# DIVIDEND POLICY ANALYSIS
# OF
# NEPALESE COMMERCIAL BANKS

*(A comparative study of five selected commercial banks of Nepal)*

## A THESIS


**Submitted by:**

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# VIVA- VOCE SHEET

We have conducted the Viva- Voce examination of thesis prepared by

**Ankit Khanal**

Entitled

"**DIVIDEND POLICY ANALYSIS OF NEPALESE COMMERCIAL BANKS**

*(A comparative study of five selected commercial banks of Nepal)***"**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as the partial fulfillment of the requirements for Master's Degree of Business Studies (M.B.S.)

***Viva-Voce Committee***

Head of the Research Department: ……..

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# RECOMMENDATION

This is to Certify that the Thesis

Submitted By

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*(A comparative study of five selected commercial banks of Nepal)***"**

has been approved by this Department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

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# CHAPTER I

# INTRODUCTION

## 1.1 Back Ground of the Study

In real world all the business firms are established with the purpose of generating high earnings. More or less their objective is profit earning. Traditionally, the only one objective of firm used to be profit maximization. Although, firms can have different objectives such as sales maximization, wealth maximization etc, they cannot completely ignore the objective of earning profit. So, most of the firms are running with profit motive. In the course of carrying out business activities firms have to face two unavoidable situations, either they suffer from loss or earn profit. In case of profit, management of the corporate business firms can take three alternative decisions; they can pay that profit out to shareholders, expand their business through reinvestment and reduce debt or repurchase share or both. When companies distribute certain percent of profit among its shareholders and retain the remaining in business for investment in profitable projects in future, the portion of earnings that is given to the shareholders (investors) in return to their investment in the shares is known as dividend. Dividend is one of the major reasons for which public are interested to invest money on the shares of any business corporations. Dividend can be paid in the form of cash or bonus shares or composition of both.

There is an ongoing debate about whether a company should pay out its earnings as dividends or retain them for the firm's growth. Generally, growing firms pay low or no dividends and mature firms pay high or increasing dividends. In such situation management must make an appropriate decision regarding keeping net income within the firm as retained earnings as opposed to paid out as dividends.

Thus deciding how much to pay to shareholders as dividend and how much to retain in the business is dividend decision. And the firm's decision regarding the size of dividends it will pay to its shareholders refers to dividend policy.

Dividend policy refers to regulations and guidelines that companies develop shareholders. Management should formulate specific dividend policy to the advantage of both the company and the shareholder. Dividend policy is an integral part of the firm's financing decision as it determines division of profits between dividend distribution and retention. It is one of the major decisions of financial management because it affects the value of firm as well as overall financing decision like financial structure, the flow of funds, corporate liquidity and investor's attitudes. Dividend policy is concerned with determining the proportion of firm's earnings to be distributed in the form of dividend and the proportion of earnings to be retained. The important aspect of dividend policy is appropriate allocation of profit between dividend payments and the amount to be retained in the firm. Therefore Dividend policy involves the decision to pay out earnings as dividends or retaining them for reinvestment in the firm.

Any change in dividend policy has both favorable and unfavorable effects on the firm's stock price. Higher the dividend means higher the immediate cash flows to investors, which is good but lower future growth, which is bad. So the dividend policy should be optimal which balances the opposing forces and maximizes stock price. Determining the part of earnings to be distributed as dividends is a key decision that affects the value of the firm's common stock value in the market place. That's why the firm should establish and implement effective dividend policy that leads to stockholders' wealth maximization.

The dividend policy of five commercial banks of Nepal namely Bank of Kathmandu Limited (BOKL), Everest Bank Limited (EBL), Himalayan Bank Limited (HBL), Kumari Bank Limited (KBL) and Nepal Investment Bank Limited (NIBL) have been taken into consideration for carrying out comparative analysis in the research. So the study focuses on dividend policy followed by five selected banks to reach to a valid conclusion regarding the effect of dividends on the stock price.

## 1.2 Profiles of Sample Commercial Banks

Although 32 commercial banks are actively working in the nation for the upliftment of financial sector, only 5 commercial banks has been taken as a sample for this study. A brief introduction of the sample banks has been given below:

### 1. Bank of Kathmandu Limited

Bank of Kathmandu Ltd. was established in 1995 A.D (2051-11-28 B.S), with a vision of becoming a significant contributor to the economic development of Nepal by distinguishing the bank as an efficient, competitive, safe and top quality financial institution. BOKL is offering wide range of banking services through its 41 branches and 52 ATM outlets located at different regions of the country. The bank's overall performance has earned it the recognition of "The Bank of the Year 2011 - Nepal" from the Bankers magazine. BOKL is continuously working to win public confidence through the means of various Corporate Social Responsibility activities. Thus, the bank is aiming to stimulate nation's economy taking it to newer heights by becoming more competitive globally.

## 2. Everest Bank Limited

Everest Bank Ltd. started its operation in 1994 A.D (2051-07-01 B.S), with a vision of offering professionalized and efficient banking services to various segment of the society. EBL joined hand with Punjab National Bank (PNB), largest bank in India as its joint venture in 1997. The bank is providing its services through wide network of 47 branches, 60 ATM counters and 27 revenue collection counters across the country. EBL provides customer-friendly services through its branch network and all its branches are connected through Anywhere Branch Banking System (ABBS), which enables customers to carry out operational transactions from any branches. Thus, the bank is one of the leading banks of the country making itself a very efficient and accessible bank for its customers, anytime, anywhere.

## 3. Himalayan Bank Limited

Himalayan Bank Ltd. was established in 1993 A.D (2049-10-05 B.S), with a mission of becoming preferred provider of quality financial services in the country. It is a joint venture bank with Habib Bank Limited of Pakistan. As of today it has a total of 33 branches and 53 ATM outlets all over the country. Despite cut throat competition in the Nepalese banking sector, it has been able to maintain lead in the primary banking activities i.e. loans and deposits. Being one of the corporate citizens of the country, HBL has always promoted social activities. Thus, the bank is heading with the vision of becoming a leading bank of the country by providing premium products and services to the customers ensuring attractive and substantial returns to the stakeholders of the bank.

### 4. Kumari Bank Limited

Kumari Bank Ltd. came into existence as the sixteenth commercial bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank is providing wide range of modern banking services through 29 points of representations and 36 ATM counters located in various urban and semi urban part of the country. Till now the bank has been able to get recognition as an innovative and fast growing institution striving to enhance customer value and satisfaction backed by transparent business practice, professional management, corporate governance and total quality management.

### 5. Nepal Investment Bank Limited

Nepal Investment Bank Ltd. previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. It has completed 25 years of excellent banking service in Nepal. At present it is providing its services through 41 branches and 67 ATM outlets all over the country. NIBL has been very aggressive in innovating and offering new products and services in the financial market. Besides this it has always been committed towards building and maintaining a strong relationship with the community at large. Thus the bank strive towards the vision of being the preferred provider of financial services in Nepal, exploring new business opportunities and diversifying into new sectors.

## 1.3 Statement of the Problem

Dividend policy determines the division of earnings between payment to shareholders and reinvestment in the firm to exploit growth opportunities. In practice, every firm follows some kind of dividend policy but there is no unique dividend policy which is appropriate for all firms. So they follow different policies.

In Nepalese context, the pattern of dividend distribution does not match with the earnings of the commercial banks. So, there does not exist a proper relationship between dividend and quoted market price of share. Likewise, commercial banks with lower returns record stable (rigid) price of share and banks making sound returns are not rigid in share price. It is may be due to various reasons such as government rules and regulations, owner ship patterns, attitudes of management, forms of management etc. Similarly, Some Nepalese Acts like Nepal Company Act 2053, Nepal Commercial Bank Act 2031 and other regulating acts are still silent regarding dividend distribution. So, different companies are adopting different dividend decision inconsistently. There is a common trend of deciding the dividend by the management of companies instead of by shareholders meeting. Some of the problems related with dividend policy of Nepalese commercial banks have been stated below.

- Nepalese commercial bank has no satisfactory result about dividend decision.
- The commercial banks listed in NEPSE are not serious regarding dividend decision,
- Nepalese commercial banks do not have any consistent and obvious (Clear Cut) policy on dividend distribution.

In the research, following issues will be discussed at the time of study.

- Effect on share price due to dividend per share in the sampled banks.
- The relationship between dividend and other key variables like earning per share, market price per share, book value per share, net profit per share and net worth per share of the banks.
- The prevailing practices of the banks regarding their dividends.
- Effect of dividend decision on the market price of share.

## 1.4 Objectives of the Study

The study primarily focuses on the dividend policy and practices adopted by the sample banks with a view to provide workable suggestion which may be helpful in the formulation of optimal dividend policy that maximizes the stock price and to take other appropriate dividend strategies. However, specific objectives can be set as follows:

- To highlight the dividend practices of the commercial banks.
- To analyze the relationship between dividend and various important variables such as earning per share, market price of stock, net profits and net worth.
- To provide workable suggestion and possible guidelines to overcome various issues and gaps on the basis of major findings.

## 1.5 Rationale of the Study

Dividend policy is one of the most important decisions that need to be taken by the organization. Due to excess liquidity and lack of investment opportunities in Nepalese business market, nowadays people are very much interested and attracted to invest in shares for getting higher returns. When any new company issue shares through capital markets, very big congregation gathers to apply for owners' certificate.

It reveals that people have expectation on getting higher return from investment made in shares. So the dividend decision is one effective tool to attract new investors and maintain present investors along with controlling financial position of the firm. However, in Nepalese context, it is found that there exist almost none of the companies adopting consistent dividend policy. It exhibits the significance of the study of dividend policy. Considering all these facts, the study is undertaken, which will help to meet deficiency of the literature relating to dividend decision.

The study will be beneficial for many parties such as shareholders, management of the financial institution, general public (depositors, prospective customers, investors etc) and other policy making bodies which are concerned with banking business. It is believed that it will provide valuable inputs for future research scholars.

## 1.6 Limitations of the Study

Since, the study has been conducted to fulfill the partial requirement of Master Degree in Business Studies; it may not have covered all the dimension of the subject matter due to limited time and resources. The major limitations of the study are as follows:

- Only 7 years data has been taken for the study.
- The study is mainly based on secondary data ( Annual Report)
- The study is concerned only with the dividend policy of selected five commercial banks.

## 1.7 Organization of the Study

The study has been comprised into five chapters, each devoted to some aspects of dividend policy and practices of commercial banks. The contents of each chapter of this study are briefly mentioned here.

**Chapter I: Introduction**

This chapter deals with the subject matter consisting introduction, objectives of the study, identification of the problem, importance of the study, limitation of the study and chapter scheme of the study.

**Chapter II: Review of Literature**

This chapter concerns with literature review that includes a discussion of conceptual framework of dividend and review of major studies relating with dividend decision.

**Chapter III: Research Methodology**

This chapter describes different methods adopted in carrying out the research work. It deals with research design, population and sample, nature and sources of data, data processing procedures and method of analysis of the collected data.

**Chapter IV: Presentation, Analysis of Data and Major Findings**

This chapter is concerned with data presentation, analysis and major findings, which includes analysis of financial indicators using statistical tools i.e. analysis of mean, standard deviation, coefficient of variation, correlation coefficient, regression analysis and major findings.

**Chapter V: Summary, Conclusions and Recommendations**

This chapter is the final chapter of the research study and concerned with summary, conclusions and recommendations derived from the major findings.

# CHAPTER II

# REVIEW OF LITERATURE

After selecting the topics of the research, researcher study different books, magazines, articles, journals, newspapers and previous research works to collect information relevant to the research topic. This process of studying different materials concerned with the selected research topic is known as review of literature.

## 2.1 Conceptual Framework

Dividend refers to that portion of a firm's net earnings, which are paid out to the shareholders (Khan & Jain: 1999). Dividend means a share of profits paid to people who own the parts of a company. In other word it can be understood as the profit of earning made by the firm that is distributed to the shareholders in return of their investment in shares. Profit maximization is the main objective of the entire firm. While making profit, the firm has two alternatives. The first alternative is related with determining the amount of profit to be retained in the firm for business expansion and other alternative is related with the amount of money to be distributed among its investors (shareholders). It is necessary to maintain balance between them. For this they retain certain percentage of profit in business and rest is distributed to the stockholders as dividend.

Dividend policy determines the division of earnings between payments to stockholders and reinvestment in the firm. Retained earnings are one of the most significant sources of funds for financing corporate growth, but dividends constitute cash flows that accrue to stockholders (Weston & Copeland: 1990). Higher payment of dividend helps to attract new investor. But it is most challenging job to decide the portion of dividend to be paid to shareholders along with the management of fund for expansion of firm.

It is seemed that an effective dividend policy is required to overcome from the problem of deciding how much amount of profit should be retained and how much should be paid to the shareholders.

The dividend policy includes all aspects related to the payment of dividend. Dividend policy is the policy of any company regarding the division of its profit between shareholders as dividend and retention of the profit for making investment. Dividend policy involves the decision to pay out earning versus retaining them for reinvestment in the firm. Any change in dividend policy has both favorable and unfavorable effects on the firm's stock price. Higher the dividend means higher the immediate cash flows to investor which is good but lower future growth which is bad. The dividend policy should be optimal which balances the opposing forces and maximizes stock price. The policy of a company in segmentation of its earning as dividend and as retention of its investment is known to be dividend policy.

Dividend policy may be considered as one of the essential decisions to maximize the value of common stock as it directly affects the structure of the firm, the flows of funds, corporate liquidity and investor's attitude. Therefore management should try to maintain regular dividend. For regular dividend the firm should have sufficient earning. Management may also declare extra dividends in years when earnings are high and funds are available. As the dividend payment and retained earnings have inverse relationship, the entire problem relating to dividend payment and retention of earning should be closely examined before applying appropriate dividend policy. The firm pays higher dividend in wealth maximization objective but in the objective of expansion of the firm, the principle of lower payout should be adopted (Weston & Brigham: 1989).

### 2.1.1 Major Forms of Dividend

In addition to the declaration of cash dividends, the firm has other options for distributing profits to the shareholders. In Nepalese context, cash dividend and stock dividend are the most popular form of dividend payment. When the firm doesn't have sufficient cash, it pays other forms of dividends to its investors.

**1. Cash dividend**

Cash dividend is a major form of dividend. Most of the companies pay dividend in cash. Cash dividend refers to the portion of earnings paid to the investors in the form of cash in proportion to their share investment in the company. In context of Nepal, cash dividend is the most popular form of dividend and is mostly adopted by many companies. When cash dividend is paid, the cash account and the reserve account of a company will be reduced. Thus, both the total assets and the net worth of the company are reduced when cash dividend is distributed. A company should have enough cash in its bank account to pay dividend in the form of cash, when dividends are declared. Likewise when a company follows a stable dividend policy, it should prepare cash budget for a coming period to indicate the necessary funds, which would be needed to meet regular dividend payment of the company.

**2. Stock dividend**

A stock dividend is simply the payment of additional shares of common stock to shareholders. It occurs when BOD authorizes a distribution of common stock as dividend to existing shareholders. This bonus share has the effect of increasing the number of outstanding shares of the firm's stock without affecting the value of the firm.

### 3. Scrip Dividend

When earning of the company justifies dividend, but the company's cash position is temporarily weak and does not permit cash dividend, it may declare dividend in the form of scrip. In this form of dividend, company issues and distributes transferrable promissory notes to shareholders, which may be either interest bearing or not. Scrip dividend is justified only when the company has really earned profit and has to wait only for the conversion of other current assets into cash in the course of operation.

### 4. Bond dividend

This type of dividend is distributed to the shareholders in the form of bond. It assists to postpone the payment of cash. In other words, company declares dividend in the form of its own bond with a view to avoid cash outflows.

### 5. Property dividend

This involves a payment of assets/property in any form other than cash. This form of dividend may be used when there are assets that are no longer necessary in operation of the business or in extraordinary circumstances. Company's own product and the securities of subsidiaries are the examples that have been paid as property dividend.

#### 2.1.2 Types of Dividend Policy

The policy concerned with deciding how much of the earning a firm should retain for reinvestment and how much it should pay to shareholders as dividend is known as dividend policy. So, dividend policy determines the division of earning between retention and payment to the shareholders. The dividend policy can be simply grouped into four general categories.

