DIVIDEND POLICY
OF
SELECTED LISTED COMMERCIAL BANKS

Submitted by

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Table of Contents

Contents **Page No.**

LIST OF TABLES

LIST OF FIGURES

ABBREVIATION

%	-	Percent
ABBS	-	Any Branch Banking System
ATM	-	Automated Teller Machine
CSR	-	Corporate Social Responsibility
DPR	-	Dividend Payout Ratio
DPS	-	Dividend Per Share
DY	-	Dividend Yield
EBL	-	Everest Bank Limited
EPS	-	Earning Per Share
EY	-	Earning Yield
FY	-	Fiscal Year
HBL	-	Himalayan Bank Limited
i.e	-	That is
MBL	-	Machhapuchchhre Bank Limited
MPS	-	Market Price Per Share
NABIL	-	Nepal Arab Bank Limited
NRB	-	Nepal Rastra Bank
PER	-	Price Earning Ratio
PNB	-	Punjab National Bank
R	-	Correlation Coefficient
R^2	-	Coefficient of Determination
SCBNL	-	Standard Chartered Bank Nepal Limited
WTO	-	World Trade Organization

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

A bank is an institution, which deals in money, receiving it on deposit from customers, honoring customer's drawings against such deposits on demand, collecting cheques for customers and lending or investing surplus deposits until they are required for repayment. In the present days, various types of banks are established, for instance, industrial bank, agricultural bank, joint stock bank, co-operative bank and development bank. Modern banks are more advanced than the ancient ones. This is because of the growth in population, changes occurred in the industrial field and trade, the beginning of the competitive age and changes in the people's ideology and due to the dependence on each other.

In fact, present banking system is the result of the development of many centuries. When we talk of the wonderful scientific inventions, banking also comes to be as a wonder of the modern world.

Generally, an institution established by law, which deals with money and credit is called bank. It is obvious that in a common sense, an institution involved in monetary transaction is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring the money.

The development of any country can't be imagined without economic activities. The development of the banking system is one of the grounds of economic development. In another word, there is no possibility of economic development of a country without the development of banking system. So, we should take a bank as a strong means for the economic development. The development of a bank is interwoven with the development of a person, a society and a nation. It is impossible to fulfill the needs without the bank whether it is inside the nation or in foreign

country, whether it is industrial development or business and whether it is for the people or for the government. So, to solve problems relating to economic development, development of banking system is necessary.

The government of Nepal seems quite active for the development of banking sector. There were only two commercial banks in Nepal up to mid 1980. They were Nepal Bank Ltd and Rastriya Banijya Bank, of which one was semi-government and other was fully government- owned. The Commercial Banking Act 1974 was amended in 1984 to increase the competition between commercial banks. As per the provision made in this act private sector (including foreign investment) was given freedom in opening commercial banks. Consequently, Nepal Arab Bank Ltd was established in 1984 as a first joint venture bank. Now the number of commercial banks has reached 25 as on 19 August 2008. Although the joint venture banks seem to concentrate only in the profitable urban areas it cannot be denied that these banks are providing modern and quality services.

Bank has always been the most important and largest of financial intermediaries, almost everywhere. Bank creates money, administer the payments system and intermediate between the saving and investments. Economic development of the country largely depends upon the effective mobilization of its financial resources. The bank plays an important role in mobilizing savings and channelizing them into productive investment for the development of economy of the country. It assists in capital formation and economic growth of the country. As the government opened and broad financial policy in the process of economic liberalization, the privatizations of the public enterprises have been started. Various financial and insurance companies in private sector are being established with local and foreign investment. In spite of the recent economic reforms by the country such as liberalization of exchange controls, privatization of government owned corporation opening up the commercial and investment banking sectors, entrance of large joint ventures, introduction of Nepal as the international financial sector etc.

The commercial bank has its own role and contribution in the economic development. It is source for the economic confidence of various segments and extends credit to the people.

A commercial bank is synonymous to bank. According to Nepal Commercial Bank Act 2031 B.S (1974 A.D) "A commercial bank refers to such type of bank which deals in money exchange, accepting deposit, advancing loans and other commercial transactions other than some special transactions performed by specific bank such as co-operatives, agricultural and industrial banks."

Every business organization requires capital to operate it's day to day operation and thereby achieve it's objective of maximization of profit. The banks are the financial institution that raises its capital through issuing shares to public. That's why the major responsibility of it is to provide return on their valuable investment.

In the capital market, all firms operate in order to generate earnings. Stockholders supply equity capital hoping to share in these earnings directly or indirectly. When a company pays out a portion of its earnings to shareholders in the form of dividend the shareholders benefits directly. If instead of paying dividend, the firms retained the fund to exploit other growth opportunities, the shareholders can expect to benefit indirectly through future increase in the price of stock. Thus shareholders wealth can be increased either through dividend or capital gains.

The word 'dividend' literally means that which may or is to be divided. In relation to an enterprise it refers to the return that a shareholder gets from the enterprise, out of its profits, on her/his shareholding. It is that part of the profits of the enterprise which is distributed amongst shareholders. Since business enterprises are formed to earn profits, every such enterprise has an implied power to declare and pay dividends, and this power is not required to express by the memorandum or article of association. However, the mode of distribution is regulated by the companies Act.

Dividend is a reward to the shareholders of enterprises for their investment and risk bearing. It is paid in cash out of profits after the depreciation and tax requirements have been met. In addition to cash dividend, an enterprise may also issue stock dividends (bonus shares) to its existing shareholders by means of capitalization of its free reserves. The amount of dividend paid to the shareholders depends upon the type of dividend policy pursued by an enterprise. Dividend policy refers to some kind of consistent approach to the decision involving distribution versus retention of the profits rather than making the decision on a purely ad-hoc basis from year to year (Hunt, Williams and Donaldson (1971). More recently, Brealey and Myers (2003) defined dividend policy as the trade-off between retaining earnings on the one hand and paying out cash and issuing new shares on the other. It is concerned with the question of 'when' and 'how much' dividend should be paid. Dividend policy decision is one of the three basic decisions of an enterprise; the other two being investment and financing. All the three decisions are interrelated and should be taken jointly so that an optimal combination of these decisions can be arrived at for maximization of owner's wealth, the main objective of corporate finance.

Retained profit is shareholders' money, which is parked in general reserves but in its treatment is on a par with equity capital. If retained profits are not gainfully invested and unable to earn in excess of the cost of capital (which is higher for equity), the enterprise ends up destroying value. Therefore, if an enterprise is making good profits but has no use of it, in order to maintain its return on equity it must return most of it to shareholders.

An appropriate dividend policy varies from enterprise to enterprise as it is determined by the multiplicity of factors. The optimal dividend policy implies the one that maximizes shareholders wealth. In view of the variety of considerations affecting dividend policy, it is very difficult to have one dividend policy which can be considered completely satisfactory in all respects. Often it is a compromise of conflicting objectives, the corporate management has to assess the relative importance of factors and choose a line of action which is of maximum advantage, considering the

circumstances of the business and the objective of its shareholders. Dividend decisions belong to critical area of corporate finance which brings into open the conflicts of interest between management and the shareholders and also between each group of shareholders with another.

The policy of a company on division of its profit between dividend and retention is known as dividend policy. The effect of dividend policy on stock price in developed stock market has also been widely studied by finance scholars. They have stressed on the importance of dividend behaviour and its study because of dividend policy followed by corporate firm has information content about the earning of the corporate firms. As dividend policy of enterprise is generally different from that of the other, it would be prudent to make case studies of some selected enterprises. This study is an attempt to gain an insight into the whole set of circumstances and factors that govern the dividend decision of commercial banks at the micro level. In this study, dividend policies and practices of Nepalese commercial banks have been analyzed for the year 2002/3 to 2006/7. For the purpose of case studies, six commercial banks are selected.

Dividend policy determines the division of earnings between payments to stockholders and reinvestment in the firm. The policy of a company on division of its profit between dividend and retention is known as dividend policy. The effect of dividend policy on stock price in developed stock market has also been widely studied by finance scholars. They have stressed on the importance of dividend behavior and its study because of dividend policy followed by corporate firm has information content about the earning of the corporate firms. So, need has been felt to study and understand corporate dividend behavior and practices of corporate firms in developing stock market like Nepal.

1.2 Profile of Banks

HIMALAYAN BANK LTD

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits.

Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Other financial institutions in the country have been following our lead by introducing similar products and services. Therefore, we stand for the innovations that we bring about in this country to help our Customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local banks under our credit standing with foreign correspondent banks, we believe we obviously lead the banking sector of Nepal. The most recent rating of HBL by Bankers' Almanac as country's number 1 Bank easily confirms our claim.

All Branches of HBL are integrated into Globus (developed by Temenos), the single Banking software where the Bank has made substantial investments. This has helped the Bank provide services like 'Any Branch Banking Facility', Internet Banking and SMS Banking. Living up to the expectations and aspirations of the Customers and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated

offsite ‘Disaster Recovery Management System’. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software- HimalRemitTM. By deputing our own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling Bank in Nepal. All this only reflects that HBL has an outside-in rather than inside-out approach where Customers’ needs and wants stand first.

HBL is not only a Bank, It is committed Corporate Citizen

Corporate Social Responsibility (CSR) holds one of the very important aspects of HBL. Being one of the corporate citizens of the country, HBL has always promoted social activities. Many activities that do a common good to the society have been undertaken by HBL in the past and this happens as HBL on an ongoing basis. Significant portion of the sponsorship budget of the Bank is committed towards activities that assist the society as large.

EVEREST BANK LIMITED

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. The bank is providing customer friendly services through a network of 28branches.

Punjab National Bank (PNB), the joint venture partner (holding 20% equity in the bank) is the largest nationalized bank in India having 112 years of banking history. PNB is a technology driven bank serving over 35 billion customers through a network of over 4500 branches spread all over the country.

The bank has been conferred with *"Bank of the Year 2006, Nepal"* by the banker, a publication of financial times; London. The bank was bestowed with the "NICCI Excellence award" by Nepal India chamber of commerce for its spectacular performance under finance sector.

Recognizing the value of offerings a complete range of services, we have pioneered in extending various customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus (Future Lease Rental), Home Equity Loan, Vehicle Loan, Loan Against Share, Loan Against Life Insurance Policy and Loan for Professionals. EBL was one of the first bank to introduce Any Branch Banking System (ABBS) in Nepal.

EBL has introduced Mobile Vehicle Banking system to serve the segment deprived of proper banking facilities through its Birtamod Branch, which is the first of its kind.

STANDARD CHARTERED BANK NEPAL LIMITED

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group who has 75% ownership in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered Group employs almost 60,000 people, representing over 100 nationalities in over 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market.

With strong organic growth supported by strategic alliances and acquisitions and driven by its strengths in the balance and diversity of its business, products, geography and people, Standard Chartered is well positioned in the emerging trade corridors of Asia, Africa and the Middle East.

An integral part of the only international banking Group currently operating in Nepal, the Bank enjoys an impeccable reputation of a leading financial institution in the country. With 15 points of representation and 16 ATMs across the Kingdom and with around 350 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through a large domestic network. In addition to which the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Wholesale and Consumer banking, catering to a wide range of customers encompassing individuals, mid-market local corporates, multinationals,

large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs.

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

NEPAL ARAB BANK LTD (NABIL BANK)

Nabil Bank, the 1st foreign joint venture Bank set up in the nation with an objective to introduce modern banking services, commenced its operations on 12th of July 1984 with Rs. 28 million capital and around 50 staff. Dubai Bank Limited, Dubai as the foreign joint venture partner who extended Nabil a technical service agreement in the initial period.

The Bank, through its quality customer service and innovative products, has today attained a distinguished recognition in he banking industry of Nepal. The figures in the table below enumerate its 23 year old journey.

Today Nabil stands in a position to claim that it is the"Bank of 1st Choice" to all its stakeholders. In the span f 23 years, it has already distributed Rs. 2.86 billioncash dividend and the wealth of the shareholders ofthe Bank grew to Rs. 24.8 billion as at mid July 2007.

Spectacular return on assets and return on equity even during a turbulent and competitive time highlight the inherent strength of the Bank. The Bank provides a complete range of consumer, retail, SME and corporate banking services through its offices spread across the country. Nabil is the sole banker to a multitude of large corporates, international aid agencies, NGOs and embassies. It is the largest private

bank in the country in terms of branch and ATM network. All its branches are interconnected on real time basis. On the
technological front, the Bank has earned a reputation in providing an array of card products and Internet / Telebanking facilities besides ATMs and Any Branch Banking Service. The statement 'Your Bank at Your Service' that the Bank holds on firmly is a resemblance that the Bank's stakeholders are at the core of everything it does. As for the culture embraced by the entire Nabil team, a set of Values, referred to as 'C.R.I.S.P.' in short, represents the fact that the bank uninterruptedly strives to be Customer Focused, Result Oriented, Innovative, Synergistic and Professional. By living these Values, individually as professionals and collectively as a Team, Nabil Bank is committed to Surge Ahead to continue to be the Bank of 1st Choice in Nepal.

MACHHAPUCHCHHRE BANK LIMITED

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. Today, with a paid up capital of above 820 million rupees, it is one of the full fledged commercial bank operating in Nepal; and it ranks in the topmost among the private commercial banks.

Machhapuchchhre Bank Limited is striving to facilitate its customer needs by delivering the best of services in combination with the state of the art technologies and best international practices. Machhapuchchhre Bank Limited is the pioneer in introducing the latest technology in the banking industry in the country. It is the first bank to introduce centralized banking software named GLOBUS BANKING SYSTEM developed by Temenos NV, Switzerland. Currently it is using the latest version of GLOBUS, referred as **T-24 BANKING SYSTEM**. The bank provides modern banking facilities such as Any Branch Banking, Internet Banking and Mobile Banking to its valued customers.

The bank in the last few years have really opened up with branches spread all around the country. At this stage, it has its Corporate Office in Kathmandu and branch

offices in other parts of Kathmandu, Damauli, Bhairahawa, Birgunj, Banepa, and different parts of Pokhara in addition to the Head Office in Naya Bazar, Pokhara. A full-fledged banking branch is in operation in Jomsom located high up in the mountains too. The bank aims to serve the people of both the urban and rural areas. The bank intends to open many more branches in the coming years and have already envisaged the opening of 8 branches during the year 2007/08.

.**NEPAL INVESTMENT BANK LTD**

Nepal investment Bank Limited was established on 21janaury 1986 as a third joint-venture bank under the Company Act, 1964. The Bank has commenced its operation on 27th Feb 1986 with Rs.120 million, Rs.60 million and Rs.30 million authorized, issued and paid up capital respectively. The shareholders of the bank consists of group of companies let by Mr Prithvi Bahadur Pandey 50% of total capital and Nepalese promoters including banks and financial institution and general public holding 30% and 20% of the total capital respectively. The bank has issued capital Rs295.293 million, paid-up capital 295.293 million, EPS (Rs.51.70), and DPS Rs15 at the end of financial year 2004.The main business activities of the bank are to provide loans and advance to the agriculture, industries, and commerce and to provide banking services to the people.

1.3 Statement of the Problem

Corporate dividend policy decision is not easy, straight forward and simple job as many people conceive it (Hackett, 1981). Corporate dividend policy has long been regarded as an unresolved economic puzzle, which require rational resolution if the prevailing economic paradigm of corporate finance is to continue (miller, 1986). The controversy centers on whether or not the positive association between common stock return and dividend yields reported in a number of empirical studies can be attributed entirely to information effects (Litzenberger and Ramaswami, 1982) Due to complex nature of problem, corporate dividend policy has been a subject of considerable study

particularly since the emergence of MM's classical work (Miller and Modigliani, 1961). According to MM, given the investment decision of the company, shareholders in a perfect capital are indifferent whether the company distributes dividend or retains earnings in the business. Their dividend irrelevance hypothesis gained much popularity in the literature of finance.

In the theory of finance, dividend decision occupies a crucial place. The study of the evolution of finance shows that useful theoretical development have not been identical across all areas of financial decision making. Commencing with the work of Linter (1956), numerous studies have examined the dividend policies of the corporations. However, dividend decision is still a crucial as well as controversial area of managerial finance. It is more technical area of finance in the sense that it is a complex one having numerous implications for the firm. Dividend policy may affect such area like financial structure, the flow of funds, corporate liquidity, stock prices, and investor's satisfaction etc.

In the recent years, people are very much interested and attracted in investing in shares. The dividend policy is an effective tool to attract new investor, maintain present investor and ensures the goodwill of the company. When the company floats share through capital market, large number of people gather to apply for owner's certificate. It indicates people expectation on higher return of investment in shares. While investing in shares, the investor foregoes opportunity income that he could have earned. In capital market return can be earned in two ways (i) by means of capital gains (ii) by means of dividend.

Due to the lack of enough knowledge, people are investing in shares adhocly. It is necessary to establish clear conceptions about the return that result from investing in securities.

In Nepal, recently there are 25 commercial banks, 58 development bank, 5 rural development banks, 79 finance companies and many more non-government office office and cooperatives as of 2065Ashadh. These companies are not seen serious regarding dividend decisions. Since, some of them are suffering from heavy loss from the very beginning from their establishment and profit earning companies do not have consistent and clear cut policy on dividend distribution. There is common trend of inconsistent dividend decisions. Usually dividend is decided by company's management instead by shareholders meeting. Under the prevalence of these situations, this study tries to deal with the following problems.

- What are the prevailing practices of Nepalese listed Banks regarding their dividend policies?
- What is the relationship between dividend and stock price? Does dividend decision affect the stock price of the different Banks differently?
- What is the relationship of stock price with EPS, DPR, PER, DY and EY.
- What kind of dividend policy should be followed by Banks?

1.4 Objectives of the study

The major purpose of this paper is to explain share price, dividend and retained earnings relationships in the context of Nepal. It attempts to ascertain the effects of dividend payment and retained earnings on market price of share. It is not yet known in Nepal whether there is customary strong dividend or retained earning effect on market price of share and if the Nepalese stock market has started recognizing the impact of retained earnings. The prime objectives of the study are to analyze:

1. To assess the prevailing dividend policy adopted by the six selected listed Banks.
2. To assess the impact of dividend on market price of the selected banks.
3. To analyze the relationship between MPS with EPS, DPS, DPR, PER, DY and EY.

4. To make a comparative study of dividend policy among the six sample banks taken for the study.
5. To point out the suitable suggestions based on the findings for the future improvement.

1.5 Rationale of the study

There are 25 commercial banks in Nepal among which many are joint venture with international banks. Today many more people are attracted towards investing in these banks because it seems to be lucrative market. Most of the banks seem to be doing extremely well. But Nepalese investors who are investing in these banks are doing it in adhoc basis. Some are reluctant to invest in shares. The clear picture of corporate behavior can be effective way to attract new investors along with keeping present investors happy and maintaining reputation of the corporations.

In the competitive corporate world, the study of dividend behavior has occupied an important place because of many reasons. The study of dividend policy and dividend practices and related theories occupies an important place in the theory of corporate finance. The study of the evolution of dividend theories clearly indicates that useful theoretical developments have not been uniform and consistent in making the decision concerning dividend policy within an organization.

The present study is devoted to assess the prevailing dividend policy adopted by the Bank and tried to throw some light in Nepalese context. Thus, it provides important guidelines to the management in setting suitable dividend policies in their respective corporations. It also helps regularity body in counseling investors to make rational decisions while investing in shares.

Similarly, the findings of this study will be equally important to the others who are interested to know about this area. Last but not least, it will provide relevant and pertinent literature for future research on the area of dividend policy of managerial

finance. Thus the study of corporate dividend practices in Nepal may be very rewarding.

1.6 Limitation of the study

Though effort has been made to make this thesis out of limitations, the study and outcome of the study is an individual effort. Therefore management and resource mobilization will limit the in-depth study. The major limitations of this study are:

1. In order to interpret results only secondary data will be analyzed. So the outcome largely depends on the reliability of the secondary data.
2. The study period covers data of only five years.
3. Among the different aspects of dividend policy, only the market price of stock has been selected and only cash dividend is taken for the analysis.
4. Due to lack of annual distribution system in Nepal, dividend has not been considered for the calculation of yearly holding period rate of return.
5. Due to the time and resource factor, only 6 listed banks are taken under the study.

1.7 Organization of the study

Keeping the above objectives in mind, the present study has been organized in the following five chapters.

Chapter one of this study is an introductory part and explains the major issue to be dealt with including objective of the study.

Chapter two explains the theoretical analysis and review briefly the related and pertinent development of literature. It includes conceptual framework along with review of books, journals, research works and previous thesis.

