	86.54	50.90	31.99	62.84
2072/73	75.92	182.69	96.68	0	84.31	87.92	65.09	74.03
2073/74	80.19	106.96	91.28	0	51.29	65.94	42.10	63.85
2074/75	65.59	61.01	60.17	0	105.64	58.48	37.76	64.57
2075/76	67.23	65.7	61.51	92.63	102.03	77.82	18.24	23.44
2076/77	97.51	35.44	62.72	77.37	75.1	69.63	22.82	32.78
2077/77	113.2	51.83	0	72.56	70.15	61.55	41.07	66.72
2078/79	160.94	40.61	0	59.14	111.55	74.45	62.81	84.36
2079/80	92.94	65.32	83.4	0	89.2	66.17	38.48	58.15
Mean	90.33	72.92	58.92	30.17	85.95			
S.D.	29.29	43.50	33.93	39.76	17.92			
C.V (%)	32.43	59.66	57.58	131.78	20.85			

Source: Annual Report of concerned banks

The dividend payout ratio for the sample banks from FY 2070/71 to FY 2079/80 is displayed in Table 3. NABIL, EBL, NICA, NBL, and SBI had average DPRs of 90.33%, 72.92%, 58.92%, 30.17%, and 85.95%, in that order. Similar to this, the DPR of NABIL for the comparable years 2078/79 and 2070/71 is at its peak of Rs. 160.94% and its lowest of 64.36%. In a similar vein, EBL's DPR peaks at 182.69% in 2072–2073 and troughs at 35.44% in 2076–2077. Comparably, NICA's DPR ranges from 0% in 2078/79 to 96.68% in 2072–2073 at its greatest point. Likewise, NBL's DPR reaches its maximum of 92.63% in 2075–2076 and its lowest of 0% in 2079–2080. In a same vein, SBI's DPR reaches its maximum of 111.55% in 2078/79 and its lowest of 51.29% in 2073/74. The sample banks' dividend payment ratio exhibits a tendency of fluctuations. NBL has the maximum degree of fluctuation when compared to other banks, as seen by its lower coefficient of variation (CV) of 131.78% when compared to NABIL, EBL, NICA, and SBI.

4.1.4 Market Value per Share Analysis

Table 4

Market Value Per Share (In Rs.)

Year	NABIL	EBL	NICA	NBL	SBI	Mean	SD	CV
2070/71	2535	2631	626	305	1280	1475.40	1070.94	72.59
2071/72	1910	2120	1126	305	887	1269.60	746.78	58.82
2072/73	2344	3385	798	470	1875	1774.40	1181.46	66.58
2073/74	1523	1353	445	364	925	922.00	521.02	56.51
2074/75	921	663	316	281	499	536.00	264.17	49.29
2075/76	800	666	448	336	469	543.80	186.09	34.22
2076/77	765	675	553	249	435	535.40	202.87	37.89
2077/77	1359	738	994	443	409	788.60	398.01	50.47
2078/79	824	439	696	268	282	501.80	249.22	49.67
2079/80	599	563	794	249	341	509.20	216.83	42.58
Mean	1358.00	1323.30	679.60	327.00	740.20			
S.D.	699.58	1032.11	255.01	77.52	509.76			
C.V (%)	51.52	78.00	37.52	23.71	68.87			

Source: Annual Report of concerned banks

Compared to NICA, NBL, and SBI, which have respective MVPS of Rs. 679.60, Rs. 327.00, and Rs. 740.20, NABIL and EBL have higher average MVPS of Rs. 1358.00 and Rs. 1323.30. Similarly, NABIL's MVPS reaches its maximum of Rs. 2535 and its lowest of Rs. 765 in the corresponding years 2070/71 and 2076/77. Similarly, for the comparable years 2072/73 and 2078/79, respectively, the greatest MVPS of EBL is Rs. 3385 and the lowest is Rs. 439. Similarly, with the comparable years 2071/72 and 2074/75, respectively, the greatest MVPS of NICA is Rs. 1126 and the lowest is Rs. 316. Similarly, with the comparable years 2071/72 and 2076/77, respectively, the greatest MVPS of NBL is Rs. 470 and the lowest is Rs. 249. Similarly, with the comparable years 2072/73 and 2078/79, respectively, the greatest MVPS of SBI is Rs. 1875 and the lowest is Rs. 282. The coefficient of variation (CV) for NBL is 23.71% less than that of NABIL, EBL, NICA, and SBI. This suggests that compared to NABIL, EBL, NICA, and SBI, NBL is more consistent.