### 1. Constant Dividend Policy

It is based on the payment of fixed rupee dividend in each period. A number of companies follow the policy of paying fixed amount per share as dividend every period, without considering the fluctuation in the earning of the company. This policy does not imply that the dividend per share or dividend rate will never be increased. When the company reaches new level of earning and expects to maintain it, the annual dividend per share may be increased.

### 2. Constant Payout Ratio

The payout ratio is the ratio of dividend to earning. The policy of distributing certain percentage of earning as dividend every period is known as constant payout ratio. When a company uses a constant payout ratio, the amount of dividend fluctuates as earning fluctuates. In other words, the amount of dividend increases or decreases in proportionately with earnings.

### 3. Low Regular Dividend Plus Extras

The policy of paying a low regular plus extra is a compromise between a stable dividend (stable growth rate) and a constant payout rate. Such policy gives flexibility to the firm, yet investor can count on receiving at least a minimum dividend. It is often followed by firms with relatively volatile earning from year to year. The low regular dividend can usually be maintained even when earning declines and extra dividend can be paid when excess fund are available.

### 4. Residual Dividend Policy

This policy is based on the theory which states that "the dividend is distributed if there exists balance earning after paying fixed obligations and investment opportunities". This theory tells that only the leftover earnings should be distributed to the shareholders in the form of dividend after accepting all the profitable investment opportunities in accordance with the firm's investment policy.

The residual policy says that dividend decision should be such that:

- Profits are reinvested to the optimum investment level that reflects maximum returns;
- Reinvestment of profits help to maintain optimal capital structure; and
- Dividends are to be paid only if earnings are more than enough for investment plans.

### 2.1.3 Factors Affecting Dividend Policy

A firm's dividend policy is influenced by a large number of factors. Some of the factors affecting dividend policy are legal provision, liquidity position, restrictions imposed by bond holders, expected rate of return, stability of earnings, shareholders personal tax etc which are described below:

#### 1. Legal Rules

Legal provisions of the respective countries affect the dividend decision of the firm. Certain legal rules may limit the amount of dividends a firm may pay. These legal constraints fall into two categories. First is, statutory restrictions, which may prevent a company from paying dividends. Second is, specific limitations, which may vary by state. Generally a corporation may not pay dividend at following condition:

- If the firm's liabilities exceed its assets.
- If the amount of dividend exceeds the accumulated profits (retained earnings).
- If the dividend is proposed from capital invested in the firm.

The specific limitation is unique to each firm and resulted from restriction in debt and preferred stock contracts.

**2. Liquidity Position**

The cash or liquidity position of the firm influences its ability to pay dividend. A firm may have sufficient retained earnings, but if they are invested in fixed assets, the cash may not be available to make dividend payment. Thus, the company must have adequate cash to be available as well as retained earnings to pay dividend.

**3. Investment Opportunity**

The availability of profitable investment opportunities for the firm in the market also affects the dividend decision. For instance, the company which has lot of such opportunities needs excess funds to finance new projects. So, the company retains more profit paying fewer amounts as dividend.

**4. Desire of Shareholders**

Shareholders may be interested either in dividend incomes or capital gains. Wealthy shareholder in a high income tax bracket may be interested in capital gains as against current dividends. A retired and old person, whose source of income is dividend, would like to get regular dividend.

In a closely held company, management usually knows the desire of shareholders. So they can easily adopt a dividend policy that satisfies all shareholders. But in a widely held company, number of shareholders is very large and they have diverse desire regarding dividends and capital gains. Some shareholders want cash dividend, while other prefer bonus share.

**5. Restrictions in Debt Contracts**

Restrictions in debt contracts may specify that dividends may be paid only out of earnings generated after signing the loan agreement and only when net working capital is above a specified amount. Also, preferred dividends take precedence to common stock dividends.

### 6. Stability of Earnings

A firm that has a stable earnings trend will generally pay a larger portion of its earnings in dividends. If earnings fluctuate significantly, a larger amount of the profits may be retained to ensure that enough money is available for investment projects when needed.

### 7. Access to The Capital Market

A large and well established firm with a record of profitability and stability of earning has easy access to capital markets and other form of external financing. In contrast, a small and new firm is riskier for potential investors. So its ability to raise equity or debt funds from capital market is restricted. That's why small firms must retain more earnings to finance its investment opportunities. Thus a well established firm has higher dividend payout ratio than that of a new and smaller one.

### 8. Control

If the company pays access cash dividend, there would be shortage of fund to finance investment opportunities, which must be fulfilled by issuing new securities. This affects the control position of existing shareholders. So, they prefer the use of debt and retained profits to finance new investments rather than issuing new stock. As a result dividend payout will be reduced as they do not desire to distribute earning as dividend, which prevents them to lose the control position of the company.

### 9. Tax position of shareholders

The tax position of stockholders also affects dividend policy. Corporations owned by large taxpayers in high income tax brackets tend toward lower dividend payout whereas corporations owned by small investors tend toward higher dividend payout.

**10. Profit rate**

A high rate of profit on net worth makes it desirable to retain earnings rather than to pay them out if the investor will earn less on them.

**11. Rate of asset expansion**

There is a need of more financing for a rapidly growing firm. The greater the future need of funds, the more likely the firm is to retain earnings rather than paying them out in the form of dividends. Thus, a high rate of asset expansion creates a need to retain funds rather than to pay dividends.

### 2.1.4 Dividend Payment Procedure

Dividend payment includes a systematic procedure, which should be followed by every company. The dividend payment procedures of a corporate firm can be outlined as follows:

**1. Declaration date**

This is the date on which BOD declares the dividend. At this time they announce the amount of the dividend to be paid and set the next dividend payment date.

**2. Date of record**

This is the date on which the company opens the ownership books to determine who will receive the dividend. The company prepares a list of stockholders from the stock transfer book at the close of business on this date. And all the stockholders of the record date are entitled to receive as declared by the board.

### 3. Ex-dividend date

The date when the right to the dividend leaves the stock for new owner is called the ex-dividend date. The ex-dividend date is two days before date of record. It means if new owner wants to receive dividend, then he/she must buy the stock two days before the record date.

### 4. Payment date

The date on which the company actually pays the declared dividend to all the stockholders of the date of record is called payment date.

#### 2.1.5 Legal Provision Regarding Dividend Practices In Nepal

Company Act, 2063 (2006) make some legal provision for dividend payment in Nepal. These provisions have been mentioned below:

**Section 46: Shareholder and debenture-holder register**

**Subsection (1)**

Each company shall establish a shareholder and debenture holder register in the prescribed format at its registered office.

**Subsection (2)**

Following matters should be clearly mentioned in the shareholder register:

- Shareholder's full name and address,
- No. of shares subscribed by the shareholder,
- Total amount paid by the shareholder and amount payable by them for the share,
- Registered date of shareholder's certificate,
- Cancellation date of shareholder's certificate,
- Ownership right on share after the death of the registered shareholder.

**Section 182: Dividend**

**Subsection (1)**

Except in the following circumstances, dividend shall be distributed among the shareholders within 45 days from the date of decision to distribute them:

- In case any law prohibits the distribution of dividend,
- In case right to receive dividend is subject to any dispute,
- In case dividends cannot be distributed within the time limit mentioned above owing to circumstance beyond anyone's control and without any fault on the part of the company.

**Subsection (2)**

Government owned companies either fully or partly can't issue dividend without getting prior approval of government and also necessary direction in the matter of dividend.

**Subsection (3)**

In case of failure to distribute dividends within the time limit as referred to subsection (1), the dividend shall be distributed together with interest.

**Subsection (4)**

Only the person whose name is maintained in the shareholder register at the time of declaration of dividend shall be entitled to it.

**Subsection (5)**

The company shall not distribute any amount as dividend except out of portion of profits set aside for the distribution of dividend.

**Subsection (6)**

The company shall fully deduct the pre-operation expenses, depreciation amount, payables and accumulated loss in previous financial years according to the prevailing law before declaring or paying dividend out of profit.

**Subsection (7)**

The company may distribute interim dividend if it is provisioned in rules and if the dividend is verified by audit report and attested by BOD.

**Subsection (8)**

Except the dividend amount approved by AGM, the company cannot distribute dividend from fund affecting the company's reserve.

**Subsection (9)**

If any shareholder do not claim dividend within the five F/Y from the declaration date, the amount would be safe guarded in the investor protection fund established under Section 183 of Company Act 2006.

**Subsection (10)**

Before safeguarding the uncollected dividend in the investor protection fund, the company shall publish a notice in national daily newspaper inviting the concerned shareholder to receive the dividend within the time limit of at least 1 month prior to the expiry of the period mentioned in Subsection (9).

**Subsection (11)**

After declaring the dividend from AGM, the company shall establish a separate account within 45 days and distribute the amount of dividend out of that account. And such amount shall not be used by the company for any other purpose.

## 2.2 Review of Major Studies in the Relevant Field

### 2.2.1 Modigliani and Miller's Study

Modigliani-Miller's have propounded the MM hypothesis to explain the irrelevance of a firm's dividend policy. According to the model, the payment of dividend does not affect the value of the firm or wealth of shareholders. MM argues that it is only firm's investment policy that will have an impact on the share value of the firm. The MM study is based on the following assumptions:

- The firm operates in perfect capital market where all investors are rational, information is freely available, the floatation and transaction costs do not exist, securities are infinitely divisible and no single investor is large enough to affect market price of security.
- There are no taxes, implying that there are no differential tax rates for the dividend income and the capital gains.
- The firm has a fixed investment policy.
- Risk of uncertainty does not exist. It means investors are able to forecast the future earnings, dividend and share value of firm with certainty. And one discount rate is appropriate for all securities and all time periods i.e. (r=k for all t).

Considering the above critical assumption, MM provide the proof in support of their arguments, which has been discussed below:

**Step I:** The market price of the share in the beginning of the period is equal to the present value of the dividend paid at the end of the period plus the market price of the share at the end of the period.

Symbolically,

$$P_0 = \frac{D_1 + P_1}{1 + K}$$

Where,

$P_0$ = Current market price of the share

$P_1$ = Market price of the share at the end of the period (t = 1)

$D_1$ = Dividend to be paid at the end of the period (t = 1)

K = Cost of equity capital

**Step II:** If there is no additional financing from external sources, the value of the firm will be number of shares (n) multiplied by the current market price of each share ($P_0$).

$$V = nP_0 = \frac{n\,(D_1 + P_1)}{1 + K}$$

Where,

n = Total number of shares outstanding

**Step III:** If firm issues m number of new shares to raise additional funds at the end of year 1 so as to finance investment at price $P_1$, then the value of the firm at time 0 will be:

$$nP_0 = \frac{(nD_1 + (n + m)P_1 - mP_1)}{1 + K}$$

Where,

m = number of new shares to be issued

**Step IV:** If a firm can finance all its investment programme either out of its retained earnings or by issuing new shares or by both, then the total amount of new shares that the firm will issue to finance its investment programme will be:

$mP_1 = I - (X - nD_1)$

or, $= I - X + nD_1$

Where,

$mP_1$ = Total amount of new shares issued

I = Total amount of investment during first period

X = Total amount of profit during first period

**Step V:** By substituting the value of $mP_1$ from equation of step (IV) to the equation of step (III), we get:

$$nP_0 = \frac{nD_1 + (n + m)P_1 - mP_1}{1 + K}$$

$$= \frac{nD_1 + (n + m)P_1 - I - (X + nD_1)}{1 + K}$$

$$= \frac{(n + m)P_1 - I + X}{1 + K}$$

By solving the above equation, it is found that there is no role of dividend in estimating the value of the firm. So, Modigliani & Miller concluded that dividend policy has no effect on the share price or value of the firm.

MM approach does not seem to be relevant to apply in Nepalese context as its assumptions are significantly deviated during its application. The assumptions of perfect capital market, free information and rational investors are faulty assumptions. The effect of floatation cost and tax on capital gain are neglected in this theory.

### 2.2.2 Walter's Study

This study was conducted by James E Walter in 1963 in which he considers that dividends are relevant and they do affect the share price. In this study, it is highlighted that there is significant relationship between internal rate of return on investments (r) and its cost of capital (k) in determining the dividend policy that will maximize the wealth of shareholders.

Walter's study was based on the following assumptions:

- The firm finances all its investment projects through retained earnings. It means there is no issue of debt or equity.
- The firm's internal rate of return (r) and its cost of capital (k) will remain constant.
- The firm has an infinite life.
- The value of EPS and DPS remain constant.
- The firm either distributes all its earnings as dividend or reinvest immediately.

Based on these assumptions, Walter has developed a model to determine the market price per share:

$$P = \frac{D}{k} + \frac{r\,(E - D) / k}{k} \qquad \text{or,} \qquad P = \frac{D + r\,(E - D) / k}{k}$$

Where,

P = Market price per share

D = Dividend per share

E = Earnings per share

r = Internal rate of return

k = Cost of capital

His study shows the relevance of the dividend policy in three situations:

| Firms | Nature | Optimal payout ratio |
|---|---|---|
| Growth | r > k | 0% |
| Normal | r = k | DPR does not affect MPS |
| Decline | r < k | 100% |

**1. Growth firms, r > k**

If the firm's internal rate of return is more than its cost of capital, then such firms are referred as growth firms as they can reinvest their earnings at the rate higher than the rate expected by shareholders. For such firms, DPR is zero and relation between dividend and stock price is negative. The zero DPR would maximize the market value of stock.

**2. Normal firms, r = k**

If a firm has r = k, it is termed as normal firm. There is no relation between dividend and stock price i.e. market value per share is unaffected by the DPR. In normal firm, whether it retains profit or distributes as dividend, either case do not make any difference.

**3. Declining firms, r < k**

If the firm's internal rate of return is less than cost of capital, then such firms are referred as declining firms as they do not have any profitable business opportunities in the market. So, it is better for them to distribute their entire earnings as dividend to make the value of share at its optimum level. For such firm, DPR is 100% and relation between dividend and stock price is positive. The 100% DPR would maximize the market value of stock.

In this way, Walter's study concludes that the dividend policy of a firm depends on the availability of investment opportunities and the relationship between the internal rate of return and cost of capital of the firm.

### 2.2.3 Gordon's Study

Myron J. Gordon conducted this study in 1962 using the dividend capitalization approach to find out the effect of the firms' dividend policy on the stock price. This study assumes that investors are rational and risk averse. So, they give more emphasis to the present dividends than future capital gains, which is uncertain. He also explains that an increase in dividend payout ratio leads to increase in stock price for the reason that investors consider the dividend yield is less risky than the expected capital gain.

This study is based on the following assumptions:

- The firm uses equity capital only.
- There is no external financing as the firm uses only retained earnings for financing its investment projects.
- The internal rate of return (r) and the cost of capital (k) of the firm remain constant.
- The firm has a perpetual life.
- The corporate tax rate does not exist.
- The retention ratio (b) remains constant and hence the growth rate is also constant ($g = br$).
- The cost of capital is greater than the growth rate ($k > g$).

Based on the above assumptions, Gordon has developed the following formula to determine the market value of share:

$$P = \frac{E(1-b)}{k-br}$$

Where,

P = Market value per share

E = Earnings per share

b = Retention ratio

k = Cost of capital or capitalization rate

r = Rate of return

1 – b = Dividend payout ratio

br = Growth rate

By solving the above equation, Gordon has revealed following facts:

- For growth firms (r > k), the share price will decline in corresponding with increase in payout ratio or decrease in retention ratio. Hence, there is positive relation between retention ratio and share price.
- For normal firms (r = k), the share price remains constant regardless of changes in payout ratio. Hence, dividend and stock price are free from each other.
- For declining firms (r < k), the share price will rise in corresponding with increase in payout ratio or decrease in retention ratio. Hence, there is negative relation between retention ratio and share price.

In this way, Gordon concludes that dividend policy of any firm affects its share price.