Chapter three is about the methodology adopted in carrying out the present study. It explains the nature and sources of data, population and sample, data collection and processing techniques and methods of analysis.

Chapter four of this study deals with analysis and interpretation of data using the statistical and financial tools described in chapter three.

Chapter five, the last chapter deals with major findings, conclusion and recommendation of the study.

An extensive bibliography and appendix have also been shown at the end of the study.

CHAPTER-II
REVIEW OF LITERATURE

Dividend decision is the major decision area of financial management. A firm is to decide what portion of earnings would be distributed to the shareholders by way of dividend and what portion of the same would be retained in the firm for its future growth. Both dividend and retention are desirable but they are conflicting to each other. A finance manager should be able to formulate a suitable dividend policy, which will satisfy the shareholders without hampering future progress of the firm. It is common that higher the earnings, higher will be the amount of dividend and vice-versa.

Both dividend and retention are desirable but they are conflicting to each other. A finance manager should be able to formulate a suitable dividend policy, which will satisfy the shareholders without hampering future progress of the firm. It is common that higher the earnings, higher will be the amount of dividend and vice-versa

Dividend policy is the major decision of the firm. Therefore, an attempt has been made to review the various relevant literatures during the course of this research, which has provided useful inputs top this study. In other words, review of literature refers to the analyzing, assessing, revaluating and reexamining the previously written works. It is the stocktaking of available literature in the field of research. Thus, in the preparation of this thesis various books, articles, thesis etc. has been consulted and reviewed which are discussed below. This chapter is further divided into conceptual framework and review of related studies. A firm is to decide what portion of earnings would be distributed to the shareholders by way of dividend and what portion of the same would be retained in the firm for its future growth.

2.1 **Conceptual framework**

In financial management, dividend policy is considered to be a critical variable since it involves the controversy between dividend payment and retention of earnings. In reality, however, a firm's decisions regarding dividend are often mixed up with financing and investment decisions. The firm where management is optimistic, often pays low dividends to make avail of retained earnings for expansion of the firm and this makes dividend as a by- product of the firm's capital budgeting decision. In another case, the firm that is not capable of tapping investment opportunities tends to announce increase in the payment of dividend.

Again, there are also firms that resort to borrowing for meeting the costs of expansion and thereby releasing cash for dividend. As such, dividend involves a trade-offs between retained earnings needed for tapping investment opportunities on one hand and paying out cash to enable shareholders to recoup opportunities foregone if the funds are left with the firm on the other hand. In a way, every firm, if possible, tends to strike a balance between current earnings and future growth that maximizes the value or price of stock. In the context of Nepalese public limited companies, such balancing game is more a necessity.

Conceptually speaking, the difference between dividend and dividend policy is only one of degree but not of the kind itself. But, for simplicity, dividend implies to the portion of retained earnings that is paid to the shareholders while dividend policy refers to the guidelines that management uses in establishing portion of retained earning that is paid to the stockholders in dividends.[7] In ordinary sense, dividend conveys pro rata distribution of earnings either in the form of direct cash or additional stock in accordance with the proportionate share-holdings.

At present, it is mostly interpreted in terms of the left-over earnings[8] after financing all acceptable investment opportunities and these are used for the payment of dividend. Viewed thus, dividend is just the means of distributing unused funds or

paying out whatever funds left after making all attractive investment. Furthermore, it is stated simply as the by-product of the firm's capital budgeting decision and borrowing decision. It also refers to the signal of the sustainable income of the corporation.

Firm's total net income (especially earning available to equity shareholders) can be divided into two parts: earning to be distributed to the equity shareholders and earning to be kept in organization. Earnings that are distributed to the shareholders are known as dividend and earnings that are kept in the organization are known as retained earnings. Dividend policy determines the division of earnings between payments to stockholders and how much to keep for reinvestment in the firm. Therefore, the decision that decides how much profit is to be distributed to the shareholders and how much to be kept in organization is the dividend policy. In theory of finance, dividend decision plays a very crucial role. Dividend decision however is still a crucial as well as controversial area of managerial finance. It is more technical area of finance in the sense that it is complex on having numerous implications for the firm. Dividend policy may affect the area such as financial structure of the firm, flow of funds, corporate liquidity, stock prices, investor's satisfaction, growth of the firm and major financing decision of the firm.

Dividend policy is the policy of any firm regarding the division of its profit between shareholders as dividend and retention of the profit for making investments. There is a reciprocal relationship between retained earnings and cash dividends. If retained earning is kept more by the company or a firm; there will be fewer dividends for shareholders and vice versa. Dividend decision is one of the three major decisions of the managerial finance. The firm has to choose between distributing profit as dividend to the shareholders or reinvesting the profit into the business for more profitable opportunities. The decision depends upon the objective of the management for wealth maximization. The firm will use the net profit for paying dividends to the shareholders, if the payment will lead to the maximization of the wealth of the owners. If not it is better to retain them to finance investment programs. The relationship

between dividend and value of firm considered as the criterion for decision making. "Dividend policy determines the division of earnings between payment to stockholders and reinvestment in the firm. Retained earnings are one of the most significant sources of funds for financing corporate growth, but dividends constitute the cash flows that accrue to stockholders" (Weston and Copland: 9th Edition, Dividend policy, Managerial Finance, 1990 USA). Thus the dividend payout reduces the amount of earning retained in the firm and affect total amount of internal financing.

Most of the shareholders want to maximize their wealth (share, common stock) in two forms i.e. capital fain and dividends. Capital gain may be defined as the profit from the sale of common stock. The shareholders, in one hand expect an increase in market price of the shares and in the other hand they also expect distribution of the firm's earnings in the form of dividend. From mature and stable corporations most investors expect regular dividend to be declared and paid on the common stock. This expectation takes priority over the desire to retain earnings to finance expansion and growth. Thus, shareholders expectation can be fulfilled through either capital gains or dividend. "Since dividend would be more attractive to the shareholders, one might think that there would be a tendency for corporations to increase distribution of dividends. But one might equally pressure that gross dividends would be reduced some what, with an increase in retained in met profit after tax still available to stockholders and increase in retained earnings for the corporation" (Throp: 1997). It is therefore, a wise policy to maintain a balance between shareholders interest with that of corporate growth from internally generated funds. The fund that could not be used due to lack of investment opportunities to employ elsewhere. "Financial Management is therefore concerned with the activities of corporation that affect the well-being of stockholders. That well-being can be partially measured by the dividends receive, but a more accurate measure is the market value of the stock" (William, H. Dean, Finance, The Dryden Press, Illonis, 1973).

Thus dividend decision is one of the central and major decision area related to the policies security to maximize the value of firm's common stock as well as the wealth of the shareholders.

2.2 Major Forms of Dividend

Though the most popular form of dividend is cash dividend, corporations need to follow different types of dividend depending upon the objectives and policy which they implement. "The type of dividend that corporations followed is partly a matter of attitude of directors and partly a matter of shareholders preferences and it also depends on the various circumstances and financial constraints that bind corporate plans and policies" (Shrestha, Manohar Krishna "Financial Management, Theory and Practice Curriculum Development Center, T.U; 1980, p. 670). The main forms of dividends are cash dividend, stock dividends, scrip dividends, bond dividend and liquidating dividends.

Cash Dividend

Regular cash dividends are those paid out of a company's profits to the owners of the business (i.e., the shareholders). A company that has preferred stock issued must make the dividend payment on those shares before a single penny can be paid out to the common stockholders. The preferred stock dividend is usually set whereas the common stock dividend is determined at the sole discretion of the Board of Directors (for reasons discussed later, most companies are hesitant to increase or decrease the dividend on their common stock). You can find a detailed discussion of preferred stock and its dividend provisions in the Many Flavors of Preferred Stock: A Possible Investment for Your Fixed Income Portfolio.

Property Dividend

A property dividend is when a company distributes property to shareholders instead of cash or stock. Property dividends can literally take the form of railroad cars,

cocoa beans, pencils, gold, silver, salad dressing or any other item with tangible value. Property dividends are recorded at market value on the declaration date.

Special One-Time Dividend

In addition to regular dividends, there are times a company may pay a special one-time dividend. These are rare and can occur for a variety of reasons such as a major litigation win, the sale of a business or liquidation of a investment. They can take the form of cash, stock or property dividends. Due to the temporarily lower rates of taxation on dividends, there has been an increase in special dividends paid in recent years.

To add sugar to spice, there are times when these, special one-time dividends are classified as a “return of capital”. In essence, these payments are not a payout of the company’s profits but instead returns of money shareholders have invested in the business. As a result, returns of capital dividends are tax-free.

Stock Dividend

In the stock dividend, company distributes shares as dividend to the shareholders’ and this dividend are distributed either from past retained earnings or from net profit earned in the respective year. The share price of stock dividend is fixed at market price at the time of dividend declaration. But, it is noticed that Nepalese corporate firm fixed price per share at par value as indicated by the Company Act.

The declaration of stock dividend will increase the paid up capital and reduce the retained earnings. Therefore, it involves making a transfer from the retained earnings amount to the other shareholders’ equity accounts like common stock and additional-paid-in-capital.

Scrip Dividend

This type of dividend is used by the company when it has been suffering from cash problem but has earned profit. Scrip is a form of promissory note promising to pay the holder at specified later date. Under this type of dividend, company issue and distributes to shareholders transferable promissory notes which may be interest bearing or not.

Bond Dividend

Companies can give dividends in the form of bonds. They are long-term enough to fall beyond the current liability group. In other words, company declares dividend in form of its own bond with a view to avoid cash outflows.

Liquidating Dividend

Liquidating dividend as known by the name of property dividend consists of payments with assets other than cash such a distribution may be made whenever there are assets that are no longer essential in the operation of business.

2.3 General type of dividend policy

The dividend practice should reflect the different factors as well as the firm's present operating and financial position. In this context the firm finds that it has a choice of several dividend policies to follow. These are as follows:

I. Stable dividend policy

When a firm constantly pays fixed amount of dividends and maintains it for all the times to come regards of fluctuations in the level of its earnings. In fact, slow but steady change is the prime features of stable dividend policy.

Most of the companies follow the stable dividend policy because of the following reasons.

1. The firms have always high credit standing in the market.
2. Stable dividend policy fasters arise in share values.
3. Since dividends communicate information to investors about a firm's profitability and managerial efficiency, naturally firm pursuing stable dividend policy enjoys a great confidence of shareholders.
4. Firms with stable dividend policy can very easily formulate long term financial planning because of the correct estimation of future supply and demand of capital in the firm by financial managers.

II. Policy of no immediate dividend

Very often management may decide to declare no dividend despite large earning of the firm. Policy of no immediate dividends should be followed by issue of bonus shares.

This course of action would be necessary to keep share prices within the limits. This policy is generally pursued in the following circumstances:

1. Anew and rapidly growing concern which needs tidy announcement of funds to finance the expansion programs.
2. When the firm's access to capital market is difficult or availability of fund is costlier.
3. When shareholders have strong preference long term capital gains as opposed a short term dividend income.

III. Regular and extra dividend policy

Firms following regular dividend policy payout dividends constantly to stockholders at constant ratio and do not change the payout ratio unless it is believed that changes in earnings are permanent. When profits of the firm swell and management may decide to distribute a part of the increased earnings as extra dividend instead of increasing regular dividend payout ratio is regular and extra

dividend policy. Extra dividends are declared only in the year when the earnings exceed the annual dividend requirement by some given amount. Whether or not the extra dividends will be declared depend in expected fund needs, the desire level of liquidity and expectations about future earnings levels.

With this policy the firm's credit standing and its share values are not likely to be adversely affected with omission of extra dividend in future.

IV. Regular stock dividend policy

Firms pursuing this policy pay dividends in stock instead in cash. Stocks to pay dividends are designed as 'bonus shares' which are very frequently used to capitalize reinvested earnings of the firm. It may be dangerous to pursue the policy of stock dividend regularly for a long period of time because in that earnings per share will decline sharply. Value of share tends to plumb and credit standings of the firm receives big jolt. Such a policy generally followed under the following circumstances.

1. When the firm need cash generated by earning to cover its modernization and expansion programs.
2. When the firm has deficiency of cash despite high earnings.

V. Irregular dividend policy

An important prescription advocates a residual policy to dividends. According to this theory, dividend policy is a residual form investment policy. It assumes that the internally generated funds are comparatively cheaper than the funds obtained from external sources. The theory is based on the premier that investors prefer to have the firm retain and reinvest earnings rather than pay them out in dividends. The residual dividend policy states that profit should be used first in all profitable investment plans, which reflect higher rate of return than investor's dividends. If investment were less than total earnings and other internally available funds the residual or surplus sums would be paid out to stockholders in the form of dividends. The principle on which the theory is based is to maximize shareholders' benefit by first undertaking investment plans and distributing dividends if therefore is leftover any.

2.4 **Determinants of dividend**

What factors determine the extent to which a firm will pay out dividends instead of retained earnings? As a first step towards answering this question, we shall consider some of the factors that influence dividend policy. Dividend is that decision, which is influenced by many internal as well as external factors. Management has to consider both economic and non-economic factors before establishing any dividend policy. In practice, the financial executives consider the following factors when approaching a dividend decision.

I. Legal rules

Some states and court decisions governing dividend policy are complicated; their essential nature can be stated briefly. The legal rules provide that dividends must be paid from earnings, either from the current year's earning or from past year's earning as reflected in the balance sheet account "retained earning". State law emphasized three rules:

1. The net profit rule
2. The capital impairment rule
3. The insolvency rules

1. The net profit rule

The net profit rule provides that dividends can be paid from past and present earnings.

2. The capital impairment rule

The capital impairment rule protects creditors by forbidding the payment of dividends from capital. It is possible, of course to return stockholder capital. When this is done, however the producer must be clearly stated as such. A dividend paid out of capital is called a liquidating dividend.

3. The insolvency rule

The insolvency rule provides that corporations cannot pay dividends in case of insolvency. Insolvency is defined here, in the bankruptcy sense, as liabilities

exceeding assets. To pay dividends under such conditions would mean giving stockholders funds that rightfully belong to creditors.

II. Liquidating position

Profit held as retained earnings which show up on the right hand side of the balance sheet are generally invested in assets required for the conduct of the business retained earnings from preceding years are already invested in plant and equipment, inventories and other assets, they are not held as cash. Thus, even if a firm has a record of earnings, it may not be able to pay cash dividends because of its liquidity position. Indeed growing firm, even a very profitable one, typically has a pressing need for funds. In such a situation the firm may not pay cash dividend.

III. Need to pay debt

When a firm has issued debt to finance expansion or to substitute for other forms of financing, it is faced with two alternatives, it can refund the debt at maturity be replacing it with another form of security, or it can move provisions for paying off the debt. If the decision is to retire the debt, this will generally require the retention of earnings.

IV. Restrictions in Debt Contracts

Debt contracts, when long-term debt is involved, frequently restrict a firm's ability to pay cash dividends such restrictions, which are designed to protect position of the lender, usually state that

1. Future dividends can be paid only out of earning generated after the signing of the loan agreement.
2. That dividend can not be paid when net working capital is below a specified amount.

Similarly, preferred stock agreements generally state that no cash dividends can be paid on the common stock until all accrued preferred dividend have been paid.

V. Rate of asset expansion

The more rapidly a firm is growing, the greater its needs for financing assets expansion. The greater the future need for funds, the more likely the firm is to retain earnings rather than pay out them. If a firm seeks to raise funds externally, natural sources are the present shareholders, who already know the company. But if earnings are paid out as dividends and are subjected to high personal income tax rates, only a portion of them will be available for reinvestment.

VI. Profit rates

The expected rate of return on assets determines the relative attractiveness of paying out earnings in the form of dividends to stockholders or using them in the present enterprise.

VII. Stability of earning

A firm that has relatively stable earnings is often able to predict what future earnings will be? Such a firm is therefore livelier to pay out a higher percentage of its earnings than the firm with fluctuating earnings. The firm with unstable earning is not certain that in subsequent year the hoped earning will be realized. So it is lively to retain a high proportion of current earnings. A lower dividend will be easier to maintain if earnings fall off in the future.

VIII. Access to the capital markets

All firms do not equal access to the capital market. A large, well established firm with record of profitability and stability of earning has easy access to capital markets and other forms of external financing. A small, new or venturesome firm, however, is riskier for potential investors. Its ability to raise equity or debt funds from capital markets is restricted and it must retain more earnings to finance its operation. A well established firm is thus likely tom have a higher dividend payout rate than in a new or small firm.

IX. Control

The objective of maintaining control over the company by existing management group or body of shareholders can be an important variable in influencing the company's dividend policy. When a company pays a large dividends, its cash position is affected as a result the company will have to issue new shares to raise funds to finance its investment program. The control of existing shareholder will be diluted if they do not want or can not buy the additional share.

X. Tax position of shareholders

The tax position of stockholders also affects dividend policy. For instance, corporations owned largely by tax payers with high income tax brackets tend towards lower dividend payout because the tax rate applied to dividend.

2.5 Other determinants of Dividend

BASEL AND BAFIO AGREEMENT

Nepal has entered in WTO. Now it has to compete with the rest of the world for its existence. WTO has also opened many opportunities for trade and commerce. Since it is now attached to World Trade Organization; it is binded with its international ordinance too.

On the basis of BASEL agreement, Nepal has issued BAFIO ordinance to the banking and financial institution which says the banks should have 10 billion (Rs.1 Arab) share capital and to meet this target, the banks should raise capital at least by 10% every year till the end of 2066 Ashadh. Also it has argued for the capital adequacy as set by NRB. As per NRB, the banks should have 11% core capital and 5.5% of supplementary capital.

Because of these ordinances, the trends of banks may be to issue bonus shares rather than cash dividend.

Here a short framework of new Basel accord is presented:

Basel Accord

Framework 1. The Basel Committee on banking supervision formulates broad supervisory standards and guidance. The current Basel Accord is a non-binding

agreement, concluded in July 1988, in response to concerns that internationally active banks were not all adequately capitalized and that a collapse could potentially have adverse consequences on the international banking sector and the global economy as a whole.

Framework 2. The current Accord has two objectives. First, it should strengthen the soundness and stability of the international banking system. Second, the framework should be fair and have a high degree of consistency in its application, reducing the potential for differences in regularity treatment of banks across countries, and thus the scope for regulatory arbitrage. Both of these objectives were met. The current Accord has led to substantial increases in the capital ratios during the period 1988-1992, which has helped to strengthen the soundness and stability of the international banking system. It has also helped enhance competition amongst internationally active banks.

Framework 3. The existing framework has been built around two main concepts. The first is an agreed categorization of bank capital between core capital (type 1), (essentially equity plus retained earnings) and supplementary capital (type 2), (in the form of reserves, hybrid debt/equity capital instruments and subordinated debt). The second is risk weights, which vary to reflect the relative riskiness of lending to different classes of counterparties. The framework was initially directed towards assessing capital in relation to credit risk (the risk that a borrower will not repay a loan).

Framework 4. The accord introduced a minimum target ratio of capital to risk weighted 2 assets of 8 percent (of which the core capital element must account for at least half) which banks were expected to achieve by the end of 1992. A later amendment to the Accord in 19963 introduced specific additional capital requirements with respect to market risk (the risk of losses in on-and off-balance-sheet positions arising from changes in market prices) which banks were expected to implement from the end of 1997. The proposed New Basel Accord broadly leaves the market risk

requirements unchanged. International convergence of capital measurement and capital standards, July 1988.

Basel II

In 1998 the Basel Committee began working on a new framework for governing the capital adequacy of international banking (Basel II) that should constitute a more comprehensive approach to addressing risk. The Committee decided at an early stage that the overall level of regulatory capital in the banking system should remain unchanged.

THE NEW BASEL ACCORD

The proposed new Accord is built on three interlocking pillars- minimum capital requirements, supervisory review, and market discipline/disclosure (refer the following chart) Pillar 1 is designed to provide the financial institution with a framework for the calculation of minimum regulatory capital requirements; while Pillar 2 provides firms and supervisors the opportunity to review the risk management process and ensure appropriate action is taken to account for any failings. Pillar 3 is designed to allow for comparisons to be made by other market participants and encourage market discipline.

Pillar 1	**Pillar 2**	**Pillar 3**
─Minimum capital requirements to Cover: ─Credit Risk ─Market Risk ─Operational Risk	─Supervisory Review ─Process of capital adequacy ─To ensure banks have good monitoring and management of risk process	

—Market discipline and disclosure Requirements that allow capital adequacy to be compared across institutions.