4.1.5 Dividend Yield Ratio Analysis

This ratio illustrates the connection between market value per share and dividend per share. Dividend per share by market value per share is how it is computed. Market value per share has a major impact on the dividend yield ratio. This ratio has a significant impact on market value per share since changes in dividends per share can effectively alter share market value. As a result, consideration must be given to the long-term viability of the firms before allocating a market situation and price fluctuation.

Table 5

Dividend Yield Ratio (In %)

Year	NABIL	EBL	NICA	NBL	SBI	Mean	SD	CV
2070/71	2.56	2.38	4.2	0	2.28	2.28	1.50	65.58
2071/72	1.93	1.73	1.4	0	3.36	1.68	1.20	71.43
2072/73	1.92	2.18	3.43	0	1.65	1.84	1.23	67.10
2073/74	3.15	2.57	4.73	0	1.86	2.46	1.74	70.51
2074/75	3.69	3.02	3.16	0	5.33	3.04	1.93	63.54
2075/76	4.25	3.75	4.7	7.44	5.9	5.21	1.48	28.42
2076/77	4.61	1.56	3.62	6.43	2.97	3.84	1.82	47.52
2077/77	2.8	1.4	0	3.84	1.74	1.96	1.45	74.28
2078/79	3.64	2.43	0	4.48	6.4	3.39	2.38	70.31
2079/80	3.67	3.65	4.04	0	5.09	3.29	1.93	58.66
Mean	3.22	2.47	2.93	2.22	3.66			
S.D.	0.92	0.81	1.81	3.02	1.85			
C.V (%)	28.45	32.98	61.84	136.26	50.57			

Source: Annual Report of concerned banks

Dividend yield ratio analysis for the years 2070/71 through 2079/80 is displayed in Table 5. NABIL, EBL, NICA, NBL, and SBI had average ratios of 3.22%, 2.47%, 2.93%, 2.22%, and 3.66%, in that order. The NABIL ratio ranges from 1.92% in 2072–2073 to 4.61% in 2076–2077. Similarly, the EBL ratio reaches its maximum of 3.75% in 2075/76 and its lowest of 1.40% in 2077/78. Similarly, the NICA ratio reaches its maximum of 4.73% in 2073/74 and its lowest of 0.00% in 2077/78. Similarly, the initial values of this NBL ratio range from 7.44% in 2075/76 to 0.00% in 2078/79. In a similar vein, this SBI ratio starts off at the maximum level in 2078/79 with 6.40% and lowers to 1.65% in 2072/73 According to the examination of coefficient of variation, NBL's DY is somewhat riskier than NABIL, EBL,

NICA, and SBI, which have the lowest CVs (136.26%), which are 28.45%, 32.98%, 61.84%, and 50.57%.

4.1.6 Price Earnings Ratio Analysis

The market price currently paid for each rupee of currently reported earnings per share (EPS) is reflected in this ratio. It is computed by dividing earnings per share by the market value share (MVPS). The investor's exception to the company's financial performance is the PE ratio. The information provided includes financial protection for the owner as well as market assessments of various banks.

Table 6

Price Earnings Ratio (In times)

Year	NABIL	EBL	NICA	NBL	SBI	Mean	SD	CV
2070/71	33.38	30.58	18.25	25.39	36.75	28.87	7.25	25.11
2071/72	33.37	27.17	40.46	40.7	25.73	33.49	7.08	21.16
2072/73	39.55	83.94	28.19	10.54	50.98	42.64	27.50	64.48
2073/74	25.44	41.66	13.3	9.39	27.64	23.49	12.78	54.44
2074/75	18.6	20.23	19.01	7.03	19.83	16.94	5.58	32.92
2075/76	15.82	38.05	13.09	12.45	17.29	19.34	10.64	55.04
2076/77	21.15	29.71	17.34	12.04	25.24	21.10	6.85	32.45
2077/77	40.48	19.91	35.27	18.9	40.3	30.97	10.77	34.77
2078/79	44.21	26.3	19.1	13.21	16.93	23.95	12.29	51.31
2079/80	25.31	31.43	20.65	10.64	17.54	21.11	7.85	37.20
Mean	29.73	34.90	22.47	16.03	27.82			
S.D.	9.87	18.53	9.21	10.14	11.46			
C.V (%)	33.21	53.11	40.99	63.26	41.19			

