

DETERMINANTS OF CORPORATE DIVIDEND PAYMENT IN NEPALESE INSURANCE COMPANIES

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

by

Anita Kumal

Exam Symbol No.: 13095/19

Campus Roll No.: 3048/075

T.U. Regd. No.: 7-2-593-2-2014

Shanker Dev Campus

Kathmandu, Nepal

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Determinants of Corporate Dividend Payment in Nepalese Insurance Companies**”. 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 the dissertation.

Anita Kumal

Signature:

Date:

REPORT OF RESEARCH COMMITTEE

Ms. Anita Kumal has defended research proposal entitled “**Determinants of Corporate Dividend Payment in Nepalese Insurance Companies**” 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 Asso. Prof. Rita Maskey and submit the thesis for evaluation and viva voce examination.

Asso. Prof. Rita Maskey
Dissertation Supervisor
Signature:

Dissertation Proposal Defended Date:

.....

Dissertation Submitted Date:

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee
Signature:

Dissertation Viva Voce Date:

.....

APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Determinants of Corporate Dividend Payment in Nepalese Insurance Companies**” presented by Anita Kumal 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.

.....
Asso. Prof. Rita Maskey
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Joginder Goet
Acting Campus Chief

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This study entitled “**Determinants of Corporate Dividend Payment in Nepalese Insurance Companies**” has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the use of quantitative aspect of the determinants of corporate dividend payment in Nepalese insurance companies.

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Anita Kumal

Date:

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ABBREVIATIONS

AD	:	Anno Domini
BS	:	Bikram Sambat
DP	:	Dividend Payment
GDP	:	Gross Domestic Products
GP	:	Gross Premium
HEI	:	Himalayan Everest Insurance Limited
INF	:	Inflation Rate
LEV	:	Leverage Ratio
LIQ	:	Liquidity Ratio
Ltd.	:	Limited
NIL	:	Neco Insurance Ltd.
NLG	:	NLG Insurance Company Limited
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
SD	:	Standard Deviation
SICL	:	Shikhar Insurance Company Limited
SIL	:	Siddhartha Insurance Company Limited
TU	:	Tribhuvan University

ABSTRACT

The main purpose of the study is to examine the determinants of dividend payment in Nepalese insurance companies for ten year periods (2013/14-2022/23). Multiple regression analysis, correlation, and descriptive statistics were employed in this investigation. This study reveals that insurance companies have high dividend distributed to the shareholders during the study period indicate that earning of insurance companies has been received by the ordinary shareholders. The correlation study reveals that, while gross premium has an insignificant negative link with dividend payment, return on assets, leverage ratio, and inflation rate have strong positive relationships with insurance businesses in Nepal. Furthermore, there is a strong positive correlation between liquidity and Nepali insurance firms' dividend payments. The results of the multiple regression analysis show that the sample insurance businesses in Nepal's dividend payout are significantly positively impacted by both the inflation rate and return on assets. Leverage and liquidity, however, have a negligible beneficial impact on dividend payments. Furthermore, the dividend payout is somewhat negatively impacted by gross premium. Because they had such a large influence, the study came to the conclusion that the inflation rate and return on assets were the main drivers of the insurance firms' dividend payments in Nepal.

Keywords: Dividend payment, return on assets, liquidity ratio, gross premium and inflation rate.

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

A strong insurance market facilitates the transfer of risk and the mobilization of capital, which underpins efficient resource allocation (Charumathi, 2012). Furthermore, insurance firms spend the premiums they get, which significantly strengthens the national economy (Gulsun & Umit, 2010). Because of this, riskier corporations find it difficult to absorb all forms of risk in the current extremely unpredictable environment, which makes the state of the economy unsustainable in the absence of insurance companies.

The three primary pillars of corporate decision-making are money, investments, and payment choices. Dividend policy is one of the main aspects of corporate finance that managers pay close attention to since it has a big influence on shareholder value. Many academics studying finance have been inspired by the "dividend problem" to investigate the ways in which company financial decisions impact payout practices. Because investors and business management have presented different interpretations of dividend payment plans, the intricacies surrounding dividend behavior have been experimentally shown (Brealey & Myers, 2003).

A company's dividend payment policy is the set of rules it uses to decide how much of its profits to provide shareholders. Making this choice is essential to assisting a business in reaching its objectives and running smoothly. One of the top ten "perplexing topics" in finance is dividend policy. A dividend strategy that maximizes shareholder value is one that drives up the price of a company's shares (Gul et al., 2012). Still unclear, nonetheless, is the connection between dividend policy and shareholder wealth (Higgins, 1972; Crutchley & Hansen, 1989). Numerous hypotheses have been put up to explain the decision-making process behind dividend decisions as well as how they could affect a company's worth.

Profits can be reinvested by a company or paid out as dividends to shareholders. Every company has a dividend policy that is primarily set by the particular conditions

and variables that exist at any given moment. While some businesses choose to pay out dividends on their leftover profits, many choose to keep part of their revenues in order to reinvest them. After much time and effort, researchers have been able to solve the dividend conundrum, leading to a range of contradictory ideas and interpretations (Al-kuwari, 2009).

Scholars have created a plethora of theoretical models that delineate the elements that managers ought to take into account while formulating a dividend policy. The choice to pay a dividend is seen as unrelated to the firm's worth in an ideal capital market (Miller & Modigliani, 1961). Financial managers have been debating dividend distribution policy the amount of money that should be given to shareholders for almost 50 years. Since there is uncertainty in the market and insufficient information, a dividend increase may have a favorable impact on shareholder value. Numerous more hypotheses have consequently surfaced in the literature. For example, dividends can be used as a signal of a firm's future prospects in situations where there is asymmetric information, according to Bhattacharya's (1979) signaling theory. Furthermore, by lowering the quantity of free cash accessible to managers, paying larger dividends may help reduce agency problems inside a company, according to Easterbrook's Agency Cost Theory, which was put forward in 1984. The goal of this strategy is to better align management's and shareholders' interests.

The profitability of a bank affects dividend payments (Ambarish et al., 1985; Pruitt & Gitman, 1991). The fundamental idea behind this is that a company's shareholders, who are the real owners of the business, should get a percentage of its earnings when it makes significant profits. To increase the value of the company's shares, managers apply certain dividend policies (Ambarish et al., 1985). Moreover, a noteworthy inverse relationship has been seen between the market-to-book value ratio and the current dividend disbursements, suggesting that firms with a greater market-to-book value typically distribute lesser dividends to their stakeholders (Amidu & Abor, 2006).

There are still holes in our theoretical and empirical knowledge of dividend policy, despite a wealth of study on the subject. The complexity and multidimensional character of actual dividend policies are the root cause of the dividend problem

(DeAngelo et al., 2008). Frankfurter and Wood (1997) emphasized that decisions on dividend policy may be influenced by a number of variables, including the general state of the economy, legal frameworks, public opinion, and perceptions. Furthermore, there is a dearth of data from developing countries because the majority of empirical research tends to concentrate on the dividend policy of firms in developed economies. Due to variations in laws, investment behavior, and cultural norms, developing nations like Nepal may not be able to immediately benefit from the findings made from industrialized markets. Thus, examining the dividend policies of emerging countries—Nepal in particular—will help clarify the firm-specific variables that affect corporate payout choices. The purpose of this research is to investigate how firm-specific factors affect Nepalese insurance firms' dividend payments. The study specifically looked at how private insurance businesses in Nepal paid dividends and the impact of profitability, firm size, premium income, debt, and liquidity on these factors.

1.2 Problem Statement

Decades of research on dividend policy have yielded no widely acknowledged theory to account for the observed payment behavior of companies. Considerable theoretical and empirical work has been done since the dividend irrelevance hypothesis proposed by Miller and Modigliani (1961). Still, a wide agreement is still difficult. After years of investigation, scientists still have different opinions despite the same factual facts (Al-Malkawi, 2010). According to Miller and Modigliani (M & M), in perfect capital markets, a company's dividend policy has no bearing on its value. This assumption is called into question by a number of market flaws, including taxes, transaction costs, information asymmetry, and agency problems. As a result, a number of dividend policy theories have been developed, including those that concentrate on agency costs, tax preferences, clientele effects, and signaling.

The majority of studies supports the theoretical presumptions, despite the fact that some empirical data demonstrates a discrepancy between actual actions and theoretical expectations. Many research are being conducted to solve this financial conundrum and give a solid theoretical and empirical understanding of dividends, even if a widely acknowledged answer to the dividend policy issue has not yet been discovered. The goal to maintain or raise stock prices, cash availability, past dividend

payments, and profitability were ranked by most respondents as the factors most affecting corporate dividend policy (Pradhan & Adhikari, 2004).

According to Liono, Lambey and Tumiwa (2017), ROE and the Dividend Payout Ratio (DPR) show a high negative correlation between profitability and growth potential. They also observed a modest and unfavorable correlation between DPR and the size and leverage of the firm. Ahmad, Ansari and Shamsi (2019), on the other hand, observed that profitability and liquidity had a positive and substantial impact on a firm's dividend payouts, with the sector's dividend payments having greater influence than size, risk, and leverage. Melese and Ravi (2019) discovered that while leverage had a major negative impact on dividend payouts, firm size, profitability, and liquidity all favorably and significantly affected the dividend payouts of private insurance businesses in Ethiopia. It's interesting that they discovered that dividend distribution was unaffected by premiums. In a similar vein, Shi (2020) found that all firm-level determinants aside from ownership concentration (CONC) significantly affected dividend distributions in the Thai logistics industry. These same factors also showed considerable effect in the Chinese logistics industry.

According to Putri and Ugut's (2021) findings, the dividend payout ratio (DPR) of a firm was favorably and considerably impacted by its age. On the other hand, they discovered that while firm size, profitability, and dividends from the prior quarter had a large negative impact on DPR, physical assets and leverage had no effect. Arshad, Waseem and Abbas (2022) found that although asset growth, retained earnings relative to total equity, and liquidity favorably impacted the DPR, a company's debt, sales growth, and profitability had a negative impact. Notably, Nepal has not produced nearly enough research on this subject. Therefore, doing research on the variables influencing dividend distribution is vital to resolve the complexity surrounding dividends and to give compelling proof of the link between theory and practice from a Nepalese viewpoint. The following research topics are the main emphasis of this study's analysis of Nepalese insurance companies' corporate dividend distribution practices:

- What is the position of dividend payment of sample non-life insurance companies?

- Whether there is relationship between dividend payment determinants and dividend payment of sample non-life insurance companies or not?
- How is the impact of specific factors (return on assets, liquidity, inflation rate, leverage and gross premium) on dividend payment of sample non-life insurance companies?

1.3 Objectives of the Study

The primary aim of this study is to investigate the factors that affect dividend payments in Nepalese non-life insurance companies. Additionally, the research has several specific objectives, which include:

- To analyze the position of dividend payment of sample non-life insurance companies.
- To examine the relationship between dividend payment determinants and dividend payment of sample non-life insurance companies.
- To evaluate the impact of specific factors (return on assets, liquidity, inflation rate, leverage and gross premium) on dividend payment of sample non-life insurance companies.

1.4 Research Hypothesis

The following hypotheses are the result of formulating the aforementioned study questions. Therefore, the purpose of this research is to assess these theories regarding Nepali insurance companies:

Hypothesis (H₁): There is significant influence of profitability (ROA) on dividend payment of sample non-life insurance companies.

Hypothesis (H₂): There is significant influence of liquidity on dividend payment of sample non-life insurance companies.

Hypothesis (H₃): There is significant influence of leverage on dividend payment of sample non-life insurance companies.

Hypothesis (H₄): There is significant influence of gross premium on dividend payment of sample non-life insurance companies.

Hypothesis (H₅): There is significant influence of inflation rate on dividend payment of sample non-life insurance companies.

1.5 Rational of the Study

The significance of the study lies in its potential to offer insightful information to investors, politicians, insurance company management, and boards of directors.

- The internal variables impacting dividend payment examined in this study will be helpful to the board of directors and management teams of Nepalese insurance firms in developing new dividend payment policies or improving current ones.
- Through its analysis of the variables influencing dividend distribution and its prediction of future dividend payment patterns from investments, this study may also help current investors manage their assets. It also gives inexperienced investors information about possible factors influencing dividend distribution in Nepal, which may assist them in making wise financial decisions.
- The research also emphasizes how investors' liquidity alternatives and the efficacy of contemporary financial ideas are negatively impacted by the absence of secondary markets in the nation. Through the identification of this problem, the research helps interested parties come up with quick fixes.
- By examining whether the factors reported in Nepal correspond with those found in studies from other nations, this research may fill a vacuum in the body of current knowledge.
- Furthermore, the study can open the door for further investigation into the problem of dividend payment in the insurance industry in Nepal.