2.6 Dividend Payment, Procedures and Practices.

Dividends are paid from accumulated after tax earnings and represent a distribution of corporate profits to shareholders. Unless it is a return of capital dividend, any dividends paid are charged against the firm's retained earnings account, if it is cash dividend, an equal amount is deducted from its cash balance. Hence, payment of cash dividend involves outflow of cash in the corporate firms.

It is regarded dividend payment is a problem of profit earning corporations only. But it should also be noted that dividend is a problem to those corporate firms which so not aim to generate profit even of market condition is favorable. Generally, shareholders expect regularity of reward in the form of dividend from profit earning corporate firms and so, dividend behavior should reflect shareholder's expectation of regular dividend.

2.6.1 Dividend Payment Procedures

Dividend Payment involves certain procedures, which are as follows. (Weston and Copeland, 1992:658)

1. Board Resolution

Declaration of dividend payment by the corporate firms first requires passing of the resolution relating to it by the board of director's meeting. The dividend decision is the prerogative of the board of directors. The directors declare the regular dividend on the date to the holders of record before the closing of the recording of shares. Hence, the board of directors should in an formal meeting resolve to pay the dividend.

2. Shareholders approval

The resolution of the board of directors to pay the dividend has to be approved by the shareholders in the annual general meeting.

3. Record Date

The board must specify the date of record. The company closes its stock transfer books and makes up a list of the shareholders as of the closing date. Shareholders register book will be closed from that date generally before one month of the annual general meeting. The dividend is payable to only to those shareholders whose names appear in the Register of Members as on the record date.

4. Ex-dividend date

It is a convention of declaring that the right to the dividend remains with the stock until four days prior to the holder of record date, on the fourth day before the record date, the right to the dividend no longer goes with the shares. The date when the right to the dividend leaves the stock is called ex-dividend date. Ex-dividend date is important because the price of a stock drops by approximately the amount of the dividend on the ex-dividend date.

5. Dividend Payment

Once a dividend declaration has been made, dividend warrants must be posted to the holders of therefore within a prescribed period of time generally 42 days in India and 45 days in Nepal from the dividend declaration date. Any unpaid or unclaimed dividends for three yeas from the date of transfer shall be transferred to general revenues of the central government in India and such list must be sent to Central Bank in Nepal, but claims may be preferred by persons to whose money are due.

2.6.2 Legal Provision regarding Dividend Practices in Nepal

The Security exchange Act 1983/84 had empowered to the stock exchanges center to bear responsibility to take required action to protect shareholder’s interest.

Though, there was not any clear legal provision in Nepal company act regarding dividend policies in past days. The stock exchange center could not be able to protect the shareholders interest because of the attitude of firm's board of directors play important roles I management to public limited companies. Nepal Company Act-1997 has made some legal provisions that are presented as below:

1. Section 2 (m): states that bonus shares means issued in the form of additional shares of shareholders by capitalizing the surplus from the profit or reserve fund of a company. The term also denotes as increase capitalizing surplus or reserve funds.
2. Section 47: has prohibited the company from purchasing its own share. This section states that no company shall purchases its own share or supply loan against the security of its own shares.
3. Section137: Bonus shares and sub-sections 1 state that the company must inform the office before issuing bonus shares under sub-section1. This may be done only according to a special resolution passed by the general meeting.

Subsection-1: Expect in the following circumstances dividends shall be distributed among the shareholders within 45 days from the date of decision to distribute them:

a. Increase any low forbids the distributions of dividend.
b. Increase the right to dividend is disputed.
c. Increase dividends cannot be distributed within the time limit mentioned above owning to circumstances beyond anyone control and without any fault on part of company.

Subsection-2: Increase dividends are not distributed within the time limit mentioned in subsection-1. This shall be done by adding interest at the prescribed rate.

Subsection-3: Only the person whose name stands registered in the registers of existing shareholders at the time of declaring the dividend shall be entitled to it.

The above indicates that Nepalese law prohibits repurchase of stock which is against the theory of finance. The reason for this kind of provision is not known yet. The above explanation of Nepale3se Company Act 1997 is not enough regarding dividend policy.

2.7 Review of major studies in general

This section is devoted to the review of the major studies in general concerning dividends and stock prices, Management views on dividend policy and management views on stock dividend. This study draws heavily from their studies to carry it out.

2.7.1 Linter's Study

Linter's dividend behavior model in explaining corporate dividend behavior and the result obtained has been accepted by many scholars so far because of its wide applications. John Linter studied on corporate dividend policy in the American context from the period of 1915-1951 in 1956. He investigated a partial adjustment model as he tested the dividend patterns of 28 companies. According to J. linter, dividend is a function of earnings of that year, existing of that year , existing dividend rate ,target payout ratio and speed of adjustment. His model was based on following four facts:

1. Firms generally have long run payout ratios. Matured companies with stable earnings generally payout a high proportion of earnings and growth companies have low payout.
2. Managers focus more on dividend changes than on absolute levels.
3. Dividends changes follow shifts in long run, sustainable earnings. Managers "smooth" earnings. Transitory earnings changes are unlikely to affect dividend payout.
4. Corporate managers are reluctant to make dividend changes that might have to be reversed.

The model simply states that dividend payment in the coming year (Divt) would equal to a constant portion of earning per share (EPSt). He concluded that a major portion of a firm's dividend could be expressed in the following manner:

$DIV^*t = PEPSt$ ---------- (1)

AND $DIVt - DIVt\text{-}1 = a+b\ (DIV^*t - DIVt\text{-}1) + et$ ---------- (2)

Adding DIVt-1 on both sides of equation 2,

$DIV^*t = a+b\ DIV^*t + (1\text{-}b)\ DIVt\text{-}1 + et$ ---------- (3)

Where,

DIV^*t = Firm's desired payment

EPSt = Earning

a = Constant relating to dividend growth

b = Adjustment factor relating to the previous period's dividend and new desired level of dividends where, $b<1$.

The major findings of this study were as follows:

1. Firms generally think in terms of proportion of earnings to be paid out.
2. Investment requirements are not considered for modifying the pattern of dividend behavior. Firms generally have target payout ratios in view while determining change in dividend per share (or dividend rate).

2.7.2 Modigliani and Miller study

In their 1961 article, Modigliani and Miller, for the first time in the history of finance, advocated that dividend policy does not affect the value of firm, i.e. dividend policy has no effect on the share price of the firm. They argued that the value of the firm depends on the firm's earnings which depend on its investment policy. Therefore, as per MM theory, a firm's value is independent of dividend policy.

According to MM, dividend policy of a firm is irrelevant, as it does not affect the wealth of the shareholders. They argue that the value of the firm depends on the earning power of the firm's assets or its investment policy. Thus, when the investment policy is given the dividend decision splitting the earning into packages of retentions and dividend does not influence the value of equity shares. In other words, the division of earnings between dividend and retained earning is irrelevant from shareholders point of view.

In general, the argument supporting the irrelevance of dividend valuation is that dividend policy of the firm is a part of its financing decisions, as a part of financing decision of the firm, the dividend policy of a firm is a residual decision, and dividends are passive residual.

Their study of irrelevance of dividend was based on the following critical assumptions.

1. Perfect capital markets in which all investors are rational.
2. An absence of floatation costs on securities issued by the firm.
3. A world with no taxes.
4. A given investment policy for the firm, not subject to change.
5. Perfect certainty by every investor as to future investments and profits of the firm.

M.M provides the proof in support of their argument in the following manner,

Step 1:

The market price of share of the firm in the beginning of the period is equal to the present value of dividends paid at the end of the period plus the market price of the share at the end of the year.

Symbolically,

$$P_0 = \frac{D_1 + P_1}{1 + Ke} \qquad \text{---------- (1)}$$

Where,

P_0 = Current market price of a share (Market price at the beginning or at the

Zero period)

K_e = The cost of equity capital (assumed constant)

D_1 = The dividend per share to be received at end of the period 1.

P_1 = The market price of the share at the end of the period 1.

Step 2:

Multiply both sides of equation (1) by the number of share outstanding (n) to obtain the total volume of the firm if new financing exists

$$nP_o = n \text{ x } \frac{D_1 + P_1}{1 + Ke}$$

Where,

n = no. of outstanding shares at zero point

Step 3:

If the firm issues (sells) number of new share (m) to finance the new investment needs of the fund at a price of P1, the value of the firm at time zero will be:

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

Where,

n= no. of shares at the beginning (no. of outstanding shares at zero period

m= no. of equity shares issued at the end of the period.

Step 4:

If the investment proposals of a firm in a given period of time can be financed either by retained earning or by new shares or both, then the amount of new issue will be,

$$mP_1 = I-(E-nD_1)$$

$$\text{or, } mP_1 = I-E+nD_1$$

Where,

I = investment needs

E = earning available

Step 5:

By substituting the value of mP, from equation (3), we get,

$$npo = \frac{nD_1 + p_1(n+m) - I + E - nD_1}{1+K_e}$$

or,

$$npo = \frac{nD_1 + nP_1 + mP_1 - I + E - nD_1}{1+K_e}$$

or,

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

Step 6: Conclusion

Since dividend does not appear directly in expression and E, 1, (n+m) P1 and Ke are assumed to be independent of dividend.

In other words, MM concludes that dividend policy is irrelevant and dividend policy has no effect in the value of the firm. A firm that pays dividends will have to raise funds externally to finance its investment plans. MM hold that when the firm pays dividends external offsets its advantage.

It does not seems so relevant to apply MM approach in Nepalese context because when we apply this approach the assumptions supposed by MM are significantly deviated. In Nepal, we are unable to find rational investors as well as perfect capital market which are considered by MM. It does not seem so sound to neglect the floatation cost, transaction and tax effect on capital gain as neglected by MM. Arbitrage arguments as explained by MM applies only when there are very sensitive investors which are lacking in Nepal. A conscious investor always finds difference between dividend and retained earnings. Thus, MM proposition is not relevant in the case of Nepal.

2.7.3 Gordon's study

Myron Gordon (1962) has developed another popular and important model relating to the stock valuation using the dividend capitalization approach. "Gordon concludes that dividend policy does affect the value of shares even when the return on investment and required rate of return are equal." He explains that investors are not different between current dividend and retention of earnings with the prospect of future dividends, capital gain and both. The conclusion of this study is that investors have a strong preference for preventing dividends to future capital gains under the condition of uncertainty. It is assumed that current dividend is less risky than the expected capital gain. His argument stresses that an increase in dividend payout ratio leads to increase in the stock price for the reason that investors consider the dividend yield (D1/P0) is less risky in the expected capital gain.

Gordon's model supports the argument which is popularly known as a bird in hand worth two in the bush. What is available at present is preferable than what may be available in the future. That is to say current dividends are considered certain and risk less. So it is preferred by rational investors as compared to deferred dividend in future. The future is uncertain. The investors would naturally like to avoid uncertainty. So the current dividends are given more weights than expected future dividend by the investors. So the value per share increases if dividend payout ratio increases. This means there os positive relationship between the amount of dividend and stock prices.

Basic assumptions of this model are as follows:

- The firm uses equity capital only.
- Internal rate of return (R) and cost of capital (Ke) are constant.
- The firm and its stream of earnings are perpetual.
- There is no tax on corporate income.
- The retention ration (b) once decides upon its constant. Thus the growth rate
- (g=br) is constant forever.
- "ke" must be greater than g to get meaningful value.
- The source of financing for new investment is only retained earnings. No external financing is available.

Gordon's model is also known as GROWTH MODEL. The formula for finding out the market value per share, proposed by Gordon is given below.

$$p = \frac{E(1-b)}{Ke-br} = \frac{E(1-b)}{Ke-g}$$

Where,

P= Price of share/market value per share

E= Earning per share

b= Retention ratio / percentage of retained earnings.

1-b= Dividend payout ratio (i.e. percentage of earning distributed as dividend)

Ke= Capitalization rate/ cost of capital.

br= g or growth rate in r (i.e. rate of return on investment of an all equity firm)

E(1-b)= dividend per share.

1st case: Growth firms (r>K)

In the case of growth firms, the value of share will increase as the retention ration(b) increase and the value of a share will decrease as the retention ration (b) decrease i.e. high corresponding to earnings leads to decrease in share prices and low dividend corresponding to earning leads to increase in share price. So dividend and stock price are negatively correlated in growth firm i.e. r>k firm.

2nd case: Normal firms (r=K)

Dividend payout ratio does not affect the value of share in normal firm. In other words, share value remains constant regardless of changes in dividend policies. It means dividend and stock price are free from each other in normal firm i.e. r=k.

3rd case: Decline firms (r<K)

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

2.8 Review of Research works in Nepalese Perspective

2.8.1 Manohar Krishna Shrestha and K.D. Manandhar's Study.

Manohar Krishna Shrestha and K.D. Manandhar jointly have studied on the topic of "Bonus Share issue practices in Nepalese corporate firms: empirical study, findings and suggestions" based on the data collected from 1987 to 1998 for 12 corporate firms.

Major findings and suggestions of this study are as follows.

1. The most popular bonus ratio prevalent in Nepalese corporate practices are 1:2, 1:1, 1:0.5 and other ratios specified above have been found negligible importance that accounts for only 39% for remaining 12 bonus ratios.
2. The account of bonus issued showed increasing trend during the period under study. During the three sub period, on an average, amount of bonus issue rose by 250% per sub period.
3. There is a trend to raise the additional equity capital by capitalizing the reverse and net profits by issuing bonus shares and stock dividends. The average ratio of bonus shares issue to equity capital is found above 0.5.
4. The overall average of three bonus issue made 5 times or more are found two corporate firms in number, NABIL and NIC during the study period.
5. No consistency in bonus ratio is observed only 5% of the bonuses issuing corporate firms and found to follow the consistent policy in bonus issue. Among the corporate firms following the consistent policy of bonus issue are found to have made bonus share out of 254 times in total in the time interval of one year, which accounted for 60% of the cases. Bonus shares occurred at irregular in interval and on widely very ratios in 50% of the cases of the bonus issued.
6. Large corporate firms are found to issue bonus shares more time than the small sized corporate firms. The overall average bonus ratio of the corporate firms which equity capital Rs 50 and less than 100 million is found as 0.78, which accounted for 10 times out of 36 times bonus issue.

7. Corporate firms over than 20 years are found to have issued bonus shares more times (19) compared to other corporate firms with lesser as which accounted 55% of the cases.
8. Corporate firms are suggested to have their bonus shares issued plan towards the accomplishment of corporate goal.

`Issue of bonus shares must be in consistent with the growth and expansion scheme of the corporate firms, justified with the growth and expansion scheme of the corporate firms, justified by increase earnings and reduced risk in terms of investment and returns.

2.8.2 Radheshyam Pradhan's Study.

This study on stock market behavior in a small capital market. A case study of Nepal was based on the data collected for 17 enterprises from 1986 through 1990.

The followings were the objectives of this study.

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

The employed equation was:

Where,

The dependent variable V chosen for the study has been specified as under:
Market equity (ME) – Market value of equity for its book value (MV/BV).
Price earning ratio (P/E)
Dividend per share to market price per share (DPS/EPS)
LIQ = Current ratio (CR) or quick ratio (QR).
LEV = Long term debt to total assets (LTD/TA) or long term debt to total capitalization (LTD/TC).

EARN = Return on assets that is earning before tax to total assets (EBT/TA) or earnings before tax to net worth (EBT/NW)

TURN = Fixed assets turnover that is sales to average fixed assets (S/FA) or total assets turnover that is sales to average total assets (S/TA).

COV = Interest coverage ratio that is earning before tax to interest

U = Error term

Some findings of this study among other were as follows:

- Higher the earning on stocks larger the ratio of dividend per share to market price per share.
- Dividend per share and market price per share was positively correlated.
- Positive relationship between the ratio dividend per share to market price per share and interest coverage.
- Positive relationship between dividend payout and liquidity.
- Positive relationship between dividend payout and profitability.
- Positive relationship between dividend payout and turnover ratios.
- Positive relationship between dividend payout and interest coverage.
- Liquidity and leverage ratios are more important variable for stock paying lower dividends.
- Earnings, assets turnover and interest coverage are more important variable for the stock paying higher dividends.

2.9 Review of previous Thesis

Prior to this thesis, some students have conducted several thesis works. Out of them, which are supposed to be relevant for this study have been reviewed in this section.

2.9.1 Tirtha Raj Ghimire's Study

A Thesis of Dividend Policy: Comparative study of Nepalese Listed Companies was carried out by Tirtha Raj Ghimire in 2001. He concluded that –

Dividend payment is not regular phenomenon in Nepalese listed companies.

The study of the impact of cash dividend on market price of share revealed that dividend per share in banking, Insurance and finance, trading, manufacturing and

processing sector. But negative impact has been found in service sector which indicates that the market price of service sector companies is influenced by any factor else than DPS.

With respect to impact of payout ratio on valuation of share, positive impact has been found in Insurance and Finance sector.

The relationship between dividend per share with earning per share, net profit and net worth are positive in companies of all sectors.

2.9.2 Indira Bhurtel's study

Indira Bhurtel in her thesis paper "Dividend payment and its impact on market price of stock in Nepal conclude that:

Dividend payment has not regularity and uniformity.

Instability of Dividend payout ratio.

Dividends fluctuated with earnings.

Inadequate legal rules.

Higher the stock prices higher the earnings.

Dividend policy affects stock prices positively.

Common shareholder's emphasis on dividends

CHAPTER-III
RESEARCH METHODOLOGY

This chapter highlights the methodology adopted in the process of present study. It also focuses amount, sources and limitation of the data which are used in the present study. “Research methodology is a way for systematically solving the research problem.” In other words research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objects in view (Kothari:-1984). So it is a way of presenting the collected data with meaningful analysis.

Research Design:

Research design is a conceptual structure within which a research is conducted. In simple language, planning for research is a research design. It is purposeful scheme of action proposed to be carried out in a sequence during the process of research. Research design helps researcher to enable him to keep track of action and to know whether he was moving in the right direction to achieve his goal.

Since the study is undertaken to examine and evaluate the dividend policy of the five listed banks in Nepal, namely Himalayan Bank Limited (HBL), Everest Bank Limited (EBL), Standard Chartered Bank Nepal Limited (SCBNL), Nepal Arab Bank Limited (NABIL), Machhapuchchhre Bank Limited and Nepal Investment Bank Limited (NIBL).

The study is based on descriptive and analytical study in order to achieve the objective of the study. Descriptive method will be used to collect data and information. Besides, for the analytical purpose the annual reports, past performance, records and relevant materials will be considered.

3.2 Sample Selection

In Nepal, Banks are listed in Nepal Stock Exchange Limited and for which data on market price of ordinary share are available. Out of 28 banks, only 6 major listed Banks of Nepal, namely, Himalayan Bank Limited (HBL), Everest Bank Limited (EBL), Standard Chartered Bank Nepal Limited Nepal Limited (SCBNL), Nepal Arab Bank Limited (NABIL), Machhapuchchhre Bank Limited and Nepal Investment Bank Limited (NIBL) are taken as the sample unit to collect information for the report, keeping in mind the convenience of the study.

Table No 1
Selected % sample Banks

Sector	No of listed banks (FY 2005/2006)	No of banks selected for the study	Percentage of selected banks
Commercial Banks	28	6	21.43%

Considering the study period of 2002/2003 to 2006/2007, useful data were obtained for banking sector as indicated below in table no. 2

Table No.2

Commercial Banks

S.N.	Bank's name	Years	Observation
1	Himalayan Bank ltd.	2002 to 2007	5
2	Everest Bank ltd.	2002 to 2007	5
3	Standard Chartered Bank	2002 to 2007	5
4	Nabil Bank ltd.	2002 to 2007	5
5	Machhapuchchhre Bank	2002 to 2007	5
6	Nepal Investment Bank	2002 to 2007	5

The basis of selection of 6 banks is:-

1. Oldest from the viewpoint of registration.
2. Profit making.
3. Popularity in financial market.
4. Availability of data.
5. Competitive strength.

3.3 Nature and sources of data

This study is mainly based on secondary data. The data of different financial variables related with dividend have been collected basically from the financial statements of listed banks. The supplementary data and information have also been obtained from the annual reports published by concerned banks. Besides the data have been acquired from other various sources like:

- Annual reports
- Publication of the concerned companies
- Nepal Stock Exchange
- www.nepalstock.com
- Central Bureau of Statistics
- Nepal Rastra Bank newsletter and website
- www.nrb.org.np
- News paper and magazines
- Security Board of Nepal

Tools and techniques:

The analysis of data has been some according to the pattern of data available. Wide varieties of methodology have been applied according to the reliability and consistency of data. Before using the analytical tools to compare the result, the data containing in the financial statements have been grouped and rearranged so as to make comparison easy. Then only various appropriate statistical tools such as percentage and financial ratios have been applied to interpret the result and draw up the sound conclusion. The result will be presented using various charts and diagrams wherever possible. Mainly the analysis has been performed using the under mentioned tools.

