IMPACT OF DIVIDEND ON MARKET PRICE OF SHARE IN NEPALESE COMMERCIAL BANKS

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T.U. Regd. No.: 7-2-883-38-2012

2nd Year Symbol No.: 391222

A Thesis Submitted To:

Office of the Dean

Faculty of Management

Tribhuvan University

In Partial Fulfillment of the Requirement for the Degree Of

Master of Business Studies (MBS)

Kathmandu Nepal

July, 2024

RECOMMENDATION

This is to certify that the thesis

Submitted by:

SANTOSH LAMICHHANE

Entitled:

IMPACT OF DIVIDEND ON MARKET PRICE OF SHARE IN NEPALESE COMMERCIAL BANKS

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

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Asso. prof. Pitamber Lamichhane	**Asso . Prof. Dr. Sajeeb Kumar Shrestha**	**Asso. Prof. Dr. Krishna Prasad Acharya**
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VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

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And found the thesis to be the original work of the student and written According to the prescribed format. We recommend the thesis to be Accepted as partial fulfillment of the requirement for the degree of

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DECLARATION

I hereby declare that the work reported in this thesis entitled **" IMPACT OF DIVIDEND ON MARKET PRICE OF SHARE IN NEPALESE COMMERCIAL BANKS"** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Asso. prof. Pitamber Lamichhane of Shanker Dev Campus, T.U.

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2nd Year Symbol No.: 391222

ACKNOWLEDGEMENT

This entitled thesis, **Impact of Dividend on Market Price of Share in Nepalese Commercial Banks** has been prepared for the partial fulfillment of the requirement of Master's Degree of Business Studies (MBS) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative aspect. Many respective people have devoted their precious time and effort in the course of preparing this report. I would like to take this opportunity to acknowledge all of them.

I extend my deep sense of indebtedness to my respected supervisor, Pitember Lamichhane, Associated Professor of Shanker Dev Campus for his precious guidelines, inspiration and valuable suggestions throughout the period of this research work. I also express my sincere gratitude to Campus Chief Asso. Prof. Dr. Krishna Prasad Acharya for his remarkable help and guidance, without which this thesis would not have come in this form. The warm gratitude also goes to Chief Asso. Prof. Dr. Sajeeb Kumar Shrestha ,Head of Research Department, all the authors and learned personalities, whose writings have been cited in this study. I am great full to library of Shanker Dev Campus.

I am indebted to Tanka Nath Lamichhane, Branch Manager of NIC Asia Bank and Govinda Acharaya, Branch Manager of Global IME Bank for kind operation and support.

I would also like to thanks Ramchandra Lamichhane, who help me to understand banking terms and information while preparing thesis. I would also like express my thankfulness to my Parents who encourage and help in financial support to study and also thanks to brother and Sister for motivating and providing suggestion in every step of study to bring me here. I like to thanks Mrs. Indira Khanal, help in typing my thesis. I thanks to friends and relatives, websites, newspapers, magazine, booklets, brochure, bank outlets, bank family in helping as well as inspired me directly or indirectly to complete this thesis.

Santosh Lamichhane

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ABBREVATIONS

DPR :Dividend Payout Ratio

DPS :Dividend Per Share

DYR : Dividend Yield Ratio

EPS :Earning Per Share

EY :Earning Yield

FY :Fiscal Year

GIME : Global IME

Ltd. : Limited

LR :Liquidity Ratio

MPS : Market Price per Share

NEPSE :Nepal Stock Exchange

NRB :Nepal Rastra Bank

NBL : Nepal Bank Ltd.

PE Ratio : Price Earning Ratio

SD :Standard Deviation

SEBON :Security Board of Nepal

CHAPTER I
INTRODUCTION

1.1 Background of the Study

The economic growth of a nation has a significant impact on its overall development. The growth of a nation's money and capital markets is crucial to its economic development. Banks, finance businesses, and other financial institutions contribute to the development of the capital market and money market by investing the funds raised from the public and mobilizing deposit amounts. In order to make money, commercial banks are those that gather and allocate financial resources to commercial and productive sectors. The primary goal of commercial banks is to finance various industries, commerce, agriculture, and other economic sectors in order to make money. Apart from its principal duties of deposit collection and lending to third parties, it also handles a broad range of auxiliary tasks on behalf of its clients, such as collecting checks, bills, dividends, and so on; paying insurance premiums; subscribing to rent, salaries, and other expenses; transferring money; and buying and selling securities.

In addition to their agency duties, commercial banks offer a range of general utility services, such as traveler's checks, credit cards, vouchers, and letter of credit issuance, as well as custody and safe deposit box facilities. A commercial bank also represents its clients to outside parties as a referee and guarantor.

The amount of net income distributed to shareholders is called a dividend. The public's interest in purchasing shares of banks or other organizations is mostly driven by their dividends. Put another way, a dividend is the company's distribution of earnings to shareholders only if it results in a decrease in the value of the company's liabilities and assets. A company's board of directors' discretionary choice results in a dividend. A company typically declares a dividend on its profits. One of the most persistent problems in contemporary corporate finance is corporation dividend policy.

The allocation of earnings between payments to stockholders and reinvestment in the company is determined by the dividend policy. According to a notion put forward by Miller and Modigliani in 1961, the amount that shareholders keep and distribute inside

the company should differ. Dividend policy becomes significant in situations when the premise of capital market perfection is not met in reality.

One of the most important financial management decisions is dividend policy as it has an impact on the financial structure, cash flow, corporate liquidity, firm growth, share price, and investor sentiment. Upon the fiscal year's successful conclusion and with adequate profit management, the decision is made to distribute dividends to shareholders. Determining how much profit is to be maintained by the company and how much is to be paid to shareholders is a crucial component of dividend policy. It also chooses the dividend forms.

the notion put forward by Modigliani and Miller (1961), many academics think that dividends are tied to market value in the actual world. According to a study, dividends are significant. According to Gardon (1959), dividends are preferred by shareholders above capital gains. Spend more money. Free cash flow has been identified by Jensen (1986) as a crucial component of dividend payments. within. In order to lower organizational expenses, managers must make larger dividend payments from donations. Send a message to investors about the company's future earnings potential. Nevertheless, the dividend is also influenced by other variables.

Market Price per Share (MPS) for Nepal's contest is derived from a share exchange, whereby only the market price of listed stocks is acquired. One factor influencing the company's earnings per share, earnings per share, or profits per share less book value per share is the stock market capitalization. The market value of the shares will exceed the book value if the company's profits are increasing and outpacing its cost of capital. Market value determines MPS. A stock's market price frequently fluctuates in response to sufficient information. No one can make more money through inefficiency, and rules do not work to protect the economic security of many countries. Different models and applications affect So MPS and security measures are an important part of this. MPS and dividend policy are always correlated; large dividend payments by the corporation result in higher MPS, and vice versa. For MPS analysis, flow is essential.

There are twenty commercial banks in Nepal; I have selected two of them, NIC Asia Bank Ltd. and Global IME Bank Ltd., to offer competitive and cutting-edge banking

services in the country's financial market. Both banks were renamed following the merger of several banks and financial companies. They were named the Financial Times U.K.'s The Banker's 2013 and 2014 Bank of the Year Nepal, respectively. In terms of capital base, balance sheet, size, number of branches, ATM networks, and clientele, NIC Asia is among the biggest private sector banks in the nation. Similar to NIC ASIA Bank, Global IME Bank currently operates 354 branches, 67 extension and revenue collection counters, and 277 branchless banking facilities throughout Nepal. The bank's network spans all major financial centers in the nation. NIC ASIA Bank has 360 branches, 103 extension counters, 81 branchless banking, and 473 ATMs. Every branch of the bank has been designed to be a full-service establishment, providing a wide variety of financial services to its patrons. Additionally, the bank has 384 ATMs around the nation that are thoughtfully positioned for patron convenience.

The purpose of this study is to gather information on the fund's current practices and policies, as well as pertinent aspects, from a few listed commercial banks in Nepal in order to compare their policies with these firms' and determine how they differ in terms of dividend amount and impact.

The primary goal of the study is to evaluate the dividend policies being followed by Nepalese listed firms. In order to do this, the study will focus on reviewing the dividend policies of the chosen firms and evaluating the impact of payout decisions on share prices.

1.2 Statement of the Problems

Although it is often believed that dividends and stock prices are related, this link is uncertain in developing capital markets like Nepal. Commercial banks' dividend payouts are inconsistent with their profitability. Similarly, dividends and stock prices have no connection. Value and fees have no connection in publicly listed corporations. Actually, only a small percentage of the numerous organizations that operate in Nepal make a profit.

The following questions are the focus of the investigation.

a) What are Nepalese commercial banks' current profits per share, dividend per share, price earning ratio, dividend payout ratio, and dividend yield in relation to market price per share?
b) How do the market price per share of Nepalese commercial banks relate to profits per share, dividends per share, price earning ratio, dividend payout ratio, and dividend yield?
c) How do profits per share, dividends per share, price earning ratio, dividend payout ratio, and dividend yield affect Nepalese commercial banks' market price per share?
d) What kinds of dividend policies are these commercial banks in Nepal implementing?

1.3 Objective of the Study

The study's primary goal is to compare the dividend policies of a few chosen banks. However, the following are the precise goals.

- To examine Nepalese commercial banks' profits, dividends, market price, price-earnings, dividend yield, and dividend distribution.
- To investigate the link between Nepalese commercial banks' market price per share and profits per share, dividend per share, price earning ratio, dividend payout ratio, and dividend yield.
- To investigate the effects on Nepalese commercial banks' market price per share of dividend per share, income per share, dividend payout ratio, and price-earnings ratio

1.4 Significance of the Study

We still don't know much about how businesses formulate dividend policy, despite a wealth of studies on the topic. Numerous studies have attempted to explain why corporations pay dividends, notwithstanding the distinctions between established and emerging economies. When it comes to emerging markets, this problem gets much more complicated. The reason for this study is the dearth of research on the variables influencing dividends in developing economies. The findings of research are not always constant. Financial economists have put out a number of hypotheses to construct more sophisticated models of dividend policy, but they have not come to an agreement. The

factors that determine dividend payments have not gotten much attention, particularly in emerging markets.