1.6 Limitations of the Study

The following are the study's limitations:

- NLG Insurance Company Limited, Neco Insurance Ltd., Himalayan Everest Insurance Limited, Shikhar Insurance Company Limited, and Siddhartha Insurance Company Limited are the only five non-life insurance businesses in Nepal that are the subject of this study.
- Data from the previous 10 years from the fiscal years 2013/14 to 2022/23 are analyzed in this study.
- The study's findings might not apply to all comparable firms because of differences in their business and operational procedures.

- The return on assets, leverage (debt to equity), gross premium, liquidity ratio, and inflation rate were the five explanatory factors that were the focus of this study.
- The study also made use of secondary data sources, such as financial statements and annual reports.

CHAPTER - II

LITERATURE REVIEW

Reviewing and evaluating a number of pertinent books, articles, and unpublished and published works from various economic journals, magazines, newspapers, and the annual financial statements of the pertinent corporations are the main objectives of this chapter. It also incorporates web searches and earlier theses on comparable subjects. The theoretical review and the empirical review comprise the two components that make up this chapter.

2.1 Theoretical Review

2.1.1 Theories of Dividend Payment

Although each company may use a different approach, this section covers the general theories of dividend payments, which can help make sense of how they are distributed. The following are some of the widely held ideas about dividend payments:

2.1.1.1 Free Cash Flow Theory

As indicated by Jensen's (1986) hypothesis, organizations frequently create and hold huge incomes in any event, whenever there are no appealing venture open doors for development possibilities. This overflow money can lead the executives to take part in exorbitant or unfortunate ventures, incorporating those with a negative net present worth, which can hurt investor interests and diminish the company's worth and future benefit. Jensen recommends that administration can alleviate the organization costs related with elevated degrees of free income by utilizing obligation funding and delivering out profits. Besides, the hypothesis sets that administration might like to keep abundance incomes instead of circulate them as profits, in this manner expanding their command over fluid resources.

Drobetz and Grüninger (2007) noticed that administration might hold critical money saves in light of multiple factors, for example, an inclination for keeping away from obligation funding or not having any desire to deliver profits. This recommends a connection between held profit and money holds, inferring that administration could

decide to diminish or dispose of profit payouts to keep up with higher capital inside the organization. Subsequently, as this study analyzes the effects and significance of productivity and liquidity on profit circulation, the free income hypothesis turns out to be especially significant. This hypothesis represents how liquidity and benefit can help financial backers in pursuing informed speculation choices, accordingly upgrading the review's factors.

2.1.1.2 Peaking Order Theory

At first proposed by Donaldson in 1961 and later created by Myers and Majluf in 1984, this hypothesis makes sense of why organization the board will in general lean toward inner funding for venture open doors, using held profit over outside sources. Because of the data imbalance among financial backers and the executives, interior supporting is liked, trailed by obligation and value funding (Myers & Majluf, 1984). Inward supporting brings about no extra expenses or dangers, making it the most ideal choice. Obligation supporting is optional on the grounds that it includes interest costs. Value funding is viewed as the most un-appealing because of its greater expenses, as value financial backers normally require more noteworthy profit payouts because of the expanded gamble related with data lopsidedness. Dittmar, Mahrt-Smith and Servaes (2003) noticed that organizations with significant incomes will quite often appropriate profits actually. In any case, these organizations may likewise rely upon obligation supporting while at the same time keeping up with high liquidity levels. Enormous organizations frequently have simple and huge admittance to obligation subsidizing, prompting the assumption that they are bound to create high incomes. Moreover, when these organizations deliver out bigger profits, it ordinarily brings about lower acquiring needs. To address their monetary necessities, enormous firms principally use inside supporting from held profit, with any minor shortfalls covered by outer financing. Value funding is certainly not a significant wellspring of capital for these enormous organizations.

Considering that the point of the ongoing review is to evaluate how firm size, liquidity, and productivity impact profit appropriation, hierarchy hypothesis is pertinent. This hypothesis outlines how these free factors can help financial backers in going with informed venture choices, accordingly upgrading the review's factors.

2.1.1.3 Bird in Hand Theory

The Bird in Hand theory, presented by John Lintner in 1956, presents a conventional viewpoint on the effect of profits on an organization's worth. This idea challenges the Modigliani-Miller operator profit immateriality hypothesis, which proposes that financial backers are not interested in whether their profits come from capital additions or profits. As per the Bird Close by hypothesis, since capital increases are unsure, financial backers like to get profits from stocks. The center thought is that profits are seen uniquely in contrast to held profit or capital additions in a world loaded up with vulnerability. As opposed to depending on the "two in the bramble" capability of capital increases, financial backers favor the conviction of getting a "bird in the hand" as money profits. *Ceteris paribus*, higher profit installments might be related with expanded business values. A higher payout proportion can lessen the expense of capital and thusly improve share esteem, as it reduces vulnerability in regards to future incomes, like the impact of a bigger current profit. This lines up with the "bird-in-the-hand" hypothesis. Nonetheless, Miller operator and Modigliani (1961) challenged this speculation, contending that a company's gamble is resolved not by its profit circulation but rather by the intrinsic gamble of its functional incomes. They alluded to this thinking as the "bird-in-the-hand error."

2.1.1.4 Agency Theory

Agency cost theory proposes that the scattering of proprietorship and control impacts profit strategy. Chiefs may sometimes embrace a profit strategy that focuses on their own advantages over boosting investor esteem. By delivering profits, organizations can diminish the free incomes accessible to chiefs, consequently reassuring them to zero in on upgrading investor abundance as opposed to abusing assets for individual advantage (DeAngelo, DeAngelo & Stulz, 2006). Firms frequently look for the oversight and discipline of the market to draw in new value ventures.

Agency theory places that supervisors of organizations might act in a non-esteem expanding (NVM) way. Jensen and Meckling (1976) recommended that the office costs related with NVM supervisors can decrease the company's general worth. Notwithstanding, these organization expenses could be decreased in the event that a chief's privately invested money is attached to the organization's stock worth.

Subsequently, higher insider possessions, or administrative responsibility for, may assist with bringing down office expenses and improve the company's worth.

2.1.1.5 Life Cycle Theory

Organizations are typically settled by people meaning to benefit from creative thoughts. At first, these organizations concentrate profoundly on fostering their ideas. After a sluggish beginning, they experience fast development, arrive at development, and ultimately enter a downfall stage. Those that explore this progress effectively start to appropriate profits, flagging their development. While speculation open doors frequently decrease as organizations age, benefit will in general increment. This ascent in productivity as often as possible prompts higher money saves, permitting firms to start or increment profit installments. Exact proof backings the existence cycle hypothesis, demonstrating that profit payers are for the most part enormous, productive firms, though non-payers will quite often be more modest organizations with greater speculation open doors. Moreover, profit installment conduct is frequently connected to the structure of contributed capital (DeAngelo, DeAngelo & Stulz, 2006). Their exploration shows that organizations that deliver profits are regularly bigger and more beneficial than those that don't.

2.1.2 Factors Affecting Dividend Payment

An organization's profit strategy is impacted by various variables. A few elements decide the sort of installment, while others influence the installment sum. Key components that influence profit strategy incorporate lawful prerequisites, the organization's money position, obligation reimbursement commitments, limitations set by obligation holders, anticipated paces of return, income soundness, and investor charge contemplations, among (Joshi, 2012):

1. Legal Requirements

An organization isn't legitimately expected to disseminate profits; nonetheless, there are lawful guidelines overseeing how profits can be paid. For the most part, there are three principal rules with respect to profit installments:

i) The Net Profit Rule

Under the net benefit rule, profits can be paid from one or the other current or authentic income. It is essential to take note of those delivering profits that surpass the absolute of past combined income and current income isn't reasonable.

ii) The Capital Impairment Rules

As indicated by this standard, an organization can't deliver profits from its settled up capital, as this would sabotage the value base and possibly imperil the interests of its leasers. The essential goal of this standard is to keep a powerful value base to safeguard the cases of loan bosses.

iii) Insolvency Rule

An organization is viewed as wiped out on the off chance that its liabilities surpass its resources or on the other hand on the off chance that gathering its ongoing obligations can't. In such cases, it is unlawful for the organization to disperse profits.

2. Firm's Liquidity Position

The profit installment is likewise impacted by the organization's liquidity circumstance. Albeit the monetary record might show adequate held profit, these assets are frequently reinvested in the organization's resources as opposed to held in real money. Subsequently, this could prevent the organization's capacity to deliver cash profits (Ghimire, 2001).

3. Repayment Need

The organization uses different obligation supporting choices to satisfy its speculation needs, which should be reimbursed upon development. With regards to reimbursing this obligation, the organization for the most part has two options: it can give new protections to cover the obligation at development or assign assets from its profit explicitly for reimbursement.

4. Restriction Imposed by Debt Holders

Debt holders can force limitations on the organization's capacity to deliver profits. These limits might specify that the organization can't disseminate profits from past held income recorded prior to meeting the particulars of the obligation contract. Also,

they might expect that profits on favored stock be completely delivered before any profits can be given on normal stock.

5. Expected Rate of Return

The normal pace of profit from venture additionally impacts how much profit installments. On the off chance that an organization expects a better yield on its ventures, it is bound to hold its profit for reinvestment instead of disperse cash profits.

6. Stability of Earnings

An organization with stable income is bound to deliver higher profits than an organization with more factor income. The last option, because of vulnerability about its future profit, will in general hold a bigger part of its current profit as opposed to disseminating them as profits (Joshi, 2012).

7. Desire for Control

Current administration might be hesitant to give more normal stock while extra financing is required because of worries about letting completely go over the organization's administration.

8. Access to the Capital Markets

On the off chance that an organization can without much of a stretch access capital business sectors for subsidizing, it will not have to hold more profit. In any case, more modest and recently settled organizations frequently face difficulties in acquiring outside funding from these business sectors.

9. Stockholders' Individual Tax Situation

Investors of firmly held organizations will generally favor lower cash profits because of the greater expenses on profit pay. Those in higher individual expense sections frequently favor capital additions over profits. In any case, laying out a sound profit strategy requires something other than these contemplations. It is crucial for represent different elements, including changing legislative arrangements, the potential for future corporate development, the age and development of the organization, and the educational worth of profits, among others.

2.1.3 Forms of Dividend

Dividends are regularly paid in real money, however when a business can't do as such, it might utilize elective strategies to disseminate profits to keep investors fulfilled. These choices can incorporate stock profits, stock parts, reserves, favored shares, scrip profits, properties, securities, and that's only the tip of the iceberg. Nonetheless, most organizations in Nepal transcendently deliver profits as money and offers.

i) Cash Dividend

A cash dividend is an installment made to investors in real money, drawn from the organization's benefits. At the point when a money profit is dispersed, the organization's money and stores are diminished, prompting a lessening in all out resources and total assets. Regularly, the market cost of the offers additionally declines by a sum identical to the money profit paid (Pandey, 1995).

ii) Stock Dividend

A stock dividend is given when new offers are given to current investors rather than a money installment. For this situation, investors get extra offers alongside any money profit. This outcomes in an expansion in the all-out number of remarkable offers while keeping up with similar possession rate for investors. Announcing extra offers decreases the organization's stores and excess yet expands its settled up share capital. Significantly, the issuance of extra offers doesn't influence the general net worth of the organization.

iii) Stock Split Dividend

One more technique for dividend payment is a stock split, which decreases the standard worth of each offer while expanding the all-out number of exceptional offers for every investor. A huge stock profit, frequently alluded to as a stock split, happens when the quantity of exceptional offers increments by more than 20-25 percent. On the other hand, a converse stock split diminishes the quantity of remarkable offers while raising the cost per share. The basic role of a stock split is to improve attractiveness and permit the executives to keep up with command over the organization.

iv) Scrip Dividend

Scrip dividends are installments made as promissory notes as opposed to cash. An organization might give a scrip profit when its income support a profit yet its money position is briefly close, forestalling a prompt money installment. These scrip profits can either have a predetermined development date or be passed on to the circumspection of the chiefs. They may likewise incorporate interest or be given with next to no intrigue joined (Miller & Modigliani, 1961).

v) Preferred Stock Dividends

Preferred stock addresses a type of possession in an enterprise, offering high fixed-profit installments in return for restricted impact over the organization's course and development. The profit yields on favored stock, determined by partitioning the yearly installment by the stock cost, normally range from 4% to 8%. Since favored profits are fixed, they stay unaffected by business extension. Organizations should completely deliver favored profits prior to circulating any profits to normal investors. In the event that an enterprise issues Total Favored Stock, it should initially repay any missed profits prior to continuing profits on its not unexpected stock.

vi) Property dividend

A property dividend is an installment made to investors as resources instead of money. This kind of profit might be given when an organization has resources that are not generally required for its tasks or in exceptional conditions. Instances of property profits incorporate the organization's own items or protections from auxiliaries (Pandey, 1995).

vii) Fund Dividends

All dividend, premium, and capital increases procured by a common asset throughout a year should be dispersed to financial backers. Consequently, the asset is excluded from personal duties, an advantage that is given to investors. On the off chance that a stock delivers qualified profits, the installments from the asset in light of those profits are likewise thought to be qualified.

viii) Bond Dividend

A dividend paid to investors as bonds is alluded to as a bond profit. In the event that an organization expects supported benefit, it might decide to give securities with fixed loan fees. Basically, this permits an organization to proclaim a profit as its own bonds to stay away from cash surges.