Financial Tools

The analysis of this study is based on following financial tools:

i) Earning per share (EPS)

It measures the return of each equity shareholders. It can be calculated by dividing net profit after tax by total no of common share outstanding. The higher earning indicates the better achievements in terms of profitability of the banks by mobilizing their funds and vice versa. In other words, the earnings of share indicates the strength and weakness of the bank.

$$\text{EPS} = \frac{Net\ profit\ after\ tax}{Number\ of\ common\ shares\ outs\tan ding}$$

ii) Dividend per share

The dividend per share is the dividend declared on a single equity share for the year. It is the part of the earning distributed to the shareholders on per share basis. It is calculated by dividing the total dividend paid to equity shareholders by the total no of equity shares.

Generally, the higher DPS creates positive attitude of the shareholders towards the company's common stock, which consequently helps to increase the market value of the shares. And it also works as the indicator of better performance of the company management.

$$\text{Dividend per share} = \frac{Ordinary\ dividends\ paid\ to\ equity\ shareholders}{Number\ of\ common\ shares\ outs\tan ding}$$

iii) Dividend Payout Ratio (DPR)

It is the percentage of profit that is distributed as dividend. This ratio reflects what percentage of profit is distributed as dividend and what percentage is retained as reserve and surplus for the growth of the company.

The dividend payout ratio depends upon the earnings. Higher earning enhances the ability to pay more dividends and vice-versa.

There is an inverse relationship between dividends and retained earnings. The higher the dividend payout the lower will be the proportion of retained earnings and vice-versa. The capacity of internal financing of the firm is checked by the retention ratio. It is calculated by dividing the DPS by EPS.

$$\text{DP Ratio} = \frac{Dividend\ per\ share}{Earning\ per\ share}$$

iv) Price Earning Ratio (P/E Ratio)/ Earning Multiplier

Price-earning ratio is also called the earning multiplier. Price-earning ratio is the ratio between market price per share and earning per share. In other words, this represents the amount which investors are willing to pay for each rupee of the firm's earnings.

The P/E ratio measures investor's expectation and the market appraisal of the performance of the firm. The higher P/E ratio implies the high market share price of a stock given the earning per share and the greater confidence of investor in the firm's future. This ratio is computed by dividing earning per share to market price per share. Thus,

$$\text{P/E ratio} = \frac{Market\ price\ per\ share}{Earning\ per\ share}$$

v) Dividend Yield Ratio

It measures the dividend in relation to market value of share. So, dividend yield is the dividend received by the investors as a percentage of market prices per share in the stock market. It is calculated dividing DPS by MPS.

$$\text{Dividend Yield Ratio} = \frac{Dividend\ per\ share}{Market\ value\ per\ share}$$

vi) Earning yield (EY)

Earning yield is the percentage of earning per share to market price per share in the stock market. In other words, it is a financial ratio relating to earning per share to the market share price at a particular time. It measures the earning relation to market value of shares. It gives some ideas of how much an investor is earning for his money. The share with higher earnings yield is worth buying. It is calculated as:

$$\text{Earning yield} = \frac{Earning\ per\ share}{Market\ price\ per\ share}$$

3.4.2 Statistical tools

In the present study, certain statistical tools have been used to compare the figures and draw one meaningful conclusion there form. Short descriptions of the statistical tools have been presented here.

a) Arithmetic Mean or Average

The most popular and widely used measure of representing the entire data by one variable is the arithmetic mean. It is an envoy of the entire mass of homogenous data. Generally the average lies somewhere in between the two extremes .i.e. the largest and smallest items. Mean values of the different variable represent the average value for study period. It is calculated as follows:

$$\text{Arithmetic Mean (X)} = \frac{\sum x}{N}$$

Where,

$\sum x$ = sum of the sizes of the items

N = Number of items

b) Standard Deviation (σ)

Karl Pearson first introduced the concept of standard deviation in 1983. Standard deviation is the positive square root of the arithmetic average of the squares of all the deviations measured from the arithmetic average of the series. The standard deviation measures the absolute dispersion of a distribution. The greater the amount of dispersion the greater the standard deviation, i.e. greater will be the magnitude of the deviations of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. Standard Deviation is denoted by a Greek letter 'σ' (Sigma) and is calculated as follows,

Standard Deviation (σ) = $\frac{\sum (x - X)^2}{N}$

Where,

N = Number of items in the series

X = Mean

X = variable

c) Coefficient of Variation (C.V)

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

$$\text{Coefficient of Variation (C.V)} = \frac{S.D*100}{Mean} = \frac{\pm *100}{X}$$

Where,

σ = Standard Deviation

X = Mean

d) Correlation Analysis

Correlation may be defined as the degree of linear relationship existing between two or more variables. Correlation Analysis is the statistical tools that can be used to describe the degree to which one variable is linearly related to another. In the present study both simple and multiple correlations have been used. Correlation coefficient between the following financial variables have been calculated and interpreted.

Simple correlation coefficient

1. Between dividend per share and net profit
2. Dividend per share and net profit
3. Dividend per share and capital adequacy
4. Dividend per share and market price per share
5. Dividend payment ratio and market price per share

e) Regression Analysis

Correlation analysis measures the degree of relationship between two variables but it does not tell the relative movement in the variables under study. Regression analysis helps to know the relative movement in the variables. Regression analysis of the following variables have been calculated and interpreted.

1. Regression equation of MPS on EPS.

This analysis enables to know whether EPS is the influencing factor of MPS or not. At what extent the EPS affects the MPS.

$y = a + bx$

Where,

y = Market price per share

a = Regression constant

b = Regression coefficient

x = Earning per share

2. Regression equation of MPS on DPS.

This model reveals the dependency of MPS on DPS.

y = a + bx

Where,

y = Market price per share

a = Regression constant

b = Regression coefficient

x = Dividend per share

3. Regression equation of MPS on DPR.

This analysis reveals the dependency of MPS on DPR.

y = a + bx

Where,

y = Market price per share

a = Regression constant

b = Regression coefficient

x = Dividend payout ratio.

4. Regression equation of MPS on P\E Ratio

This analysis reveals the dependency of MPS on P\E Ratio.

y = a + bx

Where,

y = Market price per share

a = Regression constant

b = Regression coefficient

x = Price Earning Ratio.

5. Regression equation of MPS on DY

This analysis enables to know the dependency of MPS on DY.

$y = a + bx$

Where,

y = Market price per share

a = Regression constant

b = Regression coefficient

x = Dividend Yield.

6. Regression equation of MPS on EY.

This analysis enables to know the dependency of MPS on EY.

$y = a + bx$

Where,

y = Market price per share

a = Regression constant

b = Regression coefficient

x = Earning Yield.

Multiple regression analysis

In simple regression analysis, the linear relationship between only two variables is studied, one independent and the other dependent variable. But in reality, many independent variables do affect the dependent variable. So multiple regression analysis of the following variables have been calculated and interpreted.

1. Market price per share on earning per share and dividend per share

$Y = a + b_1x_1 + b_2x_2$

Where,

Y = Market price per share

a = Regression constant

b_1, b_2 = Regression coefficient of 1st and 2nd variables respectively

x_1 = Earning per share

x_2 = Dividend per share

This model helps to predict in what extent EPS and DPS affect market price per share.

2. Market price per share on dividend per share and dividend payout ratio

$Y = a + b_1x_1 + b_2x_2$

Where,

Y = Market price per share

a = Regression constant

b_1, b_2 = Regression coefficient of 1st and 2nd variables respectively

x_1 = Dividend per share

x_2 = Dividend payout ratio

This model helps to predict in what extent DPS and DPR affect market price per share.

1. Coefficient of determination (R^2)

The coefficient of determination is the primary way we can measure the extent or strength of the association exists between two variables. In another word, it measures the linear association /correlation between the variables. It is square of coefficient of correlation. It tells the explained variation due to independent variable.

2. Standard Error of Estimate (SEE)

Perfect prediction is practically impossible with the help of regression equation. The standard error of the estimate measures the variability of the actual value from its predicted values, in the same way that the standard deviation measures the variability of each observation around its means. The standard deviation around the line of regression is called standard error of the estimate. In other words, the standard error of estimate measures the variability around the line of regression. The standard error of

estimate can be used to determine whether statistically significant relationship exists between the dependent and given independent variables and also make inferences about the predicted values i.e. it is used as a test of reliability for the predicted values and construction of confidence limits. The lesser the value of the standard error of estimate the better is the model fitted.

3. Regression Constant (a)

The value of constant is the intercept of the model, when the independent variables(s)is zero; it indicates the average level of dependent variable . In other word, it is better to understand that ‘a’ (constant) indicates the mean or average effect on dependent variable if all the variables omitted from the model.

4.Regression coefficients (b1, b2, b3)

The regression coefficient of each independent variable shows the relationship between that variable and value of each dependent variable, holding the effects of all other independent variables of the regression model constant. In other words, these coefficients explain how changes in independent variables affect the values of dependent variables estimate.

5. Standard Error of Estimate (S.E.E.)

The standard error of estimate measures the variability of the actual value from its predicted values, in the same way that the standard deviation measures the variability of each observation around its means. The standard deviation around the line of regression is called standard error of the estimate. In other words, the standard error of estimate measures the variability around the line of regression. The standard error of estimate can be used to determine whether statistically significant relationship exists between the dependent and given independent variables and also make inferences about the predicted values i.e. is used as a test of reliability for the

predicted values and construction of confidence limits. The lesser the value of the standard error of estimate the better is the model fitted.

CHAPTER 4
PRESENTATION AND ANALYSIS OF DATA

Presentation and analysis of data is the major part of this research study. Using the various financial variables and statistical tools discussed in 'Research Methodology', analysis of the data has been done to achieve the objective of study.

4.1 PRESENTATION OF FINANCIAL VARIABLES

Under this heading the financial variables have been presented and analyzed using the programmed "SPSS 13.0 for windows.

4.1.1 Earning per share (EPS)

The earning power of business organization is measured in term of EPS. Normally, the performance and achievement of business organization are measured in term of its capacity to generate earning. The higher earning indicates the higher strength and lower earning indicates the weakness of business organization.

The following table depicts the EPS, its pooled average mean, standard deviation and coefficient of variation of banks under study during the period from F.Y 2002/03 to 2006/07 which are tabulated as follows.

Table No 3: Analysis of EPS

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	49.45	29.90	149.3	84.66	2.81	39.56	59.28
2003/04	49.05	45.58	143.55	92.61	8.49	51.70	65.16
2004/05	47.91	54.22	143.93	105.79	15.43	39.50	67.80
2005/06	59.24	62.78	175.84	129.21	18.74	59.35	84.19
2006/07	60.66	78.42	167.37	137.08	9.02	62.57	85.85

Mean	53.26	54.18	156	109.87	10.90	50.54	72.46
S.D	6.15	18.20	14.73	22.72	6.26	10.80	11.89
C.V	11.55	33.59	9.44	20.68	57.43	21.37	16.41

Source: *Annual reports of the banks*

The EPS of HBL range between Rs.60.66 to Rs.47.91 during the study period. During this period, the average EPS is Rs.53.26, the standard deviation is 6.15. The C.V. of 11.55 indicates that there is less fluctuation or more uniformity in the EPS of HBL during the study period.

EBL had an average EPS of Rs.54.18 with a standard deviation of 18.20.The EPS range between Rs.78.42 to Rs.29.90.The coefficient of variation shows that there is a fluctuation of 33.59% in EPS of EBL.

The average EPS of SCBNL during this period is Rs.156 and has stayed within the range of Rs.175.84 to Rs.143.55.The standard deviation of EPS is 14.73 whereas the coefficient of variation is 9.44%. The CV indicates less fluctuation or more uniformity in the EPS of the bank.

NABIL has the EPS range between Rs.137.08 to Rs.84.66 during the study period and had an average EPS of Rs.109.87.The standard deviation of the EPS is 22.72.The CV of 20.68% indicates moderate fluctuation in the EPS of NABIL during the period of study.

MBL within the period of study had an average EPS of Rs.10.90, ranging between Rs.18.74 to Rs.2.81. The standard deviation is 6.26 and a fluctuation of 57.43% in the EPS is seen during this period, which is shown by the coefficient of variation of the bank.

The EPS of NIBL range between Rs.62.57 to Rs.39.50. During this period, the average EPS is Rs.50.54 whereas the standard deviation of the EPS is 10.80. The C.V.

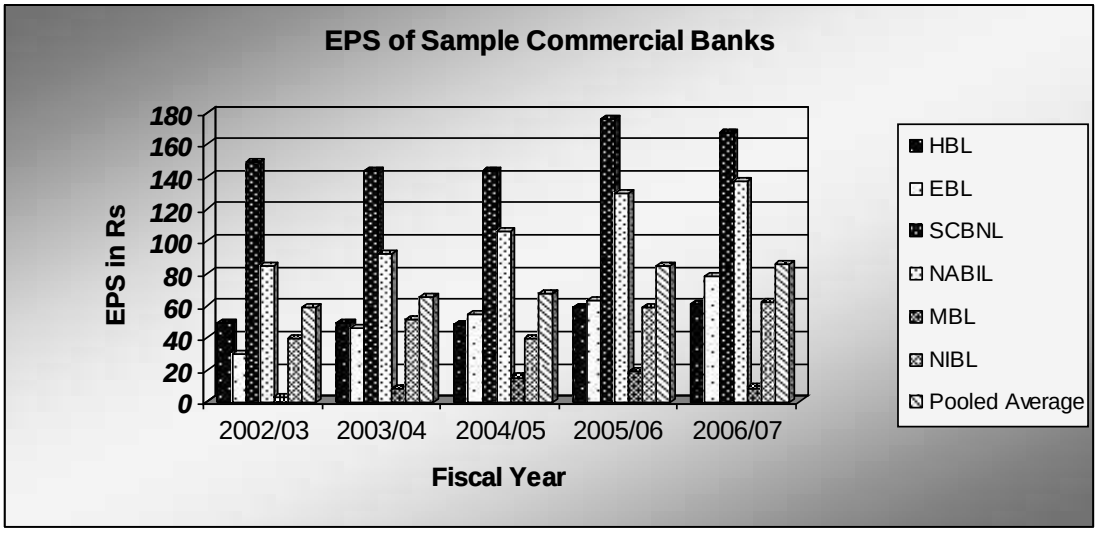
of 21.37% indicates that there is a moderate fluctuation in the EPS of NIBL, during the study period.

From the above analysis, it is concluded that the average EPS of SCBNL is the highest and that of MBL is the lowest. The EPS range of the selected banks under study were in between Rs.175.84 to Rs.2.81.Similarly the standard deviation of NABIL is the highest and HBL is the lowest. The coefficient of variation of these banks shows the fluctuation in the EPS. When the EPS of all selected banks are compared, SCBNL has the more consistent EPS among all sample banks.

A comparative presentation of EPS of the selected banks with the help of bar diagram and graph has been presented below.

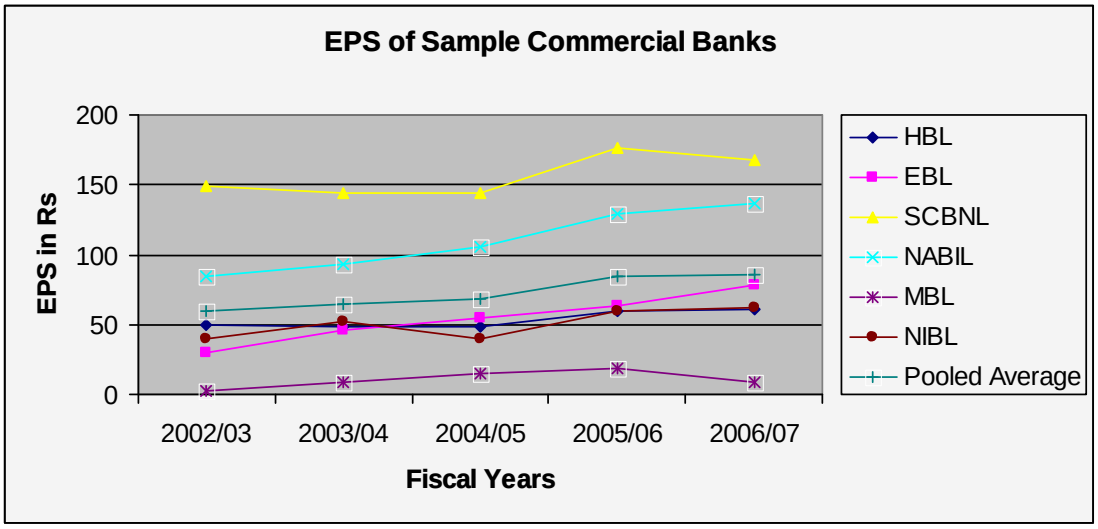
Analysis of EPS

Figure No. 1 (A)



Source: *Annual reports of the banks*

Figure No. 1 (B)



Source: *Annual reports of the banks*

With the help of those figures also, we can say that SCBNL is the most successful bank whose average EPS is almost double the average pooled EPS. Here SCBNL has the highest EPS throughout the study period whereas MBL has the lowest EPS during the same periods. Comparatively, the earning position of HBL, EBL and NIBL are better than that of MBL but they are still below the average EPS of selected commercial banks throughout the period and so we can say that the earning capacity of these three banks are also not at the satisfactory level. The EPS of NABIL Bank is at the increasing trend and also above the average line, so it is appreciable.

4.1.2 Dividend per share (DPS)

Dividend per share indicates the proportion of earning distributed to shareholders on per share basis. Generally, the higher DPS creates positive attitude among the shareholders toward the bank, which accordingly helps to increase the market value of shares. In other words, it works as the indicator of better performance of the bank management. The dividend per share of the banks, its mean, standard deviation , coefficient of variation along with its pooled average mean of banks under study during the period from FY 2002/03 to 2006/07 are presented below.

Table No 4: Analysis of DPS

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	1.32	20	110	50	0	20	33.55
2003/04	0	20	110	65	0	15	35
2004/05	11.58	0	120	70	0	12.50	35.68
2005/06	30	25	130	85	0.79	20	54.38
2006/07	15	10	80	100	0.52	5	37.56
Mean	11.58	15	110	74	0.26	14.50	39.23
S.D	12.15	10	18.71	19.17	0.37	6.22	8.59
C.V	104.92	66.67	17.01	25.91	141.22	42.90	21.89

Source: *Annual reports of the banks*

The average DPS of HBL is Rs.11.58 with the standard deviation of 12.15.The highest DPS is Rs.30 whereas it has not paid dividend in the year 2003/04.The coefficient of variation is 104.92% which indicates that the DPS of HBL is quite fluctuating.

EBL has an average DPS of Rs.15. The highest DPS is Rs.25 whereas it has not paid dividend in the year 2004/05.The standard deviation is 10 and coefficient of variation is 66.67%. The CV indicates the fluctuating nature of DPS in EBL.

The average DPS of SCBNL during the study period is Rs.110 with the standard deviation of 18.71.The highest and lowest DPS are Rs.130 and Rs.80 respectively. The coefficient of variation is 17.01% which indicate that there is less fluctuation in the DPS of SCBNL during the period of study.

NABIL Bank paid the highest DPS of Rs.100 and lowest DPS of Rs.50.An average DPS of Rs.74 has been noted during the study period. The standard deviation

of the DPS is 19.17. The C.V of 25.91% indicates that there is less fluctuation in the DPS of NABIL.