Comparing the dividend policies of two banks will be made easier for company owners by the study's conclusions. Additionally, management should identify any gaps in the appropriate distribution policy and offer ideas for improvements. Additionally, the author thinks that these firms will benefit more from financial study on them.

1.5 Limitations of the Study

Similar to several other studies, this one has some limitations in its conduct. There are several limitations as well; the primary ones are related to the data's availability and timing. The following considerations will impose constraints on this investigation.

a. Only the cash dividend, stock dividend, and earnings are included in the examination of the many factors influencing the market price of the company.
b. The study only uses data from the brief period.
c. The study's findings cannot be applied to all comparable organizations because of the differences in their operational and business models.

1.6 Organization of the Study

This study is structured into the following five sections: introduction, research, data analysis, presentation and analysis, summary, conclusion, and suggestions. Below is a definition of each chapter in brief:

The topic content of the study is covered in the first chapter, which includes the study's general background, problem description, aims, importance, limitations, and organizational structure.

The focus of the second chapter is a review of the literature. This chapter is organized into several pieces, including a conceptual assessment of the study, an empirical study review, a research gap analysis, and reviews of prior master's theses and journals. These sections are drawn from a variety of studies.

The research techniques utilized to assess these banks' dividend policies are covered in the third chapter. It is composed of the population and sample, data sources, study

strategy, and data analysis techniques. The dividend outcomes are also shown in this chapter.

In the fourth chapter, pertinent facts and information are presented and analyzed using a specific study strategy. The dividend outcomes are also included in this chapter.

The study's summary is covered in the final chapter. The study yielded a number of results, recommendations, and suggestions for improving performance going forward.
A bibliography and appendices are provided at the conclusion of the study, while the table of contents, suggestion sheet, viva voce sheet, acknowledgement, list of tables and figures, and abbreviations are offered at the start of the study.

CHAPTER-II
REVIEW OF LITERATURE

The researcher examined several books, periodicals, magazines, papers, and other resources while compiling information for this thesis. The conceptual framework and the review of relevant research conducted at the national and international levels are the two categories into which the literature study has been separated.

2.1 Conceptual Review of the Study

A dividend is any payment, in kind or currency, that a business makes to its owners. Dividends may be paid out in cash, stocks, or any other kind of remuneration. The board of directors of a firm determines its dividend, and the shareholders must approve it. A firm is not required to pay dividends, though. Dividends are the portions of a company's earnings that are allocated to Whether the earnings were made in the current or prior period, shareholders receive a return on their investment in equity shares. It is essentially the compensation that shareholders receive for taking on the risk of uncertainty.

In their 1961 study, "Dividend Policy, Growth, and Valuation of Shares," Modigliani and Miller proposed a novel valuation model and contended that the dividend policy had no bearing on the share price of the company. They came up with the revolutionary notion that a company's dividend policy is meaningless as it has no bearing on shareholders' wealth. This is the most thorough defense of dividend irrelevance that I have found. Historically, the first claim made in the field of finance was that a company's worth, or more specifically, its share prices, are unaffected by its dividend policy. They maintained that a company's worth is determined by its earnings, which are determined by its investment strategy. Consequently, a firm's value is unaffected by dividend policy, according to MM theory.

The following crucial presumptions form the basis of MM's Irrelevance Hypothesis: there are no taxes, risk, or uncertainty, and the company works in a flawless capital market. The company has a set investing philosophy that won't alter. They offered the following kind of evidence to back up their claims. Step 1: The market price of a share at the start of the period equals the market price of the share at the end of the period plus the present

value of the dividend paid at the end of the period; Step 2: The market value of the firm, assuming the company doesn't use any outside financing; Step 3: Step 4: If the company were to finance all investment proposals, the total amount of new shares issued; Step 5: By substituting the value of D_n P_1 from equation, we find the number of equity shares at zero period. If the company's internal sources of financing its investment opportunities fall short of the funds required, and Dn is the number of new shares issued at the end of year 1 at price P1.

Modigliani and Miller came to the conclusion that stock price is unaffected by dividend policy. Thus, in the words of Modigliani and Miller, "entrepreneurs are profitable in the best economic conditions, and there appears to be no discrimination in Dividend policy when it comes to the taxation of income and capital appreciation, including the capital of the company." Nonetheless, the market value of the business will remain unaffected by the dividend payment. The notion that it is inconsequential is unhelpful, and when the requirement changes, some dividend choices should take the globe and the company's age into consideration.

According to Gardon's (1962) analysis of the link between the income law and the business's worth, the dividend determines the stock price of the firm, and there is no leverage involved in turning it into capital. The outcomes remain consistent. There's no getting around business tax. Once a decision is made, the insurance will stay valid in all situations.

In order to calculate a stock's worth, Gardon elucidates the correlation between earnings (EPS), dividend policy (b), rate of return (r), and cost of capital (k). The market value of the stock (Po) rises in tandem with the stock price (b) for a firm with a growth rate (e.g., r>k). This is known as the demand growth rate. The price rises in tandem with the premium (1-b). Retained earnings and current dividends are not differentiated by investors. Current dividends have a higher value to investors than potential capital gains. The stock price will rise in tandem with the dividend payout rate.

Regression analysis was used by Friend and Puckett (1964) to examine the relationship between dividends and stock prices using data from 110 companies across five industries in 1956 and 1958. The steel, food, electronics, chemical, and electric utility industries

made up these five sectors. These sectors were chosen in order to allow findings for growing and non-growing industries to be distinguished, as well as to offer a foundation for comparison with results from previous years by other writers. In addition, they took into account both cyclical and non-cyclical businesses. The research period included a year of economic boom (1956), when stock prices peaked and then leveled out, and a slightly dismal year (1958), when stock prices rose sharply.

In their price function regression model, they included dividends, retained profits, and price earnings ratio as independent variables. Additionally, they made advantage of the supply function. The dividend from the previous year and the price-to-earnings ratio are independent variables in their dividend function. They stated that the finest kind of connection created by Linter was added to in order to create the dividend supply function.

Their research is predicated on the following assumptions: pricing does not include speculative elements; earnings variations may not sum zero across the sample; dividends do respond to year-to-year changes in earnings.

The results of this calculation demonstrate that, although the company's profit margin is still low, its dividends are high in three of the five categories (pharmaceuticals, food, and metals, for example). They discovered the following outcomes after testing the other equation: It can be demonstrated that three independent variables account for more than 80% of price movements. All industries in the two years are near to each other in the first set of regression coefficients, with the exception of the steel sector in 1956, when correlations are once more found to have an equal distribution. This means that not all of the coefficients are readily apparent.

In 1958, they computed the dividend pricing equation as well as the dividend supply equation for four industrial groups. It appears that the pricing equation they produced did not significantly differ from the results of the previously described single equation technique. They maintained that the dividend distribution is not much impacted by stock prices, or more precisely, by the price-earnings ratio. However, they pointed out that in three of the four scenarios they examined, the retained earning effect is increased relative to the other. They further stated that, although a bias of this kind might be noticeable if the upsetting impact of short-term income fluctuations is significant enough, their

findings indicate price effects on dividend supply are not a significant source of bias in the conventional derivation of dividend and retained earnings effects on stock prices.

Furthermore, they used price as a variable rather than the earnings price ratio, and the results demonstrated that the three independent factors account for more than 90% of the volatility in stock prices, with retained earnings often carrying a larger relative weight than dividends. Foods and steels were the lone exception in 1958. In these categories, they identified chemicals, electronics, and utilities as growing industries. For the two years under consideration, the retained earnings benefit outweighed the dividend effect. There were no appreciable systematic variations between the retained profits and dividend coefficient for the other two industries, which are the food and steel sectors.

In a similar manner, they used normalized earning once more to evaluate the regression equation. By deducting dividends from normalized profits, they were able to derive normalized earnings. The 1950s to 1961 served as the basis for such standard operating procedures. They inserted the normalized earning price variable from the previous year once more, and they compared the outcomes. By comparing the outcomes, they discovered that the normalized price-earnings ratio played a large and steady influence. Upon examining the subsequent equation, they discovered that by increasing dividends in the steel and food industries, the difference between the dividend and retained profits coefficient may be able to considerably raise prices.

They examined chemical substances in more depth. Examining retained profits as a price driver and the three businesses whose prices deviated most from the sample's average price revealed that the result obtained mostly represented the under-regression weighting. The sample consisted of twenty enterprises.

Friend and Puckett came to the final conclusion that management could be able to boost stock values, albeit only somewhat, in growth companies by increasing retention (low dividends) and non-growth businesses by rising payouts.

Walter (1966) oversaw an investigation of stock pricing and dividends. Walter put out a share valuation methodology. He asserts that the firm's payout policy has an impact on the share price. Consequently, the dividends matter. Walter contends that the value of an organization is always impacted by the dividend policies chosen. The argument made by Walter completely contradicts those of Modigliani and Miller. Maintaining income or

paying dividends depends on how a company's rate of return and cost of capital relate to each other. The stock price will rise with insurance and fall with dividends as long as the interest rate is higher than the cost of capital. can alter the model to get different results, but if each EPS/DPS value stays infinite, the company has a long or infinite lifespan at the time the value is determined. The rate of return (r) and cost of capital (k) are constant. Small income is divided into dividends or immediately reinvested into 12; short income and dividends remain unchanged.

The effect of dividend policy on each firm's equity capital as a variable in the rate of return may be seen via the lens of Walter's model. When examining the model, some of the findings will be inaccurate due to its simplicity. A critical analysis of some of the model's underlying presumptions is provided below.