Source: Annual Report of concerned banks

The price-to-earnings ratio of the sample firms is shown in Table 6. NABIL, EBL, NICA, NBL, and SBI had average P/E ratios of 29.73 times, 34.90 times, 22.47 times, 16.03 times, and 27.82 times, respectively. In a similar vein, the NABIL ratio ranges from 15.82 times in 2075/76 to 44.21 times in 2078/79. In the same way, P/E of EBL reaches its apex in 2072–2073 and its minimum in 2077–2078—83.94 times and 19.91 times, respectively. P/E of NICA, on the other hand, has a high of 40.46 times and a low of 13.09 times for the equivalent years 2071/72 and 2075/76. Comparably, the P/E of NBL for the comparable

years 2071–2072 and 2074–2075 is at its maximum of 40.70 times and its minimum of 7.03 times, respectively. The coefficient of variation study reveals that compared to EBL, NICA, NBL, and SBI, the P/E ratio of NABIL fluctuates less, at 33.21%.

4.1.7 Descriptive Statistics of Variable

Using a set of variables–Market value per share (MVPS), dividend per share (DPS), dividend payout ratio (DPR), dividend yield (DY), and price earnings ratio (PE)–descriptive statistics calculates the study's maximum, minimum, mean, and standard deviation. There are 50 observations total in the investigation, as shown in Table 4.9. Six variables from five commercial banks are taken into account in the observations.

Table 7

Structure of descriptive statistics of variable of sample bank

	N	Minimum	Maximum	Mean	Std. Deviation
MVPS	50	249.00	3385.00	885.92	712.48
EPS	50	7.48	86.04	34.00	16.53
DPS	50	.00	73.68	23.07	16.96
DPR	50	.00	182.69	67.66	39.33
DY	50	.00	7.44	2.90	1.86
PE	50	7.03	83.94	26.19	13.49
Valid N (list wise)	50				

Table 7 presents descriptive statistics showing that the MVPS mean of five commercial banks during a ten-year period (2070/71 - 2079/80) is 834.92, with a variation of 712.47, ranging from a minimum of 249.00 to a maximum of 3385.00. The sample commercial banks' EPS ranged from 7.48 to 86.04 on average, with a 16.53 deviation. The average was 33.99. Comparably, the DPS variable has a variance of 16.96 and an average of 23.06, with a low of 0.00 and a maximum of 73.68. The DPR variable had an average of 67.65 during the course of the same ten years, with a low of 0.00, a maximum of 182.69, and a deviation of 39.33. Comparably, the DY variable has an average of 2.89, a variation of 1.85, and a minimum and maximum of 0.00 and 7.44, respectively. Finally, the PE variable has a minimum of 7.03 and a maximum of 83.94 with an average 26.18 and a deviation of 13.49. The results show that high volatility is presence among the given variables

4.1.8 Correlation Analysis

A statistical technique for determining the degree of link between two quantitative variables is correlation analysis. This section establishes the link between Market value per share (MVPS) and Earnings per share (EPS), Dividend per share (DPS), Dividend payout ratio (DPR), Dividend Yield (DY), and Price earnings ratio (PE). It is therefore logical to anticipate a link of some type between these variable pairs. A weak correlation indicates that there is little to no association between the variables, whereas a high correlation indicates that two or more variables have a significant relationship. In order to better understand the relationship between these variables, this section looks at five sample banks with fifty observations (N) from 2070–2071 to 2079–2080. The signs "*" and "**" denote significant association at the 5-percentage (2-tailed) and 1-percentage (2-tailed) levels, respectively. The correlation matrix displays the Pearson correlation coefficients for each pair of variables.

Table 8

Correlation Matrix.

		MVPS	EPS	DPS	DPR	DY	PE
MVPS	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	50					
EPS	Pearson Correlation	.732**	1				
	Sig. (2-tailed)	.000					
	N	50	50				
DPS	Pearson Correlation	.824**	.655**	1			
	Sig. (2-tailed)	.000	.000				
	N	50	50	50			
DPR	Pearson Correlation	.377**	.010	.712**	1		
	Sig. (2-tailed)	.007	.945	.000			
	N	50	50	50	50		
DY	Pearson Correlation	-.201	-.147	.314*	.645**	1	
	Sig. (2-tailed)	.163	.310	.027	.000		
	N	50	50	50	50	50	
PE	Pearson Correlation	.690**	.105	.502**	.452**	-.248	1
	Sig. (2-tailed)	.000	.469	.000	.001	.083	
	N	50	50	50	50	50	50
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Structure of Correlation Matrix of variables of sample bank Table 10 depicts the correlation coefficients between six variables, MVPS, EPS, DPS, DPR, DY and PE. The independent