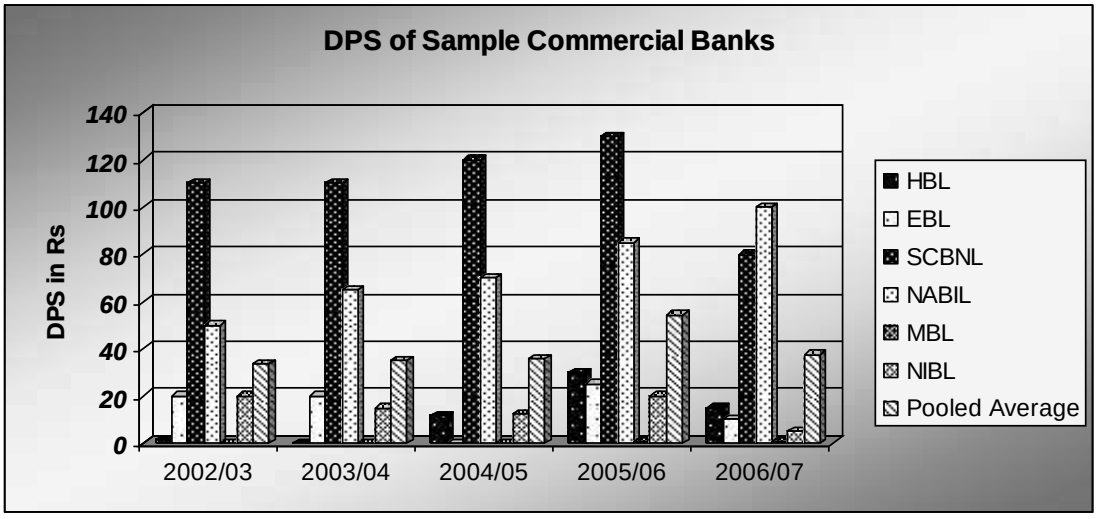
MBL paid the highest DPS of Rs.0.79 and lowest DPS of Rs.0.52. No dividend was paid in the first three year. An average dividend of Rs.0.26 has been noted during the study period. The standard deviation of the DPS is 0.37. The C.V of 141.22% indicates that there is high fluctuation in the DPS of the bank during the period of study.NIBL has an average DPS of 14.50 ranging between Rs.20 to Rs.5, during the period of study. The standard deviation is 6.22 and fluctuation of 42.90% is seen during this period.

From the above calculations, SCBNL has the highest average DPS and MBL has the lowest. The CV indicates that among the banks under study during the period, SCBNL has the highest consistency in paying dividend whereas the DPS of MBL is highly fluctuating.

A comparative presentation of DPS of the selected banks with the help of bar diagram and graph has been presented below.

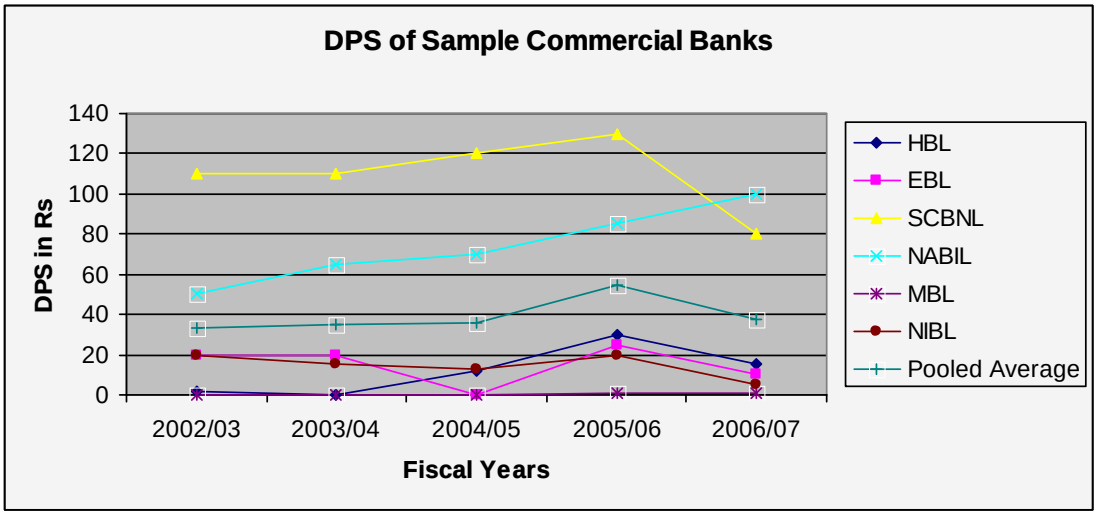
Analysis of DPS

Figure No. 2 (A)



Source: *Annual reports of the banks*

Figure No. 2 (B)



Source: *Annual reports of the banks*

With the help of those figures also, we can say that SCBNL is the strongest bank in terms of dividend payment. The average pooled DPS over the period is Rs.39.23 whereas the same of SCBNL alone is Rs.110 which is almost 3 times greater than the average pooled DPS. So, SCBNL is the most appreciable bank among the selected ones. Nabil can also be taken as in the satisfactory level as it has kept itself above the pooled average during the period. DPS of rest banks are below the pooled average throughout the observed period. DPS of HBL and EBL have gone zero in the year 2003/04 and 2004/05. In comparison, MBL is in the worst condition though it has provided dividend in the last 2 years they are of very small amount.

4.1.3. Market Price per Share (MPPS)

Market price per share (MPPS) denotes the value of the share paid by an investor in the share market. This price is determined in the stock market on the basis of demand and supply position of a specific company on a particular date. The higher MPPS is desirable. Here the closing or year end price is taken as MPPS of the respective banks. The market price per share, its mean, standard deviation, coefficient of variation and pooled average mean of banks under study during the period from FY 2002/03 to FY2006/07 are presented below.

Table No 5: Analysis of MPS

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	836	445	1640	740	100	795	759.33
2003/04	840	680	1745	1000	125	940	888.33
2004/05	920	870	2345	1505	256	800	1116
2005/06	1100	1379	3775	2240	320	1260	1679
2006/07	1740	2430	5900	5050	620	1729	2911.5
Mean	1087.20	1160.80	3081	2107	284.20	1104.80	1470.83
S.D	380.29	788.45	1791.05	1741.80	208.63	396.78	878.96
C.V	34.98	67.92	58.13	82.67	73.41	35.91	59.76

Source: *Annual reports of the banks*

The average of closing MPS of HBL during the study period is Rs.1087.20. with the standard deviation of 380.29 and coefficient of variation of 34.98% which is the least among the banks under study.

During this period, EBL had an average closing MPS of Rs.1160.80 with a standard deviation of 788.45. The coefficient of variation shows that there is fluctuation of 67.92% in MPS of EBL.

The average MPS of SCBNL during this period is Rs.3081.It stayed within the ranges of Rs.5900 and Rs.1640. The standard deviation of closing MPS is 1791.05 whereas the coefficient of variation is 58.13%. The CV indicates an above-moderate fluctuation in the closing MPS of the bank.

Nabil has the MPS ranging between Rs.5050 and Rs.740 during the study period. An average closing MPS of Rs.2107 is noted during this period. The standard deviation of the closing MPS is 1741.80.The C.V of 82.67% indicates that there is high fluctuation in the MPS of Nabil.

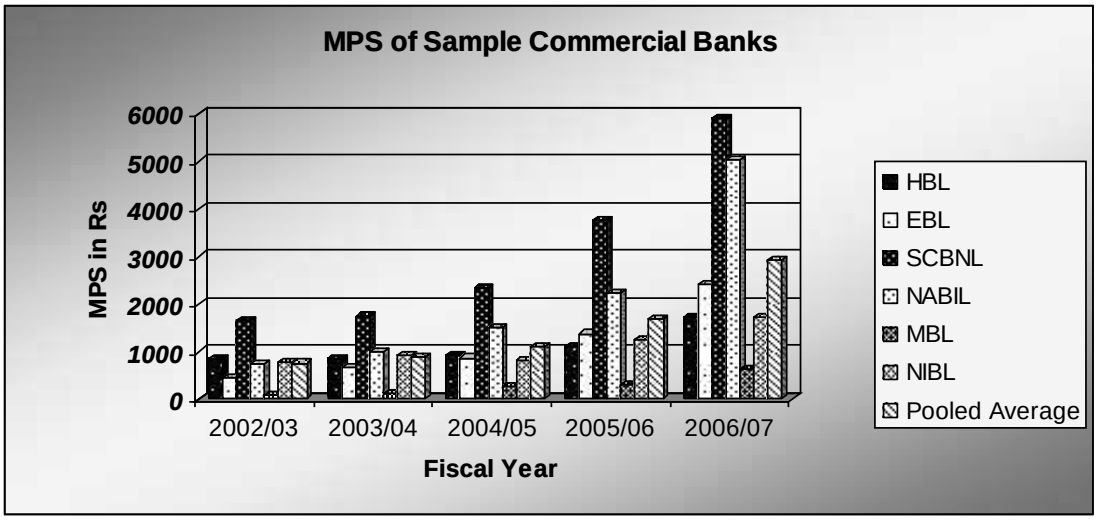
MBL has the MPS ranging between Rs.620 and Rs.100 during the study period. An average MPS of Rs.284.20is noted during this period. The standard deviation of the closing MPS is 208.63. The C.V of 73.41% indicates that there is high fluctuation in the MPS of MBL.

NIBL within the period of study had an average MPS of Rs.1104.80, ranging between Rs.1729 and Rs.795. The standard deviation is 396.78 and the fluctuation of 35.91% in the closing MPS is seen during this period, which shows less fluctuation in the MPS of NIBL.

A comparative MPPS of the selected banks has been presented below in the bar diagram and graph.

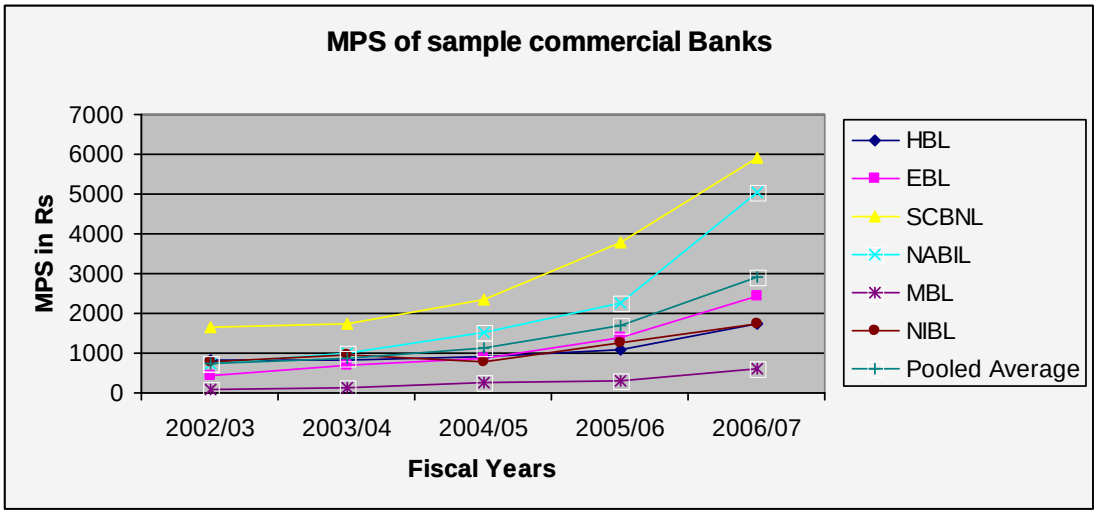
Analysis of MPS

Figure No. 3 (A)



Source: *Annual reports of the banks*

Figure No. 3 (B)



Source: *Annual reports of the banks*

In above figure, the MPS of selected commercial banks has been presented. The average pooled MPS over the period is Rs.1470.83 whereas the average MPS of SCBNL alone is Rs.3081 whish is almost twice greater than the average pooled MPS. So SCBNL is the most appreciable bank among the selected ones in term of MPS. Nabil can also be taken in the good level as its average MPS is over the average pooled MPS. The average MPS of MBL is too less in comparison to other selected banks. MPS of each bank is in increasing trend during the study period.

4.1.4. Dividend Payout Ratio (DPR)

This ratio shows the amount of dividend as a percentage of earning available for equity shares. It depends upon earnings of the organization. Higher the earnings higher the ability to pay dividend. The dividend payout ratio of banks under study along with its mean, standard deviation, coefficient of variation and pooled average mean during the period from FY 2002/03 to FY 2006/07 are presented below.

Table No 6: Analysis of Dividend Payout Ratio

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	2.67	66.89	73.68	59.06	0	50.56	42.14
2003/04	0	43.88	76.63	70.19	0	29.01	36.62
2004/05	24.17	0	83.37	66.17	0	31.65	34.23
2005/06	50.64	39.82	73.93	65.78	4.22	33.70	54.64
2006/07	24.73	12.75	47.80	72.95	5.76	8.00	28.67
Mean	20.44	32.67	71.08	66.83	2.00	30.58	39.26
S.D	20.48	26.51	13.59	5.26	2.79	15.19	9.86
C.V	100.20	81.14	19.12	7.87	139.50	49.67	25.12

Source: *Annual reports of the banks*

The average DPR of HBL is 20.44. It means that HBL usually pays 20.44% of its total earning as dividend to its shareholders. The standard deviation of DPR is 20.48.The coefficient of variation is 100.20% which shows that there is high fluctuation in the dividend payment pattern over the period of study.

An average DPR of 32.67 of EBL indicates that EBL usually pays out 32.67% of its earning as dividend. The standard deviation is 26.51 and coefficient of variation is 81.14%. The CV indicates that the DPR of EBL widely varies during the study period.

SCBNL has an average DPR of 71.08 during this study period. It means that this bank has distributed dividend of 71.08% of its earning to its shareholders. The standard deviation of DPR is 13.59 whereas the coefficient of variation is 19.12%. These values elucidate that there is only a nominal fluctuations in the DPR of the bank over the years.

For Nabil, average DPR of 66.83 is noted during the study period. The standard deviation of the DPR is 5.26. The C.V of 7.87% indicates that there is very less fluctuations in the dividend payment pattern in Nabil.

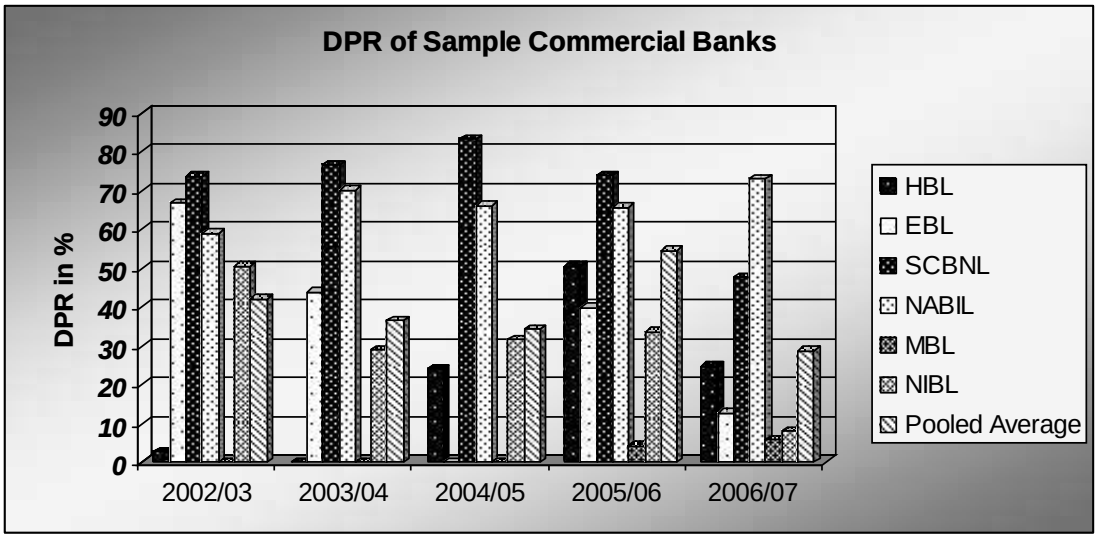
MBL has an average DPR of 2 during the study period. It means that it the bank pays only 2% of its earning to its shareholders in the form of dividend. The standard deviation of DPR was 2.79 whereas the coefficient of variation of 139.50% which explains the fluctuating nature of the per share dividend in MBL.

In case of NIBL, it has an average DPR of 30.58. It means that NIBL normally pays dividend of 30.58% of its earning. The standard deviation of DPR is 15.19. The CV of 49.67% points a moderate fluctuation in dividend payment behavior of NIBL.

A comparative DPR of the selected banks with the help of bar diagram and graph are presented below.

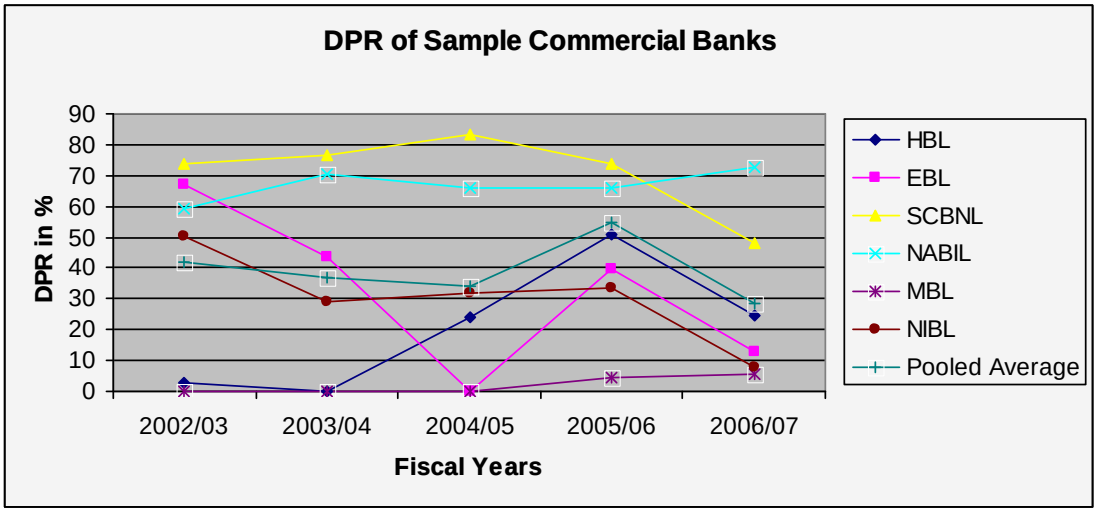
Analysis of DPR

Figure No. 4 (A)



Source: *Annual reports of the banks*

Figure No. 4 (B)



Source: *Annual reports of the banks*

The above figure shows the comparative DPR of the six commercial banks for five year period. As seen in the figure, DPR of all banks under study showed a fluctuating trend over the years. SCBNL has maintained the highest payout ratio in the first four years but in the fifth year Nabil has taken that position. SCBNL and Nabil are the only two banks who are successful in maintaining their DPR above the pooled average throughout the period.

4.1.5. Price Earning Ratio (PE ratio)

Price earning ratio is the relation between market price per share and earning per share. It is also called earning multiplier. The price earning ratio of banks under study along with its mean, standard deviation, coefficient of variation and pooled average mean over the period from FY 2002/03 to FY 2006/07 are presented below.

Table No 7: Analysis of Price Earning Ratio

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	16.91	14.88	10.98	8.74	35.55	20.10	17.86
2003/04	17.12	14.93	12.16	10.80	14.72	18.18	14.65

2004/05	19.20	16.04	16.29	14.23	16.59	20.25	17.10
2005/06	18.57	21.97	21.47	17.34	17.08	21.23	19.61
2006/07	28.69	31.00	35.25	36.84	68.74	27.63	38.03
Mean	20.10	19.76	19.23	17.59	30.54	21.48	21.45
S.D	4.90	6.93	9.85	11.25	22.97	3.61	9.44
C.V	24.38	35.07	51.22	63.96	75.21	16.81	44.00

Source: *Annual reports of the banks*

The average P/E Ratio of HBL is 20.10. It is within the range of 28.69 and 16.91. The standard deviation of P/E Ratio is 4.90 whereas the coefficient of variation is 24.38% which indicates that the bank has the low fluctuation in P/E Ratio.

EBL has an average P/E Ratio of 19.76, ranging between 31 and 14.88, during the study period. The standard deviation is 6.93 and moderate fluctuation of 35.07% is seen during this period.

SCBNL has an average P/E ratio of 19.23. The standard deviation is 9.85 and coefficient of variation is 51.22%. The CV indicates that the P/E Ratio of SCBNL is quite fluctuating.

The average P/E Ratio of Nabil is 17.59 with the standard deviation of 11.25. The coefficient of variation is 63.96% which indicates the fluctuating nature of P/E Ratio in Nabil.

MBL has an average P/E Ratio of 30.54, ranging between 68.74 and 14.72, during the period of study. The standard deviation is 22.97 and the fluctuation of 75.21 is seen during this period, which is very high.

NIBL has an average P/E Ratio of 21.48 ranging from 27.63 and 18.18, during the study period. The standard deviation is 3.61. The coefficient of variation is 16.81% which is lowest among the banks under study during the period.

A comparative PE Ratio of the selected banks with the help of bar diagram and graph are presented below.