Maintaining income or paying dividends depends on how a company's rate of return and cost of capital relate to each other. The stock price will rise with insurance and fall with dividends as long as the interest rate is higher than the cost of capital. can alter the model to get different results, but if each EPS/DPS value stays infinite, the company has a long or infinite lifespan at the time the value is determined. The rate of return (r) and cost of capital (k) are constant. Small income is divided into dividends or immediately reinvested into 12; short income and dividends remain unchanged.

The Walter model states that the connection between the cost of capital (k) and the domestic market rate of return 1 (r) determines the ideal dividend. > a) Expanding Enterprise (r>k) A firm is said to be growing if its average rate of return is higher than its cost of capital. Restarting a firm costs (k) - Razor firms are examples of what are known as growth companies since they have the ability to return to profitability faster than what is expected by shareholders will raise the share price to its maximum. As a result, the dividend depends on the stock price, and it is not suggested to pay out any money to the expanding firm. Market general (b) (r = k) The stock price is unaffected by the dividend, meaning it has no impact on the price of the stock if the average rate of return equals the cost of capital. Do business at all times. Perfect payment systems do not exist. Because the 13 members will be able to make more money by investing elsewhere, the shareholders will benefit and their income will be distributed to them. In the global economy, a company's share price will often increase while it is losing money. The

market price per share rises for firms with low payout ratios and low cost of capital; the optimal payout ratio in this case is 100%. The Walter model suggests that the ideal earnings for a rising business (r>k) are zero and the payout ratio for a normal firm is (r=k). If r>k, then entire income should be dispersed when r. Therefore, the payout ratio (r) that the failing corporation recommends is 100%. While the pattern is accurate most of the time, it is not always. Not for the best, but for the company's investment or dividend program, the money is employed.

ii) Time cost of capital (k) and constant rate of return (r) For this model, the capital rate (k) and rate of return (r) are assumed to be constant. In actuality, the rate of return (r) falls with increasing investment. Put another way, when an investment rises or falls, so does the rate of return (r). The cost of capital (k), which is directly correlated with company risk, is not constant.

Bhattacharya (1979) published one of the most well-known research on orientation theory, arguing that dividends may be used as predictors of future financial requirements. The fact that dividends are taxed more heavily than capital gains is another crucial factor to take into account. Businesses may decide to provide dividends in order to encourage support from outside investors and shareholders. Investors will view an unexpected dividend rise favorably if they think companies that pay dividends per share are worth more. In order to pay the cash dividends, dividends presumably transmit information about the firm's worth that cannot be completely communicated through other channels, such as annual reports, earnings predictions, or presentations to securities analysts. Theories that prevent the translation of a more complicated reality. The dividend has always been employed as a signal by other signaling models, most notably the Bhattacharya model, which aims to explain the firm's behavior in the setting of an information asymmetry scenario. These models have altered the manager's goal and added a more realistic economic framework to their original hypotheses.

The management's perspective on dividend policy was studied in 1985 by H. K. Baker, G.E. Farrelly, and Richard B. Edelman. They questioned cooperative finance managers about the factors that mattered most to them when deciding on their company's dividend policy. The following were the goals of their survey: • To evaluate management's agreement with Linter's conclusions by contrasting the current dividend policy drivers

with Linter's behavioral model of corporate dividend policy. • To investigate how management views signaling, the impact of clients, and • To find out if managers from various sectors have comparable opinions on what factors influence dividend policy. The companies they studied had four-digit standard industrial classification codes and were listed on the New York Stock Exchange. Three industrial categories produced a total of 562 NYSE businesses. Manufacturing (309), utility (150), and wholesale/retail (103). A questionnaire on the company's dividend policy was mailed to them. The questionnaire was divided into three sections: (i) fifteen closed-ended statements discussing the significance of different factors that each company considered when deciding on its dividend policy; (ii) eighteen closed-ended statements discussing theoretical issues pertaining to corporate dividend policy; and (iii) a respondent profile containing information about the firm's earnings per share and dividends. In order to increase response rates and lessen the possibility of non-response bias, they distribute the final survey instrument to the chief financial officers of 562 companies, then follow up with a second full mailing.

318 valid replies (i.e., 56.6%) were obtained from their survey and were distributed as follows across the three industrial groups: 57 trade and retail businesses (5.3%), 147 manufacturing companies (47.6%), and 114 utilities (76%). The average dividend payout ratios were calculated using the respondents' given data on dividends and profits per share. They discovered that the utilities that responded had a payout ratio of 70.3%, which was significantly higher than the percentages for manufacturing (36.6%) and wholesale/retail (36.1%). The following are the findings of their study about the factors that influence dividend policy: the expected level of the company's future profits is the first highly ranked predictor, and the pattern of previous payouts is the second element. They discovered that Linter's conclusions are supported by the high ranking of these two criteria. The availability of funds is listed as a third major aspect in setting dividend policy. The maintenance or increase of stock price is cited as a fourth essential component. They discovered that among utilities that gave this element a second-ranking of priority, it is very powerful. In a similar vein, the following were the findings of their study on views toward theoretical issues: • The respondents from all three industry groups agreed, on average, that dividend payouts provide a signaling device of future company prospects and that the 38 market used dividend announcements as information for assessing security value. • Respondents from all three industry groups agreed relatively

strongly that dividend payouts affect common stock prices. • The respondents also showed a strong degree of agreement that investors should get sufficient disclosure on the rationale behind changes in dividend policy. • According to respondents from all three industry groups, investors are not unbiased when it comes to capital gain returns and dividends since they have differing opinions on how risky dividends and retained earnings are.

2.2 Review of the Empirical Studies

Easterbrook (1984) looked at the possibility of using dividend payments to reduce the intermediary expenses that occur between investors and management. According to Easterbrook, managers' inclinations for risk aversion and cost monitoring have an impact on an organization's agency expenses. Easterbrook goes on to say that corporations should only pay dividends in order to lessen agency conflicts since dividends are meaningless in and of themselves. The costs that shareholders bear to supervise managers and stop them from advancing their own agendas rather than optimizing shareholder equity are referred to as the monitoring cost. The inclinations of managers to avoid risk are another cause of agency costs. A sizable amount of managers' personal wealth is frequently linked to the firm, in contrast to the majority of shareholders who have diverse portfolios. As a result, managers may turn down profitable ventures because they are more risk adverse than stockholders.

Jensen's (1986) free cash flow hypothesis is another explanation for agency costs. Jensen claims that office expenses rise in proportion to donations because proprietors must exercise more caution in order to keep managers from overspending or making unwise expenditures like empire building. These arguments start amongst shareholders, each of whom Jensen feels ought to distribute a larger portion of their free money as dividends. If not, managers will prioritize advancing their personal goals over boosting the wealth of their members. Does the Swedish economy fit the theory?

According to Francis (1990), share valuation is an economic process that results in reasonable pricing for securities. Even while the price fluctuations seem chaotic, they are actually random fluctuations. The trading price of the stock listed on approved or legitimate stock exchanges is known as the market price of the stock (MPS). There is a

constant relationship between dividend policy and MPS; if a corporation pays a high dividend, MPS rises, and vice versa. However, occasionally, as a result of this interaction, the price may also drop or stay the same. As a result, in the MPS analysis, information flow and deficiencies are equally crucial. In the context of Nepal, MPS is the price that is quoted for purchasing or selling under Nepal Stock Exchange Act or related laws and regulations on the stock exchange.

Research on the behavior of the stock market in a tiny capital market by Pradhan (1992), Based on the opinions of 135 managers about the dividend policy of major Nepalese firms, a study on the practices and policies of Nepalese enterprises has been undertaken. The finance executives of 50 sizable Nepalese businesses—identified in the securities boards' publications, Nepal and Nepal Stock Exchange Ltd.—were given a questionnaire. They study 14 non-financial industries and 36 financial sectors.

Examining managers' perspectives on several facets of dividend policy and practices in Nepal is the primary goal of that study. Overall, there is a correlation between dispersed lag profits and dividends per share in 65% of the situations when there is a change in lag consecutive earnings that is bigger than zero. The dividend per share has increased as a result of the EPS growth. When there is a drop in EPS, dividend distributions decline in 66.6% of the situations. Corporate companies in Nepal have generally maintained consistent dividend payments per share. Corporate companies have been seen to ignore the impact of profits that are one and two years behind.

According to Pandey (1995), a stock dividend is just the corporation recapitalizing itself and paying out more shares to its shareholders while maintaining the stockholders' proportionate ownership. Bonus shares are also known as stock dividends. An issuance of bonus shares is a distribution of shares to current owners in addition to the cash dividend (referred to as a stock dividend in the USA). A stock dividend is just an amount of money given by shareholders to current shareholders in the form of extra shares of common stock. A dividend is referred to as a stock dividend if it is declared and provided as shares rather than cash. The current market price of shares drops as a result of the dividend and stock providence, but this has no effect on shareholders' wealth.

The effects of the stock dividend issue include an increase in the number of outstanding shares, a transfer of the retained earning balance to capital, no change in the company's net worth or par value, no effect on the proportionate ownership of the shareholders, and theoretically nothing of value to shareholders. A stock split occurs when the par value of the stock is reduced proportionately to increase the number of shares that are outstanding. Stock splits provide stockholders a lot of new shares in exchange for their old ones.

The effects of a stock split include an increase in the number of outstanding shares, a decrease in the price and par value of the shares, no change in the proportionate ownership of the stockholders, no change in the capital account or net worth, and, in theory, no value to the stockholders. Stock splits and dividends also have no effect on the firm's assets. The same characteristics apply in both situations: proportionate growth in shares, constant net worth, and nothing of value to investors.

There is only one difference between a stock split and a stock dividend: the paid-up value of the split is transferred from retain earnings to the capital account. However, if a company declares a stock dividend of more than twenty percent, then there is no distinction between a stock split and a stock dividend.

Manandhar (2000) carried out research to find out if Nepali businesses take into account the dividend business model and to test various theories about how dividends and other fund providers relate to one another. She carried the research using information from 17 Nepali businesses spanning the years 1987 through 1998.