variable shows perfect correlation with MVPS. The relationship between MVPS and EPS is 0.732 i.e. positive relationship since p value 0.001 is less than 0.05 at significance level 5%. The relationship between MVPS and DPS is 0.824 i.e. positive relationship since p value 0.001 is less than 0.05 at significance level 5%. Similarly, the relationship between DPS and EPS of is 0.824 i.e. positive relationship is significant since p value 0.065 is greater than 0.05 at 5% level of significant. The result illustrates that a high correlation is found with DPS followed by EPS, DPR, DY and PE at last. The highest correlation is 0.824 with DPS and the lowest is -0.201 with DY. Overall, this correlation table suggest that there are strong positive correlations between MVPS, EPS, DPS, DPR, DY and PE.

4.1.9 Regression Analysis of variables

Regression analysis is a statistical method used to ascertain the statistical relationship between two or more variables and to predict one variable based on the others. Multiple regression analysis has been performed in this study. Numerous regression analysis is the process of using numerous independent variables to predict the value of the dependent variable using the proper regression line.

The dependent variable in this research is Market Value per Share (MVPS), whereas the two independent variables are earning per Share (EPS), Dividend Yield (DY), Dividend Payout Ratio (DPR), and Price Earnings Ratio (PY). For the past 10 years, the data has been made available.

$MVPS=ßo+ß_1EPS+ ß_2\ DPS_+ ß_3\ DPR_+ ß_4\ DY_+ ß_5\ PE+e$

Where, a = point of intercept on Y-axis = the value of X_1 when X_2 =0

b1 = Slope of X_1 with variable Y holding variable X_2 constant.

b_2= Slope of X_2 with variable Y holding variable X_1 constant.

Y = Dependent variable (MVPS)

$X_{1=}$ EPS

X_2= DPS

X_3 = DPR

X_4 = DY

X_5 = PE

ei = Error term

Table 9

Structure of Regression coefficients of MVPS with other independent variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.730	.936	374.05953

a. Predictors: (Constant), PE, EPS, DY, DPR, DPS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23447748.985	5	4689549.797	144.718	.000[b]
	Residual	1425812.795	44	32404.836		
	Total	24873561.780	49			

a. Dependent Variable: MVPS

b. Predictors: (Constant), PE, EPS, DY, DPR, DPS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-362.096	204.959		-1.767	.084
	EPS	15.624	4.685	.362	3.335	.002
	DPS	19.132	6.645	.455	2.879	.006
	DPR	.745	2.103	.041	.354	.725
	DY	-88.403	31.345	-.231	-2.820	.007
	PE	18.371	4.048	.348	4.539	.000

a. Dependent Variable: MVPS

Table 9 shows the regression results of the previously given equation in the context of Nepalese commercial banks, illustrating the influence of MVPS with EPS, DPS, DPR, DY, and PE. The overall effect of all explanatory factors on MVPS in Nepalese commercial banks

is displayed by this regression model. The model's adjusted-R squared statistics came in at 93.60%. According to the outcome, 93.60% of the variations in the dependent variable can be explained by changes in the independent variables. That is explained by EPS, DPS, DPR, DY, and PE. 93.60% of the model's modifications indicate that the independence variables there is a positive and statistically significant relationship between MVPS and earnings per share (EPS), dividend yield (DY), price earnings ratio (PE), and dividend per share (DPS). However, in the case of Nepalese commercial banks, dividend payout ratio (DPR) has a substantial relationship with MVPS. As a result, the factors taken as a whole provide a reasonable explanation for the Banking Performance Analysis.

4.2 Discussion

The average mean EPS of NABIL, EBL, NICA, NBL, and SBI is Rs. 46.69, Rs. 41.51, Rs. 29.93, Rs. 26.37, and Rs. 25.49, respectively. EBL has a higher earning price per share (CV) of 53.43%, making it less risky than NABIL, NICA, NBL, and SBI. NABIL, EBL, NICA, and SBI are less risky in DPS due to lower CVs. NBL has the highest fluctuating dividend payout ratio (CV) of 131.78%, while EBL and NBL have higher MVPS and lower CVs. The average dividend yield ratio (DY) of NBL is slightly riskier than the others. NABIL has a lower P/E ratio (33.21%).