2.1.4 Dividend as a Signaling Effect

Changes in dividend can fundamentally influence the stock cost. In these examples, profits can convey more importance than verbal explanations. The executives might utilize profit installments to convey their perspectives on the organization's acquiring potential and liquidity, supporting their trust in the company's monetary wellbeing (Pettit, 1972).

Thus, supervisors, as insiders with select admittance to data about the organization's incomes and current and future acquiring potential, will frequently decide to convey clear messages in regards to the organization's standpoint. Whenever persuaded suitably, they might involve profit installments as a way to convey these assumptions (Keane, 1974). In this way, profits can be deciphered as signs to financial backers. Organizations with positive news about their productivity possibilities are probably going to share this data. Financial backers might see that administration is adjusting the normal degree of future benefit, flagging that administration and the board accept what is going on isn't so critical as the ongoing stock cost recommends.

2.2 Empirical Review

2.2.1 Review of International Articles

Mogire and Muturi (2024) examined the financial traits of firms and their dividend distributions among insurance companies listed on the Nairobi Securities Exchange. The main objective of this study was to investigate the effects of firm financial characteristics on dividend distribution of listed insurance enterprises in Nairobi Securities Exchange. The data came from the yearly financial statements for the years 2011 through 2020. Both univariate and multivariate statistics were applied to the data analysis process. Based on the data, debt has a major effect on the dividend payout of insurance companies listed on the Nairobi Securities Exchange. Second, insurance

businesses registered on the Nairobi Securities Exchange paid dividends in a way that was both statistically significant and advantageous. Thirdly, the study found that profitability had a statistically significant beneficial influence on the dividend distribution of insurance companies registered on the Nairobi Securities Exchange. The ultimate objective demonstrated that the dividend payments made by listed insurance businesses on the Nairobi Securities Exchange were positively and statistically significantly impacted by business size.

Bakri and Yong (2023) examined the factors influencing dividend policy in businesses that adhere to and do not adhere to Sharia: using a panel quantile technique. This study aimed to investigate possible distinctions between non-Shariah compliant and Shariah compliant organizations' influencing elements. Information gathered for the top 200 companies by market capitalization between 2010 and 2019 came from the Securities and Exchange Commission and DataStream. To test the hypothesis, the study used fixed effects, random effects, and pooled OLS. It was discovered that for Shariah-compliant businesses, free cash flow, profitability, company size, and growth potential were the main determinants determining dividends. On the other hand, business size, growth potential, profitability, and risk were the primary variables influencing dividends for non-Shariah compliant enterprises.

Chali et al. (2023) explored the factors influencing the dividend payout ratio of private insurance firms in Ethiopia. This study deliberately selected eight out of sixteen target organizations to investigate the factors impacting the dividend payout ratio of private insurance companies in Ethiopia. Secondary quantitative data sources for the study included the National Bank of Ethiopia (NBE) from 2007 to 2019 and audited yearly financial reports from each chosen insurance firm. The dividend payout ratio was shown to be highly impacted negatively by leverage, growth potential, and retained profits, and positively by firm age, gross premium, and delayed dividends, according to analysis utilizing a panel data random effects model. Dividend distribution was not greatly impacted by profit or inflation rate. The results showed that while highly leveraged and quickly expanding companies usually pay smaller dividends, older companies with significant premium income tend to accrue greater dividends.

Louziri and Oubal (2022) studied the factors that influence dividend policy in the context of the Casablanca Stock Exchange. This study's main objective was to examine the variables affecting the Casablanca Stock Exchange's dividend policy. Over a 16-year period, from 2003 to 2018, panel data was analyzed using a fixed effects model with variables based on important dividend policy ideas. Eight independent factors were examined in the study: price-to-earnings (P/E) ratio, growth potential, company age, retained earnings, firm size, profitability, and a dummy variable for financial institutions. To validate the results, payout ratio and dividend yield were used as the two proxies for the dependent variable. The findings showed that three important variables company size, firm age, and growth potential affect dividend policy. The negative correlation between dividend policy and business age and size was explained by signaling theory. Additionally, a number of theories, including agency theory, financial flexibility theory, and life cycle theory, corroborated the negative association between dividend payments and growth potential.

Arshad et al. (2022) analyzed the factors that impact the dividend payout ratio of firms that distribute dividends and are listed on the KSE-100 index. The goal of the study was to look at the key variables influencing the dividend payout ratio of dividend-paying businesses included in the KSE-100 index. A purposive sampling technique was used, in which the sample was chosen based on predetermined standards. Through the official KSE data portal, secondary data from the yearly financial reports of non-financial enterprises was gathered in order to do pooled OLS regression analysis on panel data models. The results showed that the dividend payout ratio was favorably and considerably influenced by sales growth, debt levels, and profitability. In contrast, asset growth, retained earnings relative to total equity, and liquidity were found to negatively and significantly affect the payout ratio. By separating dividend policy from financial performance metrics and adding a life cycle perspective a contribution not previously studied in the area this study improves knowledge of dividend policy in Pakistan, a developing market.

Putri and Ugut (2021) studied the factors influencing the dividend payout ratio in non-banking companies listed on the LQ-45 index of the Indonesia Stock Exchange from 2011 to 2019. This study set intended to assess the variables affecting the Dividend

Payout Ratio (DPR) of non-banking businesses that were included in the LQ-45 Index. Secondary data from certified financial reports of corporations that have regularly paid dividends from 2011 to 2019 were used in this quantitative study. The sample was chosen via purposeful sampling, and the data were analyzed using panel data regression analysis. Conventional assumption testing was then used to identify the optimal model. The results showed that the dividend payout ratio was significantly positively impacted by the company's age. On the other hand, the DPR was negatively impacted by business size, profitability, and dividends from the prior quarter, whereas physical assets and leverage had no effect on the ratio.

Shi (2020) analyzed the firm-specific factors that influence dividend payouts in the logistics sector in China and Thailand. The aim of this study was to investigate the firm-level characteristics that impact dividend payouts among listed companies in the logistics industry in China and Thailand. Additionally, the study looked at the relationship between these factors and dividend payouts in the two countries. From 2006 to 2014, a sample of 25 listed companies in China and 7 in Thailand were used in the study. A variety of data analysis techniques were used, including T-tests, pooled least squares (Pooled OLS), pooled estimated generalized least squares (Pooled EGLS), and apparently unrelated regression (SUR). The results showed that all major firm-level characteristics that significantly impacted dividend distributions in Thailand's logistics industry, with the exception of ownership concentration (CONC), were present. On the other hand, in the Chinese logistics industry, dividend distributions were impacted by all pertinent elements.

Melese and Ravi (2019) explored both internal and external factors that influence corporate dividend payouts, based on evidence from selected private insurance companies in Ethiopia. This study looked at the internal and external variables that affected a number of Ethiopian private insurance firms' dividend distributions between 2006 and 2017. It used a quantitative method and an explanatory study design, applying a panel regression model with random effects for eight carefully selected private insurance companies. The empirical findings showed that the dividend distributions of these firms were positively and significantly impacted by profitability, asset tangibility, firm size, age of the company, delayed dividends, liquidity, and GDP. On the other hand, dividend distribution was adversely and

dramatically impacted by risk, inflation, and leverage. Furthermore, the study discovered that the dividend payments of Ethiopian private insurance companies were not significantly impacted by premium levels or development potential.

Melese and Ravi (2019) examined firm-specific factors that impact the dividend payouts of private insurance companies in Ethiopia. The purpose of this study was to look into the firm-specific variables that affected the distribution of dividends among a number of Ethiopian private insurance businesses between 2006 and 2017. For eight chosen private insurance companies, the study used a panel regression model with random effects and an explanatory research design. The empirical results showed that the following factors were crucial in determining dividend distribution: risk, tangibility, growth potential, lagged dividends, liquidity, profitability, and business age. On the other hand, the study discovered that the dividend payments of Ethiopian private insurance businesses were mostly unaffected by leverage and premium levels.

Ahmad et al. (2019) investigated the factors influencing dividend payouts through an empirical study of the cement sector in Pakistan. In the field of finance, a great deal of study has been done on dividend policy and distributions in order to comprehend the reasons behind why businesses give dividends and distribute revenues to shareholders. Researchers typically refer to this scenario as a dilemma. They have identified a number of financial and non-financial variables that might clarify this matter. The purpose of this study was to look at the relationship between the debt-to-paper ratio (DP) of cement businesses listed on the Pakistan Stock Exchange (PSX) and financial metrics such company size, profitability, risk, leverage, and liquidity. Only cement manufacturing companies were included in the analysis, leaving out other businesses in the sector. Information was gathered from the companies' publicly available yearly financial statements, which covered the years 2009 through 2018. The link between the dependent and independent variables was investigated using bivariate correlation, and the best-fit regression model was identified using backward multiple regression. The backward multiple regression analysis revealed that while profitability and liquidity were shown to positively and significantly influence the businesses' dividend payouts, size, risk, and leverage did not significantly affect the sector's dividend payments.

Bostanci et al. (2018) studied the factors that determine dividend payout decisions using a dynamic panel data analysis of the Turkish stock market. This research investigated the distinct elements impacting the dividend allocation choices made by companies that are listed on the Borsa Istanbul stock exchange. In order to do this, dynamic panel regression was used to examine 853 data derived from the yearly averages of 106 firms from 2009 to 2015. The previous year's dividend payout, return on equity, market value/book value ratio, liquidity, and firm size all had a statistically significant positive influence on dividend payouts, according to the Arellano Bover/Blundell–Bond two-step system generalized technique of moments results. The results validate the dividend smoothing hypothesis for Turkey (a positive correlation with the dividend payout ratio from the prior year) and the free cash flow hypothesis (a positive association between dividend payouts and return on equity).

Masry and Amer (2018) investigated the factors influencing dividend policy in countries with emerging capital markets, combining both theoretical and empirical approaches. A company's dividend policy is influenced by both its prior year's distributions and its current profitability. Changes in profits in relation to the present dividend rate are therefore one of the main elements influencing corporate dividend policy. Financial risks related to financial leverage are in second place after this, profits fluctuations excluded. The study discovered that the most important factors influencing share price performance are profitability metrics like return on equity, return on assets, and profits per share (not including dividend yield). The following is a ranking of the elements that affect dividends: Firstly, profitability metrics such as profits per share (dividend yield excluded), return on equity, and return on assets. The coefficient of profits fluctuation (apart from financial leverage) and financial hazards are then placed second and third, respectively. The liquidity component (not including signals) comes in fourth place after these. The next set of criteria are, in order of ranking, size, investment opportunities, and net profit standard deviation (apart from asset volume). Lastly, this examination of dividend determinants also takes the cash ratio without the signals index into account.