Because of the cost of capital, the stock's market value will exceed its book value. A lower revenue will also result in a lower cost of capital (MPS) for the organization. Market value determines MPS. A stock's market price frequently changes in response to information availability. It is necessary to talk about the effects of market pricing as well as various models and applications with relation to MPS. the stronger the bond. The market price of a share is the dependent variable, while the independent variables are cash dividend, stock dividend, earnings per share, dividend yield, and retention ratio.

In Nepal, no specific legislation has been passed to provide the appropriate dividend regulations. The provisions of the Bank and Financial Institution Act of 2006 and the Company Act of 2006 offer standards for firms to declare and distribute dividends. The Company Act's Section 182 has the following clauses.

• If the decision to pay a dividend is taken, the shareholders will get their dividend within 45 days, with the following exceptions.

a) If there is a legislation that forbids dividend distribution,

b) If there is a disagreement over the entitlement to a dividend

c) If the dividend cannot be paid within the allotted period due to an event outside the company's control or for any other reason.? A corporation that is wholly or partially controlled by the Nepali government is only permitted to distribute dividends with the government's consent.

- Should the corporation fail to release the dividend within the allotted time, the dividend and the required interest will be distributed simultaneously. The only shareholders whose names appear in the share register book are eligible to receive dividends;
- A company must fully deduct pre-operation expenses, the amount that must be depreciated in compliance with accounting standards, and the total amount of loss incurred in prior years before it can pay dividends.

In the following situations, the board of directors may decide to pay an interim dividend.

a) The dissemination is allowed by the association's articles.

b) In the event that the certified financial statements of the year the interim dividend is to be paid have already been received.

- The annual general meeting just authorizes the dividend's declaration and distribution.
- The investor protection fund will be credited with the dividend amount that is not claimed within five years after the declaration date.

Similar rules regarding bonus shares have been created in section 179. The provisions are as follows: A corporation may issue bonus shares to its shareholders by passing a special resolution in its annual general meeting, out of the amount available for dividend distribution. The business registrar's office must be notified of the bonus share distribution.

The Bank and Financial Institution Act of 2006 has recently included a clause that limits dividend distributions in the absence of any other rules. According to section 46(1) of the act, a licensed institution is not allowed to declare or pay dividends to its shareholders until it has paid off all of its upfront costs, made up for any losses it suffered during the previous year, satisfied section 44's requirements for a capital fund, risk bearing fund, and general reserve fund, and sold and paid for all of the shares that were set aside for public subscription. Before declaring and paying dividends, every regulated institution is required by Section 46(2) to acquire the consent of Nepal Rastra Bank. As a result, the regulatory body is deregulating the corporations while at the same time lacking specific provisions. Each and every company is free to develop the required dividend schemes.

Timilsina (2001) examined Nepal's stock price behaviors and capital market development. He released a piece titled "Capital Market." The study's primary conclusions include the computation of the coefficient of correlation between the observed market value of a share and earning per share (EPS) as well as dividend per share (DPS). Regressions were also conducted to determine how EPS and DPS, the explanatory variables, affected equity prices. It was discovered that there was a positive association between the share's market price and EPS. Using the market price as the dependent variable and the dividend per share (DPS) as the independent variable, the coefficient of correlation between the two was also calculated. There was a strong positive correlation (r=0.83) found between the two variables. Timilsina came to the conclusion that while EPS and DPS both affect share prices, DPS is more sensitive to changes in price and would react to changes in the market directly and quickly.

Shrestha conducted research on the function of business management in Nepal's dividend distribution describes the several facets and methods of the dividend policy of Nepalese businesses. Show how to allocate funds appropriately while using the right management and policies to handle a variety of issues and gaps. Income should be kept if the price exceeds the cost of capital.

Adhikari (2007) came to the conclusion that high-income and low-income enterprises' revenues differed. There is more volatility than when everything else is equal, businesses that pay higher salaries have stronger financial standing than those that pay lower

wages22. The fact that revenue from financial and non-financial enterprises has a different value than business value is another intriguing finding. The stock's profit increases with the ratio of earnings to share price. Whether or not dividends should be paid doesn't really bother me. The fact that earnings reports contribute to the rise in stock market value is among the most significant results.

Data for Aniland Kapoor's (2008) study on Indian IT businesses was gathered during the years 2000 and 2006. Revenue, profit, and taxes for the company (EBIT / Total Assets). The findings indicate that when IT businesses determine whether to issue dividends, profit is not the primary consideration. The correlation between cash flow and dividends is favorable. Anil and Kapoor noted that a company's profitability rate is significantly influenced by its business performance. Additionally, it demonstrates a negative relationship between price-to-book ratio, growth, and dividends.

Timsina (2010) looked at the effect on stock prices of a few corporations' earnings policies. NEPSE, although only five of them had been chosen for examination at the time this study was carried out. The data was analyzed using a variety of statistical and financial instruments. The study's primary conclusions addressed the effect of dividend policy on the stock prices of the chosen commercial banks. Put another way, dividends have a significant impact on how much the market price of shares changes. As a consequence, most banks' DPS and EPS have a positive correlation. Although it has little to no effect on job DPS, it has the advantage of altering DPS. Considering the DPS's delay, inadequate data indicates that other environmental and regulatory issues are important. A corporation pays more to shareholders when its dividend payout ratio (D/P ratio) is higher; conversely, a lower D/P ratio shows that the firm retains its earnings for its set of capital advantages.

Using secondary data from five firms that had previously been listed on the NEPSE, Kaphle (2011) examined the effect of profits on stock market prices. feminine gender. Have dividend-related financial changes—such as DPS and DPR—had a favorable or unfavorable effect? MPS will also be impacted by additional variables including EPS, price/earnings ratio, and price per share.

Gyalang (2012) looked into how dividends were distributed across Nepali commercial enterprises. The following is the study's primary goal: figuring out the income policy that certain institutions have provided. Determine whether there are any parallels in terms of DPS, EPS, and DPR per share by analyzing the link between financial indicators such as DPS, EPS, DPR, price-earnings, current ratio, and earnings per share and market value (MVPS). Impact of a commercial bank on the value of a firm. Depending on the share price, various banks have varied DPS.

(2012) Zanjidar and Seifi looked at the connection between dividends and business success. As a result, two sets of performance indexes were examined, one based on accounting trend and the other on economic trend. For a period of six years (2004–2009), ninety-three firms whose necessary information was accessible were selected. The study's experimental results confirmed the findings by demonstrating a positive relationship between dividend policy and economic and accounting performance indices as well as the greater explanatory power of accounting performance indicators over economic performance indicators. They also concluded that dividend policy has an impact on firms' performance.

According to Waswa (2013), the reason why corporations don't pay high dividends is because creditors keep an eye on them, which makes management less able to do so. A corporation might think about employing large dividends if it is certain that it will raise funds through venture capital. Elevated dividends will be distributed to shareholders as there's no need to sustain profitability. However, businesses cannot rely on poor business decisions to generate capital for new ventures. The management of the firm is compelled by this circumstance to establish a policy governing dividend distributions. This indicates that the business will continue to earn a profit and pay out meager dividends to its owners.

According to Paudel (2014), the primary goal of the research is to determine if MPS of listed firms exist, particularly for the companies that have been specifically chosen for the study, and how much risk is associated with investing in their common stock. The association between MPS and the several financial metrics of the tested organizations is not consistent. Based on the average data for the last five years, the MPS of six financial institutions shows a substantial positive association with 44 important financial indices,

including EPS, NWPS, and DPS. The efficiency of the Nepalese stock markets is insufficient to ascertain MPS based on individual financial performance. The share market price in Nepal does not necessarily reflect the financial performance of a firm on the stock exchange. The future financial indications will define the value of the share price; regrettably, the stock market is not predicated on accurate information about the firm.

The primary goal of a study by Khan et al. (2016) was to determine whether dividend policy affected Pakistani firms' performance in any way. The least squares model's findings indicate that while income and dividend profit are negatively impacted, return on assets, dividend policy, and sales growth have beneficial effects. In a recent research, Hakeem and Bambale (2016) examined the effects of operational income—measured by return on assets, return on equity, value contributed to the business, and value added to the business—on corporate performance and dividend distributions across 50 established Nigerian firms. The dividend policy with Tobin's Q. The study came to the conclusion that listed firms in Nigeria that pay dividends have a substantial influence on company success. On the other hand, an organization's profitability level is typically positively impacted by changes in its financial health. measures centered around business, survival measures, and more.

These studies exclusively employ performance measures in cases when short-term performance measurements, more or less, invalidate their conclusions over time and only reveal a few structurally useful changes. As a way to gauge how the company's choice will affect dividend performance, or because the decision to distribute will fall under the company's purview due to certain unimportant considerations. While some studies focus on certain businesses in the industry, such banks and insurance providers, these studies are insufficient to look at every company listed on the Nigerian financial market. In light of this, this study disputes their conclusions and contends that the problem still needs to be solved. This study builds on previous research that includes market-based (Tobin's Q and MVA) and accounting-based (ROA and ROE) performance indicators in the established standard measurement of business performance. This makes it possible for researchers to obtain an accurate picture of the success of the organization using both short- and long-term metrics (market and financial indicators). In contrast to earlier research, this study takes into account all financial institutions listed on the NSE and employs factors.

The impact of distribution taxes on the economy is examined by Alstadster, Jacob, and Michaely (2017). We apply the 5 percentage point dividend tax rate from 2006 in Sweden to businesses with minority owners and the 5 percentage point dividend tax rate to businesses with majority shareholders. We discover that tax cuts have an impact on the distribution of firm resources but not the total amount of investment using triple variance estimation and rich dashboard data. In contrast to cash corporations, profitable companies raised their after-tax investments. This is more pronounced in closely owned businesses that receive bigger tax benefits. This outcome can be explained by the fact that dividends and foreign equity capital both rise in cash-generating enterprises following tax cuts.