According to the regression analysis, the stock's MVPS is significantly and favorably impacted by EPS, DPS, DPR, DY, and PE. This study backs the dividend relevance theory and models such as the Walter model of dividends and the Gordon growth model (Hillier et al., 2019). These models assume the existence of an imperfect capital market and the importance of dividend decisions for company value. The Gordon model states that a stock's price will rise in the event that the needed rate of return falls, the dividend growth rate is predicted to improve, or the dividend per share increases. It is thought that paying a dividend raises a stock's market price, meaning that dividend distribution and dividend policy both have an influence on stock prices. Similar to this, the Walter model states that a business should hold onto its earnings in order to fund more investments if its internal rate of return exceeds its cost of capital. The corporation should increase dividend payments if the internal rate of return is lower than the cost of capital. This suggests that the dividend distribution that maximizes the company's overall worth is the ideal one. The obtained finding is in conflict with that of Ali and Chowdhury (2010), which suggests that a dividend

announcement has no effect on the share price of banks. It is similar to the results of Benaruzi (1997), Bhattarai (2016), Singh and Tandon (2019), and others.

CHAPTER V
SUMMARY AND CONCLUSION

In this chapter, the summary of the study with conclusions and recommendations on the basis of analysis of data and findings of study have been presented.

5.1 Summary

Multiple factors influence the psychology of investors. In the context of Nepal, dividend payments and stock price growth play a significant role in influencing an investor's decision to buy shares. Before making an investment, one must consider the organization's financial standing. One has a high chance of losing their investment at some point if the organization is not financially stable. The main objectives of the research are to assess the relationship between earnings and dividends, market price of stocks and dividend payout ratio, market price of stocks and earnings, and earnings and dividend yield. Additionally, the study will analyze the commercial bank's financial indicator regarding dividend and various variables. Five commercial banks NABIL, EBL, NICA, NBL, and SBI were chosen as the study's sample in this investigation.

The study examines the EPS of NABIL, NICA, and NBL from 2070/71 to 2079/80, revealing that higher earnings indicate stronger companies. NABIL's EPS is higher than EBL, NICA, NBL, and SBI, with an average mean of Rs. 46.69, Rs. 41.51, Rs. 29.93, Rs. 26.37, and Rs. 25.49 respectively. EBL has a higher earning price per share (CV) of 53.43%, making it less risky than NABIL, NICA, NBL, and SBI.

NABIL and EBL have paid higher dividends to shareholders than NICA, NBL, and SBI. The mean DPS of these banks is slightly fluctuating, with NABIL, EBL, NICA, NBL, and SBI having lower DPS than NBL. The average DPR of these banks is also fluctuating, with NBL having the highest fluctuating DPR of 131.78%. The dividend payout ratio of these banks is also in a fluctuating trend. The average MVPS of NABIL and EBL is higher than NICA, NBL, and SBI, with the highest values in 2070/71, 2076/77, 2072/73, and 2022/20 respectively. The average ratios of NABIL, EBL, NICA, NBL, and SBI are 3.22%, 2.47%, 2.93%, 2.22%, and 3.66%, respectively. The DY of NBL has slightly riskier than the least CV 136.26% of NABIL, EBL, NICA, and SBI.

The average P/E ratio of NABIL, EBL, NICA, NBL, and SBI is less fluctuation compared to other banks. The mean MVPS for five commercial banks over a 10-year period is 834.92, with EPS ranging from 33.99 to 86.04 and a deviation of 7.12.47. The correlation coefficients show strong positive relationships between MVPS, EPS, DPS, DPR, DY, and PE.

A regression model shows that the changes in the independent variables explain 93.60 percent of the changes in the dependent variable. Earnings per share (EPS), Dividend per share (DPS), dividend yield (DY), and Price gearing ratio (PE) have positive and statistically significant relations with MVPS, while dividend payout ratio (DPR) has a significant relation with MVPS context in Nepalese commercial banks. Thus, the variables collectively are good explanatory variables for the Banking performance analysis.

5.2 Conclusion

The study examines the EPS of NABIL, NICA, and NBL from 2070/71 to 2079/80, finding that higher earnings indicate stronger companies. NABIL has higher EPS than EBL, NICA, NBL, and SBI, with EBL having a higher earning price per share. NABIL and EBL pay higher dividends to shareholders, with fluctuating mean DPS, DPR, and dividend payout ratios. The average P/E ratio is less fluctuating compared to other banks. The mean MVPS for five commercial banks is 834.92, with EPS ranging from 33.99 to 86.04.