## 2.3 Review of Journals and Articles in Nepalese Perspective

Very few articles relating directly or indirectly with dividend and stock price have been published in Nepal. Two major studies are reviewed as follows:

**Dr. R.S. Pradhan** has conducted a study on "Stock market behavior in a small capital market: A case study of Nepal" in 1993. The study was based on the data collected for 17 enterprises from 1986 through 1990. In the study, he has analyzed various ratios related to dividend and market price of shares.

The objectives of this study were as follows:

- To assess the stock market behavior in Nepal.
- To examine the relationship of market equity, market value to book value, price earnings, and dividend with liquidity, profitability, leverage, assets turnover and interest coverage.

The following equation was employed during the study:

$$V = b_o + b_1LIQ + b_2LEV + b_3EARN + b_4TURN + b_5COV + U$$

Where,

The dependent variable V chosen for the study has been specified as:

- Market equity (ME)
- Market value of equity to its book value (MV/BV)
- Price earnings ratio (P/E)
- Dividend per share to market price per share (DPS/MPS)
- Dividend per share to earnings per share (DPS/EPS)

The independent variables are specified as:

LIQ : Current ratio (CR) or Quick ratio (QR)

LEV : Long term debt to total assets (LTD/TA) or Long term debt to total capitalization (LTD/TC)

EARN : Return on assets, i.e. Earnings before tax to total assets (EBT/TA) or Return on net worth, i.e. Earnings before tax to net worth (EBT/NW)

TURN : Fixed assets turnover, i.e. Sales to average fixed assets (S/FA) or Total assets turnover, i.e. Sales to average total assets (S/TA)

COV : Interest coverage ratio i.e. Earnings before tax to interest (EBT/I)

U : Error term

Some findings of his study were as follows:

- Higher the earnings on stocks, larger the ratio of dividends per share to market price per share.
- Dividend per share and market price per share are positively correlated.
- There is positive relationship between the ratio of dividend per share to market price per share and interest coverage.
- There is positive relationship between dividend payout and liquidity.
- There is negative relationship between dividend payout and leverage ratio.
- There is positive relationship between dividend payout and profitability.
- There is positive relationship between dividend payout and turnover ratio.
- There is positive relationship between dividend payout and interest coverage.
- The liquidity and leverage ratio are more variable for the stock paying lower dividends.
- The earnings, assets turnover and interest coverage are more variable for the stock paying higher dividends.

**Dr. M.K. Shrestha** has written an article about "Public Enterprises; Have they dividend paying ability?" which was published in the book 'Prashashan' in 1981. It gives short glimpse of the dividend performance of some public enterprises of that time in Nepal. Dr. Shrestha has highlighted the following issues in his article.

Government of Nepal expects two things from the public enterprises which are:

- They should be in a position to pay minimum dividend and
- The public enterprises should be self-supporting in financial matters in future years to come

But none of these two objectives are achieved by the public enterprises.

One reason for this inefficiency is caused by excessive governmental interference in day to day affairs. On the other hand, high-ranking officials of Government of Nepal appointed as directors of board do nothing but simply show their bureaucratic personalities. Bureaucracy has been the enemy of efficiency and thus led corporation to face losses. Losing corporations are, therefore, not in a position to pay dividend to government.

Another reason is the lack of self-criticism and self-consciousness. Esman has pointed out that lack of favorable leaders is one of the biggest constraints to institution building. Moreover, corporate leadership comes as managers of corporations have not been able to identify them regarding what they can contribute as managers of corporations. So, Government of Nepal must be in a position to develop a financial target in corporate investment by imposing financial obligation on corporation.

The article point out the irony of government biasness that government has not allowed banks to follow an independent dividend policy and Government of

Nepal is found to have pressurized on dividend payment in case of Nepal Bank Limited regardless of profit. But, it has let off Rastriya Banijya Bank from dividend obligation in spite of considerable profit.

The improvements suggested by author are:

- Adopt a criteria-guided policy to drain resources from corporations through the medium of dividend payment.
- Realization by managers about the cost of equity and dividend obligation.

If Government of Nepal wants to tap resources through dividend, the following criteria should be followed:

- Proper evaluation of public enterprises in terms of capability of paying dividend through corporation co-ordination committee.
- Imposition of fixed rate of dividend by government to all financially sound public enterprises.
- Circulating the information about the minimum rate of dividend to all public enterprises.
- Specifying performance targets in terms of profit, priorities on timings and plans and development of strategic plans that bridges the gap between aspiration and reality.
- Identification of corporation objectives in Corporation Act, Company Act or special charter so as to clarify public enterprise managers regarding their financial obligation to pay dividend to Government of Nepal.

## 2.4 Review of Previous Thesis

**Yagya Bahadur Katawal (2001)** has submitted a thesis entitled "A comparative study of dividend policy in Commercial Banks" in July 2001, which was based on data collected from 1994/95 to 1998/99 for 6 sample commercial banks.

The main objectives of his study were:

- To study the current practice of dividend policy in commercial banks.
- To find out the impact of dividend on share price.
- To analyze the relationship of financial indicators.
- To examine if there is any uniformity among DPS, EPS and DPR on the six sample banks.

The major findings of his study were as follows:

- Average EPS and DPS for the period covered by the study of all the concerned banks are satisfactory.
- Analysis of CV indicated that there is largest fluctuation in EPS and DPS and other are relatively more consistent.
- The analysis of DPR shows that none of the sample banks have consistent dividend policy.
- The market value of shares in the market is fluctuating in all sample banks.
- The most important decision is that no specific dividend payment strategy is followed by these banks. Payment of cash dividend and stock dividend are made without wise managerial decision due to unstable and adequate dividend and unequal payout ratio.

**Prabin Kumar Ghimire (2002)** has conducted a study on "Dividend Policy of Listed Companies" (with reference to Banks, Finance and Insurance companies) in August 2002. This study was conducted by taking data collected from 1994/95 to 1998/99 for four sample companies.

The main objectives of his study were:

- To identify the dividend policy of different sample companies.
- To identify the regularity of dividend distribution of different listed companies.
- To identify the relationship between dividend policy and other financial indicators.
- To analyze the relationship between DPS and MPS.
- To find out whether dividend policy affects value of firm or not.

His major findings were as follows:

- The average EPS of the bank is satisfactory than finance and insurance companies.
- The average DPS of the bank is also satisfactory as compared to finance and insurance companies.
- The DPS of finance companies are more fluctuating in comparison with banks.
- The DY of finance and insurance companies are higher and more consistent than banks.
- Banks are following aggressive dividend policy due to higher DPR whereas finance and insurance companies have implemented moderate dividend policy.

**Meghana Gurung (2003)** has submitted a thesis on "Dividend Policy of Nepalese Listed Companies" in September 2003. The study was based on the data collected from 1995/96 to 2000/01for three different banks listed in NEPSE.

The main objectives of her study were:

- To assess prevailing dividend policy adopted by listed companies.

- To study whether or not dividend influences the liquidity position and stock prices of selected companies.
- To examine whether there is significant difference between DPS, EPS and DPR of the selected companies.
- To identify the relationship between dividend policy and other financial indicators.

Her main findings were:

- The joint venture banks do not have stable and consistent dividend payment practice except SCBNL.
- The DPS and EPS of all the banks are positively correlated.
- The DPS of all sample banks are highly fluctuating except SCBNL.
- There is no long term vision regarding EPS and DPS which helps them to cope with challenging competitive situation of present world.
- The investment is not considered during dividend payment.

A Study done by **Smita Adhikari (2008)** thesis entitled "A Comparative Study of Dividend Policy in Commercial Banks." She has taken 3 commercial banks for the sample to carry out her study. The 10 years data from the year 1997/98 to 2007/08 has been used in the study.

During the study, she found that the average EPS of the banks under the study shows positive result but the CV indicates that there is no consistency in EPS. Furthermore, the average DPS shows that there is no regularity in dividend payment and the DPR of the banks are not stable as well.

Based on the findings, she has recommended following things:

- Government must impose a minimum dividend obligation policy through suitable and pragmatic legislative measure to ensure protection in the form of dividend payment to the investors in general.
- There is lack of consciousness in Nepalese investors regarding the prevalent Company Act and their rights. So, there should be a kind of educating center about their rights on dividend income and legal provisions for dividend payment.

A study has been conducted by **Puja Koirala (2010)** on "Dividend Practice and Stock Price Volatility" taking 3 joint venture banks and 3 finance companies for sample. The study covers 5 years data from fiscal year 2005/06 to 2009/10.

In her thesis paper she concludes that:

- There is not a single financial indicator that has dominant role to determine MPS. The degree of interrelationship of MPS with different financial indicators varies from company to company.
- The MPS, EPS and DPS of sampled banks and finance companies are fluctuating. It happened because these factors affect the demand and supply of shares which determine the stock price volatility.
- In Nepalese context, the investors are investing money in securities randomly without analyzing the company's financial and investment policies. It has been proved by significantly varying PER of the sample companies.
- The research shows that none of the sampled banks and finance companies has well defined and appropriate practice regarding dividend policy.
- Based on DPR, the sampled banks are uniform than finance companies. So, the investors prefer to invest in banks than finance companies.

**Padam Keshari Shrestha (2011)** takes into consideration data of only five year 2004/5 through 2008/9 where 5 commercial banks have been taken as sample. The study was carried out under the title "Dividend Policy of Commercial Banks of Nepal".

Her main findings are:

- Though the average EPS of the selected banks are positive, the CV indicates that the EPS of the banks are not stable.
- The average DPS of the banks are positive, but the CV indicates that the DPS of the banks are also not stable.
- The average MPS of the banks indicates high level of fluctuation.
- The analysis of DPR shows that the DPR of the banks are quite unstable.

Based on the findings following recommendations have been given:

- All the financial institutions should make decision regarding dividend distribution after taking collective opinion from shareholders regarding their preference to stock or cash dividend.
- Since there seems to be high fluctuation in EPS and DPR, the banks are advised to fix their target rate of earning and payout ratio, which will help them to build good image among customers and shareholders.
- All the financial institutions should conduct a seminar and workshop for the shareholders so that they can communicate their financial performance and identify where the problems lie in the efficient operation.

# CHAPTER III

# RESEARCH METHODOLOGY

Research Methodology outlines the methods and sequential steps adopted in analyzing the problems to achieve the pre-mentioned objectives. Thus, this chapter will be highlighting the research methodology used for conducting comparative study of dividend policy among five selected commercial banks of Nepal.

## 3.1 Research Design

A research design is a conceptual structure within which a research is conducted. It is a plan, structure and strategy of investigation, which is conceived so as to obtain answers to research question and to control variance. Research design includes definite procedures and techniques that guides toward using appropriate methods for analyzing and evaluating the findings of the research. To achieve the pre-determined objectives of the study, here the comparison has been made among five selected banks by establishing relationship between different variables. So, the research design of this study is based on descriptive and analytical data. For the study, seven years data till fiscal year 2011/12 has been collected and analyzed to reach at valid conclusion.

## 3.2 Population and Sample

Nowadays, many commercial banks are operating in Nepal. Likewise, there are many commercial banks whose shares are traded actively in the stock market. And it is not possible to study all of them regarding the research topic. Therefore random sampling technique has been used here for selecting sample from population. The list given below shows the licensed commercial banks in the SEBON.

**Table No. 3.2**

**List of Commercial Banks of Nepal**

| S.N | Name of Commercial Banks | Estd. Date |
|---|---|---|
| 1 | Nepal Bank Ltd. | 1994-07-30 |
| 2 | Rastriya Banijya Bank Ltd. | 2022-10-10 |
| 3 | Agriculture Development Bank Ltd. | 2024-10-07 |
| 4 | Nabil Bank Ltd. | 2041-03-29 |
| 5 | Nepal Investment Bank Ltd. | 2042-11-26 |
| 6 | Standard Chartered Bank Nepal Ltd. | 2043-10-16 |
| 7 | Himalayan Bank Ltd. | 2049-10-05 |
| 8 | Nepal SBI Bank Ltd. | 2050-03-23 |
| 9 | Nepal Bangladesh Bank Ltd. | 2051-02-23 |
| 10 | Everest Bank Ltd. | 2051-07-01 |
| 11 | Bank of Kathmandu Ltd. | 2051-11-28 |
| 12 | Nepal Credit & Commerce Bank Ltd. | 2053-06-28 |
| 13 | Lumbini Bank Ltd. | 2055-04-01 |
| 14 | Nepal Industrial & Commercial Bank Ltd. | 2055-04-05 |
| 15 | Machhapuchhre Bank Ltd. | 2057-06-17 |
| 16 | Kumari Bank Ltd. | 2057-12-21 |
| 17 | Laxmi Bank Ltd. | 2058-12-21 |
| 18 | Siddhartha Bank Ltd. | 2059-09-09 |
| 19 | Global IME Bank Ltd. | 2063-09-18 |
| 20 | Citizens Bank International Ltd. | 2064-01-07 |
| 21 | Prime Commercial Bank Ltd. | 2064-06-07 |
| 22 | Bank of Asia Nepal Ltd. | 2064-06-25 |
| 23 | Sunrise Bank Ltd. | 2064-06-25 |
| 24 | Grand Bank Nepal Ltd. | 2065-02-12 |

| | | |
|---|---|---|
| 25 | NMB Bank Ltd. | 2065-02-20 |
| 26 | KIST Bank Ltd. | 2066-01-24 |
| 27 | Janata Bank Nepal Ltd. | 2066-12-23 |
| 28 | Mega Bank Nepal Ltd. | 2067-04-07 |
| 29 | Commerz and Trust Bank Nepal Ltd. | 2067-06-04 |
| 30 | Civil Bank Ltd. | 2067-08-10 |
| 31 | Century Commercial Bank Ltd. | 2067-11-26 |
| 32 | Sanima Bank Ltd. | 2068-11-03 |

*Source: Nepal Stock Exchange*

Currently, 32 commercial banks have been listed in NEPSE, which will be considered as the population. Among them, five banks have been selected as sample and last seven fiscal years data has been taken for analysis. The samples selected for this study are as given below:

1. Bank of Kathmandu Limited
2. Everest Bank Limited
3. Himalayan Bank Limited
4. Kumari Bank Limited
5. Nepal Investment Bank Limited

Here,

Population Size – 32

Sample Size – 5

Thus in this research study, the sample size is 15.63% of the population size.

## 3.3 Nature and Sources of Data

The study is based on both primary and secondary data. The secondary data has been collected from concerned bank's annual reports, financial statement published by Nepal Stock exchange and Ministry of Finance and related websites. Furthermore primary data has also been collected through questionnaire to get the actual view of general people regarding the dividend policy adopted by banks in Nepal.

## 3.4 Data Analysis Tools

The analysis of the commercial banks data has been done according to the pattern of data available. In this study, various financial and statistical tools, which seem to be applicable in the research, have been used to analyze the variables regarding the study topic.

### 3.4.1 Financial Tools

The financial tools that have been used in the study are:

#### 3.4.1.1 Earning Per Share (EPS)

Earning per share refers the rupee amount earned per share of common stock outstanding. The earning per share shows the profitability of any company issuing shares. Here, the higher earning indicates the better achievements in terms of profitability of the banks by mobilizing their funds and vice versa. In other words, the earning per share indicates the strength and weakness of the banks.

In the study, earning per share is computed to know the earning capacity and to make comparison between concerned commercial banks. The EPS can be computed by dividing the earning available to common shareholders or net profit after taxes by the total number of common shares outstanding.

Mathematically,

$$EPS = \frac{\text{Net Profit after Taxes}}{\text{Number of shares outstanding}}$$

### 3.4.1.2 Dividend Per Share (DPS)

Dividend per share indicates the rupee earnings distributed to common stockholders for per share held by them. It measures the dividend distribution to each equity shareholders. Dividend per share shows the portion of earning distributed to the shareholders on per share basis. Generally, the higher DPS creates positive attitude among shareholders toward the banks. The DPS helps to increase the market value of the share. Likewise, it also works as an indicator for the better performance of the bank management.

It is calculated by dividing the total dividend distributed to equity shareholders by the total number of equity shares outstanding.

Mathematically,

$$DPS = \frac{\text{Total dividend}}{\text{Number of shares outstanding}}$$

### 3.4.1.3 Dividend Payout Ratio (DPR)

Dividend payout ratio shows what percentage of the profit is distributed as dividend and what percentage is retained as reserve and surplus for the growth of the banks. The dividend payout ratio of the banks depends upon the earnings made by the banks. Higher earning enhances the ability to pay more dividends and vice versa.

There is an inverse relationship between dividend and retained earning. The higher the dividend payout ratio, the lower will be the proportion of retained earning and vice versa. The capacity of internal financing of the firm is checked out by the retention ratio.

It is calculated as the percentage of the profit that is distributed as dividend. This ratio is calculated by dividing dividend per share by the earning per share.

Mathematically,

$$DPR = \frac{DPS}{EPS}$$

And,

Retention Ratio = (1 – DPR)

### 3.4.1.4 Price Earning Ratio (P/E Ratio)/ Earning Multiplier

This ratio represents the amount which the investors are willing to pay for each rupee of the firm's earning as it is the ratio of market price per share to earning per share. The P/E ratio measures investor's expectation and market appraisal of the performance of the firm. The higher P/E ratio implies the high market share price of a stock. It is calculated by dividing the market value per share by earning per share.

Mathematically,

$$P/E\ Ratio = \frac{MPS}{EPS}$$

### 3.4.1.5 Earning Yield (EY)

Earning yield is the percentage of earning per share to market price per share in the stock. It may be defined as the ratio of earning per share to the market price per share at a particular time. It gives some idea about how much as investor is earning for his money. The share with higher earning yield is worth buying.

Mathematically,

$$EY = \frac{EPS}{MPS}$$

### 3.4.1.6 Dividend Yield (DY)

Dividend yield is the percentage of dividend per share on market price per share. It measures the dividend in relation to market value of share. So, dividend yield is the dividend received by the investors as a percentage of market prices in the stock market.

This ratio highly influences the market price per share because a small change in dividend per share can bring effective change in the market value of the share. The share with higher dividend yield is worth buying. Thus, the price of share with higher dividend yield increases sharply in the market. Likewise, dividend has important guidance to commit funds for buying the share in the secondary market. It is calculated by dividing dividend per share by market price of the stock.

Mathematically,

$$DY = \frac{DPS}{MPS}$$

### 3.4.2 Statistical Tools

Besides the financial tools, various statistical tools have been used during the study. The result of analysis have been properly tabulated, compared, analyzed and interpreted. In this study, the following statistical tools are used to analyze the relationship between dividend and other variables.

### 3.4.2.1 Arithmetic Mean ($\overline{X}$)

The arithemetic mean is also known as the average. Arithemetic mean of a given set of observation is their sum divided by the number of observation. In general, if $x_1$, $x_2$, ……., $x_n$ are the given "n" observation, then their arithemetic mean can be obtained by adding together the entire item and dividing the total sum by number of item.

Mathematically,

$$A = \frac{1}{n} * \sum_{i=1}^{n} x_i$$

A = average (or arithmetic mean)

n = the number of terms (e.g., the number of items or numbers being averaged)

$x_1$ = the value of each individual item in the list of numbers being averaged

OR,

Arithmetic mean = $(X_1 + X_2 + X_3 + ... + X_n) / n$

where,

$X_1$, $X_2$, $X_3$, $X_n$ are the values of the observations being averaged

And, n equals the number of observations

### 3.4.2.2 Standard Deviation ( ϭ )

Karl Pearson introduced the concept of standard deviation in 1983. It is most important and widely used measures of studying dispersion. The measurement of scatterness of data from mass of figures in a series, about an average is known as dispersion. The standard deviation measures the absolute dispersion. Greater the amount of dispersion, greater will be the standard deviation.

A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series and vice-versa.

Mathematically,

$$\sigma = \sqrt{\frac{1}{N}\sum_{i=1}^{N}(x_i - \mu)^2}$$

Where,

N = Number of values

μ = Mean

### 3.4.2.3 Coefficient of Variation (C.V.)

It is the measurement of the relative dispersion based on standard deviation. It is used to compare the variability of two or more series. The series with higher coefficient of variation is said to be more variable, less consistent, less uniform, less stable and less homogenous. On the contrary, the series with less coefficient of variation is said to be less variable, more consistent, more uniform, more stable and more homogenous. It is denoted by C.V. and is obtained by dividing the standard deviation by arithemetic mean.

Mathematically,

$$CV = \frac{\sigma}{\mu}$$

Where,

σ = Standard deviation

μ = Arithemetic mean

### 3.4.2.4 Correlation Coefficient (r)

The degree of relationship between the variables under consideration is measured through the correlation analysis. Correlation analysis helps in determining the extent to which the variables are correlated. It describes not only the magnitude of correlation but also its direction.

The algebraic sign of the correlation coefficient indicates only the direction of the relationship between two variables, whether direct or inverse, while the numerical value of the coefficient is concerned with the strength or closeness of the relationship between two variables.

The value of correlation coefficient always lies between $\pm 1$. A value of -1 indicates a perfect negative relationship between the variables and a value of +1 indicates a perfect positive relationship. A value of zero indicates that there is no relation between the variables.

Mathematically,

$$r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[\, n\Sigma x^2 - (\Sigma x)^2 \,][\, n\Sigma y^2 - (\Sigma y)^2 \,]}}$$

### 3.4.2.5 Coefficient of Determination ($r^2$)

The coefficient of determination is measure of the degree of linear association or correlation between two variables. It measures the total variation in a dependent variable that is explained by independent variables. It is denoted by $r^2$ and the value lies between 0 and 1.

Mathematically,

$$r^2 = \frac{\sum (y - \bar{y})^2 - \sum (y - \hat{y})^2}{\sum (y - \bar{y})^2}$$

Where,

y = Observed value

$\bar{y}$ = Average value

$\hat{y}$ = Predicted value

### 3.4.2.6 Regression Analysis

Regression analysis is a mathematical measure of the average relationship between two or more variables in terms of the original units of the data. Regression analysis can also be defined as the statistical tool which is used to estimate the value of dependent variable when value of other independent variable is given.

The simple linear regression analysis is used to estimate the value of one dependent variable given the values of one independent variable. The simple regression equation is given by:

$Y = a + bX$

Where,

Y = dependent variable

X = independent variable

a = regression constant

b = regression coefficient

Similarly, the multiple regression analysis is used to estmate the value of one dependent variable when the values of two or more independent variables are known or given.

The multiple regression equation is given by:

$X_1 = a + b_1X_2 + b_2X_3$

Where, $X_1$= dependent variable

$X_2$ and $X_3$= independent variable

The regression constant (a) indicates the average effect on dependent variable, if all the independent variables are omitted from the model.

Likewise, the regression coefficient (b) describes how the changes in independent variables affect the values of dependent variable's estimate.

# CHAPTER IV

# PRESENTATION AND ANALYSIS OF DATA

This is an analytical chapter where various relevant data that are collected during the study are analyzed and evaluated in order to achieve the specified objective. For the presentation and analysis of data collected from various sources, different tools and techniques have been used.

## 4.1 Analysis of Financial Indicators

### 4.1.1 Earning Per Share (Eps)

EPS is one of the factors that affect the dividend policy and stock price of the firm. EPS is calculated by dividing the net profit after taxes (NPAT) by the total number of common shares outstanding. EPS shows the profitability of any firm on a per share basis. Higher EPS indicates better financial performance and high degree of achievement. In other words, higher EPS denotes the financial strength and lower EPS indicates financial weakness of any firm. Here, EPS has been computed to know the earning capacity of the concerned banks. The EPS of the banks under the study has been tabulated as follows:

**Table No. 4.1.1**

**Earning Per Share of Banks under the Study (Rs.)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 30.10 | 54.22 | 47.91 | 17.58 | 39.50 |
| 2006/07 | 43.67 | 62.78 | 59.24 | 16.59 | 59.35 |
| 2007/08 | 43.50 | 78.42 | 60.66 | 22.70 | 62.57 |
| 2008/09 | 59.94 | 91.82 | 62.74 | 16.35 | 57.87 |
| 2009/10 | 54.68 | 99.99 | 61.90 | 22.04 | 37.42 |
| 2010/11 | 43.08 | 100.16 | 31.80 | 24.24 | 52.55 |
| 2011/12 | 44.51 | 83.18 | 44.66 | 15.67 | 48.84 |
| **MEAN** | **45.64** | **81.51** | **52.70** | **19.31** | **51.16** |
| **S.D** | **9.52** | **17.81** | **11.66** | **3.55** | **9.78** |
| **CV** | **20.86** | **21.85** | **22.13** | **18.39** | **19.13** |

*Source: Annual Reports of concerned banks*

The average EPS of BOKL is Rs 45.64 with the S.D of 9.52. The highest and lowest EPS are Rs 59.94 and 30.10 respectively. The CV is 20.86%, which indicates the moderate fluctuation in EPS of BOKL.

The EPS of EBL ranges between Rs 100.16 and 54.22 during the period of the study. In this period the average EPS is Rs 81.51 and S.D is 17.81. The CV of the bank is 21.85% on EPS. It indicates that there is moderate fluctuation in EPS during the given 7 years.

The average EPS of HBL is Rs 52.70 with the range between Rs 62.74 and 31.80. The S.D is 11.66 whereas CV is 22.13%, which indicates moderate fluctuation in EPS of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average EPS of Rs 19.31with the S.D of 3.55. The EPS ranges within Rs 24.24 and 15.67. The CV is 18.39%, which shows that there is low fluctuation in EPS of the bank.

The average EPS of NIBL during the period of the study is Rs 51.16. It lies within the range of Rs 62.57 and 39.50. The S.D is 9.78 and CV is 19.13%, which indicates low fluctuation in EPS of NIBL.

From the data presented above, it shows that average EPS of EBL is the highest and that of KBL is lowest. Similarly, S.D of EBL is highest and KBL has lowest standard deviation. The CV indicates that among the banks under study during the period, KBL has highest consistency in EPS whereas the EPS of HBL is highly fluctuating.

### 4.1.2 Dividend Per Share (Dps)

Dividend per share indicates the proportion of earning distributed to owner (shareholder) on per share basis. Generally, the higher DPS creates positive attitude among the shareholders toward the firm, which accordingly helps to increase the market value of the share. The DPS also works as the indicator of better performance of the management of the company. It measures the dividend distribution to each equity shareholders. The DPS of banks under study are presented in the table below:

**Table No. 4.1.2**

**Dividend Per Share of Banks under the Study (Rs.)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 15 | 0 | 11.58 | 0 | 12.5 |
| 2006/07 | 18 | 25 | 30 | 1.05 | 20 |
| 2007/08 | 20 | 10 | 15 | 1.05 | 5 |
| 2008/09 | 2.11 | 20 | 25 | 0.53 | 7.5 |
| 2009/10 | 7.37 | 30 | 12 | 0.55 | 20 |
| 2010/11 | 15 | 30 | 11.84 | 12 | 25 |
| 2011/12 | 16.75 | 50 | 16.84 | 0.44 | 25 |
| **MEAN** | **13.46** | **23.57** | **17.47** | **2.23** | **16.43** |
| **S.D** | **6.39** | **16.00** | **7.26** | **4.32** | **8.15** |
| **CV** | **47.46** | **67.87** | **41.58** | **193.73** | **49.59** |

*Source: Annual Reports of concerned banks*

The average DPS of BOKL is Rs 13.46 with the S.D of 6.39. The highest and lowest DPS are Rs 20 and 2.11 respectively. The CV is 47.46%, which indicates the moderate fluctuation in DPS of BOKL.

The DPS of EBL ranges between Rs 50 and 0 during the period of the study. In this period the average DPS is Rs 23.57 and S.D is 16. The CV of the bank is 67.87% on DPS. It indicates that there is moderate fluctuation in DPS during the given 7 years.

The average DPS of HBL is Rs 17.47 with the range between Rs 30 and 11.58. The S.D is 7.26 whereas CV is 41.58%, which indicates moderate fluctuation in DPS of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average DPS of Rs 2.23 with the S.D of 4.32. The DPS ranges within Rs 12 and 0. The CV is 193.73%, which shows that there is very high fluctuation in DPS of the bank.

The average DPS of NIBL during the period of the study is Rs 16.43. It lies within the range of Rs 25 and 5. The S.D is 8.15 and CV is 49.59%, which indicates moderate fluctuation in DPS of NIBL.

From the data presented above, it shows that CV of DPS in HBL is the lowest among the sample banks; it means that there is positive impact in HBL among the shareholders. Likewise, KBL with the highest CV creates negative impact upon the shareholders. In the same way, the mean of DPS shows that EBL provides higher earning distribution to its shareholders and KBL provides lower earning distribution among the sample banks.

### 4.1.3 Dividend Payout Ratio (DPR)

The dividend payout ratio reflects what percentage of the profit is distributed as dividend and what percentage is retained as reserve and surplus for the growth of the business firm. This ratio shows the amount of dividend as the percentage of earning available for equity share. The DPR depends upon the earnings made by the company. So, higher earning enhances the ability to pay more dividends and vice versa. There is an inverse relationship between DPR and retention ratio. The DPR of the banks under study are stated in the table as follows:

**Table No. 4.1.3**

**Dividend Payout Ratio of Banks under the Study (%)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 49.83 | 0 | 24.17 | 0 | 31.65 |
| 2006/07 | 41.22 | 39.82 | 50.64 | 6.33 | 33.70 |
| 2007/08 | 45.98 | 12.75 | 24.73 | 4.63 | 8 |
| 2008/09 | 3.52 | 21.78 | 39.85 | 3.24 | 12.96 |
| 2009/10 | 13.48 | 30 | 19.39 | 2.50 | 53.45 |
| 2010/11 | 34.82 | 29.95 | 37.23 | 49.50 | 47.57 |
| 2011/12 | 37.63 | 60.11 | 37.71 | 2.81 | 51.88 |
| **MEAN** | **32.35** | **27.77** | **33.39** | **9.86** | **34.17** |
| **S.D** | **17.28** | **19.29** | **11.02** | **17.59** | **18.29** |
| **CV** | **53.40** | **69.47** | **33.01** | **178.40** | **53.51** |

*Source: Annual Reports of concerned banks*

The average DPR of BOKL is 32.35% with the S.D of 17.28. It means, BOKL generally pay 32.35% of its net earnings as its dividend to its shareholders. The CV is 47.46%, which indicates the moderate fluctuation in DPR of BOKL.

During the period of the study, the average DPR of EBL is 27.77% and S.D is 19.29. The CV of the bank is 69.47%. It indicates that there is moderate fluctuation in DPR during the given 7 years.

The average DPR of HBL is 33.39% during the period of the study. The S.D is 11.02 whereas CV is 33.01%, which indicates moderate fluctuation in DPR of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average DPR of 9.86% with the S.D of 17.59. The CV is 178.40%, which shows that there is very high fluctuation in DPR of the bank.

The average DPR of NIBL during the period of the study is 34.17%. The S.D is 18.29 and CV is 53.51%, which indicates moderate fluctuation in DPR of NIBL.

From the above calculated data, it defines that NIBL has high DPR, whereas KBL has the lowest DPR among the sample banks under the study. Likewise, KBL has highest CV and HBL has lowest CV of DPR among the sample banks. It shows that HBL has uniform dividend payments.

Generally, the DPR can be classified under 3 categories of dividend policy as conservative (0-20), moderate (21-50) and aggressive (51-100). If we analyze the above data according to these criteria then it shows that BOKL has adopted moderate dividend policy in first 3 years and last two years but followed conservative policy in the fourth and fifth year. Likewise, EBL has adopted conservative dividend policy in first and third year, moderate policy in second, fourth, fifth and sixth year whereas aggressive policy in the last year. Similarly, HBL has adopted moderate dividend policy in first four years and last two years following conservative policy in the fifth year. In the same way, KBL has followed conservative dividend policy in all years except sixth year in which it has adopted moderate policy. Lastly, NIBL has followed moderate dividend policy in first two years and sixth year whereas followed conservative policy in the third and fourth year and followed aggressive policy in the fifth and last year.

### 4.1.4 Market Price Per Share (MPS)

MPPS is the price of share on which shares are traded in the secondary market i.e. stock exchange. Once the shares issued in the primary market are listed in the stock exchange, investors are able to buy and sell the shares among themselves with the help of brokerage firms. The prices of shares are fixed in the stock market on the basis of demand and supply position for the shares of specified company. The average market price per share of the banks under study is presented in the table as follows:

**Table No. 4.1.4**

**Market Price Per Share of Banks under the Study (Rs.)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 430 | 870 | 920 | 369 | 800 |
| 2006/07 | 850 | 1379 | 1100 | 443 | 1260 |
| 2007/08 | 1375 | 2430 | 1740 | 830 | 1729 |
| 2008/09 | 2350 | 3132 | 1980 | 1005 | 2450 |
| 2009/10 | 1825 | 2455 | 1760 | 700 | 1388 |
| 2010/11 | 840 | 1630 | 816 | 468 | 705 |
| 2011/12 | 570 | 1094 | 575 | 266 | 515 |
| **MEAN** | **1177.14** | **1855.71** | **1270.14** | **583.00** | **1263.86** |
| **S.D** | **704.98** | **831.45** | **548.58** | **268.29** | **674.17** |
| **CV** | **59.89** | **44.81** | **43.19** | **46.02** | **53.34** |

*Source: Annual Reports of concerned banks*

The average of closing MPS of BOKL during the period of the study is Rs 1177.14 with the S.D of 704.98. The CV is 59.89%, which indicates the moderate fluctuation.

The MPPS of EBL ranges between Rs 3132 and 870 during the period of the study. In this period the average MPS is Rs 1855.71 and S.D is 831.45. The CV of the bank is 44.81% on MPS. It indicates that there is moderate fluctuation in MPPS during the given 7 years.

The average of closing MPS of HBL is Rs 1270.14 with the range between Rs 1980 and 575. The S.D is 548.58 whereas CV is 43.19%, which indicates moderate fluctuation in MPS of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average closing MPS of Rs 583 with the S.D of 268.29. The MPS ranges within Rs 1005 and 266. The CV is 46.02%, which shows that there is moderate fluctuation in MPS of the bank.

The average of closing MPS of NIBL during the period of the study is Rs 1263.86. It lies within the range of Rs 2450 and 515. The S.D is 674.17 and CV is 53.34%, which indicates moderate fluctuation in MPS of NIBL.

The above data interprets that, the average closing MPS of NIBL is highest and that of KBL is the lowest. The CV of all sample banks shows that there is moderate level of fluctuation in MPS. Comparing within the sample banks, the CV of HBL is the lowest, which makes positive impact on the shareholders.

### 4.1.3 Price Earning Ratio (P/E Ratio)

This ratio reflects the market value per share for each rupee of currently reported earnings per share. It is also known as earning multiplier. P/E ratio is the ratio between the market price per share and earnings per share. It represents the amount which investors are willing to pay for each rupee of the firms earning. The P/E ratio of the banks under study is presented in the table as follows:

**Table No. 4.1.5**

**Price Earning Ratio of Banks under the Study (Rs.)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 14.29 | 16.04 | 19.20 | 20.99 | 20.25 |
| 2006/07 | 19.46 | 21.97 | 18.57 | 26.71 | 21.23 |
| 2007/08 | 31.61 | 30.99 | 28.69 | 36.56 | 27.63 |
| 2008/09 | 39.21 | 34.11 | 31.56 | 61.47 | 42.33 |
| 2009/10 | 33.37 | 25.13 | 28.43 | 31.76 | 37.10 |
| 2010/11 | 19.50 | 16.27 | 25.66 | 19.31 | 13.42 |
| 2011/12 | 12.81 | 13.15 | 12.88 | 16.98 | 10.52 |
| **MEAN** | **24.32** | **22.52** | **23.57** | **30.54** | **24.64** |
| **S.D** | **10.30** | **7.98** | **6.79** | **15.33** | **11.78** |
| **CV** | **42.35** | **35.43** | **28.80** | **50.20** | **47.83** |

*Source: Annual Reports of concerned banks*

BOKL has an average P/E ratio of 24.32, ranging between 39.21 and 12.81with the S.D of 10.30. The CV is 42.35%, which indicates the moderate fluctuation in P/E ratio of BOKL.

The average P/E ratio of EBL during the period of the study is 22.52 and S.D is 7.98. The CV of the bank is 35.43%, which implies that there is moderate fluctuation in P/E ratio of the bank during the given 7 years.

The average P/E ratio of HBL is 23.57 with the S.D of 6.79, whereas CV is 28.80%, which indicates moderate fluctuation in P/E ratio of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average P/E ratio of 30.54 with the S.D of 15.33. The CV is 50.20%, which shows that the bank has moderate fluctuation in P/E ratio during the period of the study.

NIBL has an average P/E ratio of 24.64 during the period of the study. The S.D is 11.78 and CV is 47.83%, which indicates moderate fluctuation in P/E ratio of NIBL.

From the above calculation, it is found that KBL has the highest P/E ratio and EBL has the lowest. The CV indicates that, among the sample banks, HBL has the highest consistency in P/E ratio whereas KBL has relatively high fluctuation in P/E ratio.

### 4.1.4 Earning Yield (Ey)

EY may be defined as the ratio of earning per share to the market price per share at a particular time. It is the percentage of earning per share to market price per share in the secondary market. It gives an idea of how much an investor might get for his money. So, the share with higher earning yield is worth to buy. The EY of the banks under study is stated in the table as follows:

**Table No. 4.1.6**

**Earning Yield of Banks under the Study (%)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 7 | 6.23 | 5.21 | 4.76 | 4.94 |
| 2006/07 | 5.14 | 4.55 | 5.39 | 3.74 | 4.71 |
| 2007/08 | 3.16 | 3.23 | 3.49 | 2.73 | 3.62 |
| 2008/09 | 2.55 | 2.93 | 3.17 | 1.63 | 2.36 |
| 2009/10 | 3 | 4.07 | 3.52 | 3.15 | 2.70 |
| 2010/11 | 5.13 | 6.14 | 3.90 | 5.18 | 7.45 |
| 2011/12 | 7.81 | 7.60 | 7.77 | 5.90 | 9.48 |
| **MEAN** | **4.83** | **4.96** | **4.64** | **3.87** | **5.04** |
| **S.D** | **2.05** | **1.73** | **1.63** | **1.50** | **2.59** |
| **CV** | **42.38** | **34.94** | **35.19** | **38.73** | **51.46** |

*Source: Annual Reports of concerned banks*

The average EY of BOKL is 4.83% with the S.D of 2.05. The highest and lowest EY are 7.81% and 2.55% respectively. The CV is 42.38%, which indicates the moderate fluctuation in EY of BOKL.

The EY of EBL ranges between 7.60% and 2.93% during the period of the study. In this period the average EY is 4.96% and S.D is 1.73. The CV of the bank is 34.94% on EY. It indicates that there is moderate fluctuation in EY during the given 7 years.

The average EY of HBL is 4.64% with the range between 7.77% and 3.17%. The S.D is 1.63 whereas CV is 35.19%, which indicates moderate fluctuation in EY of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average EY of 3.87% with the S.D of 1.50. The EY ranges within 5.90% and 1.63%. The CV is 38.73%, which shows that there is moderate fluctuation in EY of the bank.

The average EY of NIBL during the period of the study is 5.04%. It lies within the range of 9.48% and 2.36%. The S.D is 2.59 and CV is 51.46%, which indicates slightly high fluctuation in EY of NIBL.

From the above data, NIBL has the highest average EY and KBL has the lowest. The CV indicates that among the sample banks, during the period of the study, EBL has highest consistency in its earning yield whereas the earning yield of NIBL is highly fluctuating.

### 4.1.5 Dividend Yield (Dy)

DY is the percentage of dividend per share on market price per share. It measures the dividend in relation to the market value of share. So, it is the dividend received by the investors as the percentage of market price per share in the stock market. This ratio highly influences the market price per share because a small change in dividend per share can bring effective change in the market value of the share. The share with higher dividend yield is worth to buy. The DY of the banks under study is presented in the table below:

**Table No. 4.1.7**

**Dividend Yield Banks under the Study (%)**

| Year\Banks | BOKL | EBL | HBL | KBL | NIBL |
|---|---|---|---|---|---|
| 2005/06 | 3.49 | 0 | 1.26 | 0 | 1.56 |
| 2006/07 | 2.12 | 1.81 | 2.73 | 0.24 | 1.59 |
| 2007/08 | 1.45 | 0.41 | 0.86 | 0.13 | 0.29 |
| 2008/09 | 0.09 | 0.64 | 1.26 | 0.05 | 0.31 |
| 2009/10 | 0.40 | 1.22 | 0.68 | 0.08 | 1.44 |
| 2010/11 | 1.79 | 1.84 | 1.45 | 2.56 | 3.55 |
| 2011/12 | 2.94 | 4.57 | 2.93 | 0.16 | 4.85 |
| **MEAN** | **1.75** | **1.50** | **1.60** | **0.46** | **1.94** |
| **S.D** | **1.24** | **1.52** | **0.88** | **0.93** | **1.68** |
| **CV** | **70.78** | **101.54** | **55.43** | **202.02** | **86.59** |

*Source: Annual Reports of concerned banks*

The average DY of BOKL is 1.75% with the S.D of 1.24. The highest and lowest DY is 3.49% and 0.09% respectively. The CV is 70.78%, which indicates high fluctuation in DY of BOKL.

The DY of EBL ranges between 4.57% and 0% during the period of the study. In this period the average DY is 1.50% and S.D is 1.52. The CV of the bank is 101.54% on DY. It indicates that there is very high fluctuation in DY during the given 7 years.

The average DY of HBL is 1.60% with the range between 2.93% and 0.68%. The S.D is 0.88 whereas CV is 55.43%, which indicates moderate fluctuation in DY of HBL during the fiscal year 2005/06 to 2010/2011.

During the period of the study, KBL has an average DY of 0.46% with the S.D of 0.93. The DY ranges within 2.56% and 0%. The CV is 202.02%, which shows that there is very high fluctuation in DY of the bank.

The average DY of NIBL during the period of the study is 1.94%. It lies within the range of 4.85% and 0.29%. The S.D is 1.68 and CV is 86.59%, which indicates high fluctuation in DY of NIBL.

From the data presented above, it can be said that the average DY of NIBL is the highest and that of KBL is the lowest. The CV of HBL is the lowest indicating moderate fluctuation and KBL with the highest CV shows very high fluctuation in DY among the sample banks.

## 4.2 Analysis Of Statistical Tool

### 4.2.1 Correlation Coefficient Analysis

#### 4.2.1.1 Correlation Coefficient of DPS and EPS

**Table No. 4.2.1.1**

**Correlation Coefficient between DPS and EPS of Sample Banks**

| Banks | Correlation Coefficient (r) | Relationship | $r^2$ | PE | Significance |
|---|---|---|---|---|---|
| **BOKL** | 0.745 | moderate positive | 0.555 | 0.113 | significant |
| **EBL** | 0.529 | moderate positive | 0.280 | 0.184 | no relation |
| **HBL** | 0.469 | moderate positive | 0.220 | 0.199 | no relation |
| **KBL** | 0.632 | moderate positive | 0.399 | 0.153 | no relation |
| **NIBL** | 0.360 | low degree positive | 0.130 | 0.222 | no relation |

*Source: Appendix I*

In the above table, the relationship between DPS and EPS of concerned sample banks has been presented. The correlation coefficient of BOKL, EBL, HBL and KBL shows moderate positive relationship between DPS and EPS. It means if the EPS increases then DPS also increases moderately and vice-versa. Likewise, correlation coefficient of NIBL shows low degree positive relationship between DPS and EPS, which means if EPS increases then DPS decreases and vice-versa.

The coefficient of determination ($r^2$) here indicates the variation in DPS caused due to variation occur in EPS. The coefficient of determination ($r^2$) for BOKL and KBL are quite considerable whereas coefficient of determination for EBL, HBL and NIBL are considerably low.

The significance of the relationship between DPS and EPS is measured by calculating probable errors of correlation coefficient. From the above table, it can be seen that the relationship between DPS and EPS of BOKL is significant, as the correlation coefficient (r) is greater than 6PE whereas there is no relationship between DPS and EPS of remaining all other banks because their correlation coefficient is greater than PE and less than 6PE.

### 4.2.1.2 Correlation Coefficient of MPS and DPS

**Table No. 4.2.1.2**

**Correlation Coefficient of MPS and DPS of Sample Banks**

| Banks | Correlation Coefficient (r) | Relationship | $r^2$ | PE | Significance |
|---|---|---|---|---|---|
| **BOKL** | 0.781 | moderate positive | 0.611 | 0.099 | significant |
| **EBL** | 0.094 | low degree positive | 0.009 | 0.253 | not significant |
| **HBL** | 0.185 | low degree positive | 0.034 | 0.246 | not significant |
| **KBL** | 0.161 | low degree positive | 0.026 | 0.248 | not significant |
| **NIBL** | 0.755 | moderate positive | 0.569 | 0.110 | significant |

*Source: Appendix II*

The above table shows the relationship between MPS and DPS of concerned sample banks. The correlation coefficient of BOKL and NIBL shows moderate positive relationship between MPS and DPS. It means if the DPS increases then MPS also increases moderately and vice-versa. Likewise, correlation coefficient of EBL, HBL and KBL shows low degree positive relationship between MPS and DPS, which means if DPS increases then MPS decreases and vice-versa.

The coefficient of determination ($r^2$) here indicates the variation in MPS caused due to variation occur in DPS. The coefficient of determination ($r^2$) for BOKL and NIBL are quite considerable whereas coefficient of determination for EBL, HBL and KBL are considerably low.

The significance of the relationship between MPS and DPS is measured by calculating probable errors of correlation coefficient. From the above table, it can be seen that the relationship between MPS and DPS of BOKL and NIBL is significant, as the correlation coefficient (r) is greater than 6PE whereas the relationship between MPS and DPS of EBL, HBL and KBL is not significant because their correlation coefficient is less than PE.

### 4.2.1.3 Correlation Coefficient of MPS and EPS

**Table No. 4.2.1.3**

**Correlation Coefficient of MPS and EPS of Sample Banks**

| Banks | Correlation Coefficient (r) | Relationship | $r^2$ | PE | Significance |
|---|---|---|---|---|---|
| **BOKL** | 0.894 | high degree positive | 0.799 | 0.051 | significant |
| **EBL** | 0.594 | moderate positive | 0.353 | 0.165 | no relation |
| **HBL** | 0.808 | moderate positive | 0.653 | 0.088 | significant |
| **KBL** | 0.218 | low degree positive | 0.047 | 0.243 | not significant |
| **NIBL** | 0.452 | low degree positive | 0.205 | 0.203 | no relation |

*Source: Appendix III*

In the above table, the relationship between MPS and EPS of concerned sample banks has been presented. The correlation coefficient of BOKL shows high degree positive relationship between MPS and EPS, which indicates that if EPS increases then MPS increases certainly and vice-versa. In the same way, correlation coefficient of EBL and HBL shows moderate positive relationship between MPS and EPS. It means if the MPS increases then EPS also increases moderately and vice-versa. Likewise, correlation coefficient of KBL and NIBL shows low degree positive relationship between MPS and EPS, which means if MPS increases then EPS decreases and vice-versa.

The coefficient of determination ($r^2$) here indicates the variation in MPS caused due to variation occur in EPS. The coefficient of determination ($r^2$) for BOKL and HBL are quite considerable whereas coefficient of determination for EBL, KBL and NIBL are considerably low.

The significance of the relationship between MPS and EPS is measured by calculating probable errors of correlation coefficient. From the above table, it can be seen that the relationship between MPS and EPS of BOKL and HBL is significant, as the correlation coefficient (r) is greater than 6PE whereas there is no relationship between MPS and EPS of EBL and NIBL because their

correlation coefficient is greater than PE and less than 6PE. Likewise, the relationship between MPS and EPS of KBL is not significant as the correlation coefficient is less than PE.

#### 4.2.1.4 Correlation Coefficient of MPS and DPR

**Table No. 4.2.1.4**

**Correlation Coefficient of MPS and DPR of Sample Banks**

| Banks | Correlation Coefficient (r) | Relationship | $r^2$ | PE | Significance |
|---|---|---|---|---|---|
| **BOKL** | 0.867 | high degree positive | 0.751 | 0.063 | significant |
| **EBL** | 0.191 | low degree positive | 0.037 | 0.246 | not significant |
| **HBL** | 0.298 | low degree positive | 0.089 | 0.232 | no relation |
| **KBL** | 0.165 | low degree positive | 0.027 | 0.248 | not significant |
| **NIBL** | 0.737 | moderate positive | 0.543 | 0.117 | significant |

*Source: Appendix IV*

The above table shows the relationship between MPS and DPR of concerned sample banks. The correlation coefficient of BOKL shows high degree positive relationship between MPS and DPR, which indicates that if DPR increases then MPS increases certainly and vice-versa. Similarly, correlation coefficient of EBL, HBL and KBL shows low degree positive relationship between MPS and DPR, which means if DPR increases, then MPS decreases and vice-versa. In the same manner, NIBL shows moderate positive relationship between MPS and DPR. It means if the DPR increases then MPS also increases moderately and vice-versa.

The coefficient of determination ($r^2$) here indicates the variation in MPS caused due to variation occur in DPR. The coefficient of determination ($r^2$) for BOKL and NIBL are quite considerable whereas coefficient of determination for EBL, HBL and KBL are considerably low.

The significance of the relationship between MPS and DPR is measured by calculating probable errors of correlation coefficient. From the above table, it can

be seen that the relationship between MPS and DPR of BOKL and NIBL is significant, as the correlation coefficient (r) is greater than 6PE whereas the relationship between MPS and DPR of EBL and KBL is not significant because their correlation coefficient is less than PE. Likewise, there is no relationship between MPS and DPR of HBL because the correlation coefficient is greater than PE and less than 6PE.

### 4.2.2 Simple Regression Analysis

Regression Equation, $Y = a + bX$

Where,

Y = Dependent variable

X = Independent variable

a = Regression Constant

b = Regression Coefficient

The regression constant implies certain value that remains unaffected due to changes occur in the value of independent variable. It means when value of independent variable is zero, the value of dependent variable equals to the value of regression constant. The regression coefficient implies that when independent variable increases by 1 unit, the dependent variable increases by the value of regression coefficient and vice versa.

### 4.2.2.1 Simple Regression Analysis of DPS on EPS

Here, Regression Equation is given by,

DPS = a + bEPS

**Table No. 4.2.2.1**

**Simple Regression of DPS on EPS of Sample Banks**

| Bank | Reg. cons(a) | Reg. coeff (b) |
|---|---|---|
| **BOKL** | 36.272 | -0.500 |
| **EBL** | -15.158 | 0.475 |
| **HBL** | 2.061 | 0.292 |
| **KBL** | -12.623 | 0.769 |
| **NIBL** | 31.775 | -0.300 |

*Source: Appendix I*

From the above table, the regression constant implies that when EPS is zero, the DPS of BOKL, EBL, HBL, KBL and NIBL are 36.272, -15.1582, 0.061, -12.623 and 31.775 respectively. The regression coefficient implies that when EPS increases by Rs 1, DPS decreases by Rs 0.5 and Rs 0.3 for BOKL and NIBL respectively whereas DPS increases by Rs 0.475, Rs 0.292 and Rs 0.769 for EBL, HBL and KBL respectively.

### 4.2.2.2 Simple Regression Analysis of MPS on DPS

Here, Regression Equation is given by,

MPS = a + bDPS

**Table No. 4.2.2.2**

**Simple Regression of MPS on DPS of Sample Banks**

| Bank | Reg. cons(a) | Reg. coeff (b) |
|---|---|---|
| **BOKL** | 2338.007 | -86.236 |
| **EBL** | 1971.258 | -4.902 |
| **HBL** | 1025.665 | 13.998 |
| **KBL** | 605.271 | -9.981 |
| **NIBL** | 2289.619 | -62.438 |

*Source: Appendix II*

From the above table, the regression constant implies that when DPS is zero, the MPS of BOKL, EBL, HBL, KBL and NIBL are 2338.007, 1971.258, 1025.665, 605.271 and 2289.619 respectively. The regression coefficient implies that when DPS increases by Rs 1, MPS decreases by Rs 86.236, Rs 4.902, Rs 9.981 and Rs 62.438 for BOKL, EBL, KBL and NIBL respectively whereas MPS increases by Rs 13.998 for HBL.

### 4.2.2.3 Simple Regression Analysis of MPS on EPS

Here, Regression Equation is given by,

MPS = a + bEPS

**Table No. 4.2.2.3**

**Simple Regression of MPS on EPS of Sample Banks**

| Bank | Reg. cons(a) | Reg. coeff (b) |
|---|---|---|
| **BOKL** | -1843.964 | 66.194 |
| **EBL** | -405.476 | 27.741 |
| **HBL** | -733.275 | 38.014 |
| **KBL** | 265.073 | 16.464 |
| **NIBL** | -330.331 | 31.163 |

*Source: Appendix III*

From the above table, the regression constant implies that when EPS is zero, the MPS of BOKL, EBL, HBL, KBL and NIBL are -1843.964, -405.476, -733.275, 265.073 and -330.331 respectively. The regression coefficient implies that when EPS increases by Rs 1, MPS increases by Rs 66.194, Rs 27.741, Rs 38.014, Rs 16.464 and Rs 31.163 for BOKL, EBL, HBL, KBL and NIBL respectively.

### 4.2.2.4 Simple Regression Analysis of MPS on DPR

Here, Regression Equation is given by,

MPS = a + bDPR

**Table No. 4.2.2.4**

**Simple Regression MPS and DPR of Sample Banks**

| Bank | Reg. cons(a) | Reg. coeff (b) |
|---|---|---|
| **BOKL** | 2321.265 | -35.362 |
| **EBL** | 2084.906 | -8.252 |
| **HBL** | 1764.752 | -14.814 |
| **KBL** | 607.784 | -2.514 |
| **NIBL** | 2192.477 | -27.174 |

*Source: Appendix IV*

From the above table, the regression constant implies that when DPR is zero, the MPS of BOKL, EBL, HBL, KBL and NIBL are 2321.265, 2084.906, 1764.752, 607.784 and 2192.477 respectively. The regression coefficient implies that when DPR increases by Rs 1, MPS decreases by Rs 35.362, Rs 8.252, Rs 14.814, Rs 2.514 and Rs 27.174 for BOKL, EBL, HBL, KBL and NIBL respectively.

### 4.2.3 COEFFICIENT OF MULTIPLE DETERMINATIONS ($R^2$)

Multiple Regression Equation, $X_1 = a + b_1X_2 + b_2X_3$

Where,

$X_1$ = Dependent variable

$X_2$ and $X_3$ = Independent variable

a = Regression Constant

$b_1$ = Regression Coefficient of Independent variable $X_2$

$b_2$ = Regression Coefficient of Independent variable $X_3$

### 4.2.3.1 Multiple Regression Analysis of MPS on DPS and EPS

Here, Regression Equation is given by,

$MPS = a + + b_1DPS + b_2EPS$

**Table No. 4.2.3.1**

**Multiple Regression of MPS on DPS and EPS of Sample Banks**

| Bank | Reg. cons(a) | Reg. coeff ($b_1$) | Reg. coeff ($b_2$) | Mult. corr. (r) | $r^2$ |
|---|---|---|---|---|---|
| **BOKL** | -805.960 | -28.617 | 51.891 | 0.911 | 0.829 |
| **EBL** | -852.522 | -29.493 | 41.755 | 0.765 | 0.585 |
| **HBL** | -694.554 | -18.786 | 43.506 | 0.837 | 0.701 |
| **KBL** | -124.173 | -30.837 | 40.186 | 0.442 | 0.196 |
| **NIBL** | 1457.217 | -56.256 | 14.286 | 0.779 | 0.607 |

*Source: Appendix V*

The above table shows the relationship between MPS, DPS and EPS of concerned sample banks. The regression coefficient ($b_1$) implies that one rupee increase in DPS leads to decrease of Rs 28.617, Rs 29.493, Rs 18.786, Rs 30.837 and Rs 56.256 in MPS of BOKL, EBL, HBL, KBL and NIBL respectively, if EPS remains constant.

The regression coefficient ($b_2$) implies that one rupee increase in EPS leads to increase of Rs 51.891, Rs 41.755, Rs 43.506, Rs 40.186 and Rs 14.286 in MPS of BOKL, EBL, HBL, KBL and NIBL respectively, if DPS remains constant.

Here, the coefficient of determination ($r^2$) indicates the variation in MPS due to change takes place in DPS and EPS jointly. The coefficient of determination of all the sample banks implies existence of positive correlations. BOKL has the highest coefficient of multiple determinations and KBL has the lowest. It means that the MPS of BOKL is highly affected by the DPS and EPS together.

### 4.2.3.2 Multiple Regression Analysis of MPS on PER and DPR

Here, Regression Equation is given by,

$MPS = a + + b_1PER + b_2DPR$

**Table No. 4.2.3.2**

**Multiple Regression of MPS on PER and DPR of Sample Banks**

| Bank | Reg. cons(a) | Reg. coeff ($b_1$) | Reg. coeff ($b_2$) | Mult. corr. (r) | $r^2$ |
|---|---|---|---|---|---|
| **BOKL** | 372.265 | 50.462 | -13.056 | 0.998 | 0.996 |
| **EBL** | -619.574 | 101.375 | 6.915 | 0.927 | 0.859 |
| **HBL** | -330.532 | 69.362 | -1.024 | 0.865 | 0.748 |
| **KBL** | 49.107 | 16.865 | 1.912 | 0.934 | 0.872 |
| **NIBL** | 778.592 | 40.540 | -15.030 | 0.968 | 0.937 |

*Source: Appendix VI*

The above table shows the relationship between MPS, PER and DPR of concerned sample banks. The regression coefficient ($b_1$) implies that one rupee increase in PER leads to increase of Rs 50.462, Rs 101.375, Rs 69.362, Rs 16.865 and Rs 40.540 in MPS of BOKL, EBL, HBL, KBL and NIBL respectively, if DPR remains constant.

The regression coefficient ($b_2$) implies that one rupee increase in DPR leads to decrease of Rs 13.056, Rs 1.024 and Rs 15.030 in MPS of BOKL, HBL and NIBL respectively if PER remains constant. Similarly, in case of EBL and KBL, the regression coefficient ($b_2$) shows that one rupee increase in DPR leads to increase of Rs 6.915 and Rs 1.912 in MPS of respective banks, if PER remains constant.

Here, the coefficient of determination ($r^2$) indicates the variation in MPS due to change takes place in PER and DPR jointly. The coefficient of determination of all the sample banks implies existence of positive correlations. BOKL has the highest coefficient of multiple determinations and HBL has the lowest. It means that the MPS of BOKL is highly affected by the PER and DPR together.

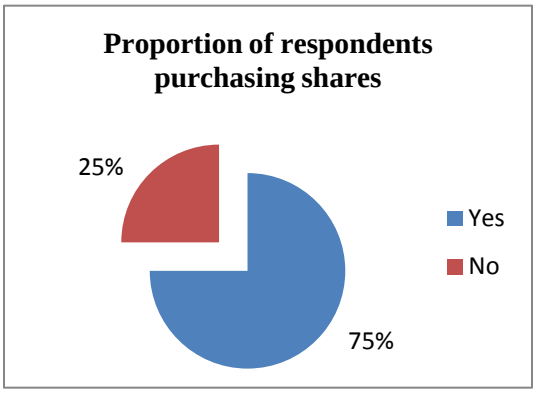
## 4.3 Primary Data Analysis

In order to get more accurate and reliable results, various data related with the subject matter has been collected using primary source. The primary data has been collected through a set of questionnaire consisting of 11 questions related with various aspects of dividend policy. The outcome of the questionnaire reflects the actual views and expectations of general people regarding the various aspects of dividend policy adopted by banks in Nepal. The presentation and analysis of results drawn from the study of primary data are as follows:

1. **Have you purchased shares of any bank?**
   i. Yes ii. No

Fig: 4.3.1

From the study carried out in Nepalese society, it is found that only 75% of the total respondents have purchased shares of the bank whereas remaining 25% either have purchased shares of company other than bank or did not have shares in any company.

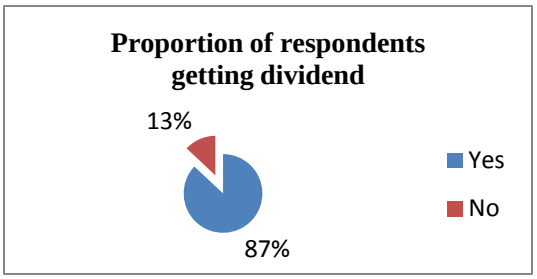



*Source: Market research*

2. **If yes, are you getting any dividend from the bank?**
   i. Yes ii. No

Fig: 4.3.2

Among the respondents who have purchased shares of the bank, only 87% are getting dividend from the bank whereas remaining 13% are not getting any dividend from the bank in which they own shares.



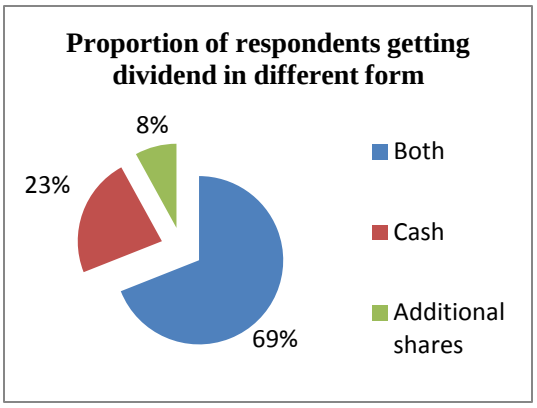

*Source: Market research*

**3. In which form, does the bank provide the dividend?**

i. Additional shares ii. Cash iii. Other (please specify)……

Fig: 4.3.3

Among the respondents who have purchased shares of the bank and are getting dividend from the bank, 69% are getting dividend in both form i.e. cash and stock both, 23% are getting dividend in the form of cash and remaining 8% are getting dividend in the form of bonus shares.



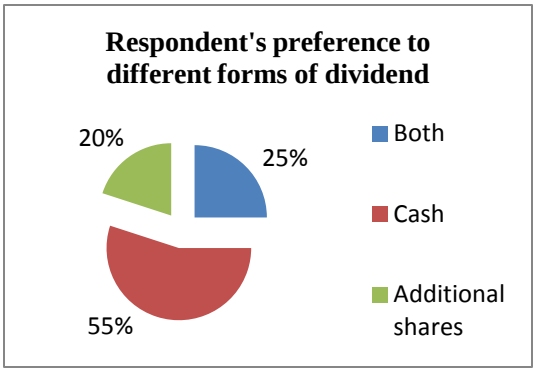

*Source: Market research*

**4. In which form do you prefer to get dividend?**

i. Additional shares ii. Cash iii. Other (please specify)……

Fig: 4.3.4

55% of the total respondents prefer to get dividend in the form of cash, 25% prefer to get both cash and bonus shares whereas remaining 20% prefer to get bonus shares as dividend.

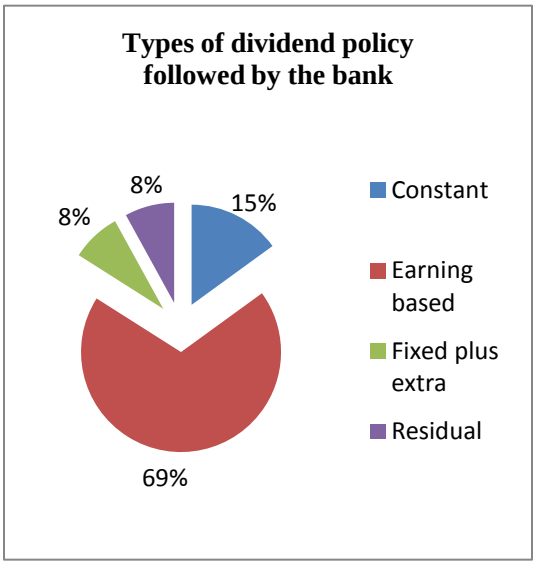



*Source: Market research*

5. **Which dividend policy does your bank follow?**
   i. Constant dividend policy
   ii. Earning based dividend policy
   iii. Fixed plus extra dividend policy
   iv. Residual dividend policy

Fig: 4.3.5

Among the respondents who have purchased shares of the bank and are getting dividend from the bank, majority of the respondents i.e. 69% said that their banks follow earning based dividend policy. Likewise, 15% thought that their banks follow constant dividend policy whereas 8% told that their banks follow fixed plus extra dividend policy and remaining 8% said that their banks follow residual dividend policy.