Farmers' opinions on the usage of capital loans to fund agriculture are presented by Mädra-Sawika (2017). The goal of the loan, its factors, and an assessment of the loan utilization outcomes from the viewpoint of the farmer are all investigated in this study. In order to conduct the research, 100 farmers in the Masovian Voivodeship were interviewed. These groups get agricultural money through the FADN scheme. The size of the company operating in the ESU, taking into consideration the value of these companies, is one of the criteria for defining audit entities. Farmers stated that preserving the ability to address climate change is the primary challenge in resource management. Farmers are reaping the rewards of improved agricultural inputs, more credit, and finance. Farmers choose for financial risk reduction and long-term investment methods as a means of economic conservation. Farmers mentioned the cost of capital, the requirement for a personal contribution, and loan interest as significant factors to take into account when taking on debt.

Duygun, Guney, and Moin (2018) focused on ownership structure and organizational expenses as they investigated the variables influencing the dividend policy of Indonesian listed businesses. According to our study, businesses that experience greater manager-shareholder friction also pay out smaller dividends. We discover that when there is disagreement between big and small shareholders, the dividend is not much impacted. Additionally, we discover that companies under family control are less ready to pay dividends, but companies with a big percentage of state ownership are more willing to do so. Our results support the claim that, in addition to company taxes, the Indonesian

government views corporation revenue as one of its primary sources of funding for the budget. This issue may impede the expansion of financially challenged SMEs.

Cooper and Lambertides (2018) look at the possible relationship between having a lot of debt and choosing not to pay dividends. This makes sense because larger amounts of free dividends are required to keep borrowers satisfied. The elements influencing judgments about pay are examined in this article. Our research is predicated on uneven panel data, which spans 14 years and includes examinations of 799 businesses across 15 nations. This study employs modeling methodologies based on the panel probability model's impacts and includes eight theoretical experiments. Our research's primary finding is that the pay choice is influenced by the company's financial status over the previous year. Furthermore, during our research period, revenue, performance, growth, bonuses, and indexes were the primary determinants of compensation. Other investigations conducted in the area have verified these significant findings. They are therefore crucial in deciding on distribution policies. Research businesses' personal property is a significant factor in the allocation policy.

2.3 Research Gap

Research is an ongoing, never-ending activity. Every researcher makes an attempt to close the gap left by earlier study that was not completed. Numerous studies on dividend distribution and its effects on different banks and financial organizations have been conducted in the past, accounting for a range of financial instruments and statistics. Just two of the twenty commercial banks that are in operation right now—NIC Asia Bank and GIME Bank—are covered in this article. 2070/71 through 2074/75 data. The MPS and EPS structure throughout the study period, as well as the projected 28 financial metrics for the following five years, are also estimates that may vary from other research data. Various statistical and financial methods, including examination of central tendency, correlation analysis, regression analysis, assumptions and merely basic analysis, and not with standing the aforementioned drawbacks, this research offers instances to help identify a company's revenue. dividends on sales and running expenses. As a result, this study will be beneficial for academic and policy perspectives for researchers, students, teachers, government and corporate representatives, civil society, and other stakeholders.

CHAPTER-III
RESEARCH METHODOLOGY

The strategies and procedures employed in every research are referred to as research methodologies. As a result, the objective of this part is to outline the procedures and approaches needed to define the issue in light of your intended outcomes.

3.1 Research Design

A collection of procedures and methods used to gather and examine measurements of the variables mentioned in the research question is known as research design. The planning of data collecting and analysis procedures that integrate the goals of the study with the process's economics is known as research design. The plan, model, and approach used in research design is to provide findings that address the study's goals and research questions. This study used an exploratory and descriptive research design to accomplish its goal. We were able to conveniently accomplish the research objectives with this strategy. It contains appropriate and unambiguous techniques to direct the study and assessment of research. In order to perform this investigation, quantitative methodologies were used. Although much of the study was done using secondary data, personal interviews and interviews with pertinent personnel of the chosen banks were also employed to provide qualitative analysis. For this reason, description and analysis form the foundation of this study's research design.

3.2 Sources of Data

Secondary data served as the study's foundation. The information needed for the study has been gathered from a number of sources. The sample banks' websites and annual reports serve as the primary sources of information.

3.3 Population and Sample

Since the data for this study comes from corporations listed in NEPSE, the population consists solely of listed banks—there are now 20 listed banks in NEPSE. The sample is done in accordance with the topic, which suggests that the study should be conducted

among actively traded and dividend-paying banks. As a result, sampling from the population will be done. The following is the Sample that will be chosen.

1. NIC Asia Bank Ltd.
2. Global IME Bank Ltd.

3.4 Data Analysis Tools

In this study, a number of statistical and financial approaches have been applied. The patterns in the data that are now accessible will guide the data analysis. Financial tools and basic regression analysis will be used mostly for the analysis. Financial and statistical methods will be used to determine the link between various study-related factors. As outlined below, the data was sorted, tabulated, processed, and examined using a variety of statistical and financial techniques.

3.4.1 Financial Tool

Financial instruments offer study goals for figuring out how income affects important outcomes including market price, holding price, price-earnings ratio, income per share, dividends per share, and dividend payout ratio. The financial instruments listed below are pertinent to your objectives. Per share revenue is available. The profit increases in proportion to the EPS.

$$\text{EPS} = \frac{Total\ earning\ avaiable\ for\ distrubtion}{Number\ of\ common\ share\ Outstamding}$$

Dividends per share

A business with adequate funding is able to pay dividends to its owners. (after the payment of the outstanding bonus) split by the total number of outstanding shares.

$$\text{DPS} = \frac{Net\ earning\ distrubted\ to\ common\ shareholders}{Number\ of\ common\ share\ outstanding}$$

Market Price per Share

Market Price per Share (MPS) is the amount of stock that a company may acquire by selling a share on the open market. One of the factors that is impacted by the firm's DPS is MPS. The market value of the share will be high if earnings per share and dividends per

share are high. The MPS is set by the stock market. The rupee value of one share as shown in the NEPSE index represents the market price of a share in this research. In theory, the share's computed current price may be obtained by applying the below formula:

$P_0 = \frac{D_1}{K_s - g}$ or $\frac{D_0(1+g)}{K_s - g}$

Where,

P_0= Current market price per share

D_0= Current dividend per share

D_1= Expected dividend per share at the end of yr.1

g= Dividend growth rate

K_s= Investor's required rate of return

OR

P_0= Risk free rate of return + Inflation rate + Market risk premium

OR

Present Price = PV of dividends during supernormal growth period + Value of stock price at the end of supernormal growth period discounted back to present.

OR

$$\text{Price} = \frac{Dividend}{Capitalization\ rate}$$

Price Earnings Ratio

The earnings multiplier is another name for the price-earnings ratio, or P/E ratio. The ratio of market price per share to earnings per share is known as the price-earning ratio. Stated differently, this denotes the value that investors are prepared to part with for every rupee that the company makes. The P/E ratio gauges market perception of the company's performance as well as investor expectations. A higher price-to-earnings ratio (P/E) indicates that investors are more confident in the firm's future prospects and that the company has a high market share price considering its earnings per share. By dividing earnings per share by market price per share, this ratio is calculated. In a symbolic sense,

$$\text{P/E Ratio} = \frac{Market\ Price\ per\ Share(MPS)}{Earning\ per\ Share(EPS)}$$

Dividend Yield

The dividend yield per share expressed as a percentage of the share's market price is known as dividend yield (DY). proportion of the market value. The market's prices have gone up dramatically. When investing money to purchase stocks on the secondary market, dividends are crucial.

In a symbolic sense,

$$DY\ Ratio\ = \frac{Dividend\ Per\ Share}{Market\ Price\ Per\ Share}$$

Dividend Payout Ratio and Retention Ratio

The Dividend Payout Ratio (DPR) shows how much of the earnings per share (EPS) has been allocated to dividend payments and how much has been kept for investing. This ratio is crucial from the perspective of shareholders because it indicates that there will be very little chance of capital appreciation in the price of a company's shares if it has used all or nearly all of its earnings for dividend payments and nothing left over for potential future growth and expansion. DPR is used to assess the company's financing and dividend distribution policies. Retained earnings and dividend payments both have an effect on MPS. However, the relationship between retained earnings and dividends is inverse. It indicates that while one element has a beneficial influence on MPS, another has a negative influence on MPS. It helps the researcher to compare several banks in this investigation. Additionally, as it is a variable that affects MPS, the study will also look at the relationship between MPS and DPR. The formula below is used to compute it.

$$\text{DPR} = \frac{Divident\ per\ share}{Earning\ per\ Share}$$

And, Retention Ratio = (1-Dividend payout ratio) = (1-DPR)

3.4.1 Statistical Tools

To analyze and determine the link between two or more variables, statistical methods are utilized. The following statistical instruments are applied in this work.

Arithmetic Mean or Average

One number from the data range that is used to represent every value in the series is the mean, or average value. An average is also known as a measure of center value as it falls somewhere within the data's range. It is computed using:

$$Mean(\overline{X}) = \frac{Sum\ of\ total\ value(\sum X)}{Number\ of\ value\ (n)}$$

$\overline{X}$ = Arithmetic Mean

ΣX = Sum of values of all items, and,

n = Number of items

Standard Deviation

The most used metric for characterizing variability in data distributions is the standard deviation. The standard deviation, often known as sigma, is a Greek letter that represents the average amount by which observations differ from the mean. It is a very helpful tool for evaluating the mean's representatives. The formula for calculating standard deviation is;

$$Standard\ deviation\ (\sigma) = \sqrt{\frac{\Sigma(X - \overline{X})^2}{N}}$$

Where,

σ = Standard deviation

$\Sigma(X - \overline{X})^2$ = Sum of squares of the deviations measured from arithmetic average.

n = Number of items

Coefficient of Variation

The ratio of a sample's standard deviation to its mean, known as the coefficient of variation, is utilized to quantify the spread. It is also possible to think of it as the relative risk measure. The danger is higher in relation to the average the higher the coefficient of variance. In terms of math,

$$CV = \frac{\sigma}{\overline{X}}$$

Where,

CV = Coefficient of Variation

σ = Standard Deviation

$\overline{X}$ = Arithmetic Mean

Coefficient of Correlation

A method for determining how closely the variables are related to one another is the correlation (r)analysis. Finding the degree of link between variables is the goal of correlation analysis, which is an investigation of the covariance between two or more variables. It is a technique for characterizing the strength of the linear relationship between two variables. It explains both the direction and the strength of the link. A statistic called the coefficient of correlation shows how closely two variables are connected to one another and how much changes in one cause changes in the other. The correlation coefficient's value consistently falls within ± 1.