Wijaya and Felix (2017) explored the factors that influence dividend policy in non-financial companies in Indonesia. The purpose of this study was to collect empirical data and examine the variables affecting the dividend policy of non-financial

companies that are listed on the Indonesian Stock Exchange. 105 non-financial firms that were listed between 2011 and 2015 made up the sample. To test the theories, multiple regression analysis was employed. The findings showed that while variables including price-to-earnings ratio, growth, liquidity, ownership, size, profitability, and free cash flow had no effect on dividend policy, they did have a substantial impact on price-to-book ratio, earnings per share, and floating rate. The results offer firms direction for creating a dividend policy that strikes a compromise between investors' interests and the company's potential for future growth.

Liono et al. (2017) analyzed the factors affecting the dividend payout ratio in insurance companies listed on the Indonesia Stock Exchange (IDX) during the period from 2011 to 2015. With an emphasis on profitability, development prospects, company size, and leverage, this study looked at the variables affecting the dividend distribution ratio (DPR) of insurance firms listed on the Indonesia Stock Exchange between 2011 and 2015. Ten firms that were publicly listed prior to 2011 made up the sample for the quantitative study using multiple linear regression. The data used in the analysis came from the companies' annual financial reports. The results showed a strong inverse relationship between DPR and growth prospects and profitability as determined by return on equity (ROE). Among the insurance businesses on the IDX, company size and leverage also revealed a slight negative correlation with DPR. These corporations appear to prefer to hold onto their profits rather than paying out dividends, based on the negative association seen between growth potential and ROE. Businesses should improve the services they offer in order to better serve their customers' requirements.

Kuzucu (2015) investigated the factors that determine dividend policy through a panel data analysis of Turkish listed companies. This study's main goal was to investigate the firm-level variables that affect emerging market enterprises' decisions to pay dividends. It made use of eight years of panel data from 2006 to 2013 from the Turkish stock market (Borsa Istanbul). Descriptive statistics, correlation analysis, and multiple regression analysis were used to examine the data. The results showed that the price-to-earnings (P/E) ratio, ownership structure, size, growth rate, age, profitability, and financial leverage were all statistically significant. More specifically, dividends were favorably connected with size, age, and P/E ratio, but negatively

correlated with leverage, growth rate, profitability, and family control. As a result, businesses with greater growth rates, debt-to-earnings ratios, or earnings are probably going to hold onto more of their earnings instead of paying out dividends.

Table 2.1

Summary of Review of International Articles

S.N.	Authors	Topic	Objectives	Methodology	Major Findings
1	Mogire and Muturi (2024)	Firm financial characteristics and dividend payout of listed insurance companies in Nairobi Securities Exchange	The main objective of this study was to investigate the effects of firm financial characteristics on dividend distribution of listed insurance enterprises in Nairobi Securities Exchange	Both univariate and multivariate statistics were applied to the data analysis process	The study found that debt had a major effect on the dividend payout of insurance companies listed on the Nairobi Securities Exchange. Second, insurance businesses registered on the Nairobi Securities Exchange paid dividends in a way that was both statistically significant and advantageous. Thirdly, the study found that profitability had a statistically significant beneficial influence on the dividend distribution of insurance companies registered on the Nairobi Securities Exchange.
2	Bakri and Yong (2023)	Determinants of dividend policies in shariah compliant and non-shariah compliant firms: A panel quantile approach.	This study aimed to investigate possible distinctions between non-Shariah compliant and Shariah compliant organizations' influencing elements	To test the hypothesis, the study used fixed effects, random effects, and pooled OLS	It was discovered that for Shariah-compliant businesses, free cash flow, profitability, company size, and growth potential were the main determinants determining dividends. On the other hand, business size, growth potential, profitability, and risk were the primary variables influencing dividends for non-Shariah compliant enterprises.
3	Chali et al. (2023)	Determinants of Dividend Payout Ratio of Private Insurance Companies in Ethiopia.	This study investigated the factors impacting the dividend payout ratio of private insurance companies in Ethiopia.	Panel data random effects model was used for data analysis.	The results of this study showed that while firm age, gross premium, and delayed dividends had a beneficial impact on the dividend payout ratio, leverage, growth potential, and retained earnings had a considerably negative impact. Dividend distribution was not greatly impacted by profit or inflation rate.
4	Louziri	Determinants	This study's	Over a 16-	The findings showed that three

	and Oubal (2022)	of dividend policy: The case of the Casablanca stock exchange	main objective was to examine the variables affecting the Casablanca Stock Exchange's dividend policy	year period, from 2003 to 2018, panel data was analyzed using a fixed effects model with variables based on important dividend policy ideas	important variables—company size, firm age, and growth potential—affect dividend policy. The negative correlation between dividend policy and business age and size was explained by signaling theory. Additionally, a number of theories, including agency theory, financial flexibility theory, and life cycle theory, corroborated the negative association between dividend payments and growth potential.
5	Arshad et al. (2022)	Factors affecting dividend payout ratio of dividend paying firms listed on KSE-100 index.	The goal of the study was to look at the key variables influencing the dividend payout ratio of dividend-paying businesses included in the KSE-100 index	This study was gathered in order to do pooled OLS regression analysis on panel data models	The results showed that the dividend payout ratio was favorably and considerably influenced by sales growth, debt levels, and profitability. In contrast, asset growth, retained earnings relative to total equity, and liquidity were found to negatively and significantly affect the payout ratio.
6	Putri and Ugut (2021)	Factors affecting dividend payout ratio in LQ-45 (non-banking) companies listed in Indonesia stock exchange, 2011-2019.	This study set intended to assess the variables affecting the Dividend Payout Ratio (DPR) of non-banking businesses that were included in the LQ-45 Index	The sample was chosen via purposeful sampling, and the data were analyzed using panel data regression analysis	The results showed that the dividend payout ratio was significantly positively impacted by the company's age. On the other hand, the DPR was negatively impacted by business size, profitability, and dividends from the prior quarter, whereas physical assets and leverage had no effect on the ratio.
7	Shi (2020)	Firm-level factors affecting dividend payout in logistics sector in China and Thailand.	The aim of this study was to investigate the firm-level characteristics that impact dividend payouts among listed companies in the logistics industry in China and Thailand	This study used pooled least squares (Pooled OLS), pooled estimated generalized least squares (Pooled EGLS), and apparently unrelated regression (SUR).	The findings revealed that, except for ownership concentration (CONC), all other firm-level factors significantly influenced dividend payouts in the logistics sector in Thailand. In contrast, all relevant factors affected dividend payouts in the Chinese logistics sector.
8	Melese	Firm specific factors	This study aimed to	Utilizing an explanatory	The empirical findings revealed that significant

	and Ravi (2019)	affecting dividend payout of private insurance companies in Ethiopia.	investigate the firm-specific factors influencing dividend distribution among a selection of private insurance companies in Ethiopia from 2006 to 2017	research design and a quantitative approach, the study applied a panel regression model with random effects for eight selected private insurance firms.	determinants affecting dividend distribution included company age, firm size, growth potential, lagged dividends, liquidity, profitability, risk, and tangibility. Conversely, the study found that premium levels and leverage had minimal impact on the dividend payouts of Ethiopian private insurance companies.
9	Ahmad et al. (2019)	Factors affecting dividend payout: Empirical investigation from cement sector of Pakistan.	The aim of this study was to investigate how financial indicators—such as company size, profitability, risk, leverage, and liquidity—impact the debt-to-paper ratio (DP) of cement companies.	Bivariate correlation was employed to examine the relationship between the dependent and independent variables, while backward multiple regression was used.	The results from the backward multiple regression indicated that size, risk, and leverage did not significantly affect the sector's dividend payments; however, profitability and liquidity were found to positively and significantly influence the firms' dividend payouts.
10	Melese and Ravi (2019)	Internal and external factors that determine corporate dividend payout: evidence from selected private insurance companies in Ethiopia.	This study examined the internal and external factors influencing dividend payouts among a selection of private insurance companies in Ethiopia from 2006 to 2017	This study used panel regression model with random effects for eight carefully chosen private insurance firms	The empirical results found that profitability, company age, firm size, delayed dividends, liquidity, GDP, and asset tangibility had a positive and significant impact on the dividend payouts of these companies. Conversely, risk, inflation, and leverage negatively and significantly affected dividend distribution. Additionally, the study found that premium levels and growth potential had little influence on the dividend payouts of Ethiopian private insurance firms.
11	Masry and Amer (2018)	Factors affecting dividend policy in an emerging capital markets (ECM's)	This study looked at the internal and external variables that affected a number of Ethiopian	It used a quantitative method and an explanatory study design, applying a panel	The empirical findings showed that the dividend distributions of these firms were positively and significantly impacted by profitability, asset tangibility, firm size, age of the company, delayed dividends, liquidity, and GDP. On the other hand,

		country: Theoretical and empirical study.	private insurance firms' dividend distributions between 2006 and 2017	regression model with random effects.	dividend distribution was adversely and dramatically impacted by risk, inflation, and leverage.
12	Bostanci et al. (2018)	Determinants of dividend payout decisions: A dynamic panel data analysis of Turkish stock market.	This research investigated the distinct elements impacting the dividend allocation choices made by companies that are listed on the Borsa Istanbul stock exchange	In order to do this, dynamic panel regression was used to examine 853 data derived from the yearly averages of 106 firms.	The previous year's dividend payout, return on equity, market value/book value ratio, liquidity, and firm size all had a statistically significant positive influence on dividend payouts, according to the Arellano–Bover/Blundell– Bond two-step system generalized technique of moments results.
13	Wijaya and Felix (2017)	Factors affecting dividend policy on non-financial companies in Indonesia.	The purpose of this study was to collect empirical data and examine the variables affecting the dividend policy of non-financial companies that are listed on the Indonesian Stock Exchange	To test the theories, multiple regression analysis was employed	The findings showed that while variables including price-to-earnings ratio, growth, liquidity, ownership, size, profitability, and free cash flow had no effect on dividend policy, they did have a substantial impact on price-to- book ratio, earnings per share, and floating rate.
14	Liono et al. (2017)	The analysis of factors influencing dividend payout ratio in insurance companies listed in Indonesia stock exchange (IDX) period 2011-2015.	This study looked at the variables affecting the dividend distribution ratio (DPR) of insurance firms listed on the Indonesia Stock Exchange between 2011 and 2015	Ten firms that were publicly listed prior to 2011 made up the sample for the quantitative study using multiple linear regression.	The results showed a strong inverse relationship between DPR and growth prospects and profitability as determined by return on equity (ROE). Among the insurance businesses on the IDX, company size and leverage also revealed a slight negative correlation with DPR.
15	Kuzucu (2015)	Determinants of dividend policy: A panel data analysis for Turkish listed firms.	This study's main goal was to investigate the firm-level variables that affect emerging market enterprises' decisions to pay dividends	Descriptive statistics, correlation analysis, and multiple regression analysis were used to examine the data.	The results showed that the price-to-earnings (P/E) ratio, ownership structure, size, growth rate, age, profitability, and financial leverage were all statistically significant. More specifically, dividends were favorably connected with size, age, and P/E ratio, but negatively correlated with leverage, growth rate and profitability.

2.2.2 Review of National Articles

Aryal and Maharjan (2024) explored dividend policy and its effects on stock prices, providing empirical insights from life insurance companies in Nepal. In particular, the market price per share (MPS) was to be contrasted with the following: price-to-earnings (PE) ratio, dividends per share (DPS), earnings per share (EPS), capital-to-total-assets ratio, efficiency ratio, firm age, and profitability. For the analysis, nine of the fourteen life insurance firms that are active in Nepal were chosen. These predictor factors' impact on MPS was assessed using the ordinary least squares (OLS) approach. The results demonstrated a substantial and positive relationship between MPS and the ratios of EPS, DPS, and PE. However, there was a negative correlation between MPS and profitability. Moreover, MPS was adversely and significantly impacted by the capital-to-total-assets ratio and management expenses relative to premiums received.

Dhungana et al. (2024) identified the factors that determine dividend payout ratios in commercial banks in Nepal. This study set out to look at the factors influencing the dividend payout ratio of Nepal's commercial banks. The study, which looked at Nepal's commercial banks, was based on secondary data. Quota sampling was used to choose seven banks, and descriptive and analytical research methods were combined with statistical tools like regression analysis to assess the data. The information showed that the size of the bank and the liquidity ratio had a significant positive impact on the dividend payment ratios in Nepalese commercial banks. However, there are very few relationships between profitability ratios, leverage, and the capital adequacy ratio. Moreover, significant differences were seen across the different categories of banks concerning dividend distribution ratios, return on assets, leverage, and capital adequacy ratio. Higher dividend payment ratios are connected with larger bank sizes and higher liquidity ratios, indicating that these variables are important in influencing the dividend policies of Nepalese commercial banks.