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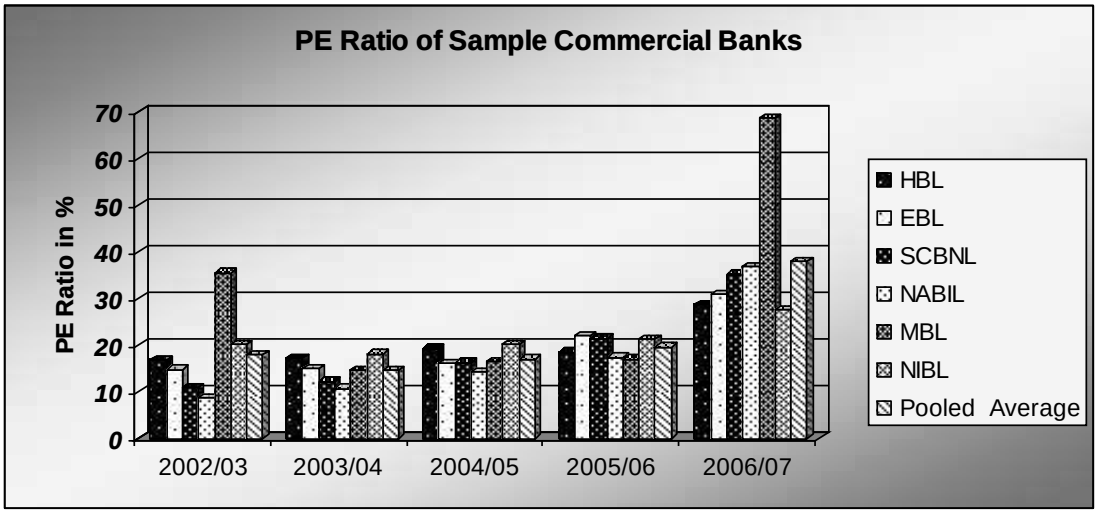
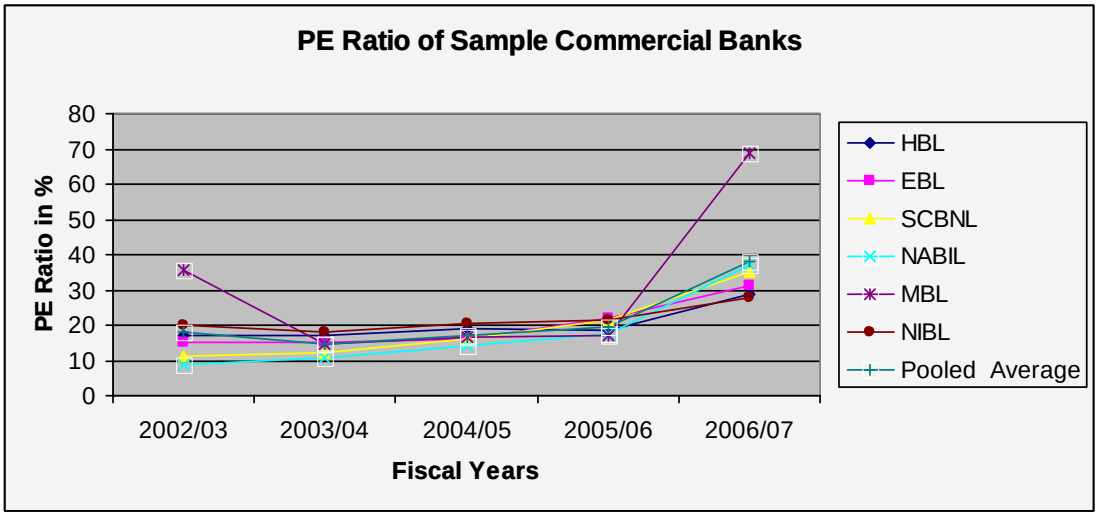
Analysis of PE Ratio

Figure No. 5 (A)



Source: *Annual reports of the banks*

Figure No. 5 (B)



Source: *Annual reports of the banks*

From above figure, it is seen that the price earning ratio of NIBL is above pooled average in 1st 4 years but it has decreased significantly in 5th year, which might have given negative message in the share market. Except it, P/E Ratio of other banks is not seen to be in satisfactory level.

4.1.6. Dividend Yield (DY)

Dividend Yield (DY) measures the dividend in relation to market value of share. It is the percentage of dividend per share on market price per share. This ratio highly influences the market price per share because a small change in dividend per share can bring the effective changes in the market value of the share.

The Dividend Yield of banks under study along with its mean, standard deviation, coefficient of variation and pooled average mean over the period from F.Y 2002/03 to 2006/07 are presented below.

Table No 8: Analysis of Dividend Yield

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	0.16	4.49	6.71	6.76	0	2.52	3.44
2003/04	0	2.94	6.30	6.50	0	1.60	2.89
2004/05	1.26	0	5.12	4.65	0	1.56	2.10
2005/06	2.73	1.81	3.44	3.80	0.25	1.59	2.74
2006/07	0.86	0.41	1.36	1.98	0.08	0.29	0.83
Mean	1.00	1.93	4.59	4.74	0.07	1.51	2.40
S.D	1.10	1.84	2.20	1.98	0.14	0.79	1
C.V	110	95.34	47.93	41.77	200	52.25	41.67

Source: *Annual reports of the banks*

The DY of HBL ranges between 2.73% and 0% during the study period. During this period, the average DY is 1%. The standard deviation of the DY under the period of study is 1.10. The C.V of 110% indicates that the fluctuation in DY of HBL is highest.

During the study period, EBL had an average DY of 1.93% with a standard deviation of 1.84. The DY ranges between 4.49% and 0% during the study period. The C.V shows that there is a fluctuation of 95.34% in DY of EBL which is higher than C.V of average pooled DY.

The average DY of SCBNL during this study period is 4.59%. It stayed within the range of 6.71% and 1.36%. The standard deviation is 2.20 whereas the coefficient of variation is 47.93% which is moderate in comparison to C.V of average pooled DY.

Nabil has the DY range between 6.76% and 1.98% during the study period. An average DY of 4.74% is noted during this period. The standard deviation of the DY is 1.98. The C.V of 41.77% indicates that there is fluctuation of 41.77% in the DY of Nabil during the period of study which is satisfactory as it is near to C.V of average pooled DY.

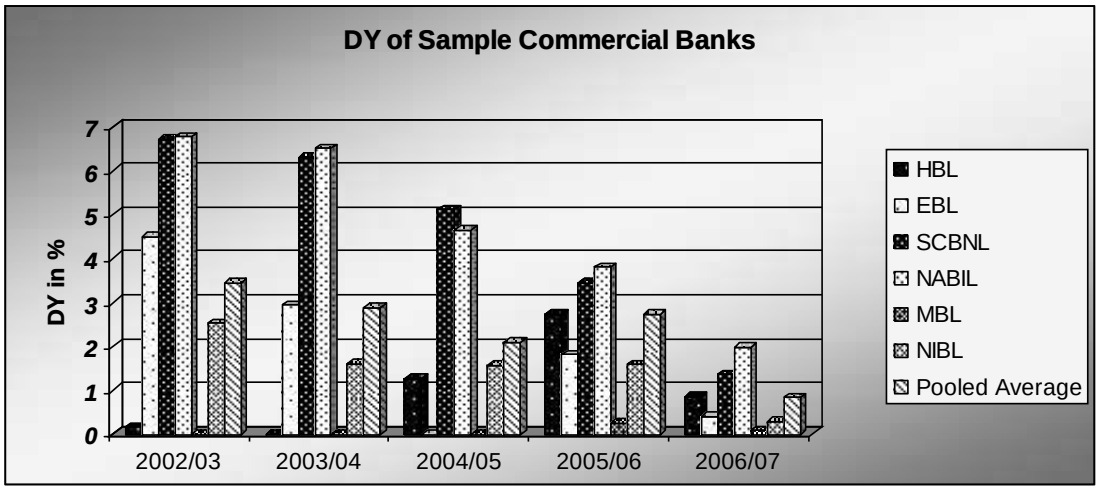
MBL, within the period of study had an average DY of 0.07%, ranging between 0.25% and 0%. The standard deviation is 0.14 and the fluctuation of 200% in the DY, shown by the coefficient of variation of the bank is very high.

The average DY of NIBL, during this study period is 1.51%. It stayed within the range of 2.52% and 0.29%. The standard deviation of DY is 0.79 and coefficient of variation is 52.25%.

A comparative DY of the selected banks with the help of bar diagram and graph are presente

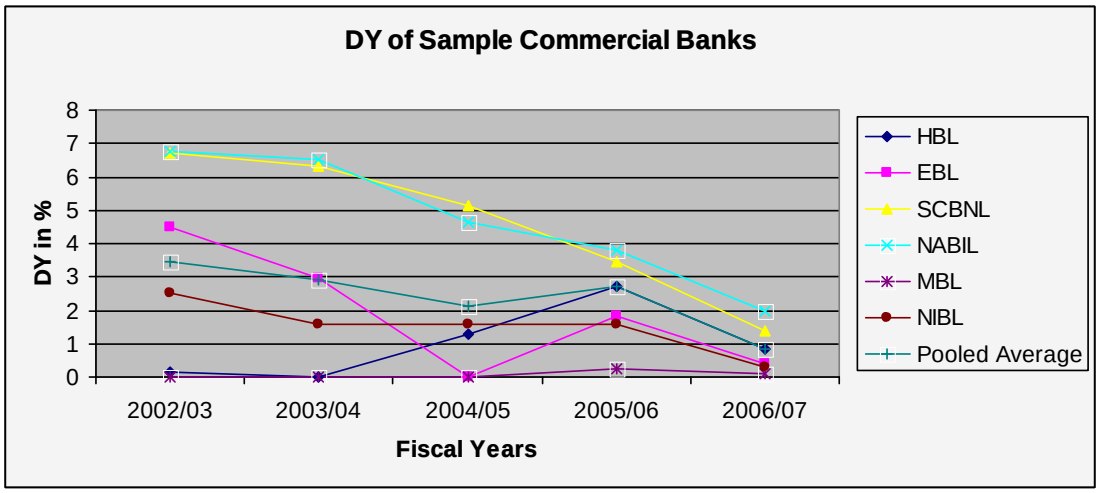
Analysis of DY

Figure No. 6 (A)



Source: *Annual reports of the banks*

Figure No. 6 (B)



Source: *Annual reports of the banks*

From above figure, it is seen that the average pooled Dividend Yield over the period is 2.40 whereas the same of SCBNL and Nabil alone is 4.59 and 4.74 which is almost 2 times greater than the average pooled DY. So SCBNL and Nabil are the most appreciable banks among the selected ones. The dividend Yield of HBL have gone zero in the year 2003/04, so as of EBL in the year 2004/05. Similarly, dividend yield of MBL have gone zero in the first three years.

4.1.7. Earning Yield (EY)

Earning Yield is the percentage of earning per share to market price per share in the secondary market. It measures the earnings in relation to market value of share. It gives an idea of how much an investor might get for his money. The share with higher earning yield is worth buying.

The Earning Yield of banks under study along with its mean, standard deviation, coefficient of variation and pooled average mean over the period from F.Y 2002/03 to 2006/07 are presented below.

Table No 9: Analysis of Earning Yield

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	5.92	6.72	9.10	11.44	2.81	4.98	6.83
2003/04	5.84	6.70	8.23	9.26	6.79	5.50	7.05
2004/05	5.21	6.23	6.14	7.03	6.03	4.94	5.93
2005/06	5.39	4.55	4.66	5.77	5.86	4.71	5.16
2006/07	3.49	3.23	2.84	2.71	1.45	3.62	2.89
Mean	5.17	5.49	6.19	7.24	4.59	4.75	5.57
S.D	0.98	1.54	2.56	3.33	2.32	0.69	1.68
C.V	18.96	28.05	41.36	45.99	50.54	14.53	30.16

Source: *Annual reports of the banks*

The average EY of 5.17% with the standard deviation of 0.98 is seen for HBL.The highest and lowest EY are 5.92% and 3.49% respectively. The coefficient of variation is 18.96% during the study period which is lowest in comparison to pooled average.

EBL has an average EY of 5.49%. The standard deviation is 1.54 and coefficient of variation is 28.05%. The C.V indicates that the EY of EBL is less fluctuating.

The average EY of SCBNL during this study period is 6.19%. It is within the range of 9.10% and 2.84%. The standard deviation of EY is 2.56 whereas the coefficient of variation is 41.36% which indicates fluctuating nature of Earning Yield in comparison to average pooled earning yield.

Nabil has an average EY of 7.24% which is highest in comparison to others. The standard deviation of the EY is 3.33. The C.V of 45.99% indicates the fluctuating nature of EY because it is highest than the average pooled earning yield.

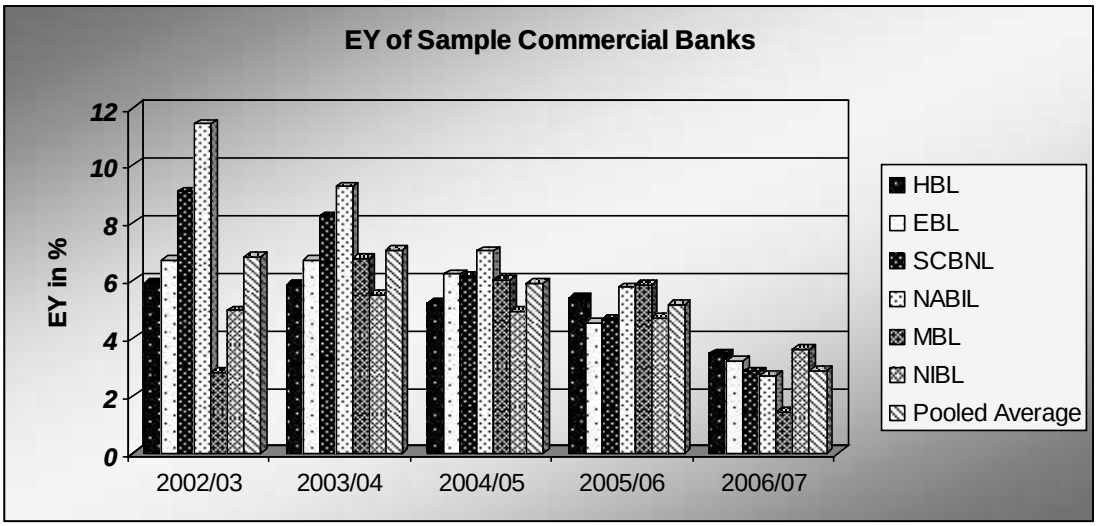
MBL has an average EY of 4.59% ranging between 6.79% and 1.45% during the study period. The standard deviation is 2.32 and coefficient of variation is 50.54% which indicates high fluctuation in the earning yield of MBL.

The average EY of NIBL during the study period is 4.75% which is lowest in comparison to other banks. It is within the range of 5.50% and 3.62%. The standard deviation of EY is 0.69 whereas coefficient of variation is 14.53% which indicates the lowest fluctuation in EY of NIBL.

A comparative EY of the selected banks with the help of bar diagram and graph are presented below.

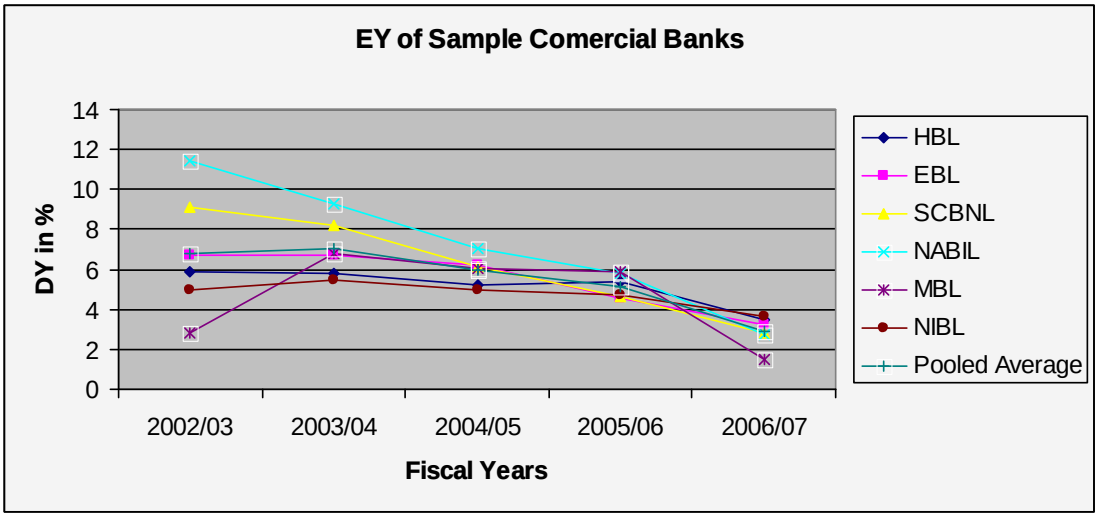
Analysis of EY

Figure No. 7 (A)



Source: *Annual reports of the banks*

Figure No. 7 (B)



Source: *Annual reports of the banks*

From above calculations, NABIL has the highest EY and MBL has the lowest. The C.V indicates that among the banks under study during the period, NIBL has the highest consistency in its earning yield whereas the earning yield of MBL is highly fluctuating.

4.2 Analysis of Statistical Indicators:

4.2.1 Correlation Analysis

The correlation coefficient measures the relation between two or more variables. It also measures the extent to which one variable affects the other one. The correlation coefficient lies between +1 and -1.The +1 coefficient indicates that the variables are perfectly positively correlated and -1 coefficient indicates that the variables are negatively correlated. And if the correlation coefficient is 0, it means that the variables are not related to each other. The negative correlation indicates that increase in value of one variable leads to decrease in the value of the other and positive correlation indicates that increase in value of one variable leads to increase in the value of the other variable also. The numbers indicate the degree of correlation between the variables.

The table given below shows the correlation coefficient (r) between the financial variables. The data used for calculation can be seen in Appendix-B.

Table No: 10 Himalayan Bank Limited

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.833	0.428	0.388	0.976	0.208	-0.97

The above table depicts that MPS of HBL has positive correlation with EPS, DPS, DPR, PER and DY. It means with increase in MPS of HBL, EPS, DPS, DPR, PER and DY also increases and vice-versa. In the other hand, MPS of HBL has negative relation with its EY. It means MPS of HBL decreases with increase in EY and vice-versa.

Table No: 11 Everest Bank Limited

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.943	-0.183	-0.527	0.99	-0.638	-0.977

The above table depicts that MPS of EBL has positive correlation with EPS and PER. It means with increase in MPS of EBL, EPS and PER also increases and vice-versa. In the other hand, MPS of EBL has negative relation with its DPS, DPR, DY and EY. It means MPS of EBL decreases with increase in DPS, DPR, DY and EY and vice-versa.

Table No: 12 Standard Chartered Bank Nepal Limited

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.767	-0.582	-0.861	0.995	-0.989	-0.948

The above table depicts that MPS of SCBNL has positive correlation with EPS and PER. It means with increase in MPS of SCBNL, EPS and PER also increases and vice-versa. In the other hand, MPS of SCBNL has negative relation with its DPS, DPR, DY and EY. It means MPS of SCBNL decreases with increase in DPS, DPR, DY and EY and vice-versa.

Table No: 13 Nabil Bank Limited

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.876	0.922	0.687	0.998	-0.935	-0.921

The above table depicts that MPS of Nabil has positive correlation with EPS, DPS, DPR and PER. It means with increase in MPS of Nabil, EPS, DPS, DPR and PER also increases and vice-versa. In the other hand, MPS of HBL has negative relation with its DY and EY. It means MPS of Nabil decreases with increase in DY and EY and vice-versa.

Table No: 14 Machhapuchchhre Bank Limited

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.267	0.655	0.897	0.748	0.395	-0.553

The above table depicts that MPS of MBL has positive correlation with EPS, DPS, DPR, PER and DY. It means with increase in MPS of MBL, EPS, DPS, DPR, PER and DY also increases and vice-versa. In the other hand, MPS of MBL has negative relation with its EY. It means MPS of MBL decreases with increase in EY and vice-versa.

Table No: 15 Nepal Investment Bank Limited

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.902	-0.633	-0.824	0.898	-0.866	-0.875

The above table depicts that MPS of NIBL has positive correlation with EPS and PER. It means with increase in MPS of NIBL, EPS and PER also increases and vice-versa. In the other hand, MPS of NIBL has negative relation with its DPS, DPR, DY and EY. It means MPS of NIBL decreases with increase in DPS, DPR, DY and EY and vice-versa.

Table No: 16 Pooled Average

	EPS	**DPS**	**DPR**	**PER**	**DY**	**EY**
MPS	0.885	0.282	-0.311	0.950	-0.885	-0.989

The above table depicts that MPS of industry in average has positive correlation with EPS, DPS and PER. It means with increase in MPS of industry in average, EPS, DPS and PER also increases and vice-versa. In the other hand, MPS of industry in average has negative relation with its DPR, DY and EY. It means MPS of industry in average decreases with increase in DPR, DY and EY and vice-versa.