Perfect negative relationships between the variables are indicated by a value of -1, while perfect positive relationships are shown by a value of +1. There is no relationship between the variables when the value is zero. The variables are considered uncorrelated when the correlation coefficient is 0. The link between the variables is tighter when r is closer to +1 or -1; conversely, the closer r is to zero(0), the less close the relationship. The correlation coefficient's numerical value represents the intensity or proximity of the association between two variables, whilst its algebraic sign reflects the direction of the relationship—whether direct or inverse.

Therefore, the correlation coefficient is used in this study to quantify the degree of link between market price and other pertinent financial indicators such dividend per share, earning per share, dividend payout ratio, etc. One way to compute the correlation coefficient is as follows:

$$r = \frac{n\sum XY - \sum X \sum Y}{\sqrt{[\{n\sum x^2 - (\sum x)^{2\cdot} X\{n\sum Y^2 - (\sum Y)^2\}]}}$$

$$r = \frac{COV(X,Y)}{\sigma_x \sigma_y}$$

Coefficient of Determination

The degree to which one variable is connected to or explained by another is shown by the correlation coefficient, which is a measure of the linear connection between two variables. The coefficient of determination, which provides the proportion of variation between variables of individual differences, is a more practical and straightforward metric for this purpose. The coefficient's square is represented by the symbol r^2 (Source: Gupta, 200 2: 585).

Coefficient of Determination (r^2) = Explained Variance-Total Variance

Simple Regression Analysis

Francis Galton was the first to present the idea of regression. square on the street. It is employed to ascertain if an independent variable has an influence on an impact variable. Finding the strength or association between two (simple regression) or more (multiple regression) variables is seen to be a helpful technique. It may also be used to forecast a variable's value based on the value of another variable.

(a) The correlation between profits per share and market price per share is MPS equals a plus b. EPS, with the regression coefficients denoted by a and b. MPS is the dependent variable. Variance = EPS The purpose of this model is to examine the connection between profits per share (the simple variable) and market price per share (the dependent variable).

(b) Dividend per share (DPS) and market value per share (MPS) MPS equals a plus DPS A and B are the regression coefficients among them. MPS is the dependent variable. DPS stands for independent variable. The market price per share (dependent variable) and dividends per share (simple variable) are the two variables that this model is intended to assess.

(c) To investigate the link between the dividend payout ratio (simple variable) and market price per share (dependent variable).

(d) The connection between dividend yield and stock price Regression coefficients a and b are used in MPS = a + b DY. MPS is the dependent variable. DY stands for independent variable. This model can explain both the simple variable of income per share and the dependent variable of earnings per share.

(e) Price-earnings ratio and market price per share relationship Price-earnings ratio (MPS) = a + b, where a and b are the regression coefficients MPS is the dependent variable. P/E

stands for principal tot Price and MPS (the dependent variable) in relation to each other This model can explain the basic variable, the rate of return.

Regression Constant (a)

When the independent variable (s) is zero, the value of the constant, which represents the average level of the dependent variable, is the model's intercept. Stated differently, it is preferable to comprehend that the constant 'a' represents the average or mean influence on the dependent variable in the event that all variables are excluded from the model.

Regression Coefficient (b)

With the effects of all other independent variables in the regression model held constant, the regression coefficients of each independent variable illustrate the link between that variable and the value of the dependent variable. Stated differently, these coefficients elucidate the manner in which modifications in independent variables impact the estimated values of dependent variables.

CHAPTER- IV
PRESENTATION AND ANALYSIS OF DATA

In Chapter Four, a number of topics pertaining to dividend policy in the context of banks are addressed through the methodical presentation and analysis of data. The essential and pertinent data have been gathered from a variety of secondary sources in order to achieve the purpose stated in this study's fourth chapter. This study's main focus is on commercial banks' dividend policies, actual practices, and effects on share prices. As a result, pertinent facts are gathered, presented, and analyzed in this chapter. Subjective processing and analysis of the data are done using the tools that were created in Chapter III.

4.1 Analysis of Financial Indicators and Variables

4.1.1 Analysis of Earning per share

The monetary worth of a company's earnings per outstanding share of common stock is known as earnings per share, or EPS. It gauges how lucrative the investment made by the stockholders was. The profitability of the banks is displayed by the earnings per share. By mobilizing their capital, the banks have been able to attain better profitability, as seen by the higher earnings, and vice versa. The banks under investigation's profits per share were tallied as follows.

Table 4.1

Analysis of EPS

Fiscal Year	NIC Asia Bank	Global IME Bank
2070/71	47.41	22.84
2071/72	35.98	24.41
2072/73	25.59	20.67
2073/74	28.31	22.50
2074/75	23.06	25.22
Mean	32.07	23.13
SD	8.80	1.58
CV	27.44 %	6.83 %

Source: Appendix: 1

According to Table 4.1, NIC Asia Bank Ltd.'s EPS varied between Rs. 47.41 and Rs. 23.06 during the course of the research. Throughout the period, the average earnings per share was Rs 32.07. There was a 27.44 change in NIC Asia EPS over the research period, as indicated by the 8.80 standard deviation of EPS and the 27.44% CV. Rs. 23.13, with a 1.58 standard deviation. There is a range of Rs 22.84 to Rs 25.22 for EPS. In a similar vein, these banks' earnings per share standard deviations differ significantly. By contrast, the earnings per share of NIC Asia closely resemble those of conventional banks.

4.1.2 Analysis of Dividend per Share

The rupee earnings delivered per share to common stock holders is known as the dividend per share, or DPS. The amount of earnings allocated to shareholders per share is shown by the dividend per share. A greater DPS often results in a more favorable attitude among shareholders toward the bank, which in turn contributes to an increase in the market value of shares. It also functions as a sign of improved bank management performance. The table displays the banks under investigation's dividend per share.

Table: 4.2

Analysis of DPS

Fiscal Year	***NIC Asia Bank***	***Global IME Bank***
2070/71	20	15
2071/72	30	25
2072/73	41.05	23
2073/74	27.37	16
2074/75	21.05	20
Mean	27.89	19.8
S.D.	7.57	3.87
C.V.	27.14%	19.54 %

Source: Appendix: 1

Over the course of the investigation, NIC Asia Ltd.'s average DPS was 27.89. It falls between Rs 20 and Rs 21.05. The DPS of NIC Asia Bank Ltd. is volatile, as seen by the 7.57 standard deviation and 27.14% coefficient of variation. Throughout the research period, the average DPS was Rs. 19.8. 19.54% of respondents claimed that GIBL's DPS conversion rate is lower than NIC, with a DPS standard deviation of 3.87.

The computation above indicates that NIC has a higher average DPS than GIBL. CV demonstrates that over the examined time, GIBL varied at least as much as the NIC of the banks.

4.1.3 Analysis of Market Price Per Share

The price per share at which shares are exchanged in the secondary market is known as the market price per share, or MPS. Table displays the average market price per share of the banks that are the subject of the analysis.

Table: 4.3

Analysis of MPS

Fiscal Year	***NIC Asia Bank***	***Global IME Bank***
2070/71	554	432
2071/72	970	695
2072/73	697	479
2073/74	798	515
2074/75	445	388
Mean	692.8	501.8
S.D.	183.62	105.68
C.V.	26.50 %	21.06 %

Source: Appendix: 1

NIC Asia Bank Ltd.'s closing MPS on average over the research period was Rs. 692.8. It remained between Rs. 445 and Rs. 554. The closing MPS has a standard deviation of 183.62 and a coefficient of variation of 26.50%. The CV shows that the bank's closing MPS fluctuated above and above.

Throughout the research period, Global IME Bank Ltd. (GIBL) had a closing MPS range of Rs. 388 to Rs. 432. During this time, an average closing MPS of Rs. 501.8 is recorded. The closing MPS's standard deviation is 105.68. The closing MPS of GIBL fluctuates quite little, as seen by the CV of 21.06%.

The average closing MPS of NIC Asia is greater than GIBL, as can be observed from the

calculations and statistics above. The coefficient of variation for these banks indicates that NIC Asia's MPS is more variable than GIBL's.

4.1.4 Analysis of Price Earnings Ratio

The ratio of market price to per capita income, or price-earnings ratio, or P/ERatio, is often referred to as the income balance.

Table: 4.4

Analysis of P/E Ratio

Fiscal Year	***NIC Asia Bank***	***Global IME Bank***
2070/71	11.69	19.29
2071/72	26.96	28
2072/73	24.11	23.87
2073/74	28.19	22.89
2074/75	19.30	15.38
Mean	22.05	21.88
S.D.	6.015	4.28
C.V.	27.28 %	19.56 %

Source: Appendix: 1

The average P/E ratio, standard deviation, and coefficient of variation for NIC Asia Bank Ltd. are 22.05, 6.015, and 27.28%, respectively. CV demonstrates the volatility of NIC Asia Bank Ltd.'s P/E ratio.

The standard deviation is 4.28 and the average P/E ratio for Global IME Bank Ltd (GIBL) is 21.88. The price-income ratio is more erratic than NIC Asia, as indicated by the coefficient of variation of 19.56%. The CV demonstrates how, over time, the price-to-earnings ratio (GIBL) of NIC Asia has changed among the banks under study.

4.1.5 Analysis of Dividend Yield

On MPS, dividend yield (DY) represents the proportion of DPS. It calculates the dividend based on the share's market value. In the stock market, it is the dividend that investors get expressed as a percentage of market prices per share. The ratio has a significant impact on market price per share since even a slight variation in dividend per share can have a

significant impact on share market value. The table shows the dividend yields for the banks that are being studied.