Lamichhane and Rai (2021) examined the relationship between dividends, earnings, and stock prices in the context of Nepalese insurance companies. The study's main goal was to find out how stock prices, profitability, and dividends in Nepali insurance companies relate to one another. The study examined the annual reports from these organizations using 105 observations from 2011/12 to 2017/18 and secondary data

from 15 insurance companies. To evaluate the importance and influence of dividends, profits, and stock prices, regression models were applied. The results showed that return on equity and profits per share had a little positive impact on stock prices. Return on assets had a little negative effect on stock prices, whereas dividend per share, dividend payout ratio, and price-earnings ratio all had a substantial positive influence.

Kafley (2021) studied the effects of dividend payout ratio and earnings per share on the market price per share, focusing on insurance companies in Nepal. Using annual data from fiscal years 2071/2072 to 2075/2076, this study looked at the impact of earnings per share and the dividend payout ratio on the stock market price of insurance firms in Nepal. Regression modeling and correlation analysis were utilized in this work to look at this influence. The test results show a favorable association between the dividend payment ratio and market price per share as well as earnings per share. The results of the regression analysis show that the market price per share of insurance firms in Nepal is not significantly impacted by either the earnings per share or the dividend payment ratio.

Thapa (2021) explored the impact of financial determinants on dividend payouts, providing evidence from retail banks in Nepal. This study examined the relationship between the dividend payment ratio of 19 Nepalese commercial banks and five commonly used dividend determinants: net profit, cash flow, size, market to book value, and slack. Secondary data from the annual financial statements of the banks listed on the Nepal Stock Exchange is used in this study. A total of 95 data points spanning five fiscal years were considered. Regression analysis and a casual comparative study design are among the methods employed. The findings demonstrated that the market to book value and slack variables had a positive and significant influence on the dividend payment ratio. The outcome provided more proof that the dividend payout ratio is positively impacted by size. However, the findings showed that the banks' dividend payout percentage was negatively impacted by cash flows and profitability.

Shrestha (2020) analyzed the impact of dividends on stock market prices using a panel data approach. The effect of dividends on the stock market prices of Nepalese

companies was examined in this study. A sample of 33 dividend-paying firms that are listed on the NEPSE has been chosen in order to achieve this goal. Similarly, we used imbalanced panel data for 2000/01–2018/19 in our research. The results of the Hausman test indicated that the Random Effect model is inappropriate for the data used in this study, while the Breusch and Pagan Lagrangian multiplier test indicated that the Pooled Regression model is inaccurate. Therefore, this study used the Fixed Effect model to investigate the link between dividends and stock market price. This study discovered that, even after adjusting for return on equity, earnings per share, and return on equity, dividends continued to have a noteworthy impact on the stock market price of Nepalese companies. The study's final conclusion was that stock dividends have a significantly positive impact on Nepalese firms' stock market price, whereas cash dividends had a significantly negative affect.

Bhattarai (2020) examined the factors that influence dividend payout decisions in commercial banks in Nepal. Finding the factors influencing Nepalese commercial banks' choices to issue dividends was the aim of this study. Based on 60 observations from secondary balance panel data from 12 commercial banks collected between 2013–14 and 2017–18, the study was conducted. The panel data analysis findings are estimated in this study using the Random Effects and Pooled OLS models. These models' regression analysis shows a negative correlation between Nepalese commercial banks' dividend payment decisions and their profitability, bank size, and inflation rate. It demonstrated that decisions on dividend payments will be made with increased profitability, bank growth, and reduced inflation rates all in mind. But the data indicates a favorable correlation between market value per share and the choice to pay dividends. This suggests that increasing market value per share has an impact on the choice to increase dividend distribution. According to the study's findings, the primary factor influencing the decision to disburse dividends is the market value per share.

Pradhan and Manandhar (2017) studied the impact of firm-specific variables on the dividend payouts of banks in Nepal. This study looked at how certain firm-specific factors affected the dividends that banks in Nepal paid out. The objectives of this study have been met via the use of secondary data. The dependent variables chosen

are the cash dividend per share and the total dividend per share. Examples of independent variables are cash flow, price-earnings ratio, earnings per share, return on equity, return on assets, total debt to total equity, and total asset size. Regression models are used to evaluate the significance and applicability of the dividend payments made by development and commercial banks. The study's findings, which were based on information from eight national level development banks and thirteen commercial banks in Nepal between 2007 and 2008, demonstrated that the two main factors influencing the distribution of dividends among these institutions were size and profitability. Dividends per share are greatly positively impacted by return on equity, return on assets, size, liquidity, and profitability per share. Leverage has a negative effect on cash dividend per share; nevertheless, profitability, size, and liquidity have a large positive impact.

Bhaukajee et al. (2016) examined the factors that determine dividend payouts in Nepalese commercial banks. The purpose of this study was to investigate the variables affecting dividend distributions from Nepalese commercial banks. It looks for the determinants influencing the dividend distribution in these banks, taking into account both macroeconomic and bank-specific aspects. The study's foundation is a pooled cross-sectional examination of 149 secondary data observations from 25 commercial banks that were gathered between 2007 and 2008 and 2013 and 2014. The research postulates that a number of macroeconomic and bank-specific factors, including market power, bank size, cost-income ratio, profitability, liquidity, revenue growth, and market-to-book ratio, influence the amount of dividends paid out. The analysis found that the average dividend payout was 34.18 percent, while the adjusted dividend payout was 23.41 percent. Profitability, liquidity, market-to-book value, capital adequacy, cost-income ratio, market power, debt-to-equity ratio, and retained earnings were among the variables for which positive beta coefficients were discovered. On the other hand, negative correlations were observed for tax, revenue growth, loan-to-deposit ratio, credit risk, and activity mix. Furthermore, at different significance percentiles, the coefficients for credit risk, size, profitability, and liquidity were significant. According to the study's findings, the main variables influencing dividend distribution in Nepalese commercial banks are the institutions' size, profitability, credit risk, and liquidity.

Adhikari (2015) investigated the factors that influence corporate dividend payouts in Nepal. This study aimed to explore the factors influencing corporate dividend payouts in Nepal. It investigates if the traits of businesses that are listed on the Nepal Stock Exchange Ltd. have an impact on dividend distributions. The study developed a hypothesis addressing the link between the dividends given and several firm attributes, such as net profits, size, lagged dividends, liquidity, risk, investment possibilities, and the number of shareholders, using a theoretical framework and insights from prior empirical research. To test this hypothesis, 22 listed firms were included in a five-year period from 2009 to 2013, using a regression model. The research used a deliberate sampling strategy to choose its firms. The financial and non-financial subsectors underwent independent analysis after the relationships between the variables for the total financial sector were first examined. Pooled cross-sectional data were used for the overall sector study, and sector-specific regression analyses were carried out to investigate differences. The results showed that all listed businesses' dividend payments were highly impacted by size, liquidity, and profitability; size had a negative impact, while profitability and liquidity had favorable effects. Dividend distributions in Nepal's non-financial sector were impacted by profitability and trailed dividends, whereas in the financial sector, profitability and total assets determined dividend payouts.

Table 2.2

Summary of Review of National Articles

S.N.	Authors	Topic	Objectives	Methodology	Major Findings
1	Aryal and Maharjan (2024)	Dividend policy and its impact on price: Empirical insights from Nepalese life insurance companies	The study aimed to assess the relationship and impact of various explanatory factors on the market price per share (MPS)	These predictor factors' impact on MPS was assessed using the ordinary least squares (OLS) approach	The results demonstrated a substantial and positive relationship between MPS and the ratios of EPS, DPS, and PE. However, there was a negative correlation between MPS and profitability. Moreover, MPS was adversely and significantly impacted by the capital-to-total-assets ratio and management expenses relative to premiums received.
2	Dhungana et al. (2024)	Identifying the determinant s of	This study set out to look at the factors influencing the	Descriptive and analytical research	The information showed that the size of the bank and the liquidity ratio had a significant positive impact on

		dividend payout ratios in Nepalese commercial banks	dividend payout ratio of Nepal's commercial banks.	methods were combined with statistical tools like regression analysis to assess the data.	the dividend payment ratios in Nepalese commercial banks. However, there are very little correlations between profitability ratios, leverage, and the capital adequacy ratio. Moreover, significant differences were observed between the different categories of banks concerning dividend distribution ratios, return on assets, leverage, and capital adequacy ratio.
3	Lamichhane and Rai (2021)	Dividends, earnings and stock prices: a case of Nepalese insurance companies	The study's main goal was to find out how stock prices, profitability, and dividends in Nepali insurance companies relate to one another	To evaluate the importance and influence of dividends, profits, and stock prices, regression models were applied	The results showed that return on equity and profits per share had a little positive impact on stock prices. Return on assets had a little negative effect on stock prices, whereas dividend per share, dividend payout ratio, and price-earnings ratio all had a substantial positive influence.
4	Kafley (2021)	Effects of dividend payout ratio and earning per share on market price per share: A study on micro finances of Nepal.	This study examined the effects of profits per share and the dividend payment ratio on the stock market price of insurance companies in Nepal.	Regression modeling and correlation analysis were utilized in this work to look at this influence	The test results show a favorable association between the dividend payment ratio and market price per share as well as earnings per share. The results of the regression analysis show that the market price per share of insurance firms in Nepal is not significantly impacted by either the earnings per share or the dividend payment ratio.
5	Thapa (2021)	Effects of financial determinants on dividend payout: Evidence from Nepalese retail banks.	This study looked at how dividend determinants—net profit, cash flow, size, market to book value, and slack—affect the dividend payment ratio of 19 Nepalese commercial banks.	Regression analysis and a casual comparative study design are among the methods employed	The findings demonstrated that the market to book value and slack variables had a positive and significant influence on the dividend payment ratio. The outcome provided more proof that the dividend payout ratio is positively impacted by size. However, the findings showed that the banks' dividend payout percentage was negatively impacted by cash flows and profitability.
6	Shrestha (2020)	Effect of dividend on stock market price: A	The effect of dividends on the stock market prices	Breusch and Pagan Lagrangian multiplier	This study discovered that, even after adjusting for return on equity, earnings per share, and return on equity,

		panel data approach	of Nepalese companies was examined in this study	test indicated that the Pooled Regression model is inaccurate	dividends continued to have a noteworthy impact on the stock market price of Nepalese companies. The study's final conclusion was that stock dividends have a significantly positive impact on Nepalese firms' stock market price, whereas cash dividends had a significantly negative affect.
7	Bhattarai (2020)	Determinants of dividend payout decisions of commercial banks in Nepal.	The goal of this study was to identify the variables influencing Nepalese commercial banks' decisions on dividend payments.	The panel data analysis findings are estimated in this study using the Random Effects and Pooled OLS models	It demonstrated that decisions on dividend payments will be made with increased profitability, bank growth, and reduced inflation rates all in mind. But the data indicates a favorable correlation between market value per share and the choice to pay dividends.
8	Pradhan and Manandhar (2017)	Impact of firm specific variables on dividend payout of Nepalese banks.	This study looked at how certain firm-specific factors affected the dividends that banks in Nepal paid out	Regression models are used to evaluate the significance and applicability of the dividend payments made by development and commercial banks	This study demonstrated that the two main factors influencing the distribution of dividends among these institutions were size and profitability. Dividends per share are greatly positively impacted by return on equity, return on assets, size, liquidity, and profitability per share. Leverage has a negative effect on cash dividend per share; nevertheless, profitability, size, and liquidity have a large positive impact.
9	Bhaukajee et al. (2016)	Determinants of dividend payout: Evidence from Nepalese commercial banks	The purpose of this study was to investigate the variables affecting dividend distributions from Nepalese commercial banks	Multiple regression analysis and correlation were used in this study to analyze the data.	According to the study, size significantly influences dividend payout while liquidity has a negligible positive impact. Furthermore, it was discovered that the capital adequacy ratio and loan-to-deposit ratio had a negligible detrimental effect on the dividend payments made by banks. On the other hand, it was demonstrated that the activity mix and credit risk variables significantly impacted the dividend payout negatively.
10	Adhikari	Determinant	This study	Pooled cross-	The results showed that all

(2015)	s of corporate dividend payout in Nepal.	aimed to explore the factors influencing corporate dividend payouts in Nepal	sectional data were used for the overall sector study, and sector-specific regression analyses were carried out to investigate differences.	listed businesses' dividend payments were highly impacted by size, liquidity, and profitability; size had a negative impact, while profitability and liquidity had favorable effects. Dividend distributions in Nepal's non-financial sector were impacted by profitability and trailed dividends, whereas in the financial sector, profitability and total assets determined dividend payouts.
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2.2.3 Review of Thesis

Shrestha (2024) investigated Nepalese life insurance firms' dividend policies. In this study, descriptive statistics, correlation, and multiple regression analysis were used. The results of this study showed a significant positive relationship between dividends and return on assets. Likewise, there is a minimal positive link and a negligible negative correlation between liquidity and the dividend of life insurance companies and leverage and DPS, respectively. Furthermore, the correlation indicates a robust inverse relationship between DPS and gross premium. Furthermore, there is a very slight positive association between dividend and tangibility. The regression study's findings demonstrate that return on assets has a substantial favorable influence on the sample life insurance companies in Nepal. However, dividends are not adversely affected by liquidity or gross premium. The leverage ratio thus has a relatively beneficial effect on the dividend distribution. Tangibility also drastically lowers dividends. Accordingly, the study concluded that return on assets and tangibility are the primary factors influencing dividends in Nepalese life insurance companies.