4.2.2 Regression Analysis

4.2.2.1 Simple Correlation and Regression Analysis between MPS and EPS

MPS = a + b*EPS

Table No 17: Regression Analysis of MPS and EPS

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	-1656.97	-	-1.57	0.215	0.70
	EPS	51.52	19.72	2.61	0.08	
EBL	Constant (a)	-1053.18	-	-2.24	0.11	0.89
	EPS	40.86	8.30	4.92	0.02	
SCBNL	Constant (a)	-11467.01	-	-1.627	0.20	0.60
	EPS	93.26	45.01	2.07	0.13	
Nabil	Constant (a)	-5273.11	-	-2.21	0.11	0.77
	EPS	67.17	21.34	3.15	0.05	
MBL	Constant (a)	187.20	-	0.82	0.47	0.07
	EPS	8.90	18.54	0.48	0.66	
NIBL	Constant (a)	-570.45	-	-1.21	0.31	0.81
	EPS	33.15	9.17	3.62	0.04	
Pooled	Constant (a)	-3271.03	-	-2.25	0.11	0.78
	EPS	65.45	19.84	3.30	0.05	

Source: *Annual reports of the banks*

The above table of regression analysis shows that among the banks under study, all the banks have positive relation between MPS and EPS. The regression relation between MPS and EPS of HBL indicates that with an increase of Rs.1in EPS, the MPS will increase by Rs.51.52 other variables remaining constant. Similarly, in case of EBL and SCBNL, with an increase of Rs.1 in EPS, the MPS will increase by Rs.40.86 and Rs.93.26 respectively assuming that the other variables are constant. Likewise with an increase of Rs.1 in EPS of Nabil, MBL and NIBL, the MPS will increase by Rs.67.17, Rs.8.90 and Rs.33.15 respectively remaining the other variables constant.

The standard error of estimate of HBL, EBL, SCBNL, Nabil, MBL and NIBL are 19.72, 8.30, 45.01, 21.34, 18.54 and 9.17 respectively. These values indicate the probable error in the predicted value for the respective banks.

The coefficient of multiple determinations (R^2) is lowest for MBL (0.07), which indicates that only 7% in MPS is explained by EPS i.e. 7% variation in MPS of the bank is explained due to the change in value of EPS of the bank. The value of R^2 of HBL, EBL, SCBNL, Nabil and NIBL are 0.70, 0.89, 0.60, 0.77, 0.81 and 0.78 respectively, which indicate that 70%, 89%, 60%, 77%, 81% and 78% variation in the MPS of these banks are explained by the change in EPS of the respective banks.

4.2.2.2 Simple Correlation and Regression Analysis between MPS and DPS

MPS = a + b*DPS

Table No 18: Regression Analysis of MPS and DPS

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	932.08	-	3.59	0.04	0.18
	DPS	13.40	16.33	0.82	0.47	
EBL	Constant (a)	1377.74	-	1.76	0.18	0.03

	DPS	-14.40	44.75	-0.32	0.77	
SCBNL	Constant (a)	9213.50	-	1.84	0.16	0.34
	DPS	-55.75	44.93	-1.24	0.30	
Nabil	Constant (a)	-4092.89	-	-2.66	0.08	0.85
	DPS	83.78	20.30	4.13	0.03	
MBL	Constant (a)	187.77	-	1.81	0.17	0.43
	DPS	368.05	245.20	1.50	0.23	
NIBL	Constant (a)	1689.76	-	3.82	0.03	0.40
	DPS	-40.34	28.49	-1.42	0.25	
Pooled	Constant (a)	2558.25	-	1.30	0.28	0.10
	DPS	-27.70	48.89	-0.57	0.61	

Source: *Annual reports of the banks*

The table 8 of regression analysis of MPS and DPS shows that among the banks under study, HBL, NABIL and MBL have positive regression relation between DPS and MPS of the bank whereas EBL, SCBNL and NIBL have negative relation between MPS and DPS. The regression relation between MPS and EPS of HBL, NABIL and MBL indicates that with an increase of Rs.1 in DPS, the MPS will increase by Rs.13.40, Rs.83.78 and Rs.368.05 respectively other variables remaining constant. In contrast, there will be decrease in MPS of EBL, SCBNL and NIBL by Rs.14.40, Rs.55.75 and Rs.40.34 respectively with an increase in DPS by Rs.1 assuming that the other variables are constant.

The standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 16.33, 44.75, 44.93, 20.30, 245.20 and 28.49 respectively. These values indicate the probable error in the predicted value for the respective banks.

The coefficient of multiple determination (R^2) is lowest for EBL (0.03), which indicates that only 3% variance in the MPS is explained by DPS i.e. 3% variation in MPS of the bank is explained due to the change in value of DPS of the bank. This value is highest in case of NABIL (0.85). This indicates that 85% variation in MPS of NABIL is explained due to change in DPS of the bank. The value of R^2 of HBL, SCBNL, MBL and NIBL are 0.18, 0.34, 0.43, and 0.40 respectively which indicate that 18%, 34%, 43% and 40% variation in the MPS of these banks are explained due to the change in DPS of the respective banks.

4.2.2.3 Simple Correlation and Regression Analysis between MPS and DPR

MPS = a + b*DPR

Table No 19: Regression Analysis of MPS and DPR

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	940.03	-	3.47	0.04	0.15
	DPR	7.20	9.88	0.73	0.52	
EBL	Constant (a)	1673.22	-	2.84	0.07	0.28
	DPR	-15.69	14.57	-1.08	0.36	
SCBNL	Constant (a)	11150.18	-	4	0.03	0.74
	DPR	-113.52	38.66	-2.94	0.06	
Nabil	Constant (a)	-13095	-	-1.41	0.25	0.47
	DPR	227.47	138.96	1.64	0.20	
MBL	Constant (a)	150.22	-	2.46	0.09	0.80
	DPR	67.12	19.14	3.51	0.04	

NIBL	Constant (a)	1763.54	-	6.17	0.09	0.68
	DPR	-21.54	8.54	-2.52	0.09	
Pooled	Constant (a)	2558.25	-	1.30	0.28	0.10
	DPR	-27.70	48.89	-0.57	0.61	

Source: *Annual reports of the banks*

The regression analysis between MPS and DPR shows positive relation between MPS and DPR of HBL, NABIL and MBL while negative relation between MPS and DPR of EBL, SCBNL and NIBL. The regression relation between MPS and DPR of HBL, NABIL and MBL indicates that with an increase of 1% in DPR, the MPS will increase by Rs.7.20, Rs.227.47 and Rs.67.13 respectively assuming that the other variables are constant. In the other hand with an increase in 1% in DPR, the MPS of EBL, SCBNL and NIBL will decrease by Rs.15.69, Rs.113.52 and Rs.21.54 respectively other variables remaining constant.

The standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 9.88, 14.57, 38.66, 138.96, 19.14 and 8.54 respectively which indicate the possible error in the predicted value for the respective banks.

The coefficient of multiple determination (R^2) is lowest for HBL (0.15), which indicates that only 15% in MPS is explained by DPR i.e. 15% variation in MPS of the bank is explained due to the change in value of DPR of the bank. The coefficient of multiple determination is highest in case of MBL (0.80), which indicates that 80% variation in MPS of MBL is due to the change in DPR of the bank. The value of R^2 of EBL, SCBNL, NABIL and NIBL are 0.28, 0.74, 0.47 and 0.68 respectively which indicate that 28%, 74%, 47% and 68% variation in the MPS of these banks are explained due to the change in DPR of the respective banks.

4.2.2.4 Simple Correlation and Regression Analysis between MPS and P/E Ratio

MPS = a + b*P/E Ratio

Table No 20: Regression Analysis of MPS and P/E Ratio

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	-436.22	-	-2.19	0.12	0.95
	P/E ratio	75.80	9.67	7.84	0.00	
EBL	Constant (a)	-1064.94	-	-5.58	0.01	0.98
	P/E ratio	112.62	9.22	12.22	0.00	
SCBNL	Constant (a)	-395.74	-	-1.72	0.18	0.99
	P/E ratio	180.80	10.85	16.66	0.00	
Nabil	Constant (a)	-611.59	-	-5.83	0.01	0.997
	P/E ratio	154.55	5.17	29.88	0.00	
MBL	Constant (a)	76.78	-	0.60	0.59	0.56
	P/E ratio	6.79	3.48	1.95	0.15	
NIBL	Constant (a)	-1012.99	-	-1.67	0.19	0.81
	P/E ratio	98.60	27.95	3.53	0.04	
Pooled	Constant (a)	-359.87	-	0.96	0.41	0.90
	P/E ratio	84.56	16	5.29	0.01	

Source: *Annual reports of the banks*

The above table of regression analysis shows that the banks under study, all banks have positive relation between MPS and P/E ratio. The regression relation between MPS and P/E ratio indicates that with an increase of 1% in P/E ratio of HBL,

EBL, SCBNL, NABIL, MBL and NIBL, MPS will increase by Rs.75.80, Rs.112.62, Rs.180.80, Rs.154.55, Rs.6.79 and Rs.98.60 respectively remaining the other variables constant.

The standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 9.67, 9.22, 10.85, 5.17, 3.48 and 27.95 respectively. These values indicate the probable error in the predicted value for the respective banks.

The coefficient of multiple determination (R^2) is highest for NABIL (0.997), which indicates that 99.70% in MPS is explained by P/E ratio i.e. 99.70% variation in MPS of the bank is explained due to the change in value of P/E ratio of the bank. This value is lowest in case of MBL (0.56). This indicates that 56% in variation in MPS of MBL is explained due to change in P/E ratio of the bank. The value of R^2 of HBL, EBL, SCBNL and NIBL are 0.95, 0.98, 0.99 and 0.81 respectively which indicate that 95%, 98%, 99% and 81% variation in the MPS of these banks are explained due to the change in P/E ratio of the respective banks.

4.2.2.5 Simple Correlation and Regression Analysis between MPS and Dividend Yield

MPS = a + b* Dividend Yield

Table No 21: Regression Analysis of MPS and Dividend Yield

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	1014.86	-	3.69	0.03	0.04
	DY	72.19	196.35	0.37	0.74	
EBL	Constant (a)	1686.70	-	3.50	0.04	0.41
	DY	-272.49	189.98	-1.43	0.25	
SCBNL	Constant	6766.13	-	19.95	0.00	0.98

	(a)					
	DY	-803.56	67.94	-11.83	0.00	
Nabil	Constant (a)	6004.12	-	6.60	0.01	0.88
	DY	-822.53	179.85	-4.57	0.02	
MBL	Constant (a)	234.04	-	1.96	0.15	0.16
	DY	760.06	1019.38	0.75	0.51	
NIBL	Constant (a)	1758.63	-	7.30	0.01	0.75
	DY	-432.42	144.19	-3.00	0.06	
Pooled	Constant (a)	3340.48	-	5.53	0.01	0.78
	DY	-779.02	236.09	-3.30	0.05	

Source: *Annual reports of the banks*

The regression analysis between MPS and DY shows positive relation between MPS and DY of HBL & MBL while negative relation between EBL, SCBNL, NABIL and NIBL. The regression relation between MPS and DY of HBL and MBL indicates that with an increase of 1% in DY, the mps will increase by Rs.72.19 and Rs.760.06 respectively assuming that the other variables are constant. In the other hand, with an increase in 1% in DY, the MPS of EBL, SCBNL, NABIL and NIBL will decrease by Rs.272.49, Rs.803.56, Rs.822.53 and Rs.432.42 respectively other variables remaining constant.

The standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 196.35, 189.98, 67.94, 179.85, 1019.38 and 144.19, which indicate the possible error in the predicted value for the respective banks.

The coefficient of multiple determination (R^2) is lowest for HBL (0.04), which indicates that only 4% in MPS is explained by DY i.e. 4% variation in MPS of the

bank is explained due to the change in value of DY of the bank. The coefficient of multiple determination is highest in case of SCBNL (0.98), which indicates that 98% variation in MPS of SCBNL is due to the change in DY of the bank. The value of R^2 of EBL, NABIL, MBL and NIBL are 0.41, 0.88, 0.16 and 0.75 respectively which indicate that 41%, 88%, 16% and 75% variation in the MPS of these banks are explained due to the change in DY of the respective banks.

4.2.2.6 Simple Correlation and Regression Analysis between MPS and Earning Yield

MPS = a + b* Earning Yield

Table No 22: Regression Analysis of MPS and Earning Yield

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	3023.52	-	10.72	0.00	0.94
	EY	-374.53	53.77	-6.90	0.00	
EBL	Constant (a)	3899.78	-	10.88	0.00	0.95
	EY	-499.27	63.36	-7.88	0.00	
SCBNL	Constant (a)	7192.30	-	8.50	0.00	0.90
	EY	-663.76	128.14	-5.18	0.01	
Nabil	Constant (a)	5590.36	-	6.06	0.01	0.85
	EY	-481	117.87	-4.08	0.03	
MBL	Constant (a)	512.36	-	2.35	0.10	0.31
	EY	-49.73	43.22	-1.15	0.33	
NIBL	Constant (a)	3478.13	-	4.54	0.02	0.77
	EY	-499.65	159.84	-3.13	0.05	

Pooled	Constant (a)	4357.62	-	16.77	0.00	0.98
	EY	-518.09	45.03	-11.51	0.00	

Source: *Annual reports of the banks*

The above table of regression analysis shows that among the banks under study, all banks have negative relation between MPS and EY. The regression relation between MPS and EY of HBL, EBL, SCBNL, NABIL, MBL and NIBL indicate that with an increase of 1% in EY, the MPS will decrease by Rs.374.53, Rs499.27, Rs.663.76, Rs.481, Rs.49.73 and Rs.499.65 respectively assuming that other variables are constant.

The standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 53.77, 63.36, 128.14, 117.87, 43.22 and 159.84 respectively which indicate the possible error in the predicted value for the respective banks.

The coefficient of multiple determination (R^2) is lowest for MBL (0.31), which indicates that only 31% in the MPS is explained by EY i.e. 31% variation in MPS of the bank is explained due to the change in value of EY of the bank. The coefficient of multiple determination is highest in case of EBL (0.95), which indicates that 95%variation in MPS of EBL is due to the change in EY of the bank. The value of R^2 of HBL, SCBNL, NABIL and NIBL are 0.94, 0.90, 0.85 and 0.77 respectively which indicate that 94%, 90%, 85% and 77% variation in the MPS of these banks are explained due to the change in EY of respective banks.

4.2.3 Multiple Correlation and Regression Analysis

4.2.3.1 Multiple Correlation and Regression Analysis between MPS on EPS and DPS

$MPS = a + b_1 * EPS + b_2 * DPS$

Table No 23: Regression Analysis of MPS on EPS and DPS

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	-2580.18	-	-1.70	0.23	0.78
	EPS	71.85	30.81	2.33	0.15	
	DPS	-13.78	15.60	-0.88	0.47	
EBL	Constant (a)	-1203.42	-	-1.70	0.23	0.90
	EPS	41.84	10.27	4.07	0.06	
	DPS	6.48	18.70	0.35	0.76	
SCBNL	Constant (a)	-5188.62	-	-0.94	0.45	0.88
	EPS	89.40	30.06	2.97	0.10	
	DPS	-51.60	23.67	-2.18	0.16	
Nabil	Constant (a)	-3284.73	-	-1.15	0.37	0.86
	EPS	-33.06	89.71	-0.37	0.75	
	DPS	121.94	106.32	1.15	0.37	
MBL	Constant (a)	228.95	-	1.05	0.40	0.44
	EPS	-4.89	21.24	-0.23	0.84	
	DPS	414.35	358.16	1.16	0.37	
NIBL	Constant (a)	-20.78	-	-0.04	0.97	0.91

	EPS	28.40	8.49	3.34	0.08	
	DPS	-21.37	14.73	-1.45	0.28	
Pooled	Constant (a)	-3047.95	-	-4.91	0.04	0.97
	EPS	95.30	11.50	8.29	0.01	
	DPS	-60.82	15.93	-3.82	0.06	

Source: *Annual reports of the banks*

The above table of multiple regression analysis shows that among the banks under study, EBL has positive relation between MPS on EPS and DPS. In case of HBL, SCBNL and NIBL, there is positive relation between MPS and EPS and negative relation between MPS and DPS. Similarly, in case of NABIL and MBL, there is negative relation between MPS and EPS and positive relation between MPS and DPS. The regression relation between MPS on EPS and DPS of EBL indicates that with an increase of Rs.1 in EPS, MPS will increase by Rs.41.84 and Rs.6.48 whereas with increase in Rs.1 of DPS remaining other variables constant. In case of HBL, SCBNL and NIBL, with an increase in Rs.1 in EPS, the MPS will increase by Rs.71.85, Rs.89.40 and Rs.28.40 respectively. Similarly, with increase in Rs.1 in DPS, MPS will decrease by Rs.13.78, Rs51.60 and Rs.21.37 respectively. In case of NABIL and MBL, with increase in Rs.1 in EPS, MPS will decrease by Rs.33.06 and Rs.4.89 respectively. Similarly with increase in Rs.1 in DPS, MPS will increase by Rs.121.94 and Rs.414.35 respectively assuming other variables remaining constant.

The average standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 23.21, 14.49, 26.87, 98.02, 189.70 and 11.61 respectively. These values indicate the probable error in the predicted value for the respective banks.

The value of coefficient of multiple determination (R^2) of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 0.78, 0.90, 0.88, 0.86, 0.44 and 0.91 respectively which indicate that 78%, 90%, 88%, 86%, 44% and 91% variation in the MPS of these banks are explained due to the change in EPS and DPS of the respective banks.

4.2.3.2 Multiple Correlation and Regression Analysis between MPS on DPS and DPR

$MPS = a + b_1 * DPS + b_2 * DPR$

Table No 24: Regression Analysis of MPS on DPS and DPR

Bank	Variables	B	Std Error	T value	Sig. T	R^2
HBL	Constant (a)	999.86	-	3.23	0.08	0.32
	DPS	124.45	177.24	0.70	0.56	
	DPR	-66.23	105.13	-0.63	0.59	
EBL	Constant (a)	1353.78	-	1.97	0.19	0.50
	DPS	68.25	72.02	0.95	0.44	
	DPR	-37.25	27.17	-1.37	0.30	
SCBNL	Constant (a)	9598.82	-	3.23	0.08	0.85
	DPS	60.88	52.94	1.15	0.37	
	DPR	-185.90	72.89	-2.55	0.13	
Nabil	Constant (a)	-3538.75	-	-0.48	0.68	0.85
	DPS	86.03	38.18	2.25	0.15	
	DPR	-10.78	139.16	-0.08	0.95	
MBL	Constant (a)	160.33	-	3.31	0.08	0.92
	DPS	-432.99	255.90	-1.69	0.23	
	DPR	118.89	34.09	3.49	0.07	
NIBL	Constant (a)	1652.54	-	4.58	0.04	0.74
	DPS	33.93	52.10	0.65	0.58	
	DPR	-33.99	21.36	-1.59	0.25	

Pooled	Constant (a)	844.59	-	0.63	0.59	0.79
	DPS	135.23	52.89	2.56	0.13	
	DPR	-119.19	46.05	-2.59	0.12	

Source: *Annual reports of the banks*

The multiple regression analysis among MPS on DPS and DPR shows that all banks expect MBL have positive relation between MPS and DPS while negative relation between MPS and DPR assuming other variables constant. The regression relation between MPS on DPS and DPR of HBL, EBL, SCBNL, NABIL and NIBL indicates that with an increase of Rs.1 in DPS, the MPS will increase by Rs.124.45, Rs.68.25, Rs.60.88, Rs.86.03 and Rs.33.93 respectively. Similarly with increase in 1% in DPR, the MPS will decrease by Rs.66.23, Rs.37.25, Rs.185.90, Rs.10.78 and Rs.33.99 respectively. In case of MBL, with increase in Rs.1 in DPS, MPS will decrease by Rs.432.99. Similarly with increase in 1% in DPR, MPS will increase by Rs.118.89 other variables remaining constant.

The average standard error of estimate of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 141.19, 49.60, 62.92, 88.67, 145 and 36.73 respectively. These values indicate the possible error in the predicted value for the respective banks.

The value of coefficient of multiple determination (R^2) of HBL, EBL, SCBNL, NABIL, MBL and NIBL are 0.32, 0.50, 0.85, 0.85, 0.92 and 0.74 respectively which indicate that 32%, 50%, 85%, 85%, 92% and 74%% variation in the MPS of these banks are explained due to the change in DPS and DPR of the respective banks.