Table: 4.5

Analysis of DY

Fiscal Year	***NIC Asia Bank***	***Global IME Bank***
2070/71	3.61	3.48
2071/72	3.09	3.60
2072/73	5.89	4.80
2073/74	3.43	3.10
2074/75	4.73	5.15
Mean	4.15	4.026
S.D.	1.03	0.801
C.V.	24.80 %	19.90 %

Source: Appendix: 1

The DY range for NIC Asian Bank Ltd. (NABL) over the research period was 3.09% to 5.89%. Over this time, the average DY is 4.15%. DY's standard deviation during the course of the research was 1.03. A CV of 24.80% indicates that NABL's DY has barely changed. It stays between 3.10 and 5.15 percent. The difference between the two standard deviations is 19.90% and 0.801 for DY. The bank DY transfer status is displayed on CV. The aforementioned data indicates that NABL has the highest average DY while GIBL has the lowest average. In a similar vein, GIBL has less volatility than NABL. These banks' volatility coefficients demonstrate that DY's GIBL is less volatile than NABL's.

4.1.6 Analysis of Dividend Payout Ratio

The dividend payout ratio (DPR) is the percentage of income that is distributed as dividends. The profitability of the bank determines this. The table shows the DPR for the research banks.

Table: 4.6

Analysis of DPR

Fiscal Year	***NIC Asia Bank***	***Global IME Bank***
2070/71	42.19	65.67
2071/72	83.37	102.41
2072/73	160.41	111.27
2073/74	96.68	71.11
2074/75	91.28	79.30
Mean	94.78	85.95
S.D.	37.99	17.82
C.V.	40.08%	20.73%

Source: Appendix: 1

The DY range for NIC Asian Bank Ltd. (NABL) over the research period was 3.09% to 5.89%. Over this time, the average DY is 4.15%. DY's standard deviation during the course of the research was 1.03. A CV of 24.80% indicates that NABL's DY has barely changed. It stays between 3.10 and 5.15 percent. The difference between the two standard deviations is 19.90% and 0.801 for DY. The bank DY transfer status is displayed on CV. The aforementioned data indicates that NABL has the highest average DY while GIBL has the lowest average. In a similar vein, GIBL has less volatility than NABL. These banks' volatility coefficients demonstrate that DY's GIBL is less volatile than NABL's.

4.2 Relationship between financial transfer and translation

4.2.1 Relationship between Financial Variables of Sample Bank

The relationship between two or more variables is measured by the correlation coefficient. It also calculates the degree to which one variable influence another. The range of the correlation coefficient is +1 to -1. Perfectly positive correlation is shown by a +1 coefficient, while completely negative correlation is indicated by a -1 coefficient for the variables. Additionally, if there is no link between the variables, the correlation coefficient is 0. Positive correlation shows that a rise in one variable's value also results in a rise in the other, while negative correlation shows that a rise in one variable's value also results in a reduction in the other.

The correlation strength between the variables is shown by the numbers. The sample banks' correlation coefficient (r) between the financial variables is displayed in the table below.

Table: 4.7

Correlation Matrix of NIC Asia Bank Ltd.

	EPS	DPS	MPS	P/E Ratio	DY	DPR
MPS	0.0946	0.4854	1	0.74	-0.456	0.1570

Source: Appendix-2

The MPS and P/E ratio of NIC Asia are positively correlated, as Table 4.7 demonstrates. The MPS increased up to 2071/72 and decreased in 2072/73, which is the reason why the P/E ratio increased from 2070/71 to 2073/74. A similar increase is seen in 2073–2074 before a decline in 2074–2075.This is a result of many primary issues, including decreased investor anticipated return and political instability. Similarly, there is a negative correlation between NIC Asia's MPS and DY.

Table: 4.8

Correlation Matrix of Global IME Bank Ltd.

	EPS	DPS	MPS	P/E Ratio	DY	DPR
MPS	0.0926	0.5843	1	0.91	-0.479	0.488

Source: Appendix-3

Table 4.8 shows a favorable association between GIBL's MPS and its EPS, P/E ratio, DPS, and DPR. Up until 2071/72, the MPS was rising; but, in 2072/73 and 2074/75, it started to decline. Increase in 2073–2074 will be similar. This is a result of many primary issues, including decreased investor anticipated return and political instability. Conversely, there is a negative association between the MPS and the DY. This is due to the fact that Global IME Bank's dividend has been declining in previous years, with a greater dividend in 2074–2075.

The MPS of the two banks that consistently pay dividends have positive correlation P/E ratios, according to the aforementioned data. The two banks' connection with DY is negative. There is a positive association between the EPS of NIC Asia bank and Global

IME bank, which are less or equal. Every year, there were fluctuations in the MPS of both banks.

4.3 Simple Regression Equation and their Interpretation

4.3.1 Regression Equation of EPS on MPS

Table: 4.9

EPS on MPS

Banks	Constant(a)	(b)	R^2
NIC Asia	692.62	1.97	0.0089
GIBL	358.87	6.18	0.0085

Source: Appendix-4

The NABL and GIBL bank status is displayed in Table 4.9 of the regression analysis of EPS on MPS.

According to Table 4.9, the NABL's beta (regression) coefficient is 1.97, meaning that, if constant (a) = 692.62 stays the same, a rupee rise in the independent variable (EPS) results in an average Rs. 1.97 reduction in the dependent variable (MPS). 0.0089 is the NABL coefficient of multiple determinations (). This indicates that the 0.89% variation in MPS may be attributed to the shift in EPS.

In the instance of GIBL, the beta (regression) coefficient is 6.18, meaning that, if constant (a) = 358.87 stays the same, an increase of one rupee in the independent variable (EPS) results in an average rise of Rs. 6.18 in the dependent variable (MPS). 0.0085 is the value of GIBL's coefficient of multiple determinations ( ). This indicates that changes in EPS account for 0.85% of the variance in MPS.

4.3.2 Regression Equation of DPS on MPS

Table: 4.10

DPS on MPS

Banks	**Constant(a)**	**(b)**	R^2
NABL	364.82	11.76	0.2356
GIBL	185.99	15.95	0.3414

Source: Appendix-4

Regression study of DPS on MPS Table 4.10 displays the status of GIBL and NABL banks.

According to Table 4.10, the beta (regression) coefficient of the NABL is 11.76, meaning that, if constant (a) = 364.82 stays the same, an increase of one rupee in the independent variable (DPS) results in an average reduction of Rs. 11.76 in the dependent variable (MPS). NABL's multiple determination coefficient ( ) is 0.2356. This indicates that a change in DPS is responsible for 23.56% of the variance in MPS.

In the instance of GIBL, the beta (regression) coefficient is 15.95, meaning that, if constant (a) = 185.99 stays the same, one rupee rise in the independent variable (DPS) results in an average Rs. 15.95 reduction in the dependent variable (MPS). 0.3414 is the GIBL coefficient of multiple determinations (). This indicates that changes in DPS account for 34.14 percent of the variance in MPS.

4.3.3 Regression Equation of PE Ratio on MPS

Table: 4.11

PE Ratio on MPS

Banks	Constant(a)	(b)	R^2
NABL	188.96	22.85	0.5590
GIBL	6.218	22.65	0.8408

Source: Appendix- 4

NABL and GIBL bank statuses are displayed in Table 4.11 of the regression analysis of the PE Ratio on MPS.

According to Table 4.11, the beta (regression) coefficient of the NABL is 22.85. This means that, if constant (a) = 188.96 stays the same, an increase of one rupee in the independent variable (PE Ratio) corresponds to an average rise of Rs. 22.85 in the dependent variable (MPS). NABL's multiple determination coefficient ( ) is 0.5590. This indicates that changes in the PE Ratio account for 55.90% of the volatility in MPS.

In the instance of GIBL, the beta (regression) coefficient is 22.65, meaning that, if constant (a) = 6.218 stays the same, an increase of one rupee in the independent variable (PE Ratio) results in an average rise of Rs. 22.65 in the dependent variable (MPS).

GIBL's multiple determination coefficient () is 0.8404. This indicates that changes in the PE ratio account for 84.04% of the variance in MPS.

4.3.4 Regression Equation of DY on MPS

Table: 4.12

DY*on MPS*

Banks	Constant(a)	(b)	R^2
NABL	354.78	81.41	0.2087
GIBL	247.72	63.11	0.2293

Source: Appendix-4

The NABL and GIBL banks' status is displayed in Table 4.12 of the regression analysis of DY on MPS.

According to Table 4.12, the beta (regression) coefficient of the NABL is 81.41, meaning that, assuming constant (a) = 354.78 stays the same, an increase of one rupee in the independent variable (PE Ratio) results in an average rise of Rs. 81.41 in the dependent variable (MPS). NABL's multiple determination coefficient ( ) is 0.2087. This indicates that DY changes account for 20.87% of the variation in MPS.

The beta (regression) coefficient in the instance of GIBL is 63.11, meaning that, if constant (a) = 247.72 stays the same, an increase of one rupee in the independent variable (DY) results in an average rise of Rs. 63.11 in the dependent variable (MPS). GIBL's multiple determination coefficient () is 0.2293. This indicates that DY changes account for 22.93% of the variation in MPS.

4.3.5 Regression Equation of DPR on MPS

Table: 4.13

DPR on MPS

Banks	Constant(a)	(b)	R^2
NABL	620.76	0.760	0.0246
GIBL	254.26	2.88	0.2317

Source: Appendix-4

NABL and GIBL bank statuses are displayed in Table 4.13 of the regression study of DPR on MPS.

According to Table 4.13, the NABL's beta (regression) coefficient is 0.760. This means that, assuming constant (a) = 620.76 stays the same, every rupee rise in the independent variable (DPR) results in an average increase of Rs. 0.760 in the dependent variable (MPS). NABL's multiple determination coefficient ( ) is 0.0246. This indicates that a change in DPR is the cause of a 2.46% variation in MPS.