Parajuli (2023) explored the factors that influence insurance firms in Nepal's dividend policies. Finding the factors influencing insurance firms' dividend policies in Nepal was the study's primary goal. Analysis is done using panel data from four insurance companies that spans the ten-year period from 2011/12 to 2020/21. Numerous aspects of dividend policy were examined in the study, including the firm's size, profitability, growth, leverage, and liquidity. Using multiple regression analysis, the most important criteria that insurance companies consider when determining payouts have been identified. The findings demonstrated the significance of dividend decisions and

that profitability and liquidity are the two statistically significant variables that positively affect Nepalese insurance companies' dividend policies. Conversely, growth has a substantial and unfavorable impact on dividend policy. The study discovered that, contrary to theoretical assumptions, size and leverage had little effect on the dividend policies of Nepali insurance companies.

Khatri (2023) oversaw the commercial banks in Nepal's dividend payment ratio determinants. The main goal of the study was to evaluate the variables that affect Nepalese commercial banks' dividend payout ratio during a ten-year span (2012/13–2021/22). In this study, correlation and multiple regression analysis were used. The study's findings demonstrated that there was no meaningful correlation between leverage or profitability and the dividend payout ratio (DPR). Similarly, there was only a slight positive correlation discovered between liquidity (LIQ) and the dividend payment ratio. The correlation investigation also revealed a substantial positive relationship between DPR and price earning ratio (PER). Furthermore, size and DPR showed a little positive association. A regression analysis demonstrated that return on assets (ROA) had a statistically insignificantly negative effect on the DPR of the sample banks. However, the positive effects of bank size and liquidity (LIQ) on the DPR of the sample institutions were statistically insignificant. In the meanwhile, the banks' dividend payout ratio was greatly enhanced by the price-earnings ratio (PER). The dividend payout ratio of Nepalese commercial banks was adversely affected by leverage as well. As a result, our research concluded that the price-earnings ratio and leverage had significant and significant effects on dividend distribution.

Dahal (2022) looked at factors that affected dividend payments to businesses that were listed on the Nepal Stock Exchange. Finding out how and to what extent firm size, profitability, liquidity, and earnings impact dividend payments for businesses listed on the Nepal Stock Exchange (NEPSE) was the aim of the study. Each and every piece of data suggested that dividend payments and these four separate variables may be related. The F-statistic was used to assess the overall significance of the regression model. The study's findings demonstrated a negative correlation between dividend payments and liquidity and a positive correlation with earnings, profitability, and business size. Firm size was not demonstrated to be statistically

significant at a five percent significance level, although earnings, liquidity, and profitability were.

Bhandari (2022) examined the variables influencing the dividend distribution policy. This study attempted to investigate the factors influencing corporate dividend distribution in Nepali insurance firms using data spanning a ten-year period (2010/11 to 2019/20). Among the important explanatory elements that were shown to be relevant were asset structure, company size, revenue growth, leverage, liquidity, profitability, dividends from the prior year, GDP, and inflation. To determine which variable is most significant, multiple regression analysis is employed. The analysis's findings demonstrated a favorable correlation between the dividend distribution and growth potential, liquidity, profitability, last year's dividends, and inflation. However, it was shown that the other factors had no statistically significant effect on how profits were distributed in Nepal's insurance sector.

Giri (2021) evaluated the variables influencing Nepal's commercial banks' dividend payment ratio. Examining the variables affecting the dividend distribution ratios of Nepal's commercial banks was the primary objective of the study. Descriptive analysis, correlation, and multiple regression were used to examine the study's data. This study found that the dividend payout ratio (DPR) and bank size and return on assets had a very weak positive link. However, there was a clear positive correlation between the dividend payout ratio and price earning ratio. Additionally, there was a very little negative link between the banks' leverage and liquidity ratios and their dividend payout ratio. There was a little but favorable correlation between return on assets (ROA) and the dividend payout ratio. Then, while not much, the liquidity ratio and bank size had a negative effect on the DPR of the sample institutions. However, the price earning ratio had a statistically significant positive influence on the sample banks' DPR. Additionally, the leverage ratio had a negative influence on the dividend payout ratio of Nepalese commercial banks. The study's main conclusion is that Nepalese commercial banks' dividend payments were significantly influenced by the price-earnings ratio and the leverage ratio.

Pathak (2020) looked into what factors affected Nepali private insurance firms' dividend payouts. The aim of this research was to identify the variables that affect

dividend payments to Nepali private insurance companies. The research looked at both internal and external variables: profitability, liquidity, leverage, company size, firm age, and growth were considered internal aspects, while GDP and inflation were considered external variables. The random effect model was utilized to ascertain the influence of every explanatory variable on the dividend distribution of private insurance companies in Nepal. The results showed that the firm's liquidity, profitability, and size were shown to be significant factors in determining dividend distribution. Contrary to predictions, it was discovered that the other factors firm age, leverage, growth, GDP, and inflation were not significant. Profitability, liquidity, and business size all had positive and significant effects on dividend distribution, as was to be expected.

Neupane (2020) investigated the variables influencing Nepali insurance companies' dividend payout ratios. The main objective of the study was to analyze the factors impacting the dividend payout ratio of Nepali insurance corporations. In this study, descriptive statistics, correlation, and multiple regression analysis were used. The study's findings demonstrated a minimal inverse association between the return on assets and liquidity ratio and the dividend payout ratio (DPR). However, there was a clear positive correlation between the dividend payout ratio and price earning ratio. Furthermore, there was no discernible positive correlation between the firms' dividend payment ratio and their leverage ratio and market to book value. Regression analysis revealed that the price earning ratio and return on assets (ROA) had a significant positive impact on the dividend payout ratio. Then, albeit not much, the sample businesses' DPR was adversely affected by the liquidity ratio. However, leverage ratio had a statistically insignificantly positive effect on the DPR of the sample enterprises. Finally, the market to book value ratio had a substantial negative influence on the dividend payout ratio of Nepalese insurance companies. Therefore, it can be concluded that the price earning ratio, return on assets, and market to book value were important variables affecting the dividend payments given by insurance companies in Nepal.

Thapa (2019) examined internal variables affecting Nepalese insurance companies' dividend distribution. The study's main goal was to assess the factors influencing dividend distribution in relation to insurance companies operating in Nepal. Important

explanatory elements were found in light of previous research in order to show how they relate to and affect dividend payments. These criteria included business risk, firm size, profitability, growth potential, liquidity, debt, and the trailing dividend payment ratio. The residual was found to be normally distributed, homoscedastic, and free of autocorrelation and multicollinearity after the necessary hypotheses for OLS were confirmed. The findings of the random effect panel least square regression show that there is a substantial link between the dividend payout ratio and growth potential, profitability, liquidity, and lagged dividend payout ratio. The survey also discovered that insurance companies in Nepal made no decisions about dividend distribution based on business risk, company size, or debt.

Gaire (2018) examined the variables influencing dividend payout policies in the context of insurance firms in Nepal. Evaluating the factors influencing corporate dividend payments made by insurance companies in Nepal was the main goal of the study. Among the crucial elements that were examined were asset structure, firm size, revenue growth, leverage, liquidity, profitability, dividends paid out previous year, GDP, and inflation. A random effect model was utilized to determine which variable had the most influence. The findings indicated that growth prospects, liquidity, profitability, dividends paid out the previous year, and inflation were all positively correlated with dividend payouts. However, the other variables had no appreciable impact on dividend payouts in the insurance sector of Nepal.

2.3 Research Gap

The shortcomings in previous studies are referred to as research gaps. The objective of this study is to gather perspectives, suggestions, and advice about dividend distribution while also locating possible new contributions. Prior research in this area is vital because it provides valuable insights into the present inquiry and emphasizes the necessity of continued study. The investigation's continuation is guaranteed by making connections between this study and previous studies. A company's dividend policy is one of the most important funding decisions that affects its overall financial health.

The goals of this research effort are very different from those of earlier studies. It is crucial to perform new study on this issue that takes into account current

advancements up to 2022–2023, as previous research on this topic was done at different times and mostly concentrated on earlier eras. This study also intends to investigate five non-life insurance businesses in Nepal, which were not included in earlier research that focused only on commercial banks. It analyzes the factors influencing dividend payments in Nepalese non-life insurance businesses by taking into account explanatory variables including return on assets, liquidity ratio, gross premium, leverage (debt to equity), and inflation rate. In addition, this study uses methodologies including multiple regression analysis, correlation analysis, and descriptive analysis that haven't been used in previous research on Nepali non-life insurance companies' dividend payments. As a result, this research stands out by focusing on both technical and fundamental factors influencing dividend payment.

CHAPTER - III

RESEARCH METHODOLOGY

The nature and sources of data, population and sample, sampling design, study framework, variable definitions, and analytic procedures are all covered in this chapter.

3.1 Research Design

The present investigation included both descriptive and causal research designs to investigate the factors that impact the payout of corporate dividends. The causal research strategy sought to investigate the direction and intensity of the associations between the independent factors and the dependent variable, dividend payment, while the descriptive research design was used to assess the status of dividends and their determinants using mean and standard deviation.

3.2 Population and Sample, and Sampling Design

The population under investigation consists of the 14 non-life insurance businesses that exist in Nepal at the moment. NLG Insurance Company Limited (NLG), Neco Insurance Ltd. (NIL), Himalayan Everest Insurance Limited (HEI), Shikhar Insurance Company Limited (SICL), and Siddhartha Insurance Company Limited (SIL) are the only five companies that have been chosen. These companies are picked because they were pertinent to the variables affecting corporate dividend payment ratios in Nepali non-life insurance. Since these five are acknowledged as top insurance providers in the present market and have regularly distributed cash or stock dividends to their shareholders in the majority of years, a purposive sample approach is used. The researcher chose to concentrate on these companies as a result.

3.3 Nature and Sources of Data, and Instruments of Data Collection

For the purpose of examining the connections and causal links between dividend payments and their affecting factors, this study only used secondary data. To evaluate these parameters' prediction value, secondary data were also employed. Data on characteristics unique to the tested firms was collected from their official

websites and annual reports. In addition, NEPSE data were used to obtain the information required for the analysis. For every corporation, the factors that determine dividend payments were gathered from 2013/14 to 2022/23. As a result, panel data are used in this study to examine the connection between dividend payment and the variables influencing it.

3.4 Method of Analysis

Econometric models are used in the study as a secondary data analysis method. To find out how independent factors affect dividend payouts, regression modeling is used. Descriptive statistics, correlation analysis, and statistical tests of significance, such as the F-test, p-values, and adjusted R2 are also included in the study.

Descriptive Statistics

By summarizing descriptive data on the dividend payment and its factors for the chosen non-life insurance businesses, this study describes the nature, traits, and patterns of the variables over the sample period. The dividend payment (DP) and its drivers, such as liquidity (LIQ), inflation (INF), leverage (LEV), return on assets (ROA), and gross premium (GP), are characterized using descriptive statistics, which include mean, standard deviation, minimum, and maximum values, for the years 2013/14 to 2022/23.