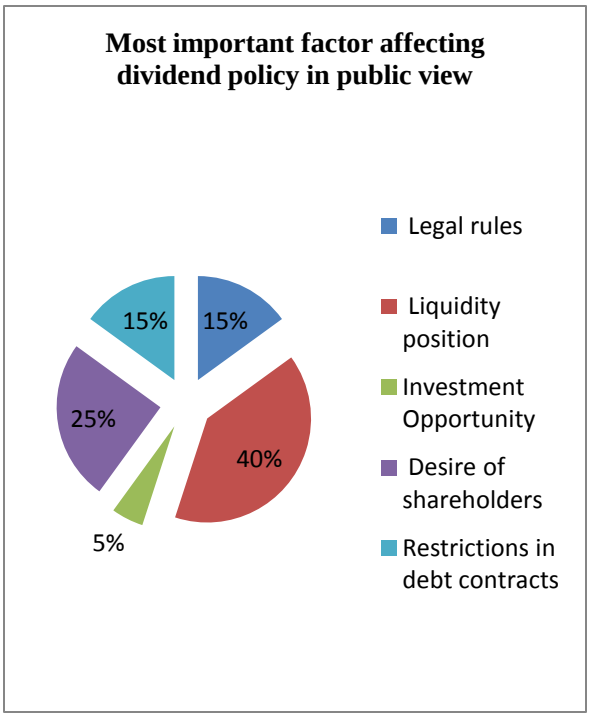



*Source: Market research*

6. **Please rank the following factors affecting dividend policy of a bank (from 1 to 5 according to their importance)**
   i. Legal rules
   ii. Liquidity position
   iii. Investment Opportunity
   iv. Desire of shareholders
   v. Restrictions in debt contracts

Fig: 4.3.6

Among the total respondents, 40% thought that liquidity position is the most important factor affecting the dividend policy of the bank. 25% of the respondents believed in the desire of shareholders, 15% felt that the most important factor that affects dividend policy of the bank is legal rules. In the same way 15% viewed restrictions in debt contract as the most affecting factor for dividend policy whereas remaining 5% felt that it is investment opportunity.



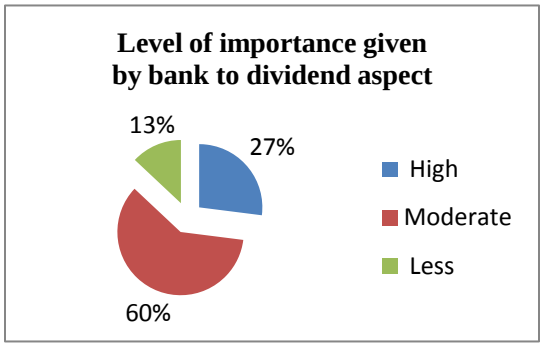

*Source: Market research*

**7. In your opinion how much is your bank concerned with dividend aspect?**

i. Highly concerned
ii. Moderately concerned
iii. Less concerned

Fig: 4.3.7

It is found from public view that majority of the banks i.e. 60% of the banks are moderately concerned with the dividend aspect and 27% are highly concerned whereas remaining 13% are less concerned with the dividend aspect.

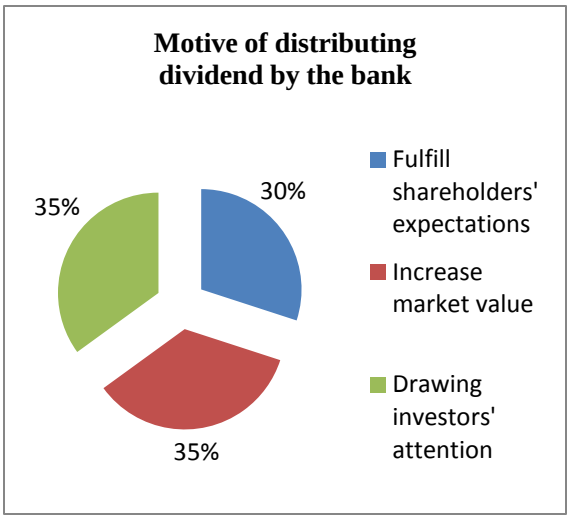



*Source: Market research*

8. **What may be the major motive behind distributing dividend by the bank?**
   i. To fulfill shareholders' expectations
   ii. To increase market value of the firm's stock
   iii. To draw attention from potential investors

Fig: 4.3.8

35% of the total respondents believed that the major motive behind distributing dividend by the bank is to increase market value of the firm's stock. Likewise 35% agreed that it is to draw attention from potential investors whereas remaining 30% thought that dividend is being distributed by the bank in order to fulfill shareholder's expectations.

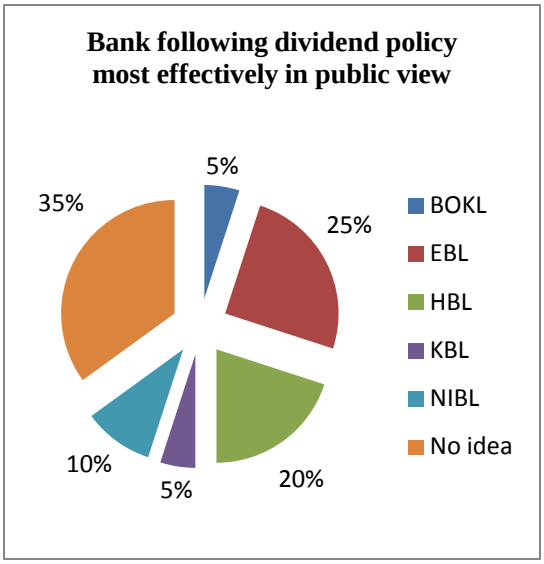



*Source: Market research*

9. **Which bank among the five is following dividend policy in most effective way? (please rank from 1 to 5 according to their effectiveness)**
   i. Bank of Kathmandu Limited
   ii. Everest Bank Limited
   iii. Himalayan Bank Limited
   iv. Kumari Bank Limited
   v. Nepal Investment Bank Limited

Fig: 4.3.9

35% of the total respondents said that they have no idea regarding this issue. Among the remaining 65% of total respondents, 25% said that Everest bank is following the dividend policy in most effective way. Likewise, 20% thought that it is the Himalayan bank while 10% believed that it is Nepal Investment bank. In the same way, 5% agreed that it is Bank of Kathmandu whereas 5% felt that it is Kumari bank.



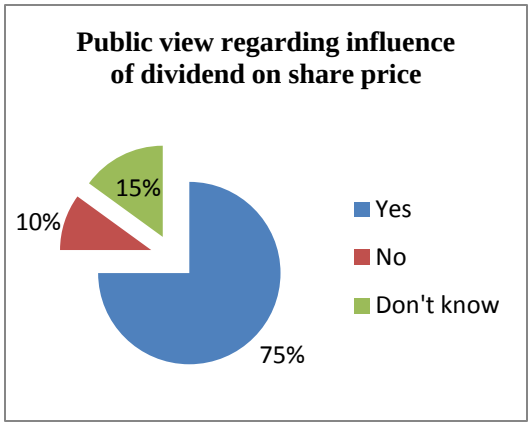

*Source: Market research*

**10. Do you think the dividend influences the share price of commercial bank?**

i. Yes ii. No iii. Don't know

Fig: 4.3.10

Among the total respondents, 75% thought that dividend is the most important factor that influences the share price of commercial bank. Similarly, 10% believed that dividend do not influence the share price whereas 15% said that they have no idea in this matter.




*Source: Market research*

Majority of the respondents thought that dividend is the most important factor that influences the share price of commercial bank because in public view dividend means return on the investment made in the shares and all investors invest money in shares for getting some returns in future. So, higher the dividend bank provides, higher will be the demand for its shares which leads to increase in the share price. In the same way some believed that dividend do not influence the share price because the share price is determined by the board of directors of the company on the basis financial position of the company. Similarly some did not have any idea in this matter, which is because of ignorance prevalent in Nepalese society about share market.

## 4.4 Major Findings from Primary Data

From the analysis of results drawn after studying primary data, following findings has been drawn:

1. Most of the respondents have purchased shares of the bank whereas others have either purchased shares of company other than bank or did not have shares in any company.
2. Majority of the respondents who have purchased shares of the bank are getting dividend from the bank.
3. Majority of the respondents are getting dividend in both form i.e. cash and stock both.
4. Most of the respondents prefer to get dividend in the form of cash.
5. Majority of the respondents said that their banks follow earning based dividend policy.
6. Majority of the respondents thought that liquidity position is the most important factor affecting the dividend policy of the bank.
7. It is found from public view that majority of the banks are moderately concerned with the dividend aspect.

8. Majority of the total respondents believed that the major motive behind distributing dividend by the bank is to increase market value of the firm's stock drawing attention from potential investors.
9. Most of the total respondents said that Everest bank is following the dividend policy in most effective way.
10. Majority of the respondents thought that dividend is the most important factor that influences the share price of commercial bank as public viewed dividend as return on the investment made in the shares.

## 4.5 Major Findings from Secondary Data

From the analysis of financial and statistical variables i.e. mean, standard deviation, coefficient of variation, correlation and regression analysis, following findings has been drawn:

1. The average earning per share (EPS) of the banks under study show positive result. But the coefficient of variation indicates that EPS of the banks are not so stable. The CV ranges between 18.39% and 22.13%. Among the banks under study, EBL has highest average EPS with the lowest fluctuation.
2. The average dividend per share (DPS) of the banks under study show positive result. But the coefficient of variation indicates that DPS of the banks are not stable. The CV ranges between 41.58% and 193.73%. Among the banks under study, EBL has highest average DPS with the moderate fluctuation.
3. The analysis of dividend payout ratio (DPR) shows that, the DPR of the banks are quite unstable. The CV ranges between 33.01% and 178.40%. Among the banks under study, NIBL has the highest average DPR.
4. The average market price per share (MPS) of the sample banks indicates high level of fluctuation. EBL has the highest average MPS whereas KBL has the lowest average MPS.

5. The average price earning ratio (P/E ratio) of the banks ranges between 22.52 and 30.54. The CV indicates that P/E ratio of the banks is not so stable. The CV ranges between 28.80% and 50.20%. Among the banks under study, KBL has the highest average PE ratio.
6. The average earning yield (EY) of the concerned banks ranges between 3.87% and 5.04%. But the CV indicates that, the EY of the banks under the study are not stable. The CV ranges between 34.94% and 51.46%. The NIBL has the highest average EY with the highest fluctuation. The lowest average EY is found in KBL with lowest fluctuation among the sample banks.
7. The average dividend yield (DY) ranges between 0.46% and 1.94%. The CV ranges between 55.43% and 202.02%. Among the banks under study, NIBL has highest average DY whereas KBL has lowest average DY with highest fluctuation.
8. The correlation between dividends per share (DPS) and earnings per share (EPS) of all the concerned sample banks are positive. The coefficient of determination ($r^2$) for BOKL, EBL, HBL, KBL and NIBL are 0.555, 0.280, 0.220, 0.399 and 0.130 respectively. It means total variation in the value of DPS is determined 55.5%, 28%, 22%, 39.9% and 13% by EPS respectively and remaining other is due to other factors that affect DPS.
9. The correlation between market price per share (MPS) and dividends per share (DPS) of all the concerned sample banks are positive. The coefficient of determination ($r^2$) for BOKL, EBL, HBL, KBL and NIBL are 0.611, 0.009, 0.034, 0.026 and 0.569 respectively. It means total variation in the value of MPS is determined 61.1%, 0.09%, 0.34%, 0.26% and 56.9% by DPS respectively and remaining other is due to other factors that affect MPS.
10. The correlation between market price per share (MPS) and dividends per share (EPS) of all the concerned sample banks are positive. The coefficient of determination ($r^2$) for BOKL, EBL, HBL, KBL and NIBL are 0.799, 0.353, 0.653, 0.047 and 0.205 respectively. It means total variation in the value of

MPS is determined 79.9%, 35.3%, 65.3%, 0.47% and 20.5% by EPS respectively and remaining other is due to other factors that affect MPS.

11. The correlation between market price per share (MPS) and dividends per share (DPR) of all the concerned sample banks are positive. The coefficient of determination ($r^2$) for BOKL, EBL, HBL, KBL and NIBL are 0.751, 0.037, 0.089, 0.027 and 0.543 respectively. It means total variation in the value of MPS is determined 75.1%, 0.37%, 0.89%, 0.27% and 54.3% by DPR respectively and remaining other is due to other factors that affect MPS.
12. The multiple regression analysis of MPS on DPS and EPS shows that all the concerned sample banks have negative regression coefficient ($b_1$) for DPS and positive regression coefficient ($b_2$) for EPS. The coefficient of determination ($r^2$) of all the banks implies the existence of positive regression.
13. The multiple regression analysis of MPS on P/E ratio and DPR shows that EBL and KBL have positive regression coefficient ($b_1$) and ($b_2$) for both P/E ratio and DPR respectively. For BOKL, HBL and NIBL there is positive regression coefficient ($b_1$) for P/E ratio and negative regression coefficient ($b_2$) for DPR. The coefficient of determination ($r^2$) of all the banks implies the existence of positive regression.

# CHAPTER V

# SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter focuses on summarizing the whole study carried out with the objective of deriving a valid conclusion along with providing useful recommendations on the basis of findings presented in the previous chapter. Therefore, to fulfill the basic purpose of this chapter, the chapter has been divided into three parts as summary, conclusions and recommendations.

## 5.1 Summary

In reality, the objective of almost all business organization is to earn profit. The business firms may have other objective of satisfying their shareholders who make investment on the company. So, dividend distribution is regarded as one of the important factor to any organization for effective goal achievement by satisfying the shareholders. The company's total net income can be divided into two parts, earning to be distributed to the equity shareholders and earning to be kept in the organization. The portion of earning that is distributed to the shareholders in return to their investment in shares is known as dividend and the portion of earning that is kept in the organization is known as retained earnings. The dividend is decided upon and declared by the board of directors. The dividend policy determines the division of total earning between payment to shareholders and reinvestment in business expansion projects of the firm. Therefore, the decision regarding how much profit to distribute to the shareholders and how much to keep in the organization is the dividend policy. The dividend decision is guided by number of factors such as legal rules, liquidity position, investment opportunity, desire of shareholders, access to capital markets etc. And the company should always consider all the relevant factors at the time of making dividend decision to get better result.

Dividend policy decision is one of the major decisions of financial management. The dividend policy decision affects on the operation of the organization because it has the power to influence other two decisions of the organization i.e. capital structure decision and investment decision. An investor expects two types of return namely, capital gain and dividend by investing in equity or ordinary share. So, payment of dividend to the shareholders is an effective way to attract new investors and maintain the present investors. It is important to have clearly defined and effectively managed dividend policy so as to fulfill the shareholders' expectations and corporate growth. Nowadays, paying dividend can be taken as an important tool to attract new investors because dividend paying ability reflects the financial position of the organization in the market.

This study covers the dividend policy of five commercial banks of Nepal namely Bank of Kathmandu Limited (BOKL), Everest Bank Limited (EBL), Himalayan Bank Limited (HBL), Kumari Bank Limited (KBL) and Nepal Investment Bank Limited (NIBL) considering 7 years data from fiscal year 2005/06 to 2011/12. Different types of analysis have been carried out to find the appropriate relationship between market price and other factors affecting dividend. The available secondary data have been analyzed using various financial and statistical tools. So, the reliability of the conclusion of this study depends on the accuracy of secondary data.

From the study, it is found that banks are paying dividend but there is no consistency in dividend distribution pattern followed by the sample banks. The study shows that none of the banks have well defined and appropriate policy regarding dividend payment. In the same way the banks do not seem to follow optimum dividend policy of paying regular dividend as expected by the shareholders.

## 5.2 Conclusions

The results of the analysis made on relevant data collected, has helped to study the dividend policy followed by selected Nepalese commercial banks from different dimension. However, the analysis cannot give the wholesome conclusion of present dividend practices that are being followed by the banking sector in Nepal. After analyzing the financial and statistical indicators of all the sample banks chosen for the study, following conclusions have been drawn:

1. The situation of capital market in Nepal is improving day by day. As a result, the capital market seems to be more efficient than previous years. But in reality, the capital market of Nepal is still immature.
2. The dividend practices followed by the Nepalese commercial banks are neither stable nor constantly growing as dividend is being distributed on situational basis.
3. The market price per share is mainly affected by the dividend related financial variable, i.e. DPS, DPR and DY. The nature of effect is different for different banks. In case of sample banks, there exists positive relation between dividend and market price per share.
4. Beside dividend, other factors also affect the market price per share such as earning per share, price earning ratio, net worth per share etc.
5. There is no certain criterion developed by the government for paying regular dividend by the Nepalese commercial banks in favor of the shareholders.

In conclusion, there is uncontrollable growth in number of financial institutions in Nepalese market within a short span of time. This has raised reasonable doubts and confusions among common people regarding their investment decisions. However, the financial institutions who are providing dividend to their shareholders regularly and honestly according to their capacity are running successfully.

## 5.3 Recommendations

Based on the major findings, some recommendations have been made in order to overcome the shortcomings identified regarding the issue of dividend policy followed by Nepalese commercial banks during the study period. The suggestions given are expected to be helpful in improving the existing scenario of dividend practices followed by commercial banks in Nepal.

1. Since there seems to be insufficient legal provision regarding the payment of dividend, the central bank of Nepal should prescribe certain provision and rules regarding the fixed percentage of earning to be paid as dividend.
2. The financial institutions should consider shareholders expectations as far as possible while forming dividend policy.
3. The organization formed by conscious shareholders like shareholders association of Nepal should be encouraged to work against the management ignorance prevalent among Nepalese companies along with removing ignorance prevalent among Nepalese investors regarding their rights and existing rules.
4. There should be a provision of giving an option to the shareholders regarding the form of dividend they prefer to choose.
5. The financial institutions are suggested to adopt suitable dividend policy considering following issues:

- Optimum retention of earning for expansion and growth of the company.
- Optimum dividend distribution for the maximization of shareholders' wealth.

Thus all the concerned sectors and authorities are expected to get benefited by the suggestions outlined above.

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| | |
|---|---|
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| www.hbl.com.np | Himalayan Bank Limited |
| www.kbl.com.np | Kumari Bank Limited |
| www.nibl.com.np | Nepal Investment Bank Limited |

# APPENDIX I

## CORRELATION & REGRESSION ANALYSIS
## ANALYSIS OF DPS ON EPS

### BOKL

**Model Summary**

| el | R | Square | Adjusted R Square | td. Error of the Estimate |
|---|---|---|---|---|
| | .745[a] | .555 | .466 | 4.66840 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | tandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| stant) | 36.272 | 9.304 | | 3.899 | .011 |
| | -.500 | .200 | -.745 | -2.497 | .055 |

pendent Variable: DPS

### EBL

**Model Summary**

| el | R | Square | Adjusted R Square | td. Error of the Estimate |
|---|---|---|---|---|
| | .529[a] | .280 | .136 | 14.87259 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | tandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| stant) | -15.158 | 28.348 | | -.535 | .616 |
| | .475 | .341 | .529 | 1.394 | .222 |

pendent Variable: DPS

### HBL

**Model Summary**

| el | R | Square | Adjusted R Square | td. Error of the Estimate |
|---|---|---|---|---|
| | .469[a] | .220 | .064 | 7.02558 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | td. Error | Beta | | |
| stant) | 2.061 | 13.231 | | .156 | .882 |
| | .292 | .246 | .469 | 1.188 | .288 |

pendent Variable: DPS

**KBL**

**Model Summary**

| el | R | Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .632[a] | .399 | .279 | 3.67047 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | td. Error | Beta | | |
| stant) | -12.623 | 8.266 | | -1.527 | .187 |
| | .769 | .422 | .632 | 1.823 | .128 |

pendent Variable: DPS

**NIBL**

**Model Summary**

| el | R | Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .360[a] | .130 | -.044 | 8.32499 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | td. Error | Beta | | |
| stant) | 31.775 | 18.047 | | 1.761 | .139 |
| | -.300 | .347 | -.360 | -.864 | .427 |

pendent Variable: DPS

# APPENDIX II

## ANALYSIS OF MPS ON DPS

**BOKL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .781[a] | .611 | .533 | 481.87826 |

edictors: (Constant), DPS

**Coefficients[a]**

| | tandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | 2338.007 | 452.789 | | 5.164 | .004 |
| | -86.236 | 30.795 | -.781 | -2.800 | .038 |

pendent Variable: MPS

**EBL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .094[a] | .009 | -.189 | 906.75211 |

edictors: (Constant), DPS

**Coefficients[a]**

| | standardized Coefficients | | dardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | 1971.258 | 644.146 | | 3.060 | .028 |
| | -4.902 | 23.138 | -.094 | -.212 | .841 |

pendent Variable: MPS

**HBL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .185[a] | .034 | -.159 | 590.52963 |

edictors: (Constant), DPS

**Coefficients[a]**

| | standardized Coefficients | | dardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | 1025.665 | 621.224 | | 1.651 | .160 |
| | 13.998 | 33.193 | .185 | .422 | .691 |

pendent Variable: MPS

**KBL**

**Model Summary**

| el | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .161[a] | .026 | -.169 | 290.07663 |

edictors: (Constant), DPS

**Coefficients[a]**

| el | tandardized Coefficients | | dardized Coefficients | | |
|---|---|---|---|---|---|
| | B | td. Error | Beta | t | Sig. |
| stant) | 605.271 | 125.528 | | 4.822 | .005 |
| | -9.981 | 27.394 | -.161 | -.364 | .731 |

pendent Variable: MPS

**NIBL**

**Model Summary**

| el | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .755[a] | .569 | .483 | 484.67875 |

edictors: (Constant), DPS

**Coefficients[a]**

| el | standardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| | B | td. Error | Beta | t | Sig. |
| stant) | 2289.619 | 439.063 | | 5.215 | .003 |
| | -62.438 | 24.288 | -.755 | -2.571 | .050 |

pendent Variable: MPS

# APPENDIX III

## ANALYSIS OF MPS ON EPS

### BOKL

**Model Summary**

| el | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .894[a] | .799 | .759 | 345.94319 |

edictors: (Constant), EPS

**Coefficients[a]**

| | standardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | -1843.964 | 689.457 | | -2.675 | .044 |
| | 66.194 | 14.832 | .894 | 4.463 | .007 |

pendent Variable: MPS

### EBL

**Model Summary**

| el | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .594[a] | .353 | .224 | 732.52833 |

edictors: (Constant), EPS

**Coefficients[a]**

| | Unstandardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | -405.476 | 1396.262 | | -.290 | .783 |
| | 27.741 | 16.790 | .594 | 1.652 | .159 |

pendent Variable: MPS

### HBL

**Model Summary**

| el | R | R Square | usted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .808[a] | .653 | .584 | 353.97203 |

edictors: (Constant), EPS

**Coefficients[a]**

| | Unstandardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | -733.275 | 666.625 | | -1.100 | .321 |
| | 38.014 | 12.392 | .808 | 3.068 | .028 |

pendent Variable: MPS

**Model Summary**

| el | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .218[a] | .047 | -.143 | 286.83949 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | standardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| stant) | 265.073 | 645.973 | | .410 | .699 |
| | 16.464 | 32.978 | .218 | .499 | .639 |

pendent Variable: MPS

L

**Model Summary**

| el | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .452[a] | .205 | .045 | 658.67141 |

edictors: (Constant), EPS

**Coefficients[a]**

| el | standardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| stant) | -330.331 | 1427.880 | | -.231 | .826 |
| | 31.163 | 27.484 | .452 | 1.134 | .308 |

pendent Variable: MPS

# APPENDIX IV

## ANALYSIS OF MPS ON DPR

**BOKL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .867[a] | .751 | .701 | 385.24601 |

edictors: (Constant), DPR

**Coefficients[a]**

| | standardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | 2321.265 | 328.536 | | 7.065 | .001 |
| | -35.362 | 9.103 | -.867 | -3.885 | .012 |

pendent Variable: MPS

**EBL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .191[a] | .037 | -.156 | 893.95694 |

edictors: (Constant), DPR

**Coefficients[a]**

| | standardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | 2084.906 | 624.626 | | 3.338 | .021 |
| | -8.252 | 18.916 | -.191 | -.436 | .681 |

pendent Variable: MPS

**HBL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .298[a] | .089 | -.094 | 573.71224 |

edictors: (Constant), DPR

**Coefficients[a]**

| | standardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | 1764.752 | 741.996 | | 2.378 | .063 |
| | -14.814 | 21.253 | -.298 | -.697 | .517 |

pendent Variable: MPS

**KBL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .165[a] | .027 | -.167 | 289.88329 |

edictors: (Constant), DPR

**Coefficients[a]**

| | standardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | 607.784 | 128.082 | | 4.745 | .005 |
| | -2.514 | 6.729 | -.165 | -.374 | .724 |

pendent Variable: MPS

**NIBL**

**Model Summary**

| el | R | R Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .737[a] | .543 | .452 | 499.10278 |

edictors: (Constant), DPR

**Coefficients[a]**

| | standardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | 2192.477 | 424.952 | | 5.159 | .004 |
| | -27.174 | 11.143 | -.737 | -2.439 | .059 |

pendent Variable: MPS

# APPENDIX V

## MULTIPLE REGRESSION ANALYSIS (MPS ON DPS AND EPS)

**BOKL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .911[a] | .829 | .744 | 356.77202 |

edictors: (Constant), EPS, DPS

**Coefficients[a]**

| | tandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | -805.960 | 1429.130 | | -.564 | .603 |
| | -28.617 | 34.177 | -.259 | -.837 | .450 |
| | 51.891 | 22.930 | .701 | 2.263 | .086 |

pendent Variable: MPS

**EBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .765[a] | .585 | .378 | 655.92878 |

edictors: (Constant), EPS, DPS

**Coefficients[a]**

| | tandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | -852.522 | 1285.504 | | -.663 | .543 |
| | -29.493 | 19.724 | -.567 | -1.495 | .209 |
| | 41.755 | 17.716 | .894 | 2.357 | .078 |

pendent Variable: MPS

**HBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .837[a] | .701 | .552 | 367.21258 |

edictors: (Constant), EPS, DPS

**Coefficients[a]**

| | tandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | -694.554 | 693.237 | | -1.002 | .373 |
| | -18.786 | 23.375 | -.249 | -.804 | .467 |
| | 43.506 | 14.558 | .925 | 2.988 | .040 |

pendent Variable: MPS

**KBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .442[a] | .196 | -.206 | 294.67238 |

edictors: (Constant), EPS, DPS

**Coefficients[a]**

| | tandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | -124.173 | 803.593 | | -.155 | .885 |
| | -30.837 | 35.903 | -.497 | -.859 | .439 |
| | 40.186 | 43.710 | .532 | .919 | .410 |

pendent Variable: MPS

**NIBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .779[a] | .607 | .410 | 517.82192 |

edictors: (Constant), EPS, DPS

**Coefficients[a]**

| | tandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | 1457.217 | 1428.764 | | 1.020 | .365 |
| | -56.256 | 27.817 | -.680 | -2.022 | .113 |
| | 14.286 | 23.162 | .207 | .617 | .571 |

pendent Variable: MPS

# APPENDIX VI

## MULTIPLE REGRESSION ANALYSIS (MPS ON PER AND DPR)

**BOKL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .998[a] | .996 | .994 | 54.93788 |

edictors: (Constant), DPR, PER

**Coefficients[a]**

| | tandardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | 372.265 | 133.792 | | 2.782 | .050 |
| | 50.462 | 3.245 | .737 | 15.552 | .000 |
| | -13.056 | 1.934 | -.320 | -6.749 | .003 |

pendent Variable: MPS

**EBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .927[a] | .859 | .789 | 381.92343 |

edictors: (Constant), DPR, PER

**Coefficients[a]**

| | tandardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | -619.574 | 619.573 | | -1.000 | .374 |
| | 101.375 | 20.960 | .973 | 4.837 | .008 |
| | 6.915 | 8.668 | .160 | .798 | .470 |

pendent Variable: MPS

**HBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .865[a] | .748 | .622 | 337.06968 |

edictors: (Constant), DPR, PER

**Coefficients[a]**

| | tandardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | Std. Error | Beta | t | Sig. |
| stant) | -330.532 | 780.229 | | -.424 | .694 |
| | 69.362 | 21.421 | .858 | 3.238 | .032 |
| | -1.024 | 13.193 | -.021 | -.078 | .942 |

pendent Variable: MPS

**KBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .934[a] | .872 | .808 | 117.71120 |

edictors: (Constant), DPR, PER

**Coefficients[a]**

| | tandardized Coefficients | | tandardized Coefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | 49.107 | 120.673 | | .407 | .705 |
| | 16.865 | 3.287 | .964 | 5.131 | .007 |
| | 1.912 | 2.865 | .125 | .667 | .541 |

pendent Variable: MPS

**NIBL**

**Model Summary**

| el | R | Square | djusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .968[a] | .937 | .905 | 207.30153 |

edictors: (Constant), DPR, PER

**Coefficients[a]**

| | andardized Coefficients | | tandardized oefficients | | |
|---|---|---|---|---|---|
| el | B | td. Error | Beta | t | Sig. |
| stant) | 778.592 | 333.422 | | 2.335 | .080 |
| | 40.540 | 8.111 | .709 | 4.998 | .007 |
| | -15.030 | 5.227 | -.408 | -2.875 | .045 |

pendent Variable: MPS

# APPENDIX VII

## Questionnaire

Dear Sir/Madam,

I am a student of thesis year of Master of Business Studies in Nepal Commerce Campus. I am conducting a study on *'Dividend Policy Analysis of Nepalese Commercial Banks'* for the preparation of master level thesis. For this purpose, I need some information related with the subject matter. You can cooperate by filling up this questionnaire. I assure you that the data obtained from this will be used for the thesis purpose only.

Name (Optional) ……..

Address (Optional) …….

Profession/Rank ……..

1. **Have you purchased shares of any bank?**
   i. Yes ii. No

2. **If yes, are you getting any dividend from the bank?**
   i. Yes ii. No

3. **In which form, does the bank provide the dividend?**
   i. Additional shares ii. Cash iii. Other (please specify)……

4. **In which form do you prefer to get dividend?**
   i. Additional shares ii. Cash iii. Other (please specify)……

5. **Which dividend policy does your bank follow?**
    i. Constant dividend policy
    ii. Earning based dividend policy
    iii. Fixed plus extra dividend policy
    iv. Residual dividend policy

6. **Please rank the following factors affecting dividend policy of a bank (from 1 to 5 according to their importance)**
    i. Legal rules
    ii. Liquidity position
    iii. Investment Opportunity
    iv. Desire of shareholders
    v. Restrictions in debt contracts

7. **In your opinion how much is your bank concerned with dividend aspect?**
    i. Highly concerned
    ii. Moderately concerned
    iii. Less concerned

8. **What may be the major motive behind distributing dividend by the bank?**
    i. To fulfill shareholders' expectations
    ii. To increase market value of the firm's stock
    iii. To draw attention from potential investors
    iv. Other (please specify)……

9. **Which bank among the five is following dividend policy in most effective way? (please rank from 1 to 5 according to their effectiveness)**
    i. Bank of Kathmandu Limited

ii. Everest Bank Limited

iii. Himalayan Bank Limited

iv. Kumari Bank Limited

v. Nepal Investment Bank Limited

**10. Do you think the dividend influences the share price of commercial bank?**

i. Yes ii. No iii. Don't know

**11. If yes/no, why?(give reasons to support your answer)**

…….

Researcher

Ankit Khanal

**Thank You!**