The beta (regression) coefficient in the GIBL scenario is 2.88, meaning that, if constant (a) = 254.26 stays the same, an increase of one rupee in the independent variable (DPR) results in an average rise of Rs. 2.88 in the dependent variable (MPS). KBL's multiple determination coefficient ( ) is 0.2317. This indicates that changes in DPR account for 23.17% of the variance in MPS.

4.4 Major Findings

The study's main conclusions led to the conclusion that high dividend paying banks and low dividend paying banks had different financial positions. If all else stays the same, high dividend paying banks have a better financial position than low dividend paying banks. This analysis also leads to the intriguing conclusion that dividends have an impact on share market price. Finally, banking officials in Nepal reject a dividend as a residual choice in Nepalese banks.

Future studies on the relationship between market share price and banking dividend in Nepal provide an abundance of opportunities. Nepalese bankers and other businesses are implementing matured capital market structures, which is expanding the country's capital and stock markets and providing more research chances for the younger generation. Examining the performance of the major financial ratios of regular vs sporadic dividend-paying banks is one way to further this subject. To get further understanding of the impact of dividend policy on value, a second line of inquiry involves expanding the study's duration and bank count. Finding additional relevant factors to account for the variance in stock price in addition to the ones included in the models—the earning price ratio and normalized retained earnings—represents a third line of inquiry. Finding a more accurate model from among the many models in the literature to explain the banking dividend behavior in Nepal is a fourth line of inquiry. Surveying shareholders on banks dividend practices and share value in Nepal is the last line of inquiry for this study. The computation's main conclusion was as follows.

- NIC Asia Bank's earnings per share of the global IME Bank from 2070/71 to 2074/75 are 44.41, 35.98, 25.59, 28.31, and 23.06, respectively. 22.48, 24.41, 20.50, and 22.50 are his earnings. The companies with the highest average EPS are NIC Asia and GIBL, respectively. In a similar vein, these banks' earnings per share standard deviations differ significantly. By contrast, the EPS of NIC Asia is comparable to that of conventional banks.
- It falls between Rs 20 and Rs 21.05. The DPS of NIC Asia Bank Ltd. and Global IME Bank is variable and has a smaller DPS than NIC Asia, as seen by the DPS's 7.57 standard deviation and its 27.14% standard deviation. Throughout the research period, the average DPS was Rs. 19.8. 19.54% of respondents claimed that GIBL's DPS conversion rate is lower than NIC, with a DPS standard deviation of 3.87. These calculations show that NIC has a higher average DPS than GIBL. CV demonstrates that during the time, the GIBL of the banks under examination was less volatile than the NIC.
- It is in the range of Rs 445 and Rs 554. At the conclusion of the MPS period, the standard deviation is 26.50%, and it is 183.62. According to the CV, the bank closed MPS without making any changes, and at the research period, the closed Global IME Bank Ltd. covered MPS ranged from Rs 388 to Rs 432. At that time, the average closing MPS was Rs 501.8. The GIBL closed MPS is steady, as seen by the closed MPS's standard deviation of 105.68 and CV of 21.06%.
- It is evident from these computations that NIC Asia has a higher average closed MPS than GIBL.
- These banks' differences demonstrate that NIC Asia MPS is more adaptable than GIBL. In this case, the standard deviations are 4.28 and 6.015, respectively, and 27.28% and 19.56%, respectively. Investors would find Global IME Bank's lower price-to-earnings ratio more appealing because it swings less than NIC Asia's. The average price to earnings ratio of NIC Asia Bank is somewhat greater than GIBL's. CV demonstrates that, among the banks examined throughout time, NIC Asia's cost-to-earnings ratio has surpassed GIBL. In a similar vein, NIC Asia Bank has higher standards than GIBL. Based on these banks' volatility coefficients, it can be seen that NIC Asia Bank has a larger DY volatility than GIBL.

- GIBL has a lower average DPR than NABL. GIBL bank has a lower DPR CV than NABL. This demonstrates that because GIBL's DPR has less flexibility than NABL's, NABL has the superior dividend policy. The cost-income ratio and MPS are tightly associated.
- The two banks' connection with DY is unfavorable. NIC There is a positive correlation as Asia Bank and Global IME Bank have lower EPS, or at best the same EPS. Each year, both banks' MPS vary.

In conclusion, it is advised that, in an environment where market imperfections exist, the best course of action is to consider independently investors' net preference for capital gains or dividends as well as the fact that fresh equity financing is more expensive than keeping earnings.

CHAPTER-V
SUMMARY, CONCLUSION AND RECOMMENDATION

The search's specifics are displayed on this page. This chapter is organized as follows for this purpose: summary, findings, and suggestions.

5.1 Summary

This study's summary examines how method regulations affect dividends in relation to operational expenses, growth, and the organization's reputation in the marketplace. A healthy return on investment is what every investor aspires to. In the Nepalese stock market, firms with positive dividends and high profits have a positive public image and command higher stock prices; conversely, companies with negative dividends and poor profits saw lower interest rates and less satisfactory outcomes than expected by shareholders of the business.

Researchers chose NIC Asia Bank, a firm that consistently pays dividends, and Global IME Bank, a company that both grows and pays dividends, for their analysis since there are very few public companies that do both. Numerous statistical and financial tools were created for this reason in order to examine the bank data. Aiming to ascertain the influence of various factors on market price of share, researcher used the combined cross section data of two banks from fifteen observations. The results show that earnings, retained earnings, and dividend payments have an impact on share value. The stronger reliance of MPS on EPS and DPS is seen by the positive and negative relationships between market price of share and EPS and DPS.

In addition, the negative relationship between MPS and retained earnings illustrates the opposing relationship between market price and retained earnings. One of the main conclusions of this study is that the dividend is more important than retained earnings, which is in line with the findings of other research on the subject. Similarly, as there is consistently a positive link between the MPS and EPS of NIC Asia Bank and Global IME Bank, the study came to the conclusion that dividend policy is mostly dependent on the company's earnings. In both banks, there is a favorable link between MPS and DPS.

The primary focus of this study is the dividend payment techniques currently used by listed corporations. The primary goal of the study is to examine the dividend policy and how it affects bank market prices. The most typical practice of Nepalese corporations is its haphazard payout ratio and unstable dividend policy. Businesses don't keep enough cash on hand to pay dividends. Therefore, it addresses certain specific goals, such as determining the correlation between other financial indicators and the suitable dividend policies for various banks. By gathering and computing the earning per share, dividend payout ratio, dividend yield, earning yield, and price earnings ratio, the link between dividends and stock prices has been studied. Many additional analyses are carried out to determine the proper link between the dividend and other variables that impact the payout in order to make the research trustworthy. Utilizing statistical approaches, the regularity of dividend distribution across several corporations is also examined.

5.2 Conclusion

Few listed businesses in Nepal have been consistently giving their shareholders dividend payments. Moreover, businesses have not been adhering to a consistent dividend distribution strategy. The study's key findings led to the conclusion that, in the Nepalese environment, banks' earnings and dividend payouts are seen adequate, since they are relatively higher than those of manufacturing and financial sectors. However, the listed firms in Nepal have not been able to deliver equitable dividends due to the low dividend payment ratio. Certain firms have acceptable and clearly established policies on paying dividends. The lack of substantial correlation found between DPS and other factors suggests that all of these firms have good dividend policies. The study comes to the conclusion that there are other factors besides cash dividends that influence share price. However, there are other variables that also affect share price volatility, such as earning potential, bonus shares, dividend decision information value, etc. The share price fluctuation in an imperfect market mechanism such as the Nepalese Share Market is also significantly influenced by the actions of security brokers, other market makers, and the rumors they spread in the market. When the company's earnings exceed the fixed costs that must be reimbursed to the lenders, the leverage impact is positive. The market price per share is determined by a number of factors, including DY, P/E ratio, DPS, DPR, EPS, and more. In essence, there is a positive correlation between the EPS of Global IME bank, DPS, DPR, and P/E ratio; similarly, there is a positive correlation between the EPS of NIC Asia, DPS, and DPR and the market price. Therefore, both have a favorable effect on

market pricing. Even while the economy, governmental regulations, the engineering industry's prospects, and market forces all contribute to share price changes, one crucial factor is dividend policy, which should be optimized to maximize shareholder wealth. Consequently, it is recommended that the corporation adjust its current dividend policy and procedures to optimize share market value while maintaining growth potential.

Legal requirements requiring firms to pay dividends when they are profitable do not exist. The Commercial Bank Act of 2031, the Company Act of 2053, and other regulatory legislation do not contain any explicit provisions pertaining to dividend policy. Therefore, it may be said that in Nepal, earnings and dividend payments are more significant than retained earnings. The market price of a share may drop if the corporation keeps more of its earnings. In this regard, it is more intriguing to remember that earnings, dividends, and retained earnings are determined by the share's market price. While retained earnings have a negative effect on market price, earnings and dividends have a favorable influence. The findings show that the market price of shares is often affected by a large dividend and a weak retained profits effect. The research indicates that retained earnings has little effect on share price and that dividends have a greater influence. Nepali investors find dividends to be comparatively more alluring. As a result, they have an opinion on retained earnings and dividends.

5.1 Recommendations

Based on the observation of the MVPS with DPS and other factors of selected commercial banks, as well as the empirical perspective of the influence of dividends on share price by financial performance, the suggestion has been made. The final section of this chapter includes a suggestion based on the key findings and gaps fund. The suggestions made have undoubtedly been a turning point in improving the state of affairs in this subject. There is little question that these proposals will improve the current situation, but they may also have some unintended consequences. The following recommendations are suggested for more research:

1. For a better regression result, certain other factors like GDP, Inflection, and bank size should be added.
2. Monthly or quarterly data should be included because annual data exhibits significant swings.

Ultimately, this study has led to the realization that laws and regulations are required in order to prescribe certain policies about dividend payments in the banking industry. For this reason, the relevant authorities—the Nepalese government, the Nepal Rastra Bank, the Security Board, and the Nepal Stock