Correlation Analysis

This approach basically uses correlation analysis to evaluate the direction and strength of correlations between different sets of data. By measuring the degree and direction of the link between two datasets, this statistical technique shows how closely they move in tandem. This link is measured by the Pearson correlation coefficient, which has values between -1 and +1. Perfect negative correlation is shown by a correlation value of -1, which means the variables move in opposing directions, while perfect positive correlation is denoted by a correlation coefficient of +1, which means the variables move in the same direction together.

$$\text{Correlation Coefficient (r)} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2} \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

This coefficient's value can never be less than -1 or greater than + 1. Therefore, the limits of this coefficient are + 1 and -1. Positive correlation between variables is indicated by a value of $r = + 1$, and vice versa. Zero indicated no association at all.

Test of Significance

A number of presumptions underpin the traditional linear regression model, including the importance of the regression coefficients, the overall relevance of the model, and variables like multicollinearity and autocorrelation. The t-statistic was employed in this investigation to evaluate the regression coefficients' significance. If the p-value of a regression coefficient is less than the designated significance threshold, the regression coefficient is deemed statistically significant. Furthermore, it is important to assess the model's overall significance, which may be achieved by the use of F-statistics and the adjusted coefficient of determination (Adj. R^2). The percentage of the dependent variable's total variation that can be accounted for by all explanatory factors taken together is shown by the modified R^2 value. The significance of the regression models at the 1% and 5% levels was ascertained by analyzing the p-value.

Regression Model

The purpose of the study's regression models is to examine the link between the explanatory variables—the variables affecting a company's dividend distribution. The structure for expressing the relationship between the independent and dependent variables will be as follows:

$$DP_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 LIQ_{it} + \beta_3 LEV_{it} + \beta_4 GP_{it} + \beta_5 INF_{it} + \varepsilon$$

Where,

DPR= Dividend Payment

ROA_{it} = Return on Assets (Profitability)

LIQ_{it} = Liquidity

LEV_{it} = Leverage (Debt to Equity)

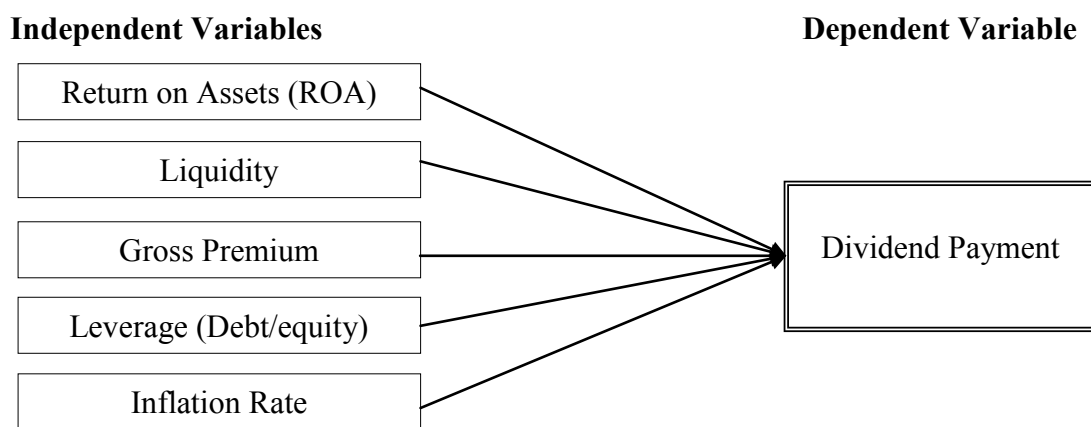
GP_{it} = Gross Premium

INF_{it} = Inflation Rate

ε = the error term

3.5 Research Framework and Definition of the Variables

The basis for this study is the conceptual model put out by Putri and Ugut (2021), Melese and Ravi (2019), Ahmad, Ansari, and Shamsi (2019), and Liono, Lambey, and Tumiwa (2017). The return on assets, liquidity ratio, leverage ratio, inflation rate, and premium growth are the independent factors in this model, whereas the dividend payment is the dependent variable. The correlations between dividend payment and its determinants are shown in this section.



Source: Liono, Lambey and Tumiwa (2017), Ahmad, Ansari and Shamsi (2019), Melese and Ravi (2019), Putri and Ugut (2021); Chali, Gelaye and Gelalcha (2023)

Figure 1 Research Framework of the Study

Dependent Variable

Dividend Payment

The dependent variable in this study is the dividend per share, which stands for the option of dividend payment. The amount given to shareholders is known as the dividend payment (Liono, Lambey & Tumiwa, 2017; Melese & Ravi, 2019). Important variables that forecast dividend payouts have been found in earlier studies. This measure shows the portion of profits given to shareholders by a business (Putri & Ugut, 2021). The net profit of each stock is divided by the total dividend to determine the payout ratio. In order to mitigate the effects of high values in specific years that result in low or negative net income, each company's net profits and dividends have been computed individually for every year.

Independent Variables

Return on Assets

As per the dividend policy signaling hypothesis, financially successful corporations have a tendency to communicate their great financial performance by paying bigger dividends. Profitability and dividend payments have a positive association, according to Melese and Ravi (2019), indicating that dividend payments reflect present profitability rather than potential in the future. This lends credence to the theory that prosperous businesses raise their dividends to reflect their sound financial standing. Similarly, profitability had a positive and statistically significant impact on the dividend distribution of firms featured on the KSE-100 index (Arshad, Waseem & Abbas, 2022).

Leverage

Numerous empirical findings support the idea that leverage affects dividend distributions. According to some research, businesses with high debt ratios are less likely to pay dividends because they have to put fixed payments first in order to pay down their debt, which reduces the amount of money that can be used for dividends (Liono, Lambey & Tumiwa, 2017; Melese & Ravi, 2019). For example, Shi (2013) investigated firm-level determinants influencing dividend payout in the logistics sector in China and Thailand and discovered a negative relationship between dividend payout and leverage. On the other hand, a research by Putri and Ugut (2021) found that the leverage ratio significantly increased insurance firms' dividend distributions.

Liquidity

According to Darling's (1957) theory, a company's liquidity plays a critical role in deciding its dividend policy when it comes to capital planning. Liono, Lambey and Tumiwa (2017) stated that businesses with greater cash on hand typically provide larger dividends than those with lower liquidity. However, in his analysis of firm-level factors in the logistics industry in China and Thailand, Shi (2013) discovered that liquidity had a negative and statistically significant influence on dividend payout. Melese and Ravi (2019), on the other hand, found a positive association between liquidity and dividend distribution.

Gross Premium

The money that insurance firms get from the people and corporations they insure over the course of a fiscal year is referred to as premiums. Businesses that generate high gross premiums typically provide their shareholders bigger dividend payments. Melese and Ravi's (2019) analysis of the variables affecting the distribution of dividends in Ethiopian private insurance companies revealed that gross premiums had a big influence on an organization's payout choices. Their results showed a strong positive correlation between dividend distribution and gross premiums.

Inflation Rate

According to Duncan and Wairimu (2013), in order to preserve operational stability and offset the declining buying power of money, many firms have a tendency to hold onto a sizeable amount of their revenues during periods of growing national inflation. As a result, there may be less incentive to pay out substantial dividends to shareholders. The researcher expected the inflation rate and dividend distribution to be inversely related based on this viewpoint. Moreover, Melese and Ravi (2019) discovered a considerable negative influence of the inflation rate on dividend payouts, but Chali, Gelaye, and Gelalcha (2023) observed that the inflation rate had an minor negative impact on dividend payouts.

CHAPTER - IV

RESULTS AND DISCUSSION

The purpose of this study is to examine the factors that influence corporate dividend payments in insurance companies in Nepal. The results and their analysis are the main topics of this chapter, which is divided into three sections. The structure of dividends and the elements that contribute are described in the first part, along with a descriptive and correlation analysis of the study's variables. The second section deals with the linear regression model's assumptions being met. The results are finally discussed in the third part. Furthermore, data analysis methods were utilized to measure the ratio scale for additional statistical analysis and to calculate the ratios of the defined independent and dependent variables.

4.1 Results

Using statistical techniques such as multiple regression analysis, correlation analysis, and descriptive statistics, this section examines the factors that influence corporate dividend payments in insurance businesses.

4.1.1 Descriptive Statistics of Variables

The explanatory and dependent variables of the study's descriptive statistics are shown in Table 4.1. A panel dataset from five insurance firms that were active in Nepal's financial sector between 2013/14 and 2022/23 served as the basis for the research. Overall, the data show that these insurance companies' dividend distribution indicators differ significantly from one another.

Table 4.1

Descriptive Statistics of Variable of Sample Companies

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROA	50	3.45	12.71	7.9424	2.20483
LIQ	50	1.28	3.22	1.8864	.46649
LEV	50	.35	2.07	.8972	.35236
LGP	50	5.65	6.73	6.2311	.23371
INF	50	3.60	9.93	6.3350	2.06318
DP	50	.00	63.16	13.9510	12.07993

Source: Appendix - II

Table 4.1 shows that the descriptive data for the five sample insurance companies. The range of the mean return on assets (ROA), which is 7.9424, is 3.45 percent to 12.71 percent, and the standard deviation is 2.20483. Comparably, the minimum and greatest values of the liquidity are 1.28 percent and 3.22 percent, respectively, and the average liquidity is 1.8864 with a standard deviation of 0.46649. Furthermore, the leverage value can fluctuate by 0.35236 in either direction, as indicated by the mean leverage (LEV) of 0.8972 and the standard deviation of 0.35236, which ranges from 0.35 to 2.07. Additionally, the data shows that the gross premium has a standard deviation of 0.23371 and an average of 6.2311, with a range of 5.65 to 6.73. The inflation rate (INF), a macroeconomic independent variable, has a standard deviation of 2.06318 and an average of 6.3350 percent, with lowest and maximum values ranging from 3.60 percent to 9.93 percent. The dividend payment, in summary, displays a mean value of 13.9510 and a standard deviation of 12.07993, with a range of 0.00 to 63.16, suggesting a potential variation of 12.07993.

4.1.2 Correlation Analysis

Analyzing the basic link between the independent variables profitability, liquidity, inflation rate, leverage, and gross premium and the dependent variable, the "dividend payment," was the goal of this study. Every one of these elements was investigated and recorded. The correlation coefficient spans from +1, which denotes a perfect positive correlation, to -1, which denotes a perfect negative correlation. A correlation value of 0 implies that there is no linear relationship between the two variables. Table 4.2 below displays the correlation matrix.

Table 4.2

Pearson Correlation Coefficients of Study Variables

	ROA	LIQ	LEV	LGP	INF	DP
ROA	1					
LIQ	-.642**	1				
LEV	.506**	-.860**	1			
LGP	-.355*	.543**	-.588**	1		
INF	.279*	-.259	.333*	-.374**	1	
DP	.553**	-.344*	.325*	-.276	.449**	1

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix - III

The correlation test findings between the independent and dependent variables are shown using a correlation coefficient matrix in Table 4.2. The results show that, at the 1 percent level of significance, there is a substantial positive link between dividend payment (DP) and return on assets (ROA). Furthermore, there is a substantial positive association between leverage and dividend payment (DP) and a significant negative correlation between liquidity (LIQ) and dividend payment. Additionally, the correlation matrix shows that there is a negligible negative association between DP and gross premium (GP). Additionally, at the 1 percent significance level, there is a substantial positive correlation between the inflation rate and DP.

4.1.3 Results of Regression Analysis

A variety of modeling and analytic approaches are available when the link between the independent elements (return on assets, liquidity, inflation rate, leverage, and gross premium) and the dependent variable (dividend payment) is the main emphasis.

Table 4.3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.635 ^a	.404	.336	9.84362

a. Predictors: (Constant), INF, LIQ, LGP, ROA, LEV

Source: Appendix-IV

The dependent variable (dividend payment, DP) has a variance that is 40.40 percent explained by the independent variables (inflation rate, liquidity, gross premium, return on assets, and leverage), according to the R-squared value of 0.404. The research variables have a substantial correlation, as indicated by the R value of 0.635, which shows that these independent factors have a considerable impact on dividend payout. Furthermore, the estimate's standard error and regression analysis are strongly related, indicating how accurately the model predicts the future.

Table 4.4*Analysis of Variance (ANOVA)*

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2886.847	5	577.369	5.959	.000 ^b
	Residual	4263.463	44	96.897		
	Total	7150.310	49			

a. Dependent Variable: DP

b. Predictors: (Constant), INF, LIQ, LGP, ROA, LEV

Source: Appendix-IV

ANOVA Table 5 displays the regression model's overall fit. A p-value of 0.000, which is less than the significance level of 0.05, suggests that the model accurately forecasts dividend payouts.

