"DIVIDEND POLICY OF COMMERCIAL BANKS IN NEPAL"

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Declaration

I HEREBY DECLARE THAT THE WORK REPORTED IN THIS THESIS ENTITLED **"DIVIDEND POLICY OF COMMERCIAL BANKS IN NEPAL"** SUBMITTED TO SHANKER DEV CAMPUS, OFFICE OF THE DEAN, FACULTY OF MANAGEMENT, TRIBHUVAN UNIVERSITY IS MY ORIGINAL WORK DONE IN THE FORM OF PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE DEGREE OF MASTER OF BUSINESS STUDIES (M.B.S.) UNDER THE GUIDANCE AND SUPERVISION OF MR. SHREE BHADRA NAUPANE AND MR. RABINDRA BHATTARAI OF SHANKER DEV CAMPUS, TRIBHUVAN UNIVERSITY.

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List of Acronyms used

a	:	constant number
b	:	Regression Coefficient / Retention Ratio
B.S.	:	Bikram Sambat
BOKL	:	Bank of Kathmandu Limited
C.V.	:	Coefficient of Variation
E/P	:	Earning of Price
EBL	:	Everest Bank Ltd.
EPS	:	Earning Per Share
F.Y.	:	Fiscal Year
Govt.	:	Government
HBL	:	Himalayan Bank Ltd.
i.e.	:	That is
LBL	:	Laxmi Bank Ltd.
Ltd.	:	Limited
LUBL	:	Lumbini Bank Ltd.
M.B.S.	:	Master in Business Studies
MBL	:	Machhapurchhe Bank Ltd.
MVPS	:	Market Value per Share
NABIL	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NBL	:	Nepal Bank Ltd.
NEPSE	:	Nepal Stock Exchange Ltd.
NIAT	:	Net Income after Tax
NIB	:	Nepal Investment Bank Ltd.
NRB	:	Nepal Rastra Bank
P/E	:	Price Earning
ROA	:	Return on Assets
ROE	:	Return on Equity
S.D.	:	Standard Deviation

SBL	:	Siddhartha Bank Ltd.
T.U.	:	Tribhuvan University

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Nepal is the one of the richest countries in the world in terms of bio diversity due to its unique geographical position and altitudinal variation. The elevation of the country ranges from 60 m at sea level to the highest point on earth, Mt. Everest at 8,848 m, all within a distance of 150 km resulting into climate conditions from sub – tropical to arctic. Nepal is landlocked country, sandwiched between two Asian giants i.e. peoples' Republic of China and India. However, Kolkata port of India and Chittagong / Mongola ports of Bangladesh are used for International trade. Nepal is spread over 147,181 square kilometers. Nepal has 5 development regions, 14 zones and 75 districts.

Development of any country is possible when its economy is developed. Development of banking system is a base among various bases to develop economy. The needs of national and international, industrial and trade, people and government can be accomplished only where there is an existence of bank. Therefore we can take it as a powerful weapon for economic development. The modern banks and banking systems are the output of many countries development.

The concept of the banking has been developed from the ancient history with the effort of ancient Goldsmith who developed the practice of storing peoples gold and valuables. Under such arrangement the depositors would leave their gold for safe keeping and given a receipt by the Goldsmith. Whenever, the receipt was presented. The depositors would get back their gold and valuables after paying a small amount as fee for safekeeping and service.

In Nepal, Banking activities were started after the establishment of Nepal Bank Ltd. in 1937. To regulate the banking activities and monetary policy of the nation a central bank (Nepal Rastra Bank) was established. Rastriya Banijya Bank which is the first commercial Bank, fully owned by government was established in 1966. The commercial bank has its own role and contribution in the economic development. It has a source of economic development; it maintains economic confidence of various segments and extends credit to the people.

The Nepalese financial sector is composed of banking sector and non-banking sector. Banking sector comprises Nepal Rastra Bank (NRB) and commercial banks. The non-banking sector includes development banks, finance companies, micro-credit development banks, co-operative financial institutions, non-government organizations (NGOs) performing limited banking activities and other financial institutions such as insurance companies, employee's provident fund, citizen investment trust, postal saving offices and Nepal stock exchange.

During the last two and half decades the Nepalese financial system has grown significantly. At the beginning of 1980s there were only two commercial bank and two development banks. After the adoption of economic liberalization policy, particularly the financial sector liberalization that paved the way for establishment of new banks and non-bank financial institutions into the country. Consequently, by the end of mid July 2008, altogether 235 banks and non-bank financial institutions licensed by NRB are in operation. Out of them, 25 are "A" class commercial banks, 58 "B" class development banks, 78 "C" class finance companies, 12 "D" class micro-credit development banks, 16 saving and credit co-operatives, and 46 NGOs.

According to Nepal Company Act 2031 B.S “A commercial bank refers to such types of bank which deals in money exchange; accepting deposits, advancing loan and commercial transaction

except specific banking related to cooperative, agriculture and industry and other objectives". It deals generally with short term loan. It must make suitable balance between profitability and liquidity so that it can earn maximum as well as meet the obligation to pay the depositor money when demanded.

The capital market of Nepal is very small and developing slowly. Capital market plays an important role in the economic development of nation. The Nepalese company can't generate profit that are established and operated on public sector. The government is unable to receive dividends from the public enterprises, since past several years as announced in budget speech and economic surveys published by Ministry of Finance.

In the global perspective, joint venture are the modes of trading through partnership among nations and also a form of negotiation between various groups of industries and traders to achieve mutual exchange of goods and services for the sharing competitive advantages. A joint venture is the joining of forces between two or more enterprises for the purpose of carrying out a specific operation that is industrial or commercial investment and production of trade. Nepal's reform efforts in the financial sectors begun in 1980's, when Nepal Rastra Bank eased entry restrictions with an amendment to the commercial bank act 1974. After Nepal Rastra Bank adopted a liberal attitude in permitting commercial Banks to open, the financial liberalization really took place.

Generally, there are two types of shares: Preference shares and equity shares. Dividend paid on preference share is called preference dividend which is generally fixed and payable before payment of equity dividend. There is no choice to management for the preference dividend. But there is full choice about the rate of equity dividend.

One of the major reasons for which public are interested to invest money on the shares of banks or other institutions is dividend. Dividend refers to the distributed earnings to the ordinary shareholders of the firms in return to their investment. Basically, the firm which is running in profit is capable to pay dividend. The amount which is distributed as dividend should be adequate to meet the normal expectation of shareholders.

Dividend policy decision is one of the major decisions of financial management because it affects the financial structure and the flow of funds. After the successful complementation of fiscal year having sufficient profits, management decided to declare dividend to shareholders. The important aspect of dividend policy is to determine the amount of earning to be distributed to shareholders and the amount to be retained in the firm. It is therefore a wide policy to maintain a balance between shareholders interest with that of corporate growth from internally generated funds.

The major decision of the firm, dividend policy has the effect of dividing its net earnings in two parts: the retained earnings and dividends. The retained earning means to provide funds for internal financing. Dividend is the percentage of earnings it pays in cash or goods to its shareholders.

In a capital market, all firms operate in order to generate earnings. Shareholders invest in equity to share in these earnings as dividend. When a company pays out a portion of its earnings to shareholder in the form of a dividend, the shareholders are beneficiated directly. It is believed that in order to maximize wealth under uncertainty, the firm must pay enough dividends to satisfy investors. If instead of paying dividends, the firm retains the funds to exploit other growth opportunities because the distribution of cash dividend causes the reduction in internal funds

available to finance profitable investment opportunities which, either constrain growth or requires the firm to find other costly sources of financing.

Recently Joint venture banks and some other public limited companies have shown new trend of paying dividend to shareholders. There is also growing practice of paying bonus shares among some corporation of Nepal. Stock split is another aspect of dividend policy, which is popular in the developed capital market but this aspect is almost neglected in the capital market of Nepal. An alternative form of dividend is share repurchase. If a firm has excess cash and insufficient profitable investment opportunities to justify the use of these funds, it is in the shareholders' interest to distribute the funds. The distributions can be accomplished either by the repurchase of share or by paying the funds out in increased dividends. It is thus share repurchase is often viewed as an alternative to paying dividends. However, Nepal company act 2063, section 47 has prohibited company from purchasing its own share. This provision of Nepal is against the theory of finance.

Some companies may pay whole earnings as dividend at the beginning to create good image in financial sector but later they may change their policy and announcement a certain percentage of dividend payout term. The decision to keep some portion of earnings and to pay some portion of earnings as dividend is known as dividend policy.

In Nepal, only a small number of companies are paying regular dividend and other companies are not stable in the payment of dividends. There are still some companies not having the practice of paying dividends in their historical background. Thus, there is not smooth practice of dividend payments in Nepal. The expectation of shareholders has yet to be met by paying regular dividends.

1.2 Profile of Sample of the Companies

1.2.1. Himalayan Bank Ltd.

Himalayan bank limited was established in the year 1992. It is a joint venture bank with Habib bank of Pakistan, one of the largest commercial bank of Pakistan.

Shareholders Pattern

Promoters 85%	General Public 15%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	2,000,000,000
Issued Capital	1,013,512,500
Paid up Capital	1,013,512,500

Source: Annual Report 2064/65

1.2.2. Everest Bank Ltd.

Everest Bank Limited (EBL) started its operation in 1994 with a view and objectives of extending professionalized and efficient banking services to various segments of the society.

Shareholders Pattern

Promoters 70%	General Public 30%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	1,000,000,000
Issued Capital	843,200,000
Paid up Capital	831,400,000

Source: Annual Report 2064/65

1.2.3. Nepal Investment Bank Ltd.

Nepal Indosuez bank Ltd. was established on 21st January 1996 as a third joint venture Bank under the company act 1964. The bank is managed by Banque Indosuez; Paris is accordance with joint venture and technical service agreement signed between it and Nepalese promoters. Nepal Indosuez bank Ltd was renamed as Nepal Investment Bank Limited

Shareholders Pattern

Promoters 80%	General Public 20%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	2,000,000,000
Issued Capital	1,203,915,400
Paid up Capital	1,203,915,400

Source: Annual Report 2064/65

1.2.4. NABIL Bank Ltd.

Nepal Arab Bank is the first joint venture bank in Nepalese banking history. It has been commencing its operation from 12th July 1984 under commercial bank act 2051, and has proved to be the milestone of Nepalese commercial bank history, which was renamed as NABIL bank limited.

Shareholders Pattern

Promoters 70%	General Public 30%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	500,000,000
Issued Capital	491,654,400
Paid up Capital	491,654,400

Source: Annual Report 2064/65

1.2.5. Siddhartha Bank Ltd.

Siddhartha Bank Limited (SBL) commenced operations in 2002. The Bank is promoted by a group of highly reputed Nepalese dignitaries having wide commercial experience.

Shareholders Pattern

Promoters 70%	General Public 30%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	1,000,000,000
Issued Capital	828,000,000
Paid up Capital	828,000,000

Source: Annual Report 2064/65

1.2.6. Nepal Bank Ltd.

The oldest bank of Nepal, Nepal Bank Limited was established on 1994 B.S. Kartik 30, Monday (November 15, 1937). It is the first bank of Nepal to establish under the principle of Joint venture (Joint venture between govt. & general public).

Shareholders Pattern

Govt. 40.49%	Individual 49.93 %	Others 9.58%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	1000,000,000
Issued Capital	500,000,000
Paid up Capital	380,382,600

Source: Annual Report 2064/65

1.2.7. Machhapuchchhre Bank Ltd.

Machhapuchchhre Bank Limited was registered in 1998 as the first regional commercial bank to start banking business from the western region of Nepal with its head office in Pokhara.

Shareholders Pattern

Promoters 70%	General Public 30%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	2,000,000,000
Issued Capital	1,314,642,080
Paid up Capital	901,339,300

Source: Annual Report 2064/65

1.2.8. Lumbini Bank Ltd.

Lumbini Bank Limited was established in 1998, this is the first regional commercial bank in Nepal, which started its operation from Narayangarh spreading its wings to further four more places at Hetauda, Butwal, Durbarmarg and Biratnagar.

Shareholders Pattern

Promoters 85%	General Public 15%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	1,600,000,000
Issued Capital	1,000,000,000
Paid up Capital	995,710,100

Source: Annual Report 2064/65

1.2.9. Bank of Kathmandu Ltd.

Bank of Kathmandu Limited has become a prominent name in the Nepalese banking sector by being among the few commercial banks which is entirely managed by Nepalese professionals and owned by the general public. BOK started its operation in March 1995 with the objective to stimulate the Nepalese economy and take it to newer heights.

Shareholders Pattern

Promoters 42%	General Public 58%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	1,000,000,000
Issued Capital	606,173,300
Paid up Capital	603,141,300

Source: Annual Report 2064/65

1.2.10. Laxmi Bank Ltd.

Laxmi Bank was incorporated in April 2002 as a commercial bank. The current shareholding constitutes of promoters holding 55.42 percent, Citizen Investment Trust holding 9.02 percent and the general public holding 35.56 percent. Promoters represent Nepal's leading business families with diversified business interests. The Bank's shares are listed and actively traded in the Nepalese Stock Exchange.

Shareholders Pattern

Promoters 64.57%	General Public 35.43%

Capital Structure

Particulars	**Amount in Rs.**
Authorized Capital	1,600,000,000
Issued Capital	9,15,000,000
Paid up Capital	913,196,300

Source: Annual Report 2064/65

1.3 Statement of the Problem

Dividend is the most inspiring factor for the investment on shares of the companies. However commercial bank in Nepal has no satisfactory result about dividend decision. Numerous theories and empirical findings concerning dividend policy have been reported in the sector over the past many years. There is no any rigid rule for dividend payment. The problems are as following:

- What are the prevailing dividend policies of sample listed companies?
- Are dividend policies affects the market price of stock and value of the firm?
- Is there any relationship between dividend policy and dividend per share (DPS), earning per share (EPS), dividend payout ratio (DPR), P/E ratio and market price per share (MPS)?
- Is there any consistency in DPS & DPR of sample companies?
- What is the attitude of commercial bank towards paying dividend?

1.4 Objectives of the Study

The main objectives of the dividend policy should be to maximize return on shareholders' equity. The study is an attempt to make over all review regarding dividend policy of commercial banks. To be more precise the basic objectives of the study are as following:

- To identify what type of dividend policy is being followed and find out whether the followed policy is appropriate or not.
- To examine the impact of dividend on share price.
- To know if there is any uniformity among dividend per share, EPS, dividend payout ratio of these banks.

1.5 Significance of the Study

The financial performance of commercial banks in securities market is an emerging issue in Nepal. The growth and development of any stock market and ultimately economic development of a country is closely associated with the level of financial performance and market efficiency. Due to the lack of enough knowledge, people are investing hit or miss in shares. It is necessary to clear conceptions about the return that results from investing in securities. As a result, enough study is essential to make clear conception towards dividend in Nepal.

Therefore, considering all these facts, the study is undertaken which will help to meet deficiency of the literature regarding to dividend decision and factors affecting dividend policy. Lastly, the analysis and findings will be very useful to the university students of finance to know the practice and current situation about dividend policy in Nepal and its final importance is to provide a literature to the further researcher of this field. Similarly, the company may also follow the suggestion of this study to make their policy.

1.6 Limitations of the Study

Dividend is the most important topic in financial management. There are several aspects of decision that should be undertaken by financial manager to achieve the management goal. Area of financial management decision is investment capital structure, liquidity, leverage, dividend and others. Only dividend is selected in this study to make more specific. This study is simply presented to fulfill a partial requirement of MBS. We can say it is a mini- research which conducted and submitted with in a time constrain. Every study has its own limitations and following are the limitations of this study.

- This study is mainly conducted on the primary and secondary data. So that result depends on the reliability of the data.
- There are many factors that affect dividend decision and value of the firms. However only these factors related with dividend will be considered in this study.
- This study only covers five fiscal year data i.e. 2060/61 to 2064/65.
- Data related to cash dividend will be analyzed and interpreted.
- Only those commercial banks are taken as the population of study which is already listed in NRB.

1.7 Organization of the Study

This study has been planned within five chapters, each devoted to some aspects of the comparative study of dividend policies of commercial banks in Nepal, which are as follows:

Chapter 1 Introduction
Chapter 2 Review of Literature
Chapter 3 Research Methodology
Chapter 4 Presentation and Analysis of Data
Chapter 5 Summery, Conclusions and Recommendations

Chapter one deals with the subject matter of the study consisting introduction, significance of the study, statement of the problems , limitation of study, objective of study and study plan.

Chapter two deals with review of literate, related to the study. It has two parts, the first part of the chapter implies the conceptual framework of the study and second part includes the major finding of the study.

Chapter three deals with the research methodology used to evaluate dividend practices in commercial bank. It has two parts; the first part includes research design, nature and sources of data, population and sample. The second part includes analysis of statistical tools & financial tools.

Chapter four deals with presentation and analysis of data. It has three parts; the first part of this study is concern to secondary data analysis. This is the main tabular, figures and various statistical presentations and analyzing the collected data from different sources. Second part includes presentation and analyzing of primary data. The third part includes the major findings.

Chapter five is the last chapter of the study and deals with summary, conclusion and recommendations.

CHAPTER – II

REVIEW OF LITERATURE

This chapter is the related to the review of literature related study. Review of literature means thinking knowledge from different sources. In this chapter the researcher has received various published and unpublished materials. Similarly past researchers' work analysis and study, books, articles from journals, previous Master's level thesis. The previous study should review because they provide the foundation to the present study. The review of literature provides the foundation for developing a comprehensive theoretical framework from which hypothesis can be developed for testing. This chapter has been divided in the following categories:

1. Conceptual review
2. Review of existing rules and regulations
3. Review of major studies in the relevant field (Journal and Articles)
4. Review of thesis
5. Research gap

There are many researcher's made in the field of dividend policy but only limited numbers of studies have conducted in the field of dividend policy of commercial banks in Nepal. In this chapter has been made to present the review of literature regarding the topic especially joint venture and non joint venture commercial banks.