4.3 Major Findings

1. The six selected listed banks under study have not adopted any fixed dividend policy during study period.
2. EPS of the commercial banks in average is in increasing trend. NABIL has got success to keep the increasing trend of EPS throughout the period. It is above the

average EPS in each year. EPS of SCBNL is in increasing trend in 1st 4 yearand has decreased in 5th year which might flow negative information in share market however it's EPS is above the average EPS in each year period. MBL is in the lowest position regarding earning capacity. All other banks expect SCBNL and NABIL are also below the average EPS line throughout the study period.

- DPS of the commercial banks in average is in increasing trend in 1st 4 year and has decreased in 5th year. NABIL has got success to keep the increasing trend of DPS throughout the period. SCBNL and NABIL has got success to keep DPS above the average pooled line throughout the study period.
- MPS of the commercial banks in average is in increasing trend. MPS of SCBNL is strong in comparison to other banks. Among the sample firms, NABIL is the most risky bank from the viewpoint of MPS.
- DPR of HBL and MBL is in most fluctuating trend. SCBNL and NABIL has kept its DPR above the pooled average line.

3. There is positive correlation between EPS and MPS of the sample firms. In comparison, it is highly positively correlated in case of EBL and less in case of MBL.

- There is poor positive correlation between MPS and DPS of the sample firms in average. Nabil has the highest positive correlation between MPS and DPS whereas NIBL have strong negative relation between MPS and DPS.
- There is poor negative correlation between MPS and DPR in average. It is highly negatively correlated in case of SCBNL and highly positive in case of MBL.
- There is highly positive correlation between MPS and P/E ratio in average. It is highly positive in case of NABIL and low in case of MBL.
- There is highly negative correlation between MPS and DY in average. It is highly negatively correlated in case of SCBNL and positively correlated in case of MBL.
- There is highly negative correlation between MPS and EY in average. It is highly negatively correlated in case of EBL and less negatively correlated in case of MBL.

- From the multiple regression analysis of MPS on EPS and DPS, MPS is positively correlated with EPS while negatively correlated with DPS on average.
- From the multiple regression analysis of MPS on DPS and DPR, MPS is highly positively correlated with DPS while highly negatively correlated with DPR on average.

4. There is no uniformity in dividend payment procedure among the six selected banks. Out of six selected listed banks, DPS of Nabil is in increasing trend. Similarly, no banks seem to follow uniform dividend policy.

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter focuses on summarizing the study held with the conclusions and some recommendations on the basis of findings. For this purpose, the chapter has been divided into three parts as: Summary, Conclusion and Recommendation.

5.1 Summary and Conclusion:

Dividend policy determines the division of earnings between payments to stockholders and reinvestment in the firm. Retained earnings are one of the most significant sources of funds for financing corporate growth, but dividends constitute the cash flows that accrue to stockholders.

This paper attempts to determine the impact of dividend policy on stock price. A sample of 6 commercial banks listed in Nepal Stock Exchange is examined for a period from 2002/03 to 2006/07. To make the research more reliable, different types of analysis have been conducted to find out the appropriate relationship between market price and other variables, which affect the dividend.

It is found from the study that the banks are paying dividend, but there is no consistency in dividend distribution in all sample banks observed. MBL has not given any cash dividend in 1st 3 years. Similarly, HBL and EBL too have not given any cash dividend in 2003/04 and 2004/05. The research shows that none of the banks have well defined and appropriate policy regarding dividend payment. They don't seem to follow the optimum dividend policy of paying regular dividend as per the shareholders' expectation. It might cause uncertainty among shareholders.

Recommendation:

Based on findings of the research, following recommendations are made for the better applications of the dividend policy to have the strong MPS in the capital market.

1. Banks should maintain the regularity in dividend payment. They require following a stable dividend policy in terms of DPS by considering the dividend payment as entrusted obligation towards the shareholders. Banks have been the most attractive sector of investment but if they cannot satisfy the public the banks are sure to loose the source of their capital.
2. The legal rules and regulation must be in favor of investors to exercise the dividend practice and to protect the shareholders right.
3. The capital market of Nepal should be perfect and efficient to attract the investor.
4. The banks should consider the existing expectations of shareholders while distributing dividends so that the distributed dividend should meet the interests of the shareholders as far as possible.
5. Banks should have long term vision regarding earnings and dividend payment that helps to cope with the challenging competitive situation that is sure to arise due to international agreements like BASEL or BAFIO agreement.
6. Nepal has entered in WTO and the BAFIO agreement has been enacted. Now they will have to face toughest competition not only with the domestic banks but also with the international banks. So the management should strengthen their capabilities and try to satisfy the public with satisfactory return of their investment along with implementation of the national and international ordinances.

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APPENDIX - A

Earning Per Share of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	49.45	29.90	149.3	84.66	2.81	39.56	59.28
2003/04	49.05	45.58	143.55	92.61	8.49	51.70	65.16
2004/05	47.91	54.22	143.93	105.79	15.43	39.50	67.80
2005/06	59.24	62.78	175.84	129.21	18.74	59.35	84.19
2006/07	60.66	78.42	167.37	137.08	9.02	62.57	85.85

Source: *Annual reports of the banks*

Dividend Per Share of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	1.32	20	110	50	0	20	33.55
2003/04	0	20	110	65	0	15	35
2004/05	11.58	0	120	70	0	12.50	35.68
2005/06	30	25	130	85	0.79	20	54.38
2006/07	15	10	80	100	0.52	5	37.56

Source: *Annual reports of the banks*

Market Price Per Share of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	836	445	1640	740	100	795	759.33
2003/04	840	680	1745	1000	125	940	888.33
2004/05	920	870	2345	1505	256	800	1116
2005/06	1100	1379	3775	2240	320	1260	1679
2006/07	1740	2430	5900	5050	620	1729	2911.5

Source: *Annual reports of the banks*

Dividend Payout Ratio of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	2.67	66.89	73.68	59.06	0	50.56	42.14
2003/04	0	43.88	76.63	70.19	0	29.01	36.62
2004/05	24.17	0	83.37	66.17	0	31.65	34.23
2005/06	50.64	39.82	73.93	65.78	4.22	33.70	54.64
2006/07	24.73	12.75	47.80	72.95	5.76	8.00	28.67

Source: *Annual reports of the banks*

Price Earning Ratio of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	16.91	14.88	10.98	8.74	35.55	20.10	17.86
2003/04	17.12	14.93	12.16	10.80	14.72	18.18	14.65
2004/05	19.20	16.04	16.29	14.23	16.59	20.25	17.10
2005/06	18.57	21.97	21.47	17.34	17.08	21.23	19.61
2006/07	28.69	31.00	35.25	36.84	68.74	27.63	38.03

Source: *Annual reports of the banks*

Dividend Yield of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	0.16	4.49	6.71	6.76	0	2.52	3.44
2003/04	0	2.94	6.30	6.50	0	1.60	2.89
2004/05	1.26	0	5.12	4.65	0	1.56	2.10
2005/06	2.73	1.81	3.44	3.80	0.25	1.59	2.74
2006/07	0.86	0.41	1.36	1.98	0.08	0.29	0.83

Source: *Annual reports of the banks*

Earning Yield of Sample Firms

Year	HBL	EBL	SCBNL	NABIL	MBL	NIBL	Pooled Average
2002/03	5.92	6.72	9.10	11.44	2.81	4.98	6.83
2003/04	5.84	6.70	8.23	9.26	6.79	5.50	7.05
2004/05	5.21	6.23	6.14	7.03	6.03	4.94	5.93
2005/06	5.39	4.55	4.66	5.77	5.86	4.71	5.16
2006/07	3.49	3.23	2.84	2.71	1.45	3.62	2.89

Source: *Annual reports of the banks*

Appendix – B

Correlation Analysis

Himalayan Bank Limited

	EPS	DPS	DPR	PER	DY	EY
MPS	0.833	0.428	0.388	0.976	0.208	-0.97

Everest Bank Limited

	EPS	DPS	DPR	PER	DY	EY
MPS	0.943	-0.183	-0.527	0.99	-0.638	-0.977

Standard Chartered Bank Nepal Limited

	EPS	DPS	DPR	PER	DY	EY
MPS	0.767	-0.582	-0.861	0.995	-0.989	-0.948

Nabil Bank Limited

	EPS	DPS	DPR	PER	DY	EY
MPS	0.876	0.922	0.687	0.998	-0.935	-0.921

Machhapuchchhre Bank Limited

	EPS	DPS	DPR	PER	DY	EY
MPS	0.267	0.655	0.897	0.748	0.395	-0.553

Nepal Investment Bank Limited

	EPS	DPS	DPR	PER	DY	EY
MPS	0.902	-0.633	-0.824	0.898	-0.866	-0.875

Pooled Average

	EPS	DPS	DPR	PER	DY	EY
MPS	0.885	0.282	-0.311	0.950	-0.885	-0.989

APPENDIX – C

REGRESSION ANALYSIS

HIMALAYAN BANK LIMITED

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.388(a)	.150	-.133	404.76670

a Predictors: (Constant), dpr

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	940.030	271.237		3.466	.040
	dpr	7.199	9.881	.388	.729	.519

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.428(a)	.183	-.089	396.87967

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	932.078	259.386		3.593	.037
	dps	13.396	16.334	.428	.820	.472

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564(a)	.318	-.363	444.01725

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	999.859	309.499		3.231	.084
	dps	124.453	177.239	3.976	.702	.555
	dpr	-66.228	105.131	-3.567	-.630	.593

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.208(a)	.043	-.276	429.54834

a Predictors: (Constant), DY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1014.864	274.976		3.691	.034
	DY	72.192	196.354	.208	.368	.738

a Dependent Variable: MPS

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833(a)	.695	.593	242.64308

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1656.968	1055.971		-1.569	.215
	eps	51.522	19.721	.833	2.613	.080

a Dependent Variable: mps

MPS ON EPS AND DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883(a)	.780	.561	252.04742

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-2580.182	1515.084		-1.703	.231
	eps	71.852	30.811	1.162	2.332	.145
	dps	-13.782	15.602	-.440	-.883	.470

a Dependent Variable: mps

MPS ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.970(a)	.942	.922	105.96433

a Predictors: (Constant), EY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3023.521	281.996		10.722	.002
	EY	-374.530	53.769	-.970	-6.966	.006

a Dependent Variable: MPS

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.976(a)	.953	.938	94.73679

a Predictors: (Constant), pe

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-436.223	198.898		-2.193	.116
	pe	75.800	9.669	.976	7.839	.004

a Dependent Variable: mps

EVEREST BANK LIMITED

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.527(a)	.278	.038	773.46747

a Predictors: (Constant), dpr

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1673.212	588.814		2.842	.066
	dpr	-15.685	14.586	-.527	-1.075	.361

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.183(a)	.034	-.288	894.97062

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1377.738	781.499		1.763	.176
	dps	-14.462	44.749	-.183	-.323	.768

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708(a)	.502	.004	786.95438

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1353.778	687.400		1.969	.188
	dps	68.254	72.024	.866	.948	.443
	dpr	-37.247	27.165	-1.253	-1.371	.304

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638(a)	.407	.209	701.20546

a Predictors: (Constant), DY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1686.697	482.468		3.496	.040
	DY	-272.486	189.978	-.638	-1.434	.247

a Dependent Variable: MPS

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.943(a)	.890	.853	302.23560

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1053.182	469.723		-2.242	.111
	eps	40.863	8.303	.943	4.922	.016

a Dependent Variable: mps

MPS ON EPS AND DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.947(a)	.896	.792	359.52377

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1203.421	707.209		-1.702	.231
	eps	41.842	10.273	.966	4.073	.055
	dps	6.480	18.697	.082	.347	.762

a Dependent Variable: mps

EBL ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.977(a)	.954	.939	195.45989

a Predictors: (Constant), EY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3899.784	358.432		10.880	.002
	EY	-499.268	63.363	-.977	-7.879	.004

a Dependent Variable: MPS

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990(a)	.980	.974	127.78802

a Predictors: (Constant), pe

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1064.943	190.927		-5.578	.011
	pe	112.616	9.217	.990	12.218	.001

a Dependent Variable: mps

STANDARD CHARTERED BANK NEPAL LIMTIED

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861(a)	.742	.656	1050.75885

a Predictors: (Constant), dpr

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	11150.176	2787.986		3.999	.028
	dpr	-113.519	38.661	-.861	-2.936	.061

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.582(a)	.339	.119	1681.28745

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	9213.500	4999.635		1.843	.163
	dps	-55.750	44.934	-.582	-1.241	.303

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919(a)	.845	.689	998.51255

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	9598.822	2973.112		3.229	.084
	dps	60.877	52.943	.636	1.150	.369
	dpr	-185.902	72.886	-1.411	-2.551	.125

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989(a)	.979	.972	299.66441

a Predictors: (Constant), DY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	6766.125	339.170		19.949	.000
	DY	-803.560	67.940	-.989	-11.828	.001

a Dependent Variable: MPS

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.767(a)	.589	.452	1326.43715

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-11467.010	7046.448		-1.627	.202
	eps	93.258	45.010	.767	2.072	.130

a Dependent Variable: mps

MPS ON DPS AND EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937(a)	.878	.756	884.23700

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-5188.621	5510.185		-.942	.446
	eps	89.396	30.057	.735	2.974	.097
	dps	-51.599	23.673	-.539	-2.180	.161

a Dependent Variable: mps

MPS ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.948(a)	.899	.866	655.86448

a Predictors: (Constant), EY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	7192.301	846.189		8.500	.003
	EY	-663.755	128.145	-.948	-5.180	.014

a Dependent Variable: MPS

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.995(a)	.989	.986	213.86333

a Predictors: (Constant), pe

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-395.737	229.564		-1.724	.183
	pe	180.798	10.852	.995	16.660	.000

a Dependent Variable: mps

NABIL BANK LIMITED

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.687(a)	.472	.296	1461.71227

a Predictors: (Constant), dpr

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-13094.945	9309.389		-1.407	.254
	dpr	227.472	138.956	.687	1.637	.200

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922(a)	.850	.800	778.21384

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-4092.891	1541.801		-2.655	.077
	dps	83.782	20.297	.922	4.128	.026

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922(a)	.851	.701	951.68667

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-3538.749	7397.565		-.478	.680
	dps	86.030	38.180	.947	2.253	.153
	dpr	-10.780	139.159	-.033	-.077	.945

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.935(a)	.875	.833	712.34164

a Predictors: (Constant), DY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	6004.123	909.738		6.600	.007
	DY	-822.525	179.852	-.935	-4.573	.020

a Dependent Variable: MPS

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.876(a)	.768	.690	969.60742

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-5273.108	2384.345		-2.212	.114
	eps	67.171	21.340	.876	3.148	.051

a Dependent Variable: mps

MPS ON EPS AND DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927(a)	.860	.720	922.32151

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-3284.731	2854.743		-1.151	.369
	eps	-33.057	89.713	-.431	-.368	.748
	dps	121.941	106.318	1.342	1.147	.370

a Dependent Variable: mps

MPS ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921(a)	.847	.796	785.82775

a Predictors: (Constant), EY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	5590.363	923.138		6.056	.009
	EY	-480.995	117.872	-.921	-4.081	.027

a Dependent Variable: MPS

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998(a)	.997	.996	116.40345

a Predictors: (Constant), pe

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-611.592	104.832		-5.834	.010
	pe	154.553	5.173	.998	29.877	.000

a Dependent Variable: mps

MACHHAPUCHCHHRE BANK LIMITED

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897(a)	.804	.739	106.67580

a Predictors: (Constant), dpr

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	150.220	61.117		2.458	.091
	dpr	67.124	19.139	.897	3.507	.039

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.655(a)	.429	.239	182.05898

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	187.771	103.713		1.810	.168
	dps	368.049	245.203	.655	1.501	.230

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.959(a)	.919	.839	83.78743

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	160.333	48.375		3.314	.080
	dps	-432.985	255.900	-.770	-1.692	.233
	dpr	118.892	34.089	1.588	3.488	.073

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.395(a)	.156	-.125	221.27813

a Predictors: (Constant), DY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	234.036	119.663		1.956	.145
	DY	760.059	1019.379	.395	.746	.510

a Dependent Variable: MPS

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.267(a)	.071	-.238	232.15778

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	187.197	227.177		.824	.470
	eps	8.901	18.541	.267	.480	.664

a Dependent Variable: mps

MPS ON EPS AND DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666(a)	.444	-.113	220.07634

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	228.947	218.357		1.048	.404
	eps	-4.892	21.238	-.147	-.230	.839
	dps	414.354	358.159	.737	1.157	.367

a Dependent Variable: mps

MPS ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553(a)	.306	.075	200.67024

a Predictors: (Constant), EY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	512.364	217.668		2.354	.100
	EY	-49.731	43.223	-.553	-1.151	.333

a Dependent Variable: MPS

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748(a)	.559	.412	159.94154

a Predictors: (Constant), pe

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	76.784	128.137		.599	.591
	pe	6.792	3.482	.748	1.951	.146

a Dependent Variable: mps

NEPAL INVESTMENT BANK LIMITED

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.824(a)	.680	.573	259.37768

a Predictors: (Constant), dpr

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1763.543	285.795		6.171	.009
	dpr	-21.539	8.540	-.824	-2.522	.086

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633(a)	.401	.201	354.72650

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1689.758	442.549		3.818	.032
	dps	-40.342	28.492	-.633	-1.416	.252

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858(a)	.736	.471	288.54920

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1652.543	360.746		4.581	.044
	dps	33.925	52.095	.532	.651	.582
	dpr	-33.994	21.355	-1.301	-1.592	.252

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866(a)	.750	.667	229.13616

a Predictors: (Constant), DY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1758.625	240.891		7.301	.005
	DY	-432.424	144.186	-.866	-2.999	.058

a Dependent Variable: MPS

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.902(a)	.813	.751	197.92828

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-570.451	471.675		-1.209	.313
	eps	33.150	9.168	.902	3.616	.036

a Dependent Variable: mps

MPS ON DPS AND EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.953(a)	.909	.818	169.22867

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-20.775	553.401		-.038	.973
	eps	28.403	8.494	.773	3.344	.079
	dps	-21.365	14.730	-.335	-1.450	.284

a Dependent Variable: mps

MPS ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.875(a)	.765	.687	222.05897

a Predictors: (Constant), EY

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3478.126	765.714		4.542	.020
	EY	-499.648	159.842	-.875	-3.126	.052

a Dependent Variable: MPS

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.898(a)	.806	.741	201.91755

a Predictors: (Constant), pe

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1012.988	607.049		-1.669	.194
	pe	98.603	27.949	.898	3.528	.039

a Dependent Variable: mps

POOLED AVERAGE

MPS ON DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.311(a)	.097	-.204	964.65576

a Predictors: (Constant), dpr

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	2558.247	1967.452		1.300	.284
	dpr	-27.698	48.894	-.311	-.566	.611

a Dependent Variable: mps

MPS ON DPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.282(a)	.079	-.227	973.77476

a Predictors: (Constant), dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	338.924	2266.358		.150	.891
	dps	28.850	56.689	.282	.509	.646

a Dependent Variable: mps

MPS ON DPS AND DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888(a)	.788	.577	571.86619

a Predictors: (Constant), dpr, dps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	844.592	1345.222		.628	.594
	dps	135.231	52.894	1.321	2.557	.125
	dpr	-119.190	46.052	-1.338	-2.588	.122

a Dependent Variable: mps

MPS ON DY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885(a)	.784	.712	471.71408

a Predictors: (Constant), dy

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3340.484	604.607		5.525	.012
	dy	-779.022	236.087	-.885	-3.300	.046

a Dependent Variable: mps

MPS ON EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885(a)	.784	.712	471.81309

a Predictors: (Constant), eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-3271.032	1452.840		-2.251	.110
	eps	65.445	19.839	.885	3.299	.046

a Dependent Variable: mps

MPS ON DPS AND EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987(a)	.974	.948	200.68033

a Predictors: (Constant), dps, eps

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-3047.954	620.704		-4.910	.039
	eps	95.296	11.503	1.289	8.285	.014
	dps	-60.815	15.926	-.594	-3.819	.062

a Dependent Variable: mps

MPS ON EY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989(a)	.978	.970	151.07416

a Predictors: (Constant), ey

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	4357.617	259.820		16.772	.000
	ey	-518.088	45.025	-.989	-11.507	.001

a Dependent Variable: mps

MPS ON PE RATIO

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950(a)	.903	.871	316.03273

a Predictors: (Constant), per

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-359.870	374.062		-.962	.407
	per	84.559	15.997	.950	5.286	.013

a Dependent Variable: mps