Table 4.5*Regression Coefficient of Independent Variables with Dividend Payment*

Variables	Coefficients	t-statistics	Sig.
(Constant)	-26.255	-.483	.632
ROA	2.798	3.281	.002
LIQ	3.334	.490	.626
LEV	2.360	.282	.779
LGP	-.337	-.044	.965
INF	1.843	2.431	.019

Source: Appendix-IV

The intercept value for the dependent variable, dividend payment (DP), is shown in Table 4.5 along with the regression coefficients for the independent variables profitability, liquidity, inflation rate, leverage, and gross premium. The return on assets (ROA) beta coefficient is 2.798, suggesting a positive correlation with DP. This indicates that a 1 percent rise in ROA results in a 2.798 percent increase in the DP of the sample firms, leaving all independent factors constant. The DP of the sample firms has a statistically significant positive correlation with ROA, as evidenced by the p-value of 0.002, which is below the 5 percent significance level.

With a coefficient estimate of 3.334, the regression findings show a positive link between dividend payment (DP) and liquidity (LIQ). This suggests that a 1% increase in liquidity leads to a 3.334 percent increase in the businesses' DP, leaving all independent factors constant. But at the five percent significance level, the p-value for

liquidity is 0.626, indicating that it is statistically unimportant. Thus, the dividend payment of the sample firms is positively impacted by liquidity (LIQ) in a statistically negligible way.

The regression model's findings show a positive correlation between leverage (LEV) and dividend payment (DP), with a coefficient estimate of 2.360. This demonstrates that, if all other factors remain same, the DP of the enterprises rises by 2.360 units for every unit increase in leverage. With a p-value of 0.779 at the 5% significance level, the impact of leverage on the dividend payments of the insurance companies is, however, statistically insignificant.

With a coefficient estimate of -0.337, the regression model findings show a negative association between dividend payment (DP) and premium growth (LPG). This indicates that, if all other independent variables remain constant, a one unit rise in premium growth results in a 0.337 unit fall in the businesses' DP. At the 5 percent significance level, the premium growth p-value is 0.965, suggesting that this impact is not statistically significant. Consequently, the gross premium has a negligible negative effect on dividend payment.

The correlation between the inflation rate (INF) and dividend payout (DP) is positive, as indicated by the coefficient estimate of 1.843. This indicates that a one percent increase in the inflation rate results in a 1.843 percent increase in the firms' dividend payments, leaving all independent factors constant. The inflation rate has a statistically significant positive influence on the firms' dividend payout at the 5 percent significance level, as indicated by the p-value of 0.019.

4.2 Discussion

Finding out the factors that influence dividend payments in Nepalese insurance businesses is the study's main goal. The results of the correlation study indicate a strong positive relationship between dividend payout (DP) and return on assets (ROA). This is consistent with the findings of Bhaukajee et al. (2016), who found a positive correlation between dividend payout and profitability. This conclusion is also consistent with those of Shi (2020), Bostanci et al. (2018), and Arshad et al. (2022). In a similar vein, liquidity (LIQ) and dividend distribution have a substantial negative

association, which is in line with Shi (2020); Arshad et al. (2022). Then, leverage and DP have a strong positive association that is consistent with earlier research by Shi (2020); Arshad et al. (2022). Additionally, the correlation matrix demonstrates that the gross premium (LGP) and DP have a negligible negative association. This result is consistent with Melese and Ravi's (2019) discovery. This is also in line with what Chali et al. (2023) found. Furthermore, at the 1 percent significance level, the inflation rate shows a significant positive relationship with DP, which is in line with the findings of Melese and Ravi (2019); Chali et al. (2023).

The results of the multiple regressions indicate that the sample firms' DP is positively impacted by return on assets (ROA) in a statistically meaningful way. This is in line with Melese and Ravi's (2019) conclusion that dividend distribution was significantly positively impacted by profitability. This is also in line with earlier research by Adhikari (2015), Arshad et al. (2022); Chali et al. (2023); Wijaya and Felix (2017). Liquidity (LIQ) is now having a statistically negligible positive impact on sample firms' DP. Kuzucu's (2015) findings and Melese and Ravi's (2019) conclusion that liquidity had a beneficial influence on dividend distribution are comparable. This aligns with Adhikari's (2015) findings as well. Afterwards, leverage ratio has a positive, statistically insignificant impact on sample businesses' DP, which is in line with earlier research by Putri and Ugut (2021); Arshad et al. (2022). Chali et al. (2023) discovered that gross premium had an insignificant beneficial influence on dividend payout; but, in the interim, gross premium (LGP) had an insignificant negative impact on the firms' dividend payout, which is inconsistent with the findings of Melese and Ravi (2019).

However, contrary to Kuzucu's (2015) findings, Bhaukajee et al. (2016) showed a positive association between liquidity and dividend payout. Correlation analysis reveals a substantial negative correlation between liquidity (LIQ) and dividend payout. Moreover, a noteworthy positive correlation has been observed between leverage and DP, which contrasts with the findings of Bhaukajee et al. (2016)'s earlier investigation.

Additionally, the results of the multiple regressions indicated that the sample businesses' DP is positively influenced by the return on assets (ROA) in a statistically significant way. This contradicts the findings of Putri and Ugut (2021) and Liono et al. (2017), who found that return on assets had a negative impact on dividend distribution. In the meanwhile, liquidity (LIQ) differs from earlier research by Wijaya and Felix (2017) and Arshad et al. (2022) in that it has a statistically negligible beneficial influence on the DP of sample organizations. Further, the leverage ratio has a statistically insignificant beneficial influence on the sample firms' dividend payment (DP). This is in contrast to previous research by Melese and Ravi (2019); Liono et al. (2017); Chali et al. (2023) that found a negative correlation between leverage ratio and dividend payout. Additionally, the rate of inflation significantly boosts the dividends paid out by insurance firms in Nepal. This is in contrast to the findings of Chali et al. (2023); Melese and Ravi (2019).

CHAPTER - V

SUMMARY AND CONCLUSION

5.1 Summary

Since dividends are paid out of profits, there is always the option to hold onto gains rather than distribute them. Tension arises between retained earnings and dividends as they compete with one another. A dividend policy that optimizes owners' wealth is the best one. Dividend payment refers to the method management use to decide how much and when to make long-term financial payouts to shareholders. However, because of a number of financial considerations, management finds it difficult to decide how to distribute dividends. The capacity to pay dividends using cash as opposed to internal funds is a topic of conceptual discussion since it influences dividend policy choices differently. If they don't get paid in cash, investors could think their investment is worthless. On the other hand, management frequently seeks to hold onto earnings for internal financing, which is necessary for company expansion. When companies choose to retain their earnings instead of paying them to shareholders, they often anticipate reduced flotation expenses. Short-term financial measures including profits per share, market price per share, book value per share, and net profit are all impacted by dividends in addition to long-term funding. Therefore, it is essential for every company to decide how much in dividends to pay out.

This study's main goal is to examine the factors that influence dividend payments to non-life insurance businesses in Nepal. Furthermore, the particular goals include analyzing the present condition of dividend disbursement in these firms, scrutinizing the correlations between dividend disbursement and its basis, and appraising the influence of certain elements like profitability, liquidity, inflation rate, leverage, and gross premium on the dividend disbursement of non-life insurance firms in Nepal. This study addresses the variables influencing company dividend payments by utilizing both descriptive and causal research approaches. While the causal research strategy examines the direction and degree of the correlations between the dependent variable (dividend payment) and the independent variables, the descriptive research approach studies the existing condition of dividend payments and their drivers. The study population consists of the 14 non-life insurance firms that operate in Nepal at

the moment. NLG Insurance Company Limited (NLG), Neco Insurance Ltd. (NIL), Himalayan Everest Insurance Limited (HEI), Shikhar Insurance Company Limited (SICL), and Siddhartha Insurance Company Limited (SIL) are the five businesses that have been chosen from this group. These five businesses are the best in the insurance sector in Nepal and have regularly given their shareholders dividend payments in the form of cash or shares most of the time. Secondary data for this study were taken from the websites and annual reports of the relevant authorities. Each insurance company's audited financial documents, including balance sheets and profit and loss accounts, are among the data gathered. The analysis spans 10 years, from the fiscal years 2022–2023 and 2013–2014. Using SPSS version 26, the study used multiple regression analysis, correlation analysis, and descriptive statistics.

According to the study, insurance firms paid out large dividends to their shareholders over the study period, showing that the profits they made went toward helping common shareholders. Significant positive correlations between dividend payments and return on assets, leverage ratio, and inflation rate were found using correlation analysis. On the other hand, there was a negligible negative correlation between dividend payment and gross premium. Furthermore, there was a strong positive correlation between liquidity and Nepali insurance firms' dividend payments. The results of the multiple regression analysis showed that the inflation rate and return on assets had a substantial positive influence on the dividend payments made by the Nepali insurance companies in the sample. On the other hand, it was discovered that gross premium had an insignificantly negative influence on dividend payment, while liquidity and leverage had an insignificantly beneficial impact. Given their considerable significance, the study indicates that return on assets and inflation rate are important factors in determining dividend payments to insurance firms in Nepal.

5.2 Conclusion

The study came to the conclusion that insurance firms' high ratios enable them to run their businesses profitably and efficiently. Furthermore, the sample organizations have excellent liquidity, a sign of their capacity to pay debts. When it comes to leverage, all businesses rely more on creditor finance than owner ownership. In addition, the sample firms have witnessed a significant rise of average prices per exposure due to high gross premiums, as well as a noticeable growth in policyholders,

which is a major source of income. All things considered, the large dividend payment shows that common shareholders are receiving a portion of these firms' profits.

The results of the correlation study showed a strong positive relationship between dividend payments and return on assets. Similar to this, there is a strong inverse association between leverage and DP as well as a large inverse correlation between liquidity and dividend payout. Additionally, the correlation study reveals a negligible negative association between gross premium and DP. Additionally, there is a strong positive correlation between inflation and dividend payments.

The results of the regression study showed that the sample insurance businesses in Nepal's dividend payments are significantly positively impacted by both the inflation rate and return on assets. Gross premium, however, has a negligible detrimental effect on dividend distribution. Furthermore, there is a negligible beneficial influence of the leverage and liquidity ratios on dividend payments. Thus, the study came to the conclusion that the two main drivers of insurance firms' dividend payments in Nepal are return on assets and inflation rate.

5.3 Implications

The summary and findings suggest the following implications:

- According to this study, the inflation rate and return on assets have a significant positive influence on the firms' ability to pay dividends. The results of the study should offer insightful information that managers, internal users, policymakers, and other external stakeholders may utilize. Their decision-making on the many aspects influencing insurance firms' dividend payments would be aided by these insights.
- This study is beneficial to managers of non-life insurance firms since it will shed light on the variables affecting dividend distribution. With this information, they will be able to concentrate on enhancing these areas and guarantee a favorable evolution of their dividend policy.
- The current study offers insights into the variables influencing dividend distribution among Nepali insurance companies as well as a well-defined

conceptual framework. Thus, this study can be an important reference for scholars in the future.

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ABSTRACT The main purpose

of the study is to examine the determinants of dividend payment in Nepalese insurance companies

for ten year periods (2013/14-2022/23). Multiple regression analysis, correlation, and descriptive statistics were employed in this investigation. This study reveals that insurance companies have high dividend distributed to the shareholders during the study period indicate that earning of insurance companies has been received by the ordinary shareholders. The correlation study reveals that, while gross premium has an insignificant negative link with dividend payment, return on assets, leverage ratio, and inflation rate have strong positive relationships with insurance businesses in Nepal. Furthermore, there is a strong positive correlation between liquidity and Nepali insurance firms' dividend payments. The results of the multiple regression analysis show that the sample insurance businesses in Nepal's dividend payout are significantly positively impacted by both the inflation rate and return on assets. Leverage and liquidity, however, have a negligible beneficial impact on dividend payments. Furthermore, the dividend payout is somewhat negatively impacted by gross premium. Because they had such a large influence, the study came to the conclusion that the inflation rate and return on assets were the main drivers of the insurance firms' dividend payments in Nepal. Keywords: Dividend payment, return on assets, liquidity ratio, gross premium and inflation rate. CHAPTER - I INTRODUCTION 1.1 Background of the Study A strong insurance market facilitates the