2.1 Conceptual Review

The concept of dividend policy of commercial banks along with historical preview is already mentioned in the earlier chapter. So far none of the researcher has conducted study in the topic. However, efforts have been made to gather information from all available arenas as possible. Some of the master's degree dissertation related to dividend policy of commercial banks has also been reviewed. In addition, independent studies carried out by well-known expert and others are also taken into consideration.

Dividend decision is not only important for the shareholders but also firm's internal growth. Dividend is desirable from shareholder's point of view as it helps to increase their current wealth. It is desirable from company's point of view, as it will help growth of the firms. The dividend policy determines the amount of earnings to be distributed to shareholders and reinvested in the firm. There is a reciprocal relationship between retained earnings and cash dividends. If retained earnings are kept more by the company less will be dividend and vice versa.

"Dividend is a portion of earning which is distributed to shareholders in return of their investment in share capital. Most shareholders accept two forms of return from the purchases of common stock. These are capital gain and dividends. Capital gain may be defined as the profit resulting from the sake of common stock. The shareholders expect an increase in the market value of common stock over time. The shareholders expect, at some point, a distribution of the firm's earnings in the form of a dividend. From mature and stable firm, most investors expect regular dividends to be declared and paid on the common stock. Conceptually speaking, the difference between dividend and dividend policy is only of degree but not kind itself. The

dividend policy affects the over –all financing decisions of the firm. Dividend implies to the portion of earnings that is paid to the shareholders while dividend policy refers to the guidelines that management uses in establishing portion of retained earnings that is paid to the shareholders in the form of dividend" (Mathur; 1979: 797)

"Dividend refers to that portion of a firm's net earning which is paid to the shareholders." (Khan and Jain; 1992: 543)

Dividend is generally paid in cash. Therefore it reduces the cash balance of the company. Dividend policy affects the financial structure the flow of funds, corporate liquidity, and investors' attitudes. Thus, it is one of the central decision area related to policies seeking to maximize the value of firm's common stock.

"Dividend policy of the firm, thus, affects both the long term financing and the wealth of shareholders. As a result, the firm's decision to pay dividends may be shaped by two possible viewpoints." (Pandey; 1998: 296)

If the firm increases the retained earnings shareholders' dividend decreases and the market price of the share increased. Thus, dividend decision is always a matter of dispute.

According to Nepal Company act 2031 B.S "A commercial bank refers to such types of bank which deals in money exchange; accepting deposits, advancing loan and commercial transaction except specific banking related to cooperative, agriculture and industry and other objectives".

After the adoption of economic liberalization policy, particularly the financial sector liberalization that paved the way for establishment of new banks and non-bank financial

institutions into the country. Consequently, by the end of mid July 2008, 25 "A" class commercial banks licensed by NRB are in operation.

Economic growth remained weak in 2006/07. Political instability, frequent strikes, roadblocks, unfavorable weather, shortages in the supply of petroleum products and blackout constrained the economic growth in the review year. The performance of both agricultural and non-agricultural sector growth remained below expectation. As a result, real GDP producer prices just grew by 2.5 percent in 2006/07 compared to a growth of 2.8 percent in 2005/06.

The structure of financial assets/liabilities shows that commercial bank alone hold more than 80 percent of the total assets and liabilities of the financial system. As of mid July 2008 commercial bank group occupied the 80.2 percent followed by finance companies 11.4 percent, development bank 5.0 percent, micro credit development bank 1.8 percent and others 1.0 percent. The respective shares were 84.2 percent, 9.2 percent, 3.9 percent and 1.8 percent and 0.9 percent in mid-July 2007.

Commercial banks held dominate share on the major balance sheet components of financial system. Of the total deposits Rs.508905.7 million in mid-July 2008, the commercial banks occupied 83.7 percent. Similarly, finance companies held 10.3 percent, development banks 5.1 percent, micro credit development banks 0.3 percent and others 0.6 percent. Likewise, on the loans and advances the share of commercial banks stood at 78.3 percent, development banks 6.0 percent, finance companies 13.2 percent, micro credit development banks 1.8 percent and others 0.7 percent in mid July 2008. In the same year the share of commercial banks in borrowings, liquid funds and investments constituted 45.9 percent, 68.3 percent and 90.5 percent respectively. (Nepal Rastra Bank, Annual Report 2006/7)

Securities Act 2007 came into effect on January 14, 2007. The Act has further broadened the mandate of the Securities Board of Nepal (SEBO/N) as the regulator of the securities market. A significant growth in both primary and secondary market activities took place in 2006/07.

NEPSE made Sensitive Share Price Index public from January 1, 2007. This index is developed comprising companies, which are listed in "A" category by the NEPSE. There are certain standards fixed by the NEPSE to include a company in "A" category. These include: paid up capital of a company at least Rs. 20 million, number of shareholders at least 1000, book value of share not less than paid up value, shares offered publicly, profit recorded for the last three years, and the disclosure of the financial statements in the stipulated time. There were 66 companies, 64 from financial group, in "A" category as of mid-July 2007. (NEPSE; Annual Report 2064/65)

2.1.1 Dividend

Dividend is the periodic payment made to shareholders to compensate them for their wealth and investment funds. Dividends are pro rata distributions of retained earnings to shareholders. They can be in the form of cash, stock or property. Generally, corporation can only declare dividends out of earnings, although they might declare dividend from sources other than earnings. In fact, dividend is the portion of the net earnings, which is distributed to shareholders by a company. After successfully completing the business activities if a company, if its financial statement shows the net profit, the Board of Directors (BOD) decides to declare dividend to stockholders. Therefore, the payment of corporate dividend is at the direction of the BOD.

The funds a firm can be used due to lack of investment opportunities should better be paid as dividends. Viewed thus, dividend is left over earnings prospective after exhausting all investment opportunities. So it is a case of finding decision, in which dividend payment may range from

Zero to hundred percent depending of investment programs of corporate firms. Evidently, dividend decision impacts on shareholders' wealth either through their current income in the form of dividend or through future capital gain from appreciation in market price of stocks. There may be effect on market value of stocks either paying dividend or with holding the earnings for financing growth.

2.1.2 Motives of Dividend Declaration

Firms enjoy the funds of others shareholders as investors want their funds to be utilized in productive sectors so that the returns from there will enough to compensate the shareholders. The shareholders like to have fair return on their investment. Dividend is one of widely used means of providing returns to shareholders. The firm declares and provide dividend for following motives:

A) To Increase Market Price of Share

Dividend scheme followed by the firm greatly affects the market price of share. Stable dividend policy has a positive impact on the market price of shareholders will likely to pay a premium for a stock with a relatively assured minimum stable dividend. The price if share with stable dividend is higher than that with fluctuating dividend. No firms or shareholders would like to have lower share price. Hence, one of the motives of providing dividend is to maintain or increase the market value of share.

B) To Provide Fair Return to Shareholders

Shareholders are the owner of the firms. The firms must compensate them in return for the use of their fund. The return paid by the firms is said to be fair, if it is higher than the return that could be earned if the investment were made anywhere else. This motive is also concerned with the

market price if share. It us the shareholders who pay extra amount for shares and thereby increase the share price. If the firm is able to meet shareholders' expectation, the price of shares of such firm will never decline. Hence to provide fair return to shareholders must be one of the motives of providing dividend.

C) To be Competitive in the Market

There are various firms which are providing similar products and services. Only those firms could sustain in the market which can compete other firms of similar nature. Similarly, the competition compels the firm to pay dividend to shareholders. Non – payment of dividend may have negative impact on share price and reputation of a firm, if its competitive firms are providing dividend to their shareholders. Hence, the firms pay dividend to be competitive in the market.

In addition to the above three motives, the firm could have several reasons of providing dividend. The firm prefers to pay dividend if it has enough fund and no investment opportunities. The firms pay dividend to foster its reputation in the market.

2.1.3 Types of Dividend

Corporate firms choose to make the payment of dividends in view of its objective, need and policies. Different dividends the firm may choose to pay are briefly explained below:

A) Cash Dividend

Cash dividend is proportion of earning paid in cash to the shareholders in proportion to their investment. The cash account and the reserve account of a company reduce thereby reducing the total assets and the net worth of the company. The market price of share drops in most case by

the amount of cash dividend distributed. The firm has to maintain adequate balance of cash for the payment of cash dividend otherwise funds to be borrowed for this purpose may be difficult. Cash planning is useful is useful for the company paying stable dividend.

B) Stock Dividend (Bonus Shares)

A stock dividend is a payment in the form of additional share of stock increased of cash. In other word it is the payment of dividend in the form of stock proportionate to their investment. It is popularly known as bonus share. Payment of stock dividend increases the number of outstanding shares to the company.

C) Stock Split and Reverse Split

Stock split is an accounting action to increase the number of shares outstanding. Reverse split decreases the number of shares outstanding. Both affect only the par value and the number of outstanding shares and change the capital structure of the company.

D) Property Dividend

Property dividend, in extra ordinary circumstances, is paid other than cash such as corporate firm's own product or securities of Subsidiaries Company.

E) Bond Dividend

Company declares dividend in form of its own bond with a voices to avoid cash flows.

In general, the form of dividends popular in Nepal is cash and stock dividends.

2.1.4 Dividend Policy

Dividend polity determines the division of earnings between payments to stockholders and reinvestment in the firm. Retain earnings are one of the most significant sources of fund for financing corporate group, but dividends constitute the cash flow accrue to stockholders.

"The third major decision of the firms is its dividend policy, the percentage of earnings it pays in case to its stockholders. Dividend payout, of course, reduce the amount of earning retain in the firm and affect the total amount of internal financing. The dividend payout ratio obviously depends on the way earnings are measured for ease of exposition, we use account net earning but assume that these earnings can form true economic. In practice, net earnings may not conform and may not be an appropriate measure of the ability of the firm to pay dividends." (Horne; 2000: 305)

Dividend policy refers to the issue of how much of the total profit a firm should pay to its stockholders and show much to retain for investment so that the combined present and future benefits maximize the wealth of stockholders. The dividend policy however not only specifies the amount of dividend, but also of dividend payment procedure etc. In general, dividend policy is concerned with the following matters:

1. Amount of dividend to be paid – the policy outlines the basis to determine the amount of dividend to be paid.
2. Form of dividend – cash dividend / stock dividend
3. Payment procedure
4. Stocks repurchase and stock splits

2.1.5 Types of Dividend Policy

The dividend amount payment out of profit, both from past and present, is guided by dividend policy the firm follows. Generally, dividend policy can be categorized as conservative, liberal, moderate and progressive dividend policy. Whatever the dividend policy followed by corporate firm, it is the concept that resolves the apparent conflict by finding optimal dividend payout that balance the need of the shareholders for their current income and expected figure growth of the corporate firms so as to maximize the value of the firms. Within the framework of types of dividend policy mentioned above, the corporate firm may choose to follow any of the dividend policy mentioned below:

(i) Regular and Stable Dividend Policy

Regular and stable dividend policy is mostly used by most of the corporate firms, is based on maintaining fix annual cash dividend rate for several years in a row, increasing it only when future earnings look sufficiently strong and permanent to support a new higher level of dividends, In essence, dividends are flat for a while, they then move up in step fashion with the permanent increase in earnings. Irrespective of fluctuations in earnings, dividend per share remains relatively stable unless payout ratio drops below minimum of earning per share. The corporate firms that adopt regular and stable dividend policy regard the payment of dividend is an important variable in the stock valuation process.

(ii) Low Regular Plus Extra Dividend Policy

The policy refers to the combination of regular dividend with the payment of additional dividends whenever earnings are significantly high to warrant it. Under this policy, low level of dividend rate is set first and then extra dividend in the time of final announcement of annual

dividend. The policy is undertaken to give the shareholders the impression of corporate firms' intention of paying regular dividends. Corporate firm pursuing this policy emphasize on need to pay regular dividends and at the same time need to retain earnings to meet long term financial requirement.

(iii) Fixed Payout Policy

Corporate firms following fixed payout establish fix percentage of profits that will be paid out each year as dividends. Dividend payout ratio (DPR) relatively remains constant and may increase with the increase in profit. Dividend per share fluctuates from year to year while it may lead to erratic market prices for the corporate firms' stock.

(iv) Earning Based Dividend Policy

Corporate firms following this policy pay dividend based on a constant payout ratio so long as level of earnings remain stable resulting constant dividend per share. Corporate firms' increased the payout ratio if earning increase is found permanent and thus increase the dividend per share. This policy is undertaken by the corporate firm with the objective of giving impression to the shareholders that they are paid more dividends as earnings.

2.1.6 Factors Affecting Dividend Policy

Other than allocation of current earnings, dividend policy of the corporate firm is also concerned with the legal provisions relation to payment of dividends, liquidity, control, stability of dividend payout such as stock dividends and stock splits, stock repurchase and administrative considerations (Horne Van James C., 2000 P: 494). In other words, dividend policy is affected

by number of factors. The factors affecting the extent to pay out dividends instead of retaining earnings are briefly outlined below:

2.1.6.1 Rules and Regulation

"The legal rules provide the framework within which dividend policy can be formulated. Legal rules emphasize three rules." (Weston and Copeland; 2002: Page 659)

A) The Net Profit Rule

The net profit rule provides the payment of dividend from past and present earnings only.

B) The Capital Impairment Rule

This rule prohibits the payment of liquidating dividend would mean distributing dividend from investment rather than the earnings.

C) The Insolvency Rule

This rule prohibits the payment of dividend while the firm in insolvent condition where liabilities are greater than assets.

2.1.6.2 Liquidity Position

As payment of cash dividends involves paying out cash, the liquidity position must be strong enough to pay the dividend announced. If liquidity position is weak, the firm may not be able to pay cash dividend even if there is profit. In such situation, the firm may select not to pay cash dividend.

2.1.6.3 Debt Prepayment and Restriction of Debt Contract

The dividend policy of the corporate firm using debt is also affected by decision to repay debt on or before maturity, generally require more retention of earnings lowering the dividend rate. Some time long term debt contract may specify certain restrictions such as payment as dividend from profits only after signing debt contract and requiring maintaining to desired level of not working capital. These restrictions certainly affect dividend policy.

2.1.6.4 Assets Expansion Through Internally Generated Fund

Corporate firm's policy to finance assets expansion from retained earnings in order to reduce the financing cost necessarily lowers the dividend payment and affects the dividend policy.

2.1.6.5 Earning Rate and Its Stability

Dividend policy followed by corporate firm to a greater extent depends on rate of earnings and its stability in several years. Corporate firm, if earnings are high and stable, would likely to gradually increase the percentage of earnings for dividend payment and at the same time retaining substantial amount of earnings for reinvestment within the firm.

2.1.6.6 Access to the Capital Market

A large well-established corporate firm with a record of continuous profitability for several years and stability in earnings has easy access to capital market and other sources of external financing. Such firm may follow moderate, progressive or liberal dividend policy. On the other hand, corporate firms with lower rate and fluctuating earnings may not enjoy such facility and thus has to stick on conservative dividend policy retaining more to finance its operation.

2.1.6.7 Control

Raising additional funds by hissing new stocks tend to dilute the control of dominant group of shareholders which raising debt increases risk. So as a matter of policy, if the corporate firms desire to maintain control and not to increase the risk, such firms have to expand only to the extent of their internal earnings that necessitates going for low dividend payout.

2.1.6.8 Taxes on Earning

Tax required to pay at higher rate on corporate earnings also is supported to affect dividend policy and lower the DPR at tax payment involves cash outflow leaving smaller amount of profit for dividend payment by the firm.

2.1.6.9 Clientele Effects

If corporate firm is closely held, majority of shareholders will be of higher tax bracket. Such corporate firm would like to remain more out of earning. But if corporate firm is widely held, majority of shareholders will be of small brackets. Then such corporate firm would like to consider paying more dividends to their shareholders. It follows that dividend policy followed by the corporate firm also determine the types of shareholders which have the effect on dividend policy of the corporate firm, know as clientele effects on dividend policy.

2.1.7 Impacts of Dividend Policy

Dividend policy followed by the corporate firms in terms of target payout ratio affects cash flows. With the increase in payout ratio, dividend rises to cause cash outflow in the form of cash dividends to the shareholders leaving fewer funs for reinvestment in the firm.

On the other hand, with the low payout ratio more funds will be available for reinvesting in the firm, to affect the growth of the firm.

Dividend policy decision of a firm also impacts on the firm's financing decision by not distributing dividend and increasing the retained earnings. Retained earnings are a source of internal financing. It is also true that as payment of dividend affects cash flows of the firm, only the firm, which has adequate liquidity, can pay the dividends to its owners. As such dividend payment also has been looked as firm's strong liquidity. On the one hand distributing dividend is a tangible evidence of the firm's ability to generate adequate liquidity.

Dividend decision is a critical decision thereby affecting its cash position, capital structure growth and value. When dividend is paid it increases the value of common stock also. When a corporate firm adopts a policy of paying out, more cash dividend is paid, less money will be available for reinvestment as a result an expected growth rare will be lowered which will depress the price of the stock. Thus change in dividend policy has two opposing effects. If dividend is increased it may affect favorably on the price and unfavorably on growth and expansion and vice versa. That is why dividend policy is only subject of financing policy because amount of earnings it retains will impact on its needs for externally raised capital. In financial literature the study of impacts of dividend policy still has occupied its importance as no such consistent results has been arrived yet. Dividend policy decision has not been given importance compared to investment and financing decision in financial management practice.

2.2 Review of Existing Rules and Regulations

Human is governed by natural rule and human works are governed by their rules and regulations. Companies are approved by constitutional provision of the country. Company's decisions are based on their rules and regulations. But in Nepalese context, companies do not have any rules and regulation regarding dividend policy. There are some provisions regarding dividend in the company Act, 2063. (2007). these provisions may be seen as under.

Section 2 q states that bonus share (stock dividend) mean a share issued as an additional share to the shareholders by capitalizing saving earned from profit or reserve fund and also includes a circumstances where paid up value of the share is increased by capitalizing the said surplus and reserve fund.

Section 179 Bonus shares (1) may be issued by a company to its shareholders out of the amount available for the distribution of dividends after adopting a special resolution to this effect in the general meeting. Sub section (2) the company shall have to inform the office before issuing shares under sub section (1).

Section 182 except in the following circumstance, the dividend shall be distributed to the shareholders within 45 days of the decision made to provide the dividend:

1. If any law prohibits the distribution of dividend.
2. If the right to receive dividend is subject to any dispute.
3. If, without the fault on the part of the company, the dividend cannot be distributed within the above mentioned time limit due to any god's act.

A company wholly or partly owned by government shall distribute dividend only with prior approval of Gov. and Gov. may issue necessary directives in relation to distribution of such dividend.

If dividend is not paid stipulated is sub section (1) the same shall be paid together with the interest at the rate as prescribed. The shareholders in whose name the share is registered in the shareholder registers the time of declaration of the dividend or his successor shall be entitled for the payment of the dividend. A company shall not pay or distribute dividend except from profit allocated for the purpose.

A company shall eliminated pre-incorporation expenses, deduct the amount depreciation as per the accounting standard prescribed by competent authority under the law enforced and allocate any amount to be allocated or paid out of profit under the law enforced and eliminate the accumulated loss of the preceding years before the payment or distribution of dividend out of the profit in a particular year.

Provided that a company which is required to transfer any amount out of the profit to certain reserve fund under the law in force, dividend shall not be reserve fund. In company act of India, there are some provisions regarding dividend

- Dividend should be paid only out of profit available after providing for depreciation as per rules and after transferring 10% or more of profits to reserve.
- Unpaid dividend should be transfer to ‘Unpaid dividend account” with 7 days of the expiry of 42 days of dividend declarations. If not, the company shall pay an interest of 12% per annum.

- Any unpaid dividend declared before enforcement of this Act should also be transferred to the “unpaid dividend account within six month from the commencement of this act.
- Dividend remained unpaid or undeclared for 3 years from the date of transfer to unpaid dividend account must be transferred to the general reserve account of the central Gov. the claimants still apply to the Govt.
- On transfer the unpaid dividend to the general account the company must also furnish a statement in the prescribed from setting forth the nature of sum, the names and address of the concerned persons the amount to which each is entitled and the nature of his / her claim there too.

2.3. Review of Major Studies in the Relevant Field

There are so many studies made by the different persons and institution for dividend policy and stock price. There are two opinions regarding to dividend payout and market price of share. The first point of views is dividends are irrelevant and the amount of dividend payment does not affect the market value of the share. The other is dividend are relevant and the amount of dividend paid affect the market price of the shares. Always a critical and confused question has arose, whether dividend policy affect the market value of the shares or not. To put light in these matter different studies made by different international scholars and researchers should be over viewed. This study draws heavily from these studies to carry it out.

Franco Modigliani and Merton Miller

Franco Modigliani and Merton Miller first propounded the major argument indicating that dividends are irrelevant in 1961. It is popularly known as M-M approach. It is sometimes termed as 'dividend irrelevant model'

Through an article 'dividend policy, growth and valuation of shares they advocated that dividend policy does not affect the value of the firm i.e. dividend policy has no effect on the share price of the firm. The M-M approach focuses the irrelevant effect of dividend policy in the firm valuation arguing that, the value of the firm is determined only by its basic earnings power and its business risk, thus, the value of the firm depends on the income firm it assets and not on how this income is split between dividend and retain earnings.

The M-M approach of irrelevance dividend based on the following assumptions.

- Perfect capital market in which all investors are rational. Information available to all at no cost, instantaneous transaction without costs, infinitely divisible securities and no investor large enough to affect the market price of the security.
- There is no transaction cost. The securities can be purchased and sold without payment any commission or brokerage cost.
- Taxes do not exist.
- A given investment policy for the firm, no subject to change.
- Perfect certainty by every investor as to future investment and profits of the firm (but M-M dropped this assumption later)

M-M had tried to prove their theory by different models. Of these some are explained below.

Market Value / Price of Share

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

$$P_0 = \frac{D_1 + P_1}{1 + K_e} \quad \ldots\ldots\ldots\

Assuming that the earning is not sufficient to finance the investment needs of the fund, in that case issuing new shares is the other alternative. Say (Δn) is the number of newly issued equity share at the price of (p1).

$$NP_0 = \frac{nD_1 + (n+\Delta n)P_1 - \Delta n_1}{1 + K_e} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3$$

Where,

$\Delta n = no\ of\ equity\ shares\ at\ the\ end\ of\ the\ year$

$n = no.of\ shares\ at\ the\ begining$

Total Number of Shares

The issuing of new stock is determined by the amount of investment in period 1 not financed by retained earnings. The total numbers of new shares can be found out by the following way.

$$\Delta n\ P_1 = I - (E - n\ D_1)$$

$$or$$

$$\Delta nP_1 = I - E + nD_1 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 4$$

Where, $\Delta nP_1 =$

$The\ amount\ obtained\ from\ the\ sale\ of\ new\ shares\ to\ finance\ capital\ budget$

I= total new investment required

E= earning of the firm during the period

nD_1= total dividend paid

(E- nD_1) = retained earning

<u>Conclusion,</u>

By substituting the value of $\Delta n\ P_1\ form\ equation\ 4\ to\ the\ equation\ 3$

We found,

$$nP_0 = \frac{nD_1 + (n+\Delta n)P_1 - (1 - E + nD_1)}{1 + K_e}$$

In such a way, M-M approach concludes its result, that there is no any role of dividend (D1) in the above equation. So, M-M conclude that dividend policy is irrelevant and dividend has no effect on the share price.

Gordon M.

Gordon M. (1962) in his study "The Investment, Financing and Valuation of Corporation" (Homewood III, Richard Irwin, 1962) concluded that dividend policy of a firm affects its value. In this model, he pleaded that investors are not indifferent between current dividends and retention of earnings. The conclusion of this study is that investors value the present dividend more than future capital gain. His argument insisted that an increase in dividend payout ratio leads to increase in the stock prices for the reason that investors consider the dividend yield (D1/p0) is less risky than the expected capital gain.

Hence, investors required rate of return increase as the amount of dividend decreases. This means there is a positive relationship between the amounts of dividend the stock price.

Gordon's Model is based on the following assumptions:

- The firm is an all equity firm.
- No external financing is available
- Internal rate of return, (r) appropriate discount rate (k) are constant.
- The firm and its stream of earnings are perpetual.
- The corporate taxes do not exit.

- The retention ratio (b) ones decided upon are constant. Thus, the growth rate g= b r, is constant forever.
- The discount rate is greater than growth rate, k> br = g

Based on the above assumptions, Gordon provided the following formula, which is a simplified version of the original formula.

To determine the market value of a share:

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

Where,

P= price of share

E= Earnings per share

b = retention ratio or percentage of earning retained

1-b= dividend payment ratio i.e. percentage of earning distributed as dividend.

E (1-b) = dividend per share

k= capitalization rate or cost of capital

br= growth rate in r, i.e. , rate of return on investment of an all equity firm.

According to his model, the following facts are revealed.

1. **Growth firm (r> k)**

   In the case of growth firm, share tends to decline in correspondence with increase in payout ratio or decreases in retention ratio, i.e. high dividend corresponding to earnings leads to decrease in share prices. Therefore dividends and stock prices are negatively correlated in growth firm.

2. **Normal firm (r = k)**

In the case of normal firm, share value remains constant regardless of changes in dividend policies. It means dividend and stock prices are free from each other in normal firm.

3. **Declining firm (r< k)**

   In the case of declining firm, share price tend to rise in correspondence with rise in dividend payout ratio. It means dividend and stock prices are positively correlated with each other in a decline firm.

Conclusion:

- Investors give more value to the current dividend than that of future capital gain.
- Investors pose those views because they do not want to bear the future uncertainty rather than enjoying the current earning i.e. dividend.
- Payment of more dividends increases the market value of the share (i.e. investors find more dividend yield).

James E. Walter

James E. Walter has propounded a model for share valuation. According to his journal of Finance published in March 1966 entitled "dividend policy and Common Stock price" the dividend policy of the firm affects the value of the shares. His model supports that dividends are relevant. He argues that the choice of dividend policies almost always affect the value of a firm. The investment policy of affirm cannot be separated from its dividend policy. According to him both are interlinked which is just opposite to Modiglini and Miller approach. Walter's model shows clearly the importance of the relationship between the return on a firm's investment of its

internal rate of return (r) and its cost of capital or the required rate of return (k) in determining the dividend policy. As long as the internal rate greater than the cost of capital, the share price will be enhanced by retention and will vary inversely with dividends payment. In this way Walter's model's in known as "Optimal Theory of Dividend". The basic assumptions of the Walter's model are as follows:

-The firm finances all investment through retained earnings. The external sources of funds like debt or new equity capital are not used.

- Firm's internal rate of return (r) and cost of capital (k) are constant.

- All earnings are either distributed as dividend or reinvested internally.

- There is no change in value of earning per share (E) and dividend per share (D). The value of E and D remain constant, although there may be change in the model for determining the result.

- The firm has a perpetual or infinite life.

Based on the above assumptions, formula determining to find the market price per share is as follows;

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

Where,

P= market price per share

DPS = dividend per share

EPS = Earnings per share

r= firm's internal rate of return

k= firm's cost of capital or capitalization rate.

Walter's model shows that there are three possible conditions of the firm for comparing the relationship between "r" and 'k".

1. **Growth firm (r>k)**

   If the internal rate of return is greater than cost of capital, it is better to retain earnings. These are able to reinvest earnings at a rate (r), which is higher than the rate expected by shareholders (k). They will be maximizing the value per share, if they follow a policy of retaining all earning for internal investment. The market value per share increases by decreasing the dividend in such a condition. The market value for share will be maximum at zero dividends.

2. **Normal firm (r = k)**

   If internal rate of return is equal to cost of capital to dividend payout does not affect the value of share. Such an enterprise can be called as a normal firm. Whether the earning are retained or distributed, it is a matter of indifference for a normal firm. The market price of share will remain constant for all dividend payout retain from zero to hundred. There is no optimum dividend policy for such firm. The market value per share is not affected by the payout ratio, When r=k.

3. **Declining firm (r< k)**

   If internal rate of return (r) is less than cost of capital (k), it indicates that the shareholders can earn a higher return by investing elsewhere. In such case for maximizing the value of shares dividend also should be maximized. By distributing the entire earning as dividend, the value of the share will be at optimum value. The dividend payout ratio would give on optimum dividend policy. The market value per share increases as payout ratio increases when r<k.

Conclusion:

- (r>k)= dividends are negatively correlated with stock price.
- (r=k) = dividend is indifference to valuation in the market price of the share.
- (r<k) = dividends are positively correlated with stock price.

Van Horne and Mc.

Varn Horn and Mc Donald conducted a more comprehensive study on dividend policy and new equity financing in 1971.the purpose of this study was to investigate the combined effect of dividend policy and new equity financing decision on the market value of the firm's common stocks. They explored some basic aspects of conceptual framework, and empirical tests were performed during year end 1968, for two industries, using a well known valuation model. They tested two regression models for the utilities industries.

First model,

P0/F0 = a0+a1(g)+a2(D0/E0)+a3(Lev)+U

Where,

P0/E0 = closing price in1968 dividend by average EPS for 1967 and 1968

g= expected growth rate, measured by the compound annual rate of growth in assets per share for 1960 through 1968.

(D0/E0) = dividend payout, measured by cash dividend in 1968 divided by earnings in 1968.

Lev = financial risk, measured by interest charges dividend by the difference operating revenues and operating expenses.

U= error term

Second model,

P0/E0 = a0+a1(g)+a2(D0/E0)+a3(Lev)+a4(Fa)+a5(Fb)+a6(Fc)+a7(Fd)+U

Where,

Fa, Fb, Fc, Fd are dummy variables corresponding to new issue ratio.

It is model that they had grouped the firm in five categories A, B, C, D, and E. for each firm the value of dummy variables representing it's group is one and the value of remaining dummy variables are zero.

Again, they tested the following regression equation for electronics components industry.

P0/E0 = a0+a1(g)+a2(D0/E0)+a3(Lev)+a4(OR)+U

Where,

OR = operating risk measured by the standard error for the regression of operating earnings per share on time of 1060 through 1968,and rest as in first model above.

By using these models or methodology, they compared the result obtained for the firm, which both pay dividends and earnings in new equity financing with other firms in an industry. They conducted that for electric utility firms in 1968, share value was not adversely affected by new equity financing in the presence of cash dividends, except for those in the highest new issue group and it made new equity a more costly from of financing than the retention of earning. They also indicated that the payment of dividends through excessive equity financing reduces share prices for electronics, electronic components industry, a significant relationship between new equity financing and value was not demonstrated.

2.4 Review of Thesis

There are a few studies in Nepal which have looked into corporate dividend behavior. Some studies are made which are going to be reviewed here.

Rajbhandari, P. L., (2001) had conducted a study on *"Dividend Policy: A comparative Study between Banks and Insurance Companies".* The objective of her study was to examine the relationship between dividend and MPS, identify dividend policy and analyze the relationship between dividend policies of sample companies. The methodology used in the study includes financial tools and statistical tools. The study used only secondary data for the analysis. She found that the CV of PES has highly ranged. Similarly MPS are also fluctuating. None of the companies has constant payout ratio each year.

Khatiwada, N.P., (2001), had conducted a research entitled *"Impact of Dividend and Earning Announcement on Shareholder's Return and Stock Prices in Nepal".* The objective of his study was to identify the impact of EPS and dividend announcement on Shareholders return, correlation between the return of individual securities with market return and indentify the systematic and unsystematic risk. He had analyzed five year published data of sample companies and used mostly statistical and financial tools to analyze them in order to achieve the set objectives. He found that announcement of dividend and earnings did not affect the shareholder's return in average. Other banks except SBI bank having different dividend rates did not provide significant abnormal return to the shareholders.

Katwal, Y. B., (2002), had conducted a research entitled *"A comparative Study of Dividend Policy in Commercial Bank"*. The main objective of the study was to examine the impact of

dividend on share prices and find out the relationship between DPS, EPS, DPR, PE ratio, liquidity ratio and profitability ratio on MVPS. In addition to this the study aimed to examine if there is any uniformity among DPS, EPS, and DPR on Joint venture banks. Main conclusion of the study are sample banks have got sufficient earning but some of the banks are paying high dividend and other are paying low dividend , DPS is not relatively more stable then DPR, MPS is attracted by dividend and also dividend policy is not clearly defined. The study has used financial tools and statistical tools to analyze the relationship between various variables.

Ghimire, P. K., (2002), had conducted a research entitled *"Dividend Policy of Listed Companies (with reference to Banks, Finance and Insurance Companies)"*. He had tried to test the current dividend practice, policy and relationship between sample companies. The methodology used in the study includes financial tools and statistical tools. The study used only secondary data for the analysis. He found that EPS id higher than finance companies. Most of the companies has not clear policy towards dividend and to improve the efficiency of the companies and don't seem to follow the optimum dividend policy of paying regular dividend.

Naupane, B. H., (2003), had conducted a research on "*Dividend Policy of Financial Institution (Special Reference to Joint Venture Banks and Finance Companies)"*. His objective was to identify and compare the dividend policies followed by sample companies, analyze the relationship with MPS and identify the major determinants of dividend policy. He had analyzed five year published data of sample companies and used mostly statistical and financial tools to analyze them in order to achieve the set objectives. He found that dividend practices of all

sample companies are neither stable nor constantly growing and changes in DPS affect the MPS differently in different financial institution.

Phuyal, U.R., (2003), had conducted a research on *"Dividend Policy in Commercial Banks (Comparative study of Nepal Grindlays Bank Ltd, Nepal Arab Bank Ltd. and Bank of Kathmandu Ltd."* He tried to know the type of dividend policy and impact of dividend on share price. The methodology used in the study includes financial tools and statistical tools. The study used only secondary data for the analysis. He found that not any consistency in dividend policy in the sample firms. Most of the Nepalese firm from the very past have not profit planning and investment strategy, which has imbalanced the whole position of the firms. The MPS is affected by the financial position and the dividend paid by the firms.

Joshi, S.R., (2006), had conducted a research on *"Dividend Policy of Listed Companies (With reference to Banks, Finance Co. and Insurance Companies)"*. He had tried to test the current dividend policy, its relationship and relationship between DPS and MPS of sample companies. He found that EPS of banks are comparatively high than finance & insurance companies. There is no consistency found on dividend distribution in sample companies. MPS is not affect by other variables, but in Nepalese context, changes in these variables affect the MPS. The sample companies are neglecting the major factors like earning position, liquidity position of the companies. The study has used financial tools and statistical tools to analyze the relationship between various variables.

Chand, S. B., (2006), had conducted a study entitled *"Relevant Theory of Dividend with reference to some listed Commercial Banks"*. His main objectives of this study was critical analysis of some important theories representing the condition of relevancy of dividend theory, relationship between dividend and stock market price, factors affecting dividend policy and provide information to the future researchers and also analyze the relevant theory of dividend with reference to some commercial banks. He had analyzed five year published data of sample companies and used mostly statistical and financial tools to analyze them in order to achieve the set objectives.

Gautam, **S.,** (2006), had conducted a study entitled to *"Dividend Policy and Practice in Commercial Banks"* the main objectives of her study was to examine the dividend policy of listed bank and analyze the relationship between EPS, DPS, PE ratio, Earning yield, dividend yield and MPS and analyze the factor affecting dividend policy. The study has used financial tools and statistical tools to analyze the relationship between various variables. She conclude that market price of share is affected by the dividend policy therefore market price of high dividend paying company is higher than the other company likewise she also found that commercial banks has not clear.

Kuikel, K. P., (2007), had conducted a study entitled to *"Dividend Policy and Practices in Commercial Banks in Nepal.*" The Objectives of his study ware to examine dividend policy and practice in commercial Bank, relationship with EPS, DPS & MPS and effect of Dividend in Share Price of sample companies. The methodology used in the study includes financial tools

and statistical tools. The study used only secondary data for the analysis. He found that sample companies have got efficient Earnings but some of the co. are paying high dividend while other are paying low dividend, DPS is not restively more stable that the dividend payout ratio and MVPS is affected by Dividend.

Maharjan, **M.,** (2008), had conducted a study entitled to *"Dividend Policy of Listed Commercial Banks."*The main objective of her study was to examine the dividend policy of listed bank and analyze the relationship between EPS, DPS and MPS of sample companies. She had analyzed five year published data of sample companies and used mostly statistical and financial tools to analyze them in order to achieve the set objectives. She concludes that EPS of sample companies are increasing trend which indicates that banks are doing well. Commercial banks of Nepal prefer cash dividend rather than stock dividend. Share price is affected by various other factors rather than the earnings and dividend of sample companies.

Research Gap

From the above mentioned bunch of research works, it is clear that there are hundreds of researchers related to banking sector a lot of study covers the dividend policy of commercial banks. Going through the research related to dividend policy of commercial banks. I found that there was no work on study of commercial Banks with primary and secondary data covering large number of Sample size and either studying the dividend policy of very few banks or say their sample size is very small or they covers the data related to few years back.

The sample companies that this study has undertaken both new as well as pioneer banks in Nepal. Hence this study has been carried out to fill the gap by taking reference of almost half of commercial banks in Nepal and latest dividend policy of commercial banks. This research will be helpful to understand some aspects of dividend policy of commercial banks of Nepal and provides present scenario of dividend payment.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a way to systematically solve the research problems. Research methodology describes the methods and process to be followed during the research period. The basic objective of the study is to compare the dividend policy and practices of commercial banks in Nepal and the factors that affect it. It also tries to find out the relationship between dividend and earnings per share, net profit after tax, market price of share and net worth of joint venture banks and non joint venture banks. As the number of whole population of commercial banks are very large. Ten banks are taken as sample for the data analysis purpose. A detail of population and sample taken from it is given in another subtopic of this section. Both primary and secondary data are used for analysis.

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner way that aims to combine relevance to the research propose with economy in procedure. Research design is the plan, structure and strategy of investigation conceived. So as to obtain answer to research question and to control variance to achieve of the study, descriptive and analytical research design has used. The analysis covered from the year 2060/61 to 2064/65.

3.3 Population & Sample

There are 25 commercial banks in NRB till the mid July of 2008. So that all commercial companies listed in NRB is the population of the study. There are many commercial banks whose shares are traded actively in the stock market. It is not possible to study all of them regarding the study topic. Therefore 10 commercial banks has select from population.

3.4 Nature and Sources of Data

For the purpose of the study both primary and secondary data are used. The primary data are collected through the interviewed discussion and developing questionnaire, informal interviews as well as instructed dialogues and discussion with officials of these banks. The required data and information for analysis are directly collected from the annual reports of the banks' offices. The supplementary data are collected from library.

The study is used secondary sources of data. The secondary data have been obtained from various sources like NEPSE, SEBON, NRB and related banks.

Similarly, the text book, official publication such as trading and annual reports of NEPSE, publications of SEBON, Annual reports of banks, journals, magazines, reports, bulletins, documents and relevant information available in various websites, previous thesis have also been taken as the source of data.

3.5 Method of Data Analysis Techniques

The analysis of the joint venture banks and non joint venture bank's data has been conduct according to pattern of data available. Various Financial as well as the statistical tools has been used to make the analysis more convenient reliable and authentic. The various calculated results

have been obtained through financial and statistical tools are tabulated under different headings by using various financial and statistical tools, the relationship between variables dividend will be drawn out. There after the result will be compared with each other to interpret.

3.5.1 Financial Tools used for Analysis

To evaluate the financial position and performance of any firm ratio is used as a key tool of financial analysis. It is the process of identifying the financial strength and weakness of the firm properly establishing relationship between the items of the balance sheet and P/L account. Financial analysis is the use of financial statement to analyze a company's financial position and performance and to assess future financial performance.

3.5.1.1 Earnings Per Share (EPS)

An Earnings Per share is calculated to know the earning capacity and to make comparison between Sample banks over the period or not. EPS helps to know the return on investment to the share holders. EPS is calculated by dividing the net profit after tax by the total number of common share outstanding.

$$\text{EPS} = \frac{\text{Net Profit after tax}}{\text{Number of Common Stock Outstanding}}$$

3.5.1.2. Dividend Per Share (DPS)

Dividend is the amount, investor receive as a return on their investment. DPS is the major determinant of the same price in the market. It gives a deep understanding of dividend policy of bank and investor can choose their type of investment portfolio.

Dividend per share indicates that the part of net profit, after deducting interest and preference dividend provided to ordinary shareholders on the basis of number of share purchase. Dividend per share is calculated by dividing the total amount declared as dividend for equity shareholders by the total number of share outstanding.

$$\text{DPS} = \frac{\text{Total Dividend Paid}}{\text{Number of Common Stock Outstanding}}$$

3.5.1.3. Market Value per Share to Book Value per Share

This type of ratio indicates such types of price which the market is paying for the price that is reported from the net worth of firm. In other words, we can say that it is the price of the outsiders are paying for each rupees reported by the balance sheet of the banks and finance companies. It is calculated by dividing the market value per share by the book value per share.

$$\text{MVPS/BVPS} = \frac{\text{Dividend Per share}}{\text{Market value Per Share}}$$

3.5.1.4. Dividend Yield

It shows the return of investor in relation to current market price of share dividend yield. Market price per share is highly influenced by the dividend yield ratio because a change in DPS can bring effective change in MPS. It is calculated by dividing the dividend per share by market price per share.

$$\text{Dividend Yield } = \frac{\text{Dividend per Share}}{\text{Market Value Per Share}}$$

3.5.1.5. Dividend Payout Ratio (DPR)

Dividend payout ratio is the percentage of the profit on share that is distributed as dividend is called dividend payout ratio. Remaining portion of profit is retained as reserve and surplus for the growth of companies. High DPS indicated low growth rate and vice versa. It is calculated by dividing Dividend per Share by Earning per Share.

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

3.5.1.6. Market Price per Share (MPS)

It reflects per unit price of the share traded in the market. In other words, we can say that it is the price of the investors are paying for each rupees reported by the balance sheet of the companies. This ratio is calculated by dividing the market price by the number of common stock.

$$\text{MPS} = \frac{\text{Market Price}}{\text{Number of Common Stock Outstanding}}$$

3.5.1.7. Price Earnings Ratio (P-E ratio)

Price earnings ratio reflects the price which is currently paid by the market for each rupees of price which is currently reported earnings per share. The P-E ratio is calculated by dividing the market value per share by earning per share.

$$\text{P} - \text{E Ratio} = \frac{\text{Market Value Per Share}}{\text{Earning per Share}}$$

3.5.2 Statistical Tools used for Analysis

Statistical tools are the mathematical technique used to analysis and interpret of performance. It is used to describe the relationship between variables and interpret the result. Statistic is also used to test the hypothesis that is set to know the information of population. The research holds various statistical tools, which are defined as follows.

3.5.2.1. Mean ($\bar{X}$)

The arithmetic mean or average is the sum of total values to the number of observation in the sample. It represents the entire data which lies almost between extremes. For this reason an average is frequently referred to as a measure of central tendency. Mean is calculated by dividing the sum of total value by number of value.

$$\text{Mean } (\bar{\mathbf{X}}) = \frac{\text{Sum of Total Value}}{\text{Number of Value}}$$

3.5.2.2. Standard Deviation (σ)

Standard Deviation is an absolute measurement of dispersion in which the drawbacks present in other measures of dispersion are removed. Dispersion is the measurement of the scatterings of the data from means of figures in a series about an average. The greater the amount of dispersion greater the standard deviation. A large standard deviation indicates a low degree of uniformity of the observation as well as homogeneity of a series and vice versa. The standard deviation is calculated as follows:

$$\text{Standard Deviation } (\boldsymbol{\sigma}) = \text{Standard Deviation } (\boldsymbol{\sigma}) = \sqrt{\frac{\sum(X-\bar{X})^{2}}{n-1}}$$

3.5.2.3. Coefficient of Variation (C.V.)

Coefficient of Variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviation is known as coefficient of standard deviation. The coefficient of dispersion based on standard deviation multiplied by 100 is known as C.V. Less the C.V. more will be the uniformity; consistency and more the C.V. less will be the uniformity and consistency. It is used for comparing variability of two distributions. C.V. is calculated by dividing Standard deviation by mean.

$$\text{C.V.} = \frac{\text{Standard Deviation}}{\text{Mean}} \times 100$$

3.5.2.4. Coefficient of Correlation (r)

Correlation analysis is the statistical tools that we can used to describe the degree to which one variable is linearly related to another. Coefficient of correlation is the measurement of the degree of relationship between two variables. So, on the basis of correlation theory we can study the cases, effect relationship between two or more set of variables. It is lies range between -1 to + 1 . if both variable are consistency changing in the similar direction, the value of coefficient will be + 1 indicative of perfect positive correlation. When the value coefficient will be – 1 two variables takes place in opposite direction, and it is said to be perfect negative correlation. Thus to determine the relationship between two factors which dividend and other variables. We used simple coefficient of correlation in this study.

$$\text{r} = \frac{n \sum X_1 X_2 - \sum X_1 \sum X_2}{\sqrt{n \sum {X_1}^2 - (\sum X_1)^2} \quad \sqrt{n \sum {X_2}^2 - (\sum X_2)^2}}$$

3.5.2.5. Coefficient of Determination (r^2)

The coefficient of determination is the primary way we can measure the extant or strength of the association that exist between two variables. In other word, it is the measure of the degree of liner relation between two variables. The coefficient of determination value can have ranging from 0 to + 1. If the regression line is perfect, r^2 will be equal to +1. In this study, coefficient of determination is calculated to know the degree of correlation of DPS with EPS, net profit MPS and net worth.

$$\text{Coefficient of determination} = r^2$$

3.5.2.6. Regression Analysis

Regression literally is stepping back or returning to the average value. Regression analysis is the development of the statistical model that can be used to predict the value of the dependent variable based up on the value of at least one independent variable. In other words regression analysis is a statistical device with the help of which we are in a position to determine the value of unknown variables on dependent variables. The regression equation of Y on X be

$y = a + b\,x$

Where,

y= Dependent Variable

a = Intercept

x = independent variable

b = expected change in y per unit change in x

To examine, the relationship between the EPS and DPS of the companies, this model has been applied for the fifth fiscal year. Similarly the following regression model has been utilized to find out whether the variable DPS & MPS of the companies is related to dividend per share of the companies.

By the following approach that the sum of the squared deviations be minimum to obtain the regression line and on this basis work out the values of its constants has been done by the help of two normal equations which are as follows.

$$\sum y = Na + b\sum x \ldots\ldots\ldots\

ii) Slope (b)

The regression coefficient of each independent variable indicates the marginal relationship between the variables and value of dependent variables, holding constant the effect of all other independent variables in the regression model. In other words the coefficient describes how change in independent variables affects the values of dependent variables estimate.

3.5.2.7. Probable Error

The probable error (P/E) of correlation coefficient is an old measure of testing of reliability of an observed correlation coefficient. The probable error of the correlation coefficient is the basis for the interpretation of its value. It is calculated as following.

$$\text{P.E.} = 0.6745 \times \frac{1-r^2}{\sqrt{n}}$$

Where,

r= the value of corelation coeeicient

n = the number of paired observation

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

If r<6 P.E. "r" is not significance no matter how high r-value is i.e. there is no evidence of correlation between variations.

If r> 6 P.E. the value of "r" significant i.e. correlation is significant.

The upper and lower limits within the correlation coefficient in the population is expected to lie are (r+ P.E.) and (r- P. E.) respectively.

Graphical Presentation

Graphical presentation is a powerful and effective way for highlighting variables. A very common way of presenting data for two variables which have a relationship is in a figure or chart.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

This chapter is related to presentation and analysis of data. The chapter has been divided into three main parts. The first part of this chapter deals with presentation and analysis of secondary data, while second part deals with primary data and last part of the chapter includes the major findings of the studies.

Based on the previous chapter, in order to fulfill the objective, the study attempts to analyze the relevant data and information of the subject. The analysis includes several tools and techniques such as statistical and financial indicators as well as the attitude of management towards the optimum dividend distribution by the companies. Presentation and interpretation of financial statement are done here to determine the meaning of financial data. This analysis is highly is highly supported by the practices of dividend distribution by commercial banks. Some graphs and diagrams are also used to highlight the company's DPS, EPS and MPS trend over the five years period.

4.1 Analysis of Secondary Data

The part of the chapter explains the presentation and analysis of all secondary data.

4.1.1 Analysis of Financial Tools

Financial analysis is the use of financial statement to analyze a company's financial position and performance and to assess future financial performance

4.1.1.1Analysis of Earning per Share (EPS)

All the business firms always seek to have and more earning so that they could sustain efficiently in the comparative market. Normally, the performance and achievements of business organization ate measured in terms of their capacity to generate earnings. Higher Earnings includes the strength and lower earning denoted the weakness of business organization. EPS is calculated by dividing the Net profit after tax by the total number of common shares outstanding. The following tables shows the details relating to earning per share of respective banks

Table 4.1.1.1

ANALYSIS OF EPS OF SAMPLE COMPANIES

in Rs.

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	92.61	105.49	129.21	137.08	108.31	**114.54**	**18.1996**	**15.8893**
NIB	51.7	39.5	59.35	62.57	57.87	**54.198**	**9.11576**	**16.8194**
HBL	49.05	47.91	59.24	60.66	62.74	**55.92**	**6.91664**	**12.3688**
EBL	45.6	54.2	62.8	78.4	91.82	**66.564**	**18.6043**	**27.9495**
BOK	27.5	30.1	43.67	43.5	59.94	**40.942**	**12.9725**	**31.6851**
MBL	8.49	15.43	18.74	9.02	10.35	**12.406**	**4.48027**	**36.1137**
LBL	1.9	4.34	5.8	10.75	16.45	**7.848**	**5.79429**	**73.8314**
LUBL	5.33	-39.35	-161.21	32.07	32.91	**-26.05**	**81.0618**	**-311.18**
SBL	-8.89	20.08	13.05	15.88	17.29	**11.482**	**11.667**	**101.611**
NBL	66.18	186.76	455	317	59.66	**216.92**	**169.603**	**78.187**
Mean	**33.947**	**46.446**	**68.565**	**76.693**	**51.734**			

Source: Annual Report 2060/61 - 2064/65

The table and multiple bar diagrams shows the EPS of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table it is clear that NBL has highest EPS and lowest (negative) of LUBL.

Without considering the rate of fluctuation the analysis of EPS cannot be completed for this so that we have observed the C.V. The data related to the year shows that HBL, NABIL and NIB have less risky respectively. This implies that there is less fluctuation in the EPS.

The profitability of a company affects the market price of the stock and the ability of the company to pay dividends. It indicates how well management is using the resources as its disposal to earn a return on the funds invested by the shareholders. EPS is one of the measures of profitability of a firm. It measures the profit available to the ordinary shareholders on a per share basis. Analyzing the average EPS of all the sample banks we found that NBL has Highest EPS of all banks over study period.

NABIL has average EPS, SD and CV were Rs.114.54, 18.1996 and 15.8893% respectively. In the F Y 2063/64 NABIL has highest EPS. NABIL has EPS range from 92.61 to 137.08, which shows that it's EPS fluctuate by 54.8893 % over five years period.

The average EPS of NIB is Rs. 54.198. Its standard deviation and CV are 9.11576, 16.8194 % respectively. Its EPS fluctuate by 16.8194 % over the study period.

The average EPS of HBL is 55.92. Its standard deviation is 6.91664 and C.V. is 12.3688%. EPS of HBL has increasing trend from the year 2061/62 to 2064/65.

EBL has average EPS, SD and CV are 66.564, 18.6043 and 27.9495% respectively. EBL's EPS in increasing trend, with third position in this study.

BOK has average EPS, SD and CV are 40.942, 12.9725 and 31.6851 % respectively. It's EPS in increasing however stable in the year 2063/64 compare to its previous fiscal year. Its' EPS fluctuating by 31.6851% over the study period.

MBL was able to increase its EPS to 18.74 but it has declined in the year 2063/64. However its average EPS, SD and CV are 12.406, 4.48027 and 36.1137% respectively. EPS of MBL is in seventh position among the sample companies.

The average EPS of LBL is Rs.7.848. It's SD and CV is 5.79429 and 66.0368%, there is 73.8314 % fluctuation in EPS of the bank. Form the view point of fluctuation it is the third position, however it's EPS in increasing trend.

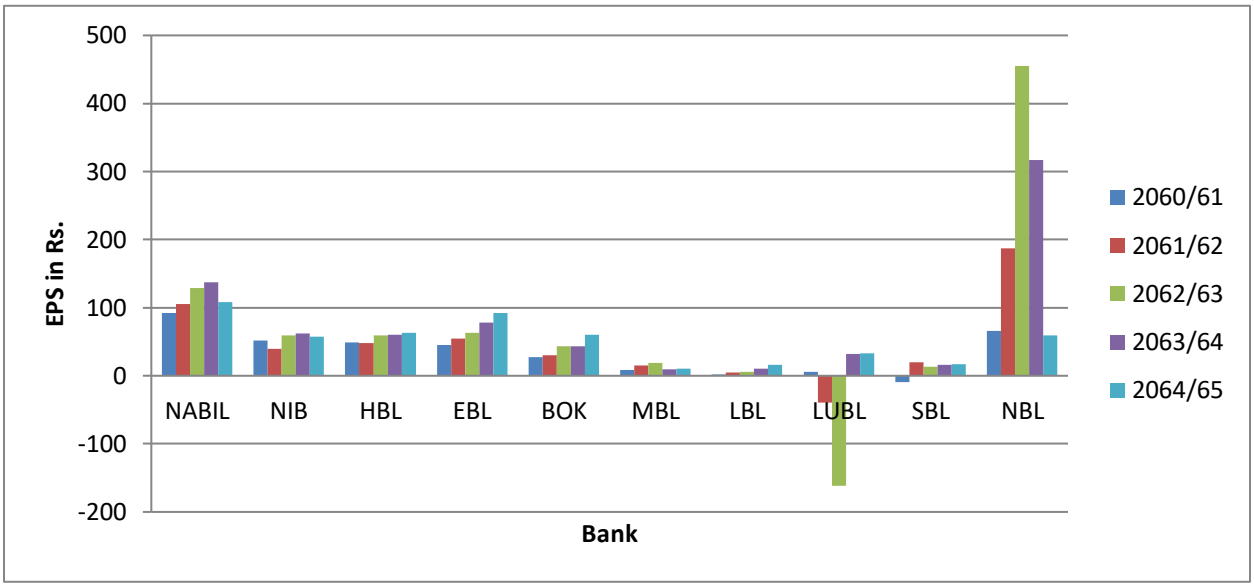
LUBL's average EPS is Rs. -26.05.Iits SD and CV are 81.0618 and -311.18%, which indicates more fluctuation in the EPS of Banks. It is not good for the Investor as well as banks itself. It has more risk.

The average EPS of SBL is Rs. 11.482. Its SD is 11.667 and CV is 101.611%, which shows that there is 101.611% fluctuation in EPS of the Bank. From the year 2061/62 to 2064/65 its EPS are in positive.

The average EPS of NBL is Rs. 216.92. Its SD is 169.603 and CV is 78.187%, from the year 2060/61 to 2062/63 it's EPS in high growing trend but after that period it has decreased. NBL is highest position among the Banks in EPS.

Graph 4.1.1.1

Multiple bar diagram showing EPS of sample companies



4.1.1.2 Analysis of Dividend per Share (DPS)

The study topic concerned to the dividend of the banks. DPS indicates the portion of earning distributed to the stakeholders on per share basis. It is calculated by dividing the total dividend distributed to equity share holders by the total number of shares outstanding. It has taken the dividend paid by the sample companies. This is the important theme of the study for the purpose of analysis regarding the dividend. Following table shows the DPS of sample companies.

Table 4 .1.2

ANALYSIS OF DPS OF SAMPLE BANK

In Rs.

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	60.2	73.84	109.83	191.91	108.31	**108.818**	**51.217**	**47.0667**
NIB	7.76	4.94	32.92	18.77	23.63	**17.604**	**11.5058**	**65.359**
HBL	9.81	15.13	20.73	24.26	28.23	**19.632**	**7.30221**	**37.1955**
EBL	9.12	10.84	15.7	31.36	45.91	**22.586**	**15.7139**	**69.5738**
BOK	2.75	4.52	20.96	8.7	25.24	**12.434**	**10.0876**	**81.1293**
MBL	0	0	2.96	0	2.18	**1.028**	**1.43441**	**139.534**
LBL	0	0	0	0	0	**0**	**0**	**0**
LUBL	0	0	0	0	0	**0**	**0**	**0**
SBL	0	0	0	2.4	2.73	**1.026**	**1.40974**	**137.402**
NBL	0	0	0	0	0	**0**	**0**	**0**
Mean	**8.964**	**10.927**	**20.31**	**27.74**	**23.623**			

Source: Annual Report 2060/61 - 2064/65

The table and multiple bar diagrams shows the DPS of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table it is clear that the average DPS of NABIL is the highest i.e. Rs. 108.818 dividend per share and LBL, NBL and LUBL has not paid dividend during the study period. SBL has started to give DPS from 2063/64.

NABIL has paid regular dividend in increasing trend till 2063/64. Its dividend decline in Year 2064/65 by Rs. 83.60. It has average DPS Rs. 108.818 and SD of 51.217 and C.V. 47.0667%, which indicate 47.0667% change in DPS.

NIB has paid regular dividend. It has average DPS Rs. 17.604 and SD of 11.5058 and C.V. 65.359%, which indicate 65.359% change in DPS.

HBL has paid regular dividend from F.Y. 2060/61. It has average DPS Rs. 19.632 and SD of 7.30221 and C.V. 37.1955%, which indicate change in DPS.HBL is in third position in average DPS.

EBL has paid regular dividend to its shareholder over the study period and it is in second position among the sample companies. It has Rs.22.586 average DPS, SD is 15.7139 and CV is 69.5738%, which shows that the fluctuation on DPS will be by 69.5738%.

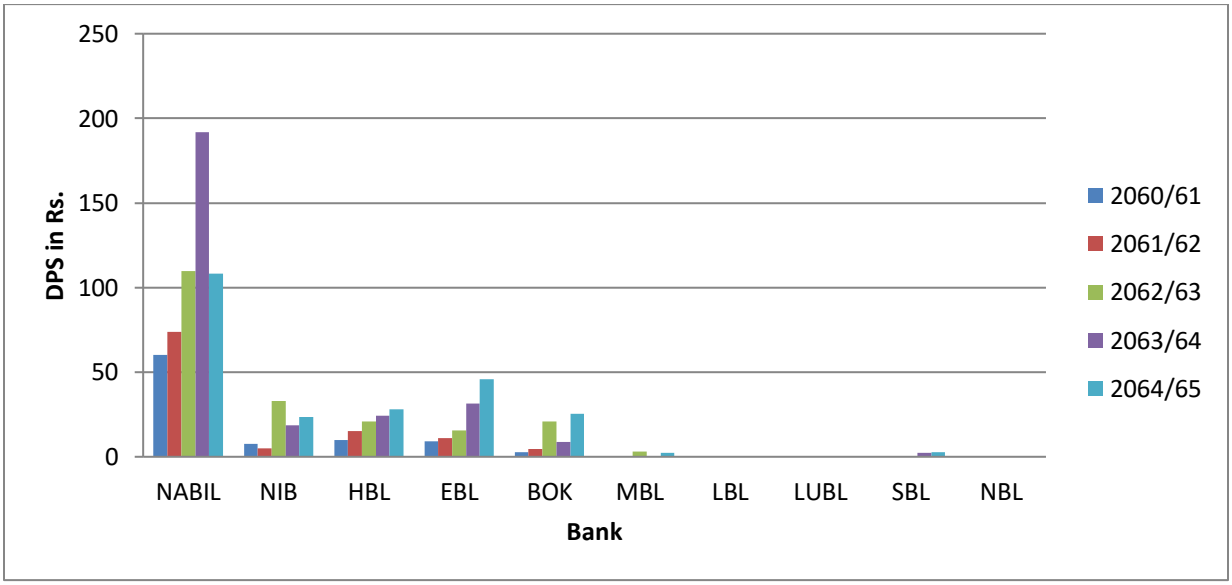
BOK has also paying regular dividend to its shareholders over the study period. It has average DPS Rs. 12.434, SD 10.0876 and CV is 81.1293%, which show that fluctuation in DPS.

SBL has also low average DPS. It has Rs 1.026 average DPS from the year 2063/64 it has paying dividend to its shareholders. Its SD is 1.40974 and CV is 137.402% respectively.

MBL has paid Divided to its shareholder in two times over study period .in year 2062/63 and 2064/65. It has average DPS of Rs. 1.028, SD 1.43441 and CV 139.534%.

Graph 4.1.1.2

Multiple bar diagram showing DPS of sample companies



4.1.1.3 Analysis of Market Price per Share (MPS)

Market price per share is the value of stock, which can be received by firm or equity holders selling it in capital market. The capital market determines MPS. The market price per share depicts the perception of the market relating to the performance of a company. MPS is the current price at which the stock is traded. The following table shows Market price per share of sample companies.

Table 4 .1.3

ANALYSIS OF MPS OF SAMPLE COMPANIES

In Rs.

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	1000	1505	2240	5050	5275	**3014**	**2011.83**	**66.7494**
NIB	940	800	1260	1729	2450	**1435.8**	**669.987**	**46.663**
HBL	840	920	1100	1740	1980	**1316**	**512.523**	**38.9455**
EBL	680	870	1379	2430	3132	**1698.2**	**1050.7**	**61.8712**
BOK	295	430	850	1375	2350	**1060**	**835.097**	**78.7828**
MBL	125	256	320	620	1285	**521.2**	**463.934**	**89.0127**
LBL	156	285	368	690	1113	**522.4**	**384.495**	**73.6016**
LUBL	0	180	172	505	631	**297.6**	**260.932**	**87.6786**
SBL	0	0	360	778	1090	**445.6**	**482.231**	**108.221**
NBL	225	225	225	225	225	**225**	**0**	**0**
Mean	**426.1**	**547.1**	**827.4**	**1514.2**	**1953.1**			

Source: Annual Report 2060/61 - 2064/65

The table and multiple bar diagrams shows the MPS of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table and diagrams it is clear that NABIL has highest average MPS and NBL has lowest one. Considering the SD and CV NBL bank has least variability in MPS because it has constant MPS over the study period.

NABIL has average MPS of Rs. 3014, which is the first position. Its SD is 2011,83 and CV is 66.7494% which indicates there is chance of 66.7494% fluctuation on MPS from its average MPS.

NIB has average MPs of Rs. 1435.8. its SD is 669.987 and its CV is 46.663%, which indicate 46.663% fluctuation on MPS .

The average MPS of HBL is Rs. 1316. Its SD is 512.523 and its CV is 38.9433%, which indicates there is chance of 38.9433 % fluctuation on MPS from its average market price per share. Its MPS is in increasing trend.

EBL falls in second position in respect of average MPS i.e. Rs. 1698.2. Its SD is 1050.7 and CV is 61.8712%, the CV of the bank indicates that there is 61.8712% changes of fluctuation in MPS.

The average MPS of BOK is Rs.1060. its SD is 835.097 and CV is 78.7828% which indicates there is chance of 78.7828% fluctuation on MPS from its average market price per share.

MBL's MPS is in increasing trend over the study period. The average MPS of MBL is Rs. 521.2. its SD is 463.934 and CV is 89.0127%, the CV of the bank indicates that there is 89.0127% changes of fluctuation in market price.

LBL has average MPS Rs. 522.4, MPS trend of the banks is in increasing trend. Its SD is 384.495 and CV is 73.6016% which indicate 73.6016% fluctuate in MPS.

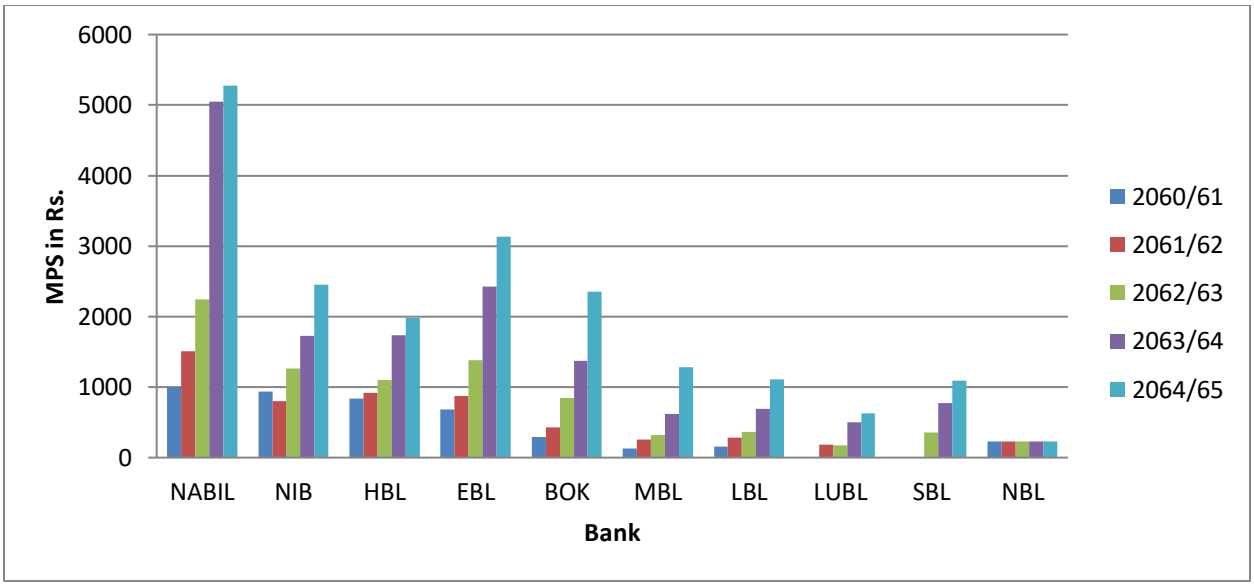
LUBL has no MPS in the FY 2060/61. Its average MPS is Rs.297.6, SD and CV are 260.932 and 87.6786% respectively. Its CV shows that 87.6786% the MPS fluctuate.

SBL's average MPS is 445.6. Its SD is 482.231 and CV is 108.221%. from the point of CV this banks has more CV, which is risky.

NBL's average MPS is Rs 225. MPS is constant over the study period. That's why SD & CV is zero. From the point of risk, this bank has no risk at MPS.

Graph 4.1.1.3

Multiple bar diagram showing MPS of sample companies



4.1.1.4 Analysis of Dividend Payout Ratio (DPR)

Dividend payout ratio (DPR) includes the percentage of actual earnings of the bank received by the ordinary shareholders. Earnings of the firm determine the amount to be paid as dividend to its shareholders. The dividend payout ratio obviously depend on earning, so, greater the earnings more the ability of firm to payout as dividend to its common stock holders. It is calculated by dividing the dividend per share to ordinary shareholders by the earning per share (EPS)

Table 4.1.1.4

ANALYSIS OF DIVIDEND PAYOUT RATIO OF SAMPLE BANK

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	0.65004	0.69997	0.85001	1.39999	1	**0.92**	**0.30124**	**32.7432**
NIB	0.1501	0.12506	0.55468	0.29998	0.40833	**0.30763**	**0.17985**	**58.4617**
HBL	0.2	0.3158	0.34993	0.39993	0.44995	**0.34312**	**0.09476**	**27.6166**
EBL	0.2	0.2	0.25	0.4	0.5	**0.31**	**0.13416**	**43.2787**
BOK	0.1	0.15017	0.47996	0.2	0.42109	**0.27024**	**0.16961**	**62.7624**
MBL	0	0	0.15795	0	0.21063	**0.07372**	**0.10264**	**139.242**
LBL	0	0	0	0	0	**0**	**0**	**0**
LUBL	0	0	0	0	0	**0**	**0**	**0**
SBL	0	0	0	0.15113	0.15789	**0.06181**	**0.08466**	**136.985**
NBL	0	0	0	0	0	**0**	**0**	**0**
Mean	**0.13001**	**0.1491**	**0.26425**	**0.2851**	**0.31479**			

Source: Annual Report 2060/61 - 2064/65

The table and multiple bar diagrams shows the DPR of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table it is clear that NABIL has the highest DPR of 92% where as LBL, LUBL and NBL has DPR zero.MBL has wide range of fluctuation in DPR.

NABIL has more constant DPR of average .92 as SD .030124 and CV shows NABIL has 32.7432 % fluctuate at DPR.

NIB has average DPR of .30763 which is in the third position in the research group. It has policy to give low regular dividend and CV indicates fluctuation in DPR of NIB by 58.4617%.

HBL has fluctuation trend in its DPR. It has average DPR is .34312, SD is .09476 and CV is 27.6166%.

EBL has Average DPR is .31 with SD is .13416 and CV is 43.2787%.

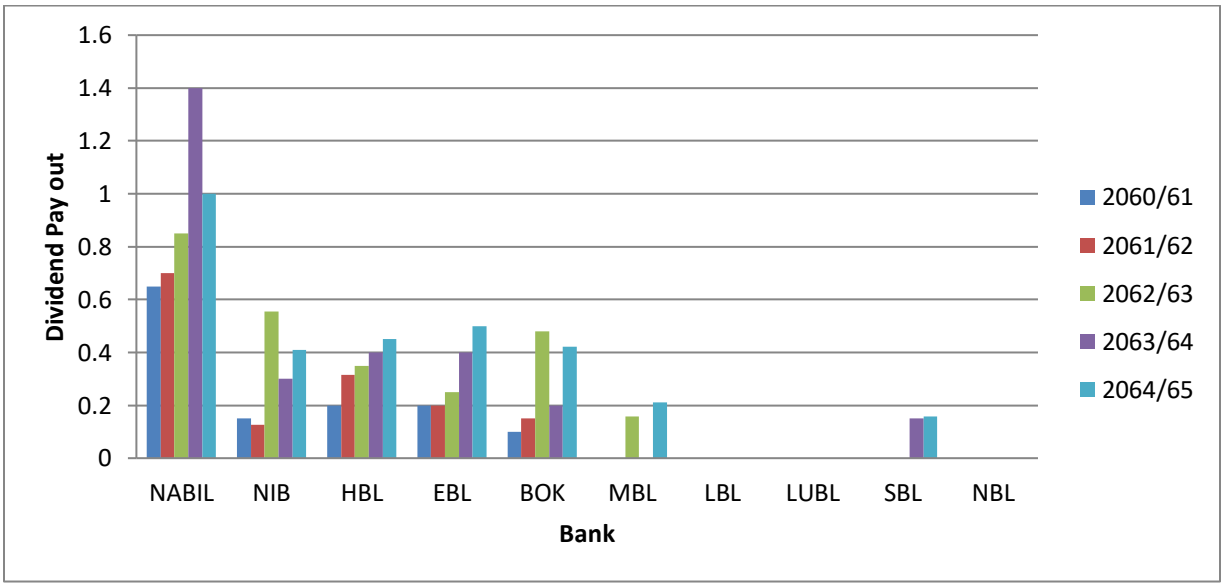
BOK has average DPR is .27024, SD is .16961 and CV is 62.7624%. It has also paid dividends in each year.

MBL & SBL has paid dividend only in two year. Their average DPR is .07372 and .06181. SD are .10264 and .08466 respectively. Similarly CV are 139.242% and 136.985%, being high CV , indicate that probability of less DPR of Dividend in the next year.

High DPR is one hand indicates less future growth and in the other hand it provides positive indications to the market.

Graph 4.1.1.4

Multiple bar diagram showing DPR of sample companies



4.1.1.5 Analysis of Dividend Yield (DY)

Dividend yield for a stock relates the annual dividend to share price. Typically, companies with good growth portion retain a high portion of earnings and have a low dividend yield, whereas companies in more mature companies pay out high portion of their earnings and have a relatively high dividend yield.

Table 4.1.1.5

ANALYSIS OF DIVIDEND YIELD RATIO OF SAMPLE BANK

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	0.0602	0.04906	0.04903	0.038	0.02053	**0.04337**	**0.01498**	**34.5523**
NIB	0.00826	0.00618	0.02613	0.01086	0.00964	**0.01221**	**0.00797**	**65.2749**
HBL	0.01168	0.01645	0.01885	0.01394	0.01426	**0.01503**	**0.00272**	**18.0861**
EBL	0.01341	0.01246	0.01139	0.01291	0.01466	**0.01296**	**0.00121**	**9.30612**
BOK	0.00932	0.01051	0.02466	0.00633	0.01074	**0.01231**	**0.00712**	**57.8488**
MBL	0	0	0.00925	0	0.0017	**0.00219**	**0.00401**	**183.384**
LBL	0	0	0	0	0	**0**	**0**	**0**
LUBL	0	0	0	0	0	**0**	**0**	**0**
SBL	0	0	0	0.00308	0.0025	**0.00112**	**0.00154**	**138.155**
NBL	0	0	0	0	0	**0**	**0**	**0**
Mean	**0.01029**	**0.00947**	**0.01393**	**0.00851**	**0.0074**			

Source: Annual Report 2060/61 - 2064/65

The table and multiple bar diagrams shows the Dividend yield Ratio of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table it is clear that NABIL has the highest average dividend yield 0.04337 and LBL,LUBL and NBL has zero. The SD and CV of NABIL is 0.01498 and 34.5523%. The table and graph shows that the NABIL has declining DY and NIB has average DY is 0.01221, SD is 0.00797 and CV is 65.2749%.

HBL and EBL have more consistent in DY over the study period in compare with other banks. The average DY of HBL is 0.01503, SD is 0.00272 and CV is 18.0861%.

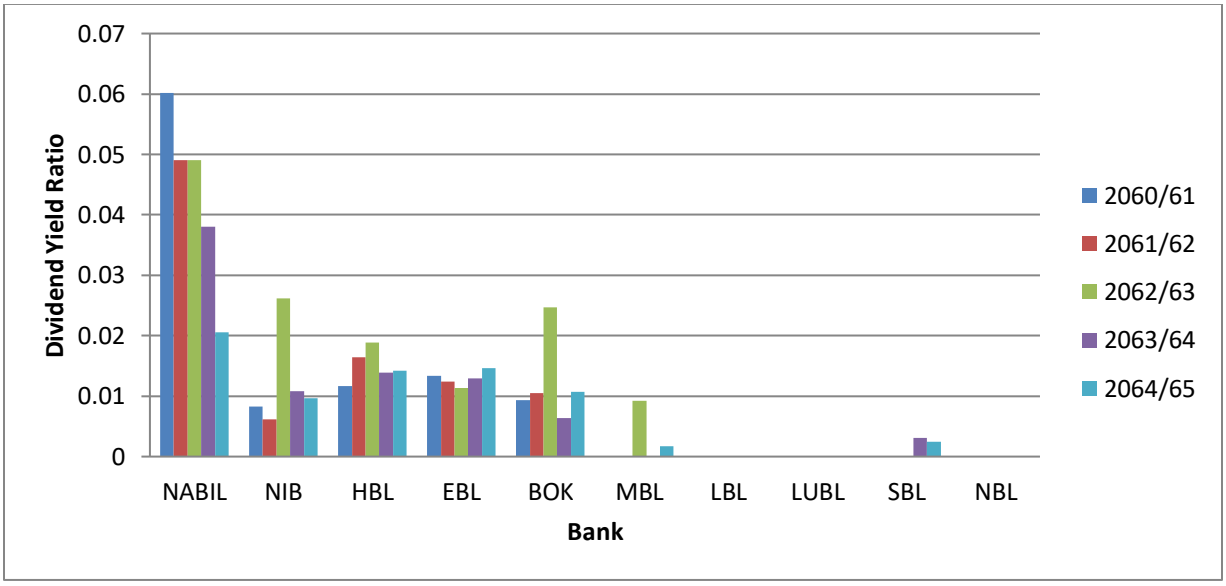
The average DY 0f EBL is .01296, SD is .00121 and CV is 9.30612%.

BOK has average DY .01231, SD is .00712 and CV is 57.8488%. From the point of view of CV its fluctuation lies in fourth position over the study period within sample banks.

MBL & SBL has only two year DY, the average DY of the banks are .00219 and .00112 respectively. The SD and CV of the banks are .00401, 0.00154 and 183.384%, 138.155% respectively. The CV of the both banks is very high. High DY of the banks shows the high return received by the investor of the banks in relation to share price. However these bans are also not better position in respect of DY over the study period because they had paid only two times during the study period.

Graph 4.1.1.5

Multiple bar diagram showing Dividend yield Ratio of sample companies



4.1.1.6 Analysis of Price Earnings Ratio (PER)

PE ratio is the investor's expectation towards the companies' financial performance. It gives the knowledge of financial portion towards owner which also indicated the market appraisals of the different sample banks. Price earnings ratio reflects the price, which is currently paid by the

market for each rupee of currently reported earnings per share. It is calculated by dividing the market value per share by earning per share. Higher the PE ratio, it is better for investors.

Table 4.1.1.6

ANALYSIS OF PE RATIO OF SAMPLE BANK

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	10.8	14.27	17.34	36.84	48.7	**25.59**	**16.398**	**64.0799**
NIB	18.18	20.25	21.23	27.63	42.33	**25.924**	**9.82681**	**37.9062**
HBL	17.12	19.2	18.57	28.69	31.56	**23.028**	**6.60085**	**28.6645**
EBL	14.9	16	22	31	34.1	**23.6**	**8.67496**	**36.7583**
BOK	7.2	14.29	19.46	31.61	39.21	**22.354**	**12.9696**	**58.0193**
MBL	14.72	16.59	17.08	68.74	124.19	**48.264**	**48.1791**	**99.8241**
LBL	82.11	65.69	63.44	64.18	67.66	**68.616**	**7.71415**	**11.2425**
LUBL	0	0	0	15.75	19.18	**6.986**	**9.64253**	**138.027**
SBL	0	0	27.59	48.98	63.04	**27.922**	**28.4434**	**101.867**
NBL	-3.4	1.2	0.49	0.71	3.77	**0.554**	**2.57014**	**463.925**
Mean	**16.163**	**16.749**	**20.72**	**35.413**	**47.374**			

Source: Annual Report 2060/61 - 2064/65

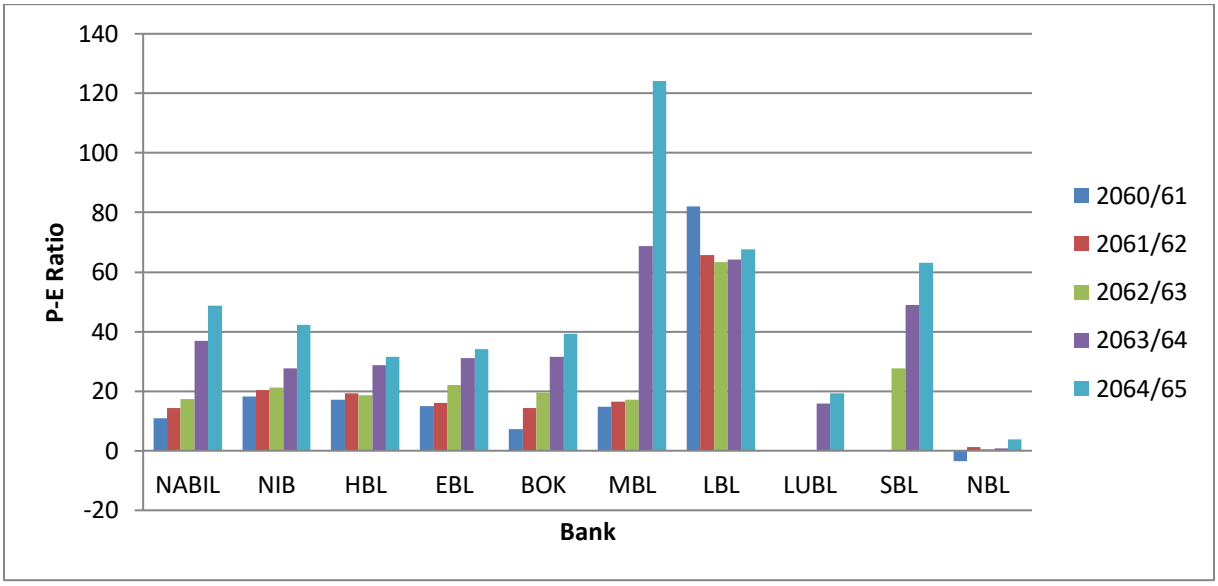
The table and multiple bar diagrams shows the PE Ratio of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table it is clear that the study help us to classify the relationship between earning per share and the market value per share. LBL banks has highest average P/E ratio 68.616, SD is 7.71415 CV is 11.2425% respectively.

NABIL, NIB, HBL, EBL and SBL has similar average mean of price earnings ratio in the study period. But NBL has -3.4 times in the FY 2061/62, however it has also average P/E 0.554.

CV of NBL is highly fluctuating i.e.463.925%.

Graph 4.1.1.6

Multiple bar diagram showing P/E Ratio of sample companies



4.1.1.7 Analysis of Market Value per Share to Book Value per Share (MVPS/BVPS)

This type of ratio indicates such types of price which the market is paying for the price that is reported from the net worth of firm. In other words, we can say that it is the price of the outsiders are paying for each rupees reported by the balance sheet of the banks and finance companies. It is calculated by dividing the market value per share by the book value per share.

Table 4.1.1.7

ANALYSIS OF MVPS to BVPS OF SAMPLE BANK

Name	2060/61	2061/62	2062/63	2063/64	2064/65	Mean	SD	CV
NABIL	0.0602	0.04906	0.04903	0.038	0.02053	**0.04337**	**0.01498**	**34.5523**
NIB	0.00826	0.00618	0.02613	0.01086	0.00964	**0.01221**	**0.00797**	**65.2749**
HBL	0.01168	0.01645	0.01885	0.01394	0.01426	**0.01503**	**0.00272**	**18.0861**
EBL	0.01341	0.01246	0.01139	0.01291	0.01466	**0.01296**	**0.00121**	**9.30612**
BOK	0.00932	0.01051	0.02466	0.00633	0.01074	**0.01231**	**0.00712**	**57.8488**
MBL	0	0	0.00925	0	0.0017	**0.00219**	**0.00401**	**183.384**
LBL	0	0	0	0	0	**0**	**0**	**0**
LUBL	0	0	0	0	0	**0**	**0**	**0**
SBL	0	0	0	0.00308	0.0025	**0.00112**	**0.00154**	**138.155**
NBL	0	0	0	0	0	**0**	**0**	**0**
Mean	**0.01029**	**0.00947**	**0.01393**	**0.00851**	**0.0074**			

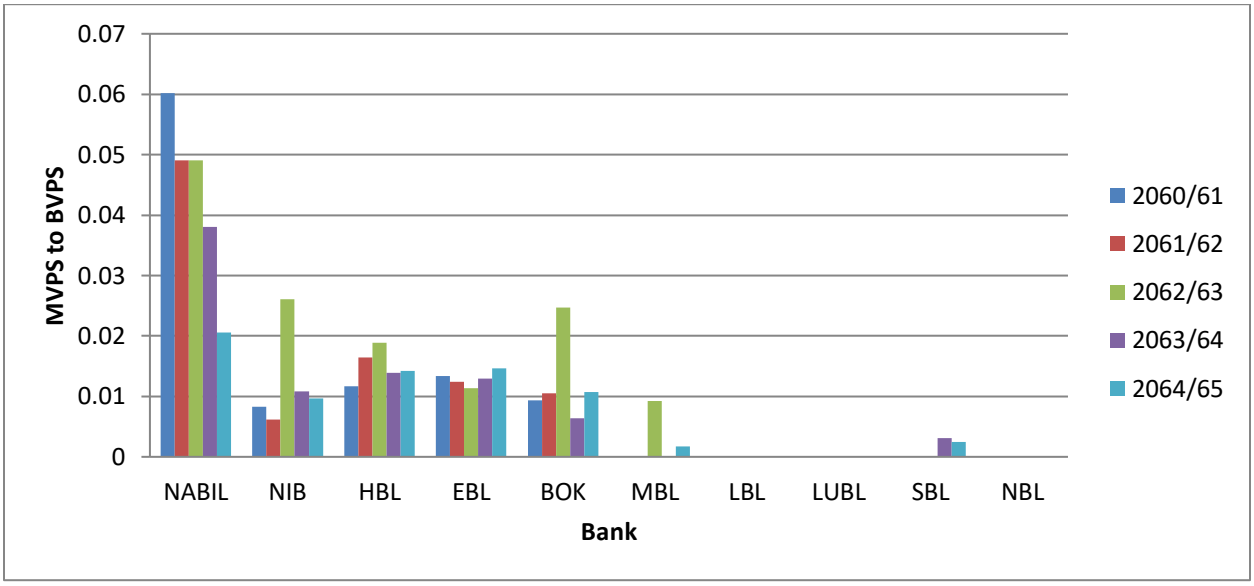
Source: Annual Report 2060/61 - 2064/65

The table and multiple bar diagrams shows the MVPS to BVPS of the ten sample banks from the F.Y. 2060/61 to 2064/65. From the above table it is clear that average MVPS to BVPS ratio of NABIL is highest. So share holders of NABIL get the higher capital gain than other company's shareholders. It has SD 0.01498 and CV is 34.5523%. LBL, LUBL and NBL have zero value. SBL has lowest Mean is 0.00112, SD is 0.00154 and CV is 138.155%, which fluctuate more. From the Viewpoint of CV SBL is second highest risky. Similarly MBL has low mean i.e.0.00219, SD is 0.00401 and CV is 183.384%, which is highest risky in this study as compare to others sample banks during the study period. BOK has mean is 0.01231, SD is 0.00712 and CV is 57.8488%. EBL has 0.01296 average, 0.00121 SD and 9.30612 CV respectively.

By the help of this analysis, this average concludes that in term of market value per share to book value per share ratio, NABIL's performance is better than other sample companies.

Graph 4.1.1.7

Multiple bar diagram showing MVPS to BVPS of sample companies



4.1.2Analysis of Statistical Tools

Financial tools are not sufficient to describe the relationship among the various interrelated variables. So statistical tools are used to make the analysis more research oriented. For this purpose same financial data are used to determine degree of correlation between DPS and EPS and DPS & MPS. Similarly, mean, standard deviation, C.V., coefficient of determination and standard Error are to be determined for the purpose of analysis.

Thus, the direction of relationship between policies upon other variables of the financial institutions can be better explained through the use of simple correlation and simple regression analysis.

The correlation coefficient shows the relationship between two variables. Its value range from -1 for perfect negative correlation up to +1 for perfect positive correlation. To find out the

relationship between DPS & MPS and DPS & EPS. We have computed correlation between these two set of variables.

4.1.2.1. Correlation between DPS & MPS

The correlation between DPS and MPS is illustrated in the table below.

Table 4.1.2.1

Correlation, Coefficient of determination and Probable Error between DPS & MPS

Name	r	(r2)	Relationship	P.E.	Result
NABIL	0.77141	0.59507	Positive Relationship	.12	r>6 P.E, 'r' significance
NIB	0.54138	0.29309	Positive Relationship	.14	r< 6 P.E. 'r' not Significant
HBL	0.92799	0.86117	Positive Relationship	.04	r>6 P.E, 'r' significance
EBL	0.99179	0.98364	Positive Relationship	0	r>6 P.E, 'r' significance
BOK	0.77002	0.59294	Positive Relationship	.12	r>6 P.E, 'r' significance
MBL	0.4018	0.16144	Positive Relationship	.25	r< 6 P.E. 'r' not Significant
LBL	0	0	Zero Relationship	.3	r< 6 P.E. 'r' not Significant
LUBL	0	0	Zero Relationship	.3	r< 6 P.E. 'r' not Significant
SBL	0.94031	0.88418	Positive Relationship	.03	r>6 P.E, 'r' significance
NBL	0	0	Zero Relationship	.3	r< 6 P.E. 'r' not Significant

By the analyzing the correlation coefficient between DPS and MPS of NBL,LBL and LUBL are zero correlated which indicates that the change in dividend payment results do not change in MPS.

NABIL, NIB, HBL, EBL, BOK, MBL and SBL have positively correlated between DPS and MPS. This indicates a change in dividend payment results change in MPS. However there is no evidence of correlation between variations of NIB because r< 6 P.E.

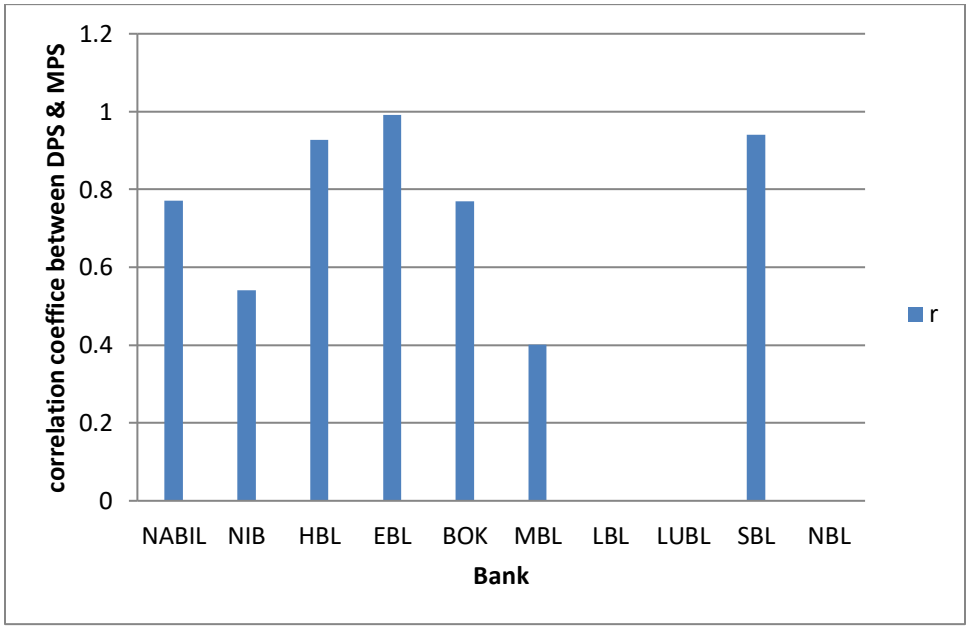
Among the Positive correlated banks EBL and HBL has high positive correlation between DPS and MPS.

If r<6 P.E. “r” is not significance no matter how high r-value is i.e. there is no evidence of correlation between variations.

If r> 6 P.E. the value of “r” significant i.e. correlation is significant.

Graph 4.1.2.1

Correlation between DPS & MPS



4.1.2.2 Correlation between DPS & EPS

Correlation between DPS and EPS is illustrated in the following table.

Table 4.1.2.2

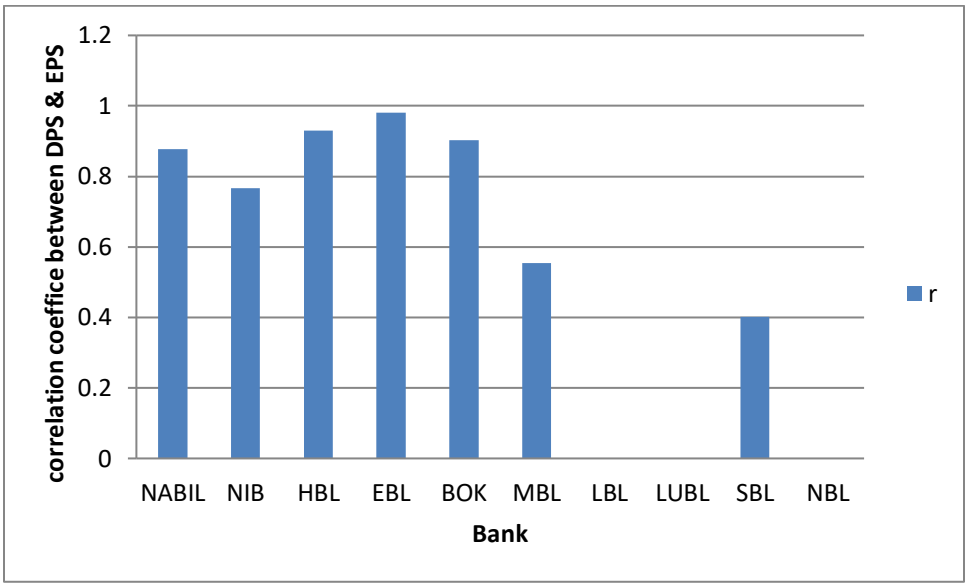
Correlation, Coefficient of determination and Probable Error between DPS & EPS

Name	r	r2	Relationship	P. E	Result
NABIL	0.878	0.77089	Positive Relationship	.007	r>6 P.E, 'r' significance
NIB	0.76638	0.58733	Positive Relationship	.12	r>6 P.E, 'r' significance
HBL	0.92937	0.86374	Positive Relationship	.04	r>6 P.E, 'r' significance
EBL	0.98031	0.96102	Positive Relationship	.01	r>6 P.E, 'r' significance
BOK	0.90357	0.81644	Positive Relationship	.06	r>6 P.E, 'r' significance
MBL	0.55499	0.30801	Positive Relationship	.21	r< 6 P.E. 'r' not Significant
LBL	0	0	Zero Relationship	.3	r< 6 P.E. 'r' not Significant
LUBL	0	0	Zero Relationship	.3	r< 6 P.E. 'r' not Significant
SBL	0.40144	0.16116	Positive Relationship	.25	R<6 P.E, 'r' not significance
NBL	0	0	Zero Relationship	.3	r< 6 P.E. 'r' not Significant

By analyzing the correlation coefficient between DPS and EPS, we found that DPS and EPS of LBL,LUBL and NBL are zero correlated, and rests are positively correlated, which shows these bank's dividend decision largely depends upon the Earning of the bank. However MBL and SBL correlation is not significant because r< 6 P.E.

Graph 4.1.2.2

Correlation between DPS & EPS



4.1.2.3 Correlation between DPS and Other Factors.

Table 4.1.2.3

Correlation and Coefficient of determination between DPS and Other factors

	r EPS & MPS		r DPS & MVPS to BVPS		DPS & PE		DPS & DY		DPS & DPR	
Name	r	r2	r	r2	R	r2	r	r2	r	r2
NABIL	0.53	0.78	-0.47	0.22	0.60	0.36	-0.47	0.22	0.98	0.96
NIB	0.64	0.42	0.84	0.72	0.39	0.15	0.84	0.72	0.99	0.99
HBL	0.86	0.74	0.29	0.05	0.88	0.77	0.23	0.05	0.98	0.96
EBL	0.99	0.98	0.65	0.43	0.96	0.93	0.65	0.43	0.99	0.99
BOK	0.96	0.93	0.52	0.27	0.70	0.49	0.52	0.27	0.96	0.92
MBL	-0.29	0.08	0.86	0.74	0.26	0.07	0.86	0.74	0.93	0.86
LBL	0.99	0.99	0	0	0	0	0	0	0	0
LUBL	0.48	0.23	0	0	0	0	0	0	0	0
SBL	0.45	0.21	0.97	0.95	0.91	0.83	0.97	0.95	0.99	0.99
NBL	0	0	0	0	0	0	0	0	0	0

By analyzing the correlation between EPS and MPS of MBL is negative, NBL is Zero and remain are positive. Correlation between DPS and MVPS to BVPS of NABIL is negative, LBL, LUBL and NBL are Zero and remain are positive. Correlation between DPS and PE of LBL, LUBL and NBL are Zero and remain are positive. Correlation between DPS DY of NABIL is negative, LBL, LUBL and NBL are Zero and remain are positive. Correlation between DPS and DPR LBL, LUBL and NBL are Zero and remain are positive.

4.1.2.4 Analysis of Simple Regression

The regression analysis is used in determining the strength of relationship between two variables. We have used this analysis to describe the average relationship between DPS and MPS and DPS and EPS.

4.1.2.4.1. Regression Analysis of DPS & MPS

To describe the average relationship between DPS and MPS. We have performed the regression analysis of all sample banks. In this analysis, we have performed the regression analysis assuming that MPS is depended on cash dividend DPS. The summary of the regression analysis is presented in the table below.

Table 4.1.2.4.1

Simple regression analysis between DPS & MPS

Name	Intercept (a)	Slope (b)
NABIL	-283.31	30.3012
NIB	880.8141	31.5246
HBL	37.3026	65.1333
EBL	200.413	66.3149
BOK	267.384	63.7459
MBL	387.607	129.954
LBL	0	0
LUBL	0	0
SBL	115.586	321.651
NBL	0	0

From the above analysis we found that, the intercept (b_0) of NABIL is negative,. This means decrease in DPS for any change in MPS.

But LBL, LUBL and NBL have intercept zero. Their intercept are the average price of MPS when DPS are zero.

The intercept (b_0) of NIB, HBL, EBL, BOK and MBL are positive. These prices represented the average increase in DPS for any increase in MPS.

4.1.2.4.2 Regression Analysis of DPS & EPS

To describe the average relationship between DPS and EPS, we have performed the regression analysis of all the sample companies. In this analysis, we have performed the regression analysis assuming the DPS is depended on EPS. The summary of the regression analysis is presented in table below.

Table 4.1.2.4.2

Simple regression analysis between DPS & EPS

Name	Intercept (a)	Slope (b)
NABIL	-174.19	2.47086
NIB	-34.8222	0.96731
HBL	-35.236	0.98118
EBL	-32.53	0.82801
BOK	-16.333	0.70263
MBL	-1.1764	0.17768
LBL	0	0
LUBL	0	0
SBL	0.46904	0.04851
NBL	0	0

From the above analysis we found that, the intercept (b_0) of SBL is positive i.e. 0.46904,. This value is the average price of DPS when EPS are Zero.

But LBL, LUBL and NBL have intercept zero. Their intercept are the average price of DPS when EPS are zero.

The intercept (b_0) of NABIL,NIB, HBL, EBL, BOK and MBL are negative. These prices represented the average decrease in DPS for any increase in EPS.

4.2 Analysis of Primary Data

Along with secondary data, primary data were taken to justify the study in the topic. A questionnaires method was implemented for this purpose.

The Nepalese stock market is making progress through steady, as compared to the performance of previous years. They think that the main reasons for the public response to be high are due to lack of opportunities for the investment in other sectors. The liquidity position of Nepal is also high this could have also led to high public response to share application. We do not have proper analysis to make and people invest in shares looking at the market situation, and by making some while guesses public are attracted towards share market than other companies gain or bonus shares. For this study, 5 Banks, 5 experts (including 1brokers, 1 Gov. representative, 1 NRB representative, 1 SEBON representative and 1 NEPSE representative) and 10 investors are taken as sample.

1.) Growth of Dividend Policy in Nepal

Table 4.2.1

Respondent	A	B	C	D	E	Total no. of Respondents
Bank Officials	1	4	0	0	0	5
Investors	1	8	0	0	1	10
Experts	2	3	0	0	0	5
Total						20

Source: Field Survey 2009

When asked about growth of dividend policy in Nepal, 75% of the respondents said it was growing slowly, 20% of them said that it was under developed and 5% said others.

2) Satisfaction with the Growth Trend

Table 4.2.2

Respondent	Yes	No	Total no. of Respondents
Bank Officials	3	2	5
Investors	9	1	10
Experts	2	3	5
Total			20

Source: Field Survey 2009

The growing trend seems to be satisfying to 70 % of respondents. According to them, it is increasing gradually, and by analyzing the growth trend of past years. 30% said no comparing the similar market else where it is still growing very slowly.

3) Problems Faced in Stock Market

Table 4.2.3

Respondent	Yes	No	Total no. of Respondents
Bank Officials	4	1	5
Investors	7	3	10
Experts	1	4	5
Total			20

Source: Field Survey 2009

The problems are being faced in the stock market is that 60% of the respondents is saying and 40% did not face any kind of problems because in this category they do not analyzed the market trends. Experts and most of the investors faced there is no proper and authentic information available.

4) Awareness of the Investor for the Dividend Policy

Table 4.2.4

Respondent	A	B	C	D	E	Total no. of Respondents
Bank Officials	1		4			5
Investors	1		9			10
Experts	1		3		1	5
Total						20

Source: Field Survey 2009

According to the response, 80% thought that very few people are aware about the dividend policy of particular company, 15% think that they are aware and 5% of them that a majority of them are well aware.

5) Direction of the Stock Market

Table 4.2.5

Respondent	Yes	No	Total no. of Respondents
Bank Officials	3	2	5
Investors	7	3	10
Experts	3	2	5
Total			20

Source: Field Survey 2009

According to the response, 65% thought that the stock market is heading towards the right direction, because stock market is getting better and better in all aspects and is improvising from the previous mistakes. But 35% of them think that no stock market is not heading towards the right direction, there is no improvement from the mistakes.

6) Market Improve Situation

Table 4.2.6

Respondent	A	B	C	D		Total no. of Respondents
Bank Officials	2	1		2		5
Investors	4	4	1	1		10
Experts	3	1	1			5
Total						20

Source: Field Survey 2009

When asked about to changed policy, method of trading pattern and time duration, 45% of them suggest that by changing the policy it would be improved. 30% of them suggest that by changing issuing method it would be improved, 10% of them suggest that it should improved by changing pattern, and 15% of them suggest that by changing trading time and duration it should change.

7) Existing Laws and Market Growth

Table 4.2.7

Respondent	Yes	No	Total no. of Respondents
Bank Officials	2	3	5
Investors	6	4	10
Experts	2	3	5
Total			20

Source: Field Survey 2009

50% though that the existing laws relating to dividend policy are not sufficient for healthy growth of dividend policy

8) Relationship between EPS & DPS

Table 4.2.8

Respondent	Yes	No	Total no. of Respondents
Bank Officials	4	1	5
Investors	8	2	10
Experts	3	2	5
Total			20

Source: Field Survey 2009

There is a relationship between bank EPS and DPS is what 75% respondents has to say. They think that if low EPS there is less DPS. 25% of them said that no there is no relationship between EPS and DPS.

9) Reason for Investment in Shares

The people want to invest in share to have profit but at the same time to have a good knowledge of the stock, stock market and stock trading & also for experience. People need to analysis the financial position of the firm before subscribing and not go with the rumors and wrong information prevailing in the market. The need to look for the best alternative they can get within the given time frame.

4.3 Major Findings

The major findings from the analysis of primary and secondary data are summarized as following:

- NBL has highest EPS and lowest (negative) of LUBL. Without considering the rate of fluctuation the analysis of EPS cannot be completed for this so that we have observed the C.V. The data related to the year shows that HBL, NABIL and NIB have less risky respectively. This implies that there is less fluctuation in the EPS.
- Average DPS of NABIL, is the highest Rs. 108.818 dividend per share and LBL, NBL and LUBL has not paid dividend during the study period. SBL has started to give DPS from 2063/64.
- NABIL has average MPS of Rs. 3014, which is the first position. Its SD is 2011,83 and CV is 66.7494% which indicates there is chance of 66.7494% fluctuation on MPS from its average MPS.
- NABIL has the highest DPR of o.92 where as LBL, LUBL and NBL has DPR zero.MBL has wide range of fluctuation in DPR. HBL has more constant DPR of average .3412 as SD .09476 and CV shows HBL has 27.6166% fluctuate at DPR.
- High DPR is one hand indicates less future growth and in the other hand it provides positive indications to the market.
- NABIL has the highest average dividend yield 0.04337 and LBL,LUBL and NBL has zero. The SD and CV of NABIL is 0.01498 and 34.5523%. The table and graph shows that the NABIL has declining DY and EBL has consistency in DY, with the average DY is 0.01296 , SD is 0.00121 and CV is 9.30612%

- High DY of the banks shows the high return received by the investor of the banks in relation to share price. However these bans are also not better position in respect of DY over the study period because they had paid only two times during the study period.
- By the help of market value per share to book value per share ratio, NABIL's performance is better than other sample companies.
- There is lack of legal rules binding companies to pay dividend, when they are running at profit. There are not only companies that have clear policy towards dividend decision & also there is no clear provision in the company act 2063.
- There is no stable dividend policy adopted by the companies. In many cases a small amount of dividend is paid without considering risk free rate of return. The price of shares on which the dividend is not paid is on upward trend. So, management is playing active role in determining dividend instead of shareholders collective option.
- Although total earning after tax is increasing every year, EPS is highly fluctuating due to issue of bonus shares. This type of fluctuating EPS could not be clear to the public.
- There is no specific dividend payment strategy is seemed to be followed by the sample companies. Payment of cash and stock dividend are made without wise managerial decision.
- Out of listed companies in Nepal Stock Exchange ltd. there are no any company adopting a dividend policy. These companies are adopting unstable, inadequate and unequal payout ratio. But Joint venture banks are paying regular dividend. However there is not even treatment of dividend payment to the shareholders and staff bonus. This has also caused inconsistency in retention policy with financial plans.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Dividend distribution is the very important factors to any organization for effective goal achievement to satisfy the shareholders. Actually, paying dividend to shareholders an effective way to attract new investors to invest in share. Due to of earning of a company between dividend payout and retention of earning its effect on market value of shares is a crucial question. So, a wise policy should be maintained between shareholders interest and corporate growth from internally generated funds. The funds sometimes could not be used in case of lack of investment opportunities. In such a situation distribution of dividend to shareholders. It is taken as best because shareholders have greater investment opportunities.

Dividend service it's a simple, comprehensive signal of management's interpretation of the firm recent performance and its future prospects. Dividend refers to that portion of a firm's net earning which are paid out to the shareholder in return of their investment. Paying dividend to shareholder is an effective way to attract new investors to invest share. Most of the things about dividend policy and brief introduction of this study have been already presented in the first chapter. The available literature related to dividend policy is reinvested. Moreover, research methodology is described in third chapter. All the available data are presented and analyzed in the fourth chapter. In the final chapter, an attempt has been made to present summary, findings, conclusion and recommendation.

Dividend policy determines the decision of earnings between payment to shareholders and reinvestment in the firm. Dividends as returns to shareholders are quoted on annual basis. Firms pay dividend in two forms; cash and stock. Cash dividends are widely used form of dividend. Few banks has pay stock dividend too. In this study cash and stock divided had entertained. Various factors such as legal rules, liquidity position, earnings, investment needs, and tax position of shareholders influence the dividend policy.

This research mainly aims at analyzing the dividend policies of different listed banks and identifies the regulatory of dividend distribution of different listed banks. Among 25 commercial banks, ten commercial banks are selected for the study. The main objective of the study to see the relationship among various financial indicators as DPS, EPS, MPS, DP Ratio, P/E Ratio, and Dividend yield, MVPS, MVPS to BVPS. The study has revealed the following facts.

Since 1984, when the GOV. has adopted economic liberalization and open market policy, many commercial banks are established in Nepal. Joint venture banks and commercial banks get appropriate environment to expand their activities. The shareholders have a high desire and expectation that market price of share will be higher than net worth and getting high percent of dividend from earnings. So distributing dividend to the shareholders is an effective way to achieve the trust of investors and encouraged them for invest in share.

Nepal has not sufficient rules and regulation to control the financial institution. By the same way, commercial banks of Nepal have not satisfactory result about dividend decision. In practice, every firm has followed own types of dividend policies. The relationship between dividend and

market price per share should be like that of nail and meat. But the relation is not good in situation under develop capital market like Nepal. Dividend distribution is not matching with the earning of commercial banks. Similarly, no proper relationship between dividend and market value per share exist. Company with lower returns records rigid price whereas company making sound return don't become rigid in price of share. Thus the return of the company is not reflecting the market price of share.

In Nepal, there are only a few companies that pay dividend to shareholders. Commercial bank especially joint venture banks have sufficient earnings and they are able to pay dividend. But they are not following appropriate policy to distribute dividend. In fact, all the banks have sufficient earnings but they are not distributing the dividend in equal position. They have not followed the consistency in dividend distribution policy and we could not get uniformity of dividend payout ratio in these sample banks.

Since Nepalese stock market is not perfect competitive. Share price of stock do not moves as per the risk and return of that share. Therefore it has also found that the correlation coefficient between DPS and MPS of some of the banks are negatively correlated. Correlation coefficient between DPS and EPS it has been found that EPS and DPS of all banks are positively correlated. Which obviously proves the higher earning enables the banks higher dividend and vice versa.

The situation of the capital market of Nepal is improving day by day. As a result , the capital market is efficient with compare to previous years. But it is reality that capital market of Nepal is still immature.

Nation's economic conditions are affected by the political activities of that country. The political instability of our country badly affected the economic activities of our country. Since last five years now, there is feebleness in our countries industry, export, tourism as well as every business due to various national and international incidents. They have not been succeeding to reach in their targets. Unless, the economic developments in nation take good motion, the financial are cannot be dynamic.

5.2 Conclusion

The above mentioned summary has lead this study to conclude that earning per share of banks are increasing which indicates that banks in Nepal are doing well.

Commercial banks of Nepal prefer cash dividend rather than stock dividend because it is easy and low operation cost to distribute likewise they prefer to provide fair return to shareholders.

The sample banks have got sufficient earnings but some of the banks are paying high dividend while other are paying low dividend. Other things remaining the same, financial position of high dividend paying banks is comparatively better than that of low dividend paying banks.

Comparatively dividend per share is not restively more stable that the dividend payout ratio. Market value per share is affected by dividend.

A wide policy should be mentioned between shareholders interest and corporate growth from internally generated funds. The funds sometimes could not be used in case of lack of investment opportunities. In such a situation, distribution of dividend to shareholders in taken as best because shareholders have greater investment opportunities to employ elsewhere.

Share price in Nepal affected by various other factors rather than the earnings and dividend of those banks.

Last but not least, the sample banks have not clearly defined dividend policy and they have not followed the consistency in dividend distribution policy so that there are various result and not uniformity of DPR of the sample banks.

In conclusion, uncontrollable growth in number of commercial banks as well as financial institutions within a short span of time has raised reasonable doubts among the common people. By the analysis of investment activities, it is noticed that only few institutions have aggressive investment strategy with compare to conservative strategy among most of the financial institutions. On the whole, over this period, the scale of operation has expanded many times which makes more earnings every year. Though the earnings, all the financial institutions are able to distribute dividend and able to expand their activities. But , yet to be done much more than this for the satisfaction of shareholders as well as overall growth of nation's economy.

5.3 Recommendations

This study is basically to analyze the dividend policy of commercial banks therefore various aspects of commercial banks have been scrutinize to come into conclusion. All banks have their own resources structure and in the basis of that resources management try to get optimal result. Various managerial skill as we as other set ups obviously effect the banking progress therefore it is essential to analysis the performance of banks by bringing the common variables of all banks in similar respect and draw conclusion.

In the context of the financial institutions of Nepal, the theoretical framework of dividend policy and also empirical testing through the use of financial and statistical tools reveal the mixture of applicability in some instances and less than true results in few other instances. But even than on the whole observation, the study of this type proves useful to give few suggestion in package from is important to make study of this type meaningful.

This study has tried to find out some real facts about dividend policy and other inter related variables with dividend policy of different commercial banks. Based on the findings, summary, and conclusion following recommendations have been provided.

- Banks are paying dividend without adopting any appropriate policy. Banks should have their clearly defined dividend policy. Clearly defined dividend policy helps to determine specific policy i.e. stable dividend or constant payout ratio or low regular plus extra. What should be the long run dividend payout ratio. Either it is pure residual policy, fixed dividend payout policy should have been clearly explained. This short of policy helps to investor in deciding whether to buy or not the share of the particular company. It also helps to build good image stock market. This kind of policy should be passed only on the conscious of shareholders. The tendency of management interference in policy matters should be eliminated.
- Most of the banks have great fluctuation on dividend per share, earning per share, dividend yield, dividend payout ratio, and price earning and share price in term of coefficient of variation. Such fluctuation increases in risk position of investors. Therefore, company should to stabilize these variables.
- There is lack of rules binding companies to pay dividend. The legal rules for the treatment of dividend are most for the smooth growth of national economy. Some

regulating acts are silent on these matters most of the companies are paying dividend less than interest rate paid by the commercial banks. In this situation, it is necessary to enact legal rules that bind companies to pay dividend and that regulates and market self functioning to the stock market for this purpose.

- Companies should have long term vision regarding earning and dividend payment that helps to cope with challenging competitive situation of present world. Companies should define their vision clearly considering their future plans, expansion in business, future economy of the county. Considering various internal and external factors, companies should choose whether to adopt stable dividend policy or constant payout ratio or low plus extra or leaving dividend as residual.
- One organization should be the intellectual shareholders for working in favor of Nepalese investors. This should be reorganization to promote the activities and to protect the interest of investors. There are not any other organizations fully develop to protect investor's interest.
- The fluctuation in EPS and DP ratio of the banks seems higher. It may cause confusion in the mind of investors. This short of fluctuation in earning and payout ratio clearly indicates that banks do not have their target rat of earning and payout ratio. In this situation, banks are advice to have target rate of earning and target ratio that will help banks to build good image in stock market and investors will be ease on making investment decision.
- Each and every company should provide the information regarding their activities and performance, so that investors can analyze the situation and invest their money in the best

company. Therefore, concerning body should timely provide all information about this factor.

- Having seen the history of dividend paying companies, it is seen that the profit after tax is the main base for distributing the dividend. Thus, it is suggested that investor who want to purchase the equity share and immediate return should invest the share of higher profit earning companies.
- The activities of NEPSE and SBON should make wide and these organizations should be revitalized equipping them with facilities.
- In every organization the manager should be able to return than dates and responsibilities and to protect shareholders interest but not for operation of the company desired by themselves. Organization should be formed by the intellectual shareholders for working in favor of Nepalese investors, which should be recognized by the government. The government should encourage this kind of organization to promote the activities and to protect the interest of investor's interest. Investor should be well informed and communicate about dividend policy and other variable information by arranging talk programmed publishing pamphlets ads using public communications means for awareness of the investors.
- Govt. must impose a minimum dividend obligation policy through suitable pragmatic legislative measure to ensure protection in the form of dividend payment to investors in general.
- The Govt. should provide facilities to improve the efficiency of the financial institutions and reduce the interference in daily affair.

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Appendix A

1. Sample calculation of Mean of NABIL

Year	EPS (X)
2060/61	92.61
2061/62	105.49
2062/63	129.21
2063/64	137.08
2064/65	108.31
Sum of Total Value	$\sum X = 572.70$

$$\text{Mean } (\bar{X}) = \frac{\text{Sum of Total Value}}{\text{Number of Value}}$$

$= \frac{\sum X = 572.70}{5}$
$= 114.54$

2. Sample calculation of Standard Deviation of NABIL

Year	EPS (X)	$(X - \bar{X})$	$(X - \bar{X})^2$
2060/61	92.61	-21.93	480.92
2061/62	105.49	-9.05	81.9
2062/63	129.21	14.67	215.21
2063/64	137.08	22.54	508.05
2064/65	108.31	-6.23	38.81
Sum of Total Value	$\sum X = 572.70$		$\sum (X - \bar{X})^2 = 1324.89$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{n-1}}$$

$= \sqrt{\frac{1324.89}{5-1}}$

$= 18.1996$

3. Sample calculation of C V of NABIL

$$C.V. = \frac{\text{Standard Deviation}}{\text{Mean}} \times 100$$

$$= \frac{18.19996}{114.54} \times 100$$

= 15.8893 %

4. Sample calculation of simple correlation of NABIL between DPS & MPS

Year	DPS (X_1)	MPS (X_2)	X_1X_2	X_{1^2}	X_{2^2}
2060/61	60.2	1000	60200	3624	1000000
2061/62	73.84	1505	111129	5452	2265025
2062/63	109.83	2240	246019	12063	5017600
2063/64	191.91	5050	969146	36829	25502500
2064/65	108.31	5275	571446	11731	27825625
	$\sum X_1 = 544.09$	$\sum X_2 = 15070$	$\sum X_1X_2 =$ 1957940	$\sum X_{1^2} =$ 69699	$\sum X_{2^2} =$ 61610750

$$r = \frac{n \sum X_1X_2 - \sum X_1 \sum X_2}{\sqrt{n \sum X_{1^2} - (\sum X_1)^2} \quad \sqrt{n \sum X_2{}^2 - (\sum X2)^2}}$$

$$= \frac{5\ X\ 1957940 - 544.09\ X\ 15070}{\sqrt{5\ X\ 69699 - (544.09)^2} \quad \sqrt{5\ X\ 61610750 - (15070)^2}}$$

= 0.77141

5. Sample calculation of coefficient of determination of NABIL

Coefficient of determination $= r^2$

= .59507

Annex B- Earning Per Share

in Rs.

Name	2060/61	2061/62	2062/63	2063/64	2064/65
NABIL	92.61	105.49	129.21	137.08	108.31
NIB	51.7	39.5	59.35	62.57	57.87
HBL	49.05	47.91	59.24	60.66	62.74
EBL	45.6	54.2	62.8	78.4	91.82
BOK	27.5	30.1	43.67	43.5	59.94
MBL	8.49	15.43	18.74	9.02	10.35
LBL	1.9	4.34	5.8	10.75	16.45
LUBL	5.33	-39.35	-161.21	32.07	32.91
SBL	-8.89	20.08	13.05	15.88	17.29
NBL	66.18	186.76	455	317	59.66

Annex C- Dividend Per Share

in Rs.

Name	2060/61	2061/62	2062/63	2063/64	2064/65
NABIL	60.2	73.84	109.83	191.91	108.31
NIB	7.76	4.94	32.92	18.77	23.63
HBL	9.81	15.13	20.73	24.26	28.23
EBL	9.12	10.84	15.7	31.36	45.91
BOK	2.75	4.52	20.96	8.7	25.24
MBL	0	0	2.96	0	2.18
LBL	0	0	0	0	0
LUBL	0	0	0	0	0
SBL	0	0	0	2.4	2.73
NBL	0	0	0	0	0

Annex D- Market Price per Share

in Rs.

Name	2060/61	2061/62	2062/63	2063/64	2064/65
NABIL	1000	1505	2240	5050	5275
NIB	940	800	1260	1729	2450
HBL	840	920	1100	1740	1980
EBL	680	870	1379	2430	3132
BOK	295	430	850	1375	2350
MBL	125	256	320	620	1285
LBL	156	285	368	690	1113
LUBL	0	180	172	505	631
SBL	0	0	360	778	1090
NBL	225	225	225	225	225

Annex E- Dividend Payout Ratio

Name	2060/61	2061/62	2062/63	2063/64	2064/65
NABIL	0.65004	0.69997	0.85001	1.39999	1
NIB	0.1501	0.12506	0.55468	0.29998	0.40833
HBL	0.2	0.3158	0.34993	0.39993	0.44995
EBL	0.2	0.2	0.25	0.4	0.5
BOK	0.1	0.15017	0.47996	0.2	0.42109
MBL	0	0	0.15795	0	0.21063
LBL	0	0	0	0	0
LUBL	0	0	0	0	0
SBL	0	0	0	0.15113	0.15789
NBL	0	0	0	0	0

Annex F – Dividend Yield Ratio

Name	2060/61	2061/62	2062/63	2063/64	2064/65
NABIL	0.0602	0.04906	0.04903	0.038	0.02053
NIB	0.00826	0.00618	0.02613	0.01086	0.00964
HBL	0.01168	0.01645	0.01885	0.01394	0.01426
EBL	0.01341	0.01246	0.01139	0.01291	0.01466
BOK	0.00932	0.01051	0.02466	0.00633	0.01074
MBL	0	0	0.00925	0	0.0017
LBL	0	0	0	0	0
LUBL	0	0	0	0	0
SBL	0	0	0	0.00308	0.0025
NBL	0	0	0	0	0

Annex G - Price Earning Ratio

Name	2060/61	2061/62	2062/63	2063/64	2064/65
NABIL	10.8	14.27	17.34	36.84	48.7
NIB	18.18	20.25	21.23	27.63	42.33
HBL	17.12	19.2	18.57	28.69	31.56
EBL	14.9	16	22	31	34.1
BOK	7.2	14.29	19.46	31.61	39.21
MBL	14.72	16.59	17.08	68.74	124.19
LBL	82.11	65.69	63.44	64.18	67.66
LUBL	0	0	0	15.75	19.18
SBL	0	0	27.59	48.98	63.04
NBL	-3.4	1.2	0.49	0.71	3.77

Annex H – Correlation between DPS & MPS

Name	r	r2
NABIL	0.77141	0.59507
NIB	0.54138	0.29309
HBL	0.92799	0.86117
EBL	0.99179	0.98364
BOK	0.77002	0.59294
MBL	0.4018	0.16144
LBL	0	0
LUBL	0	0
SBL	0.94031	0.88418
NBL	0	0

Annex I – Correlation between DPS & EPS

Name	R	r2
NABIL	0.878	0.77089
NIB	0.76638	0.58733
HBL	0.92937	0.86374
EBL	0.98031	0.96102
BOK	0.90357	0.81644
MBL	0.55499	0.30801
LBL	0	0
LUBL	0	0
SBL	0.40144	0.16116
NBL	0	0

Annex J – Correlation between DPS & Other Factors MPS

	EPS & MPS		DPS & MVPS to BVPS		DPS & PE		DPS & DY		DPS & DPR	
Name	r	r2	r	r2	R	r2	r	r2	r	r2
NABIL	0.53	0.78	-0.47	0.22	0.60	0.36	-0.47	0.22	0.98	0.96
NIB	0.64	0.42	0.84	0.72	0.39	0.15	0.84	0.72	0.99	0.99
HBL	0.86	0.74	0.29	0.05	0.88	0.77	0.23	0.05	0.98	0.96
EBL	0.99	0.98	0.65	0.43	0.96	0.93	0.65	0.43	0.99	0.99
BOK	0.96	0.93	0.52	0.27	0.70	0.49	0.52	0.27	0.96	0.92
MBL	-0.29	0.08	0.86	0.74	0.26	0.07	0.86	0.74	0.93	0.86
LBL	0.99	0.99	0	0	0	0	0	0	0	0
LUBL	0.48	0.23	0	0	0	0	0	0	0	0
SBL	0.45	0.21	0.97	0.95	0.91	0.83	0.97	0.95	0.99	0.99
NBL	0	0	0	0	0	0	0	0	0	0

Date: 7th Feb.2009

Dear Sir/Madam,

I hereby request you to fill up the questionnaire collecting the precious data from your side which will be helpful for facilitating the research conducted for the partial fulfillment of the requirement valuable for the MBS degree. This research topic is related to the ***"Dividend Policy of Commercial Banks in Nepal"***

The views taken will be used merely for the study only. The views will be kept confidential and will not be published anywhere. I would like to request to provide your valuable answers to the research problems.

Your cooperation will be helpful to complete this study successfully.

If you have any queries about this questionnaire or would like further information about this research, please Contact:

Thank you!

Shivaraj Dhital
(Researcher)
Master of Business Studies
Shanker Dev Campus, T.U.
Ph: 4419769, Mobile: 9841237438
E-mail: dhital1@hotmail.com

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About the Respondent

Company Name……..

Address:…….…… Contact No.:……

Name of respondent…….…….……..……..

Designation……. Signature of Respondent……

HOW TO COMPLETE THIS QUESTIONNAIRE

This Questionnaire is designed to make completion as easy and fast as possible. Please put the tick marks (√) on the right answer by using ranking method and put your view on opened ended question.

Questions

1. How do you assess the growth of dividend policy in Nepal?

A. Under developed B. Growing slowly

C. Growling rapidly D. Well developed

E. Any other

2. Are you satisfied with the growth trend?

A. Yes B. No

3. Have you faced any problem in stock market?

A. Yes B. No

4. Do you think that people are well aware about dividend policy of a particular company?

A. Yes B. No

C. Very few D. A majority of them

5. Do you think that the stock market is heading towards the right direction?

A. Yes B. No

6. What should be done to improve the situation?

A. By changing policy
B. By changing issuing method
C. By changing trading pattern
D. By changing trading time and duration.

7. Do you feel that existing laws relating to dividend policy are sufficient for healthy growth?

A. Yes B. No

8. Do you think there is a relationship between EPS & DPS?
A. Yes B. No

9. In your opinion, what are the reasons for people to invest in shares?

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THANK YOU FOR YOUR TIME & EFFORT TO COMPLETE THIS QUESTIONNAIRE!