The intent of this study is to determine how Nepal's commercial banks' stock values are affected by their dividend policies. The correlation's conclusion shows that, at the one percent significance level, EPS, DPS, DPR, DY, and PE have a positive association with commercial banks' MVPS. The association between dividend policy and stock prices was investigated by a regression analysis utilizing a random effect model on panel data, after the administration of a Hausman test. According to the results, the price-earnings ratio, earnings per share, retained profits, and dividend per share all positively relate to stock prices in the random effect model and largely explain price fluctuations. For instance, the market price per share of the bank rises when it chooses to pay out large dividends to its shareholders, and vice versa.

Dividend payments therefore result in an increase in a stock's market price. In conclusion, we may deduce that stock price is influenced by dividend policy, which in turn affects stock price through dividend distribution. This research holds significance for those who oversee

businesses, make investments, or extend loans to them. Managers can use the study to inform their decisions on how to distribute dividends in a way that increases the company's value to shareholders. For developing nations like Nepal, the results are trustworthy, but they might not be correct for industrialized nations.

This study investigates the relationship between a commercial bank's market price per share and its dividend policy. While management may utilize the data to enhance their own policies, shareholders can use the findings to gain a better understanding of how dividend policies affect their assets. The comparative analysis can be used by policymakers to develop dividend policies that work. A wide range of external stakeholders, including clients, financial institutions, brokers, people, and academics, can benefit from the study's findings. Since the study concentrates on the effects of the sample banks' own dividend policy, they stand to benefit the most from it.

There are some restrictions on the current study, including the use of just data from commercial banks and a limited number of factors. In order to augment the comprehensiveness of the research, subsequent studies might delve into the subject of development banks and other categories of banks that function inside Nepal. Furthermore, including control variables like earnings after tax and total assets relative to bank size might improve the study's analytical capacity.

5.3 Implication

Some recommendations are offered below, based on the main conclusions and findings.

- The sample banks do not follow certain dividend policies, such as consistent payout, low regular and additional policy, or steady dividend. In order to mitigate uncertainty and uphold a specific level of MVPS, banks had to have disclosed their specific dividend distribution strategy, accounting for both short- and long-term periods.
- During the research period, NABIL's earnings per share exceeded those of NICA. Because of this, while making an investment selection, investors ought to favor selecting the NABIL based on their financial performance.
- The average dividend yield ratio for the analysis period in this study is less than 4.00%. This suggests that a shareholder who bought a share on the market may receive a return on his investment of less than 4%. However, at the moment, the interest rate on deposits is more than 6%. Thus, in order to keep their market value

of shares, banks need improve both their financial performance and dividend payments.

- NBL and NICA provide dividends less consistently than the other sample banks. Hence, while choosing an investment, a risk-averse investor may choose NICA, NBL.
- Rather than the financial performance of firms, signal impact drives most of the stock market's fluctuations. In this case, cooperation between GON, NEPSE, SEBON, NRB, and other relevant parties is necessary to regulate the Securities Act.

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APPENDIX

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.730	.936	374.05953

a. Predictors: (Constant), PE, EPS, DY, DPR, DPS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23447748.985	5	4689549.797	144.718	.000[b]
	Residual	1425812.795	44	32404.836		
	Total	24873561.780	49			

a. Dependent Variable: MVPS

b. Predictors: (Constant), PE, EPS, DY, DPR, DPS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-362.096	204.959		-1.767	.084
	EPS	15.624	4.685	.362	3.335	.002
	DPS	19.132	6.645	.455	2.879	.006
	DPR	.745	2.103	.041	.354	.725
	DY	-88.403	31.345	-.231	-2.820	.007
	PE	18.371	4.048	.348	4.539	.000

a. Dependent Variable: MVPS

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ABSTRACTS The purpose of the study is to evaluate the relationships among Nepalese commercial banks' profits and dividend yield, market price of stocks and earnings, and market price of stocks and dividend payment ratio. The sample consisted of NABIL, EBL, NICA, NBL, and SBI. One of the following five categories applies to most research designs: quantitative, qualitative, or combined. For this examination, only an analytical and descriptive research design will be employed. Financial and statistical techniques have both been employed to meet the study's aims. Bigger earnings, according to the report, are a sign of stronger businesses; NABIL and EBL, for example, paid bigger dividends to shareholders. Dividend payout ratios (DPR) and mean dividend per share (DPS) varied; NBL had the biggest DPR fluctuation. Over a ten-year period, the mean MVPS for five commercial banks was 834.92, with a 7.1247 deviation and an EPS range of 33.99 to 86.04. According to a regression model, 93.60 percent of the changes in the dependent variable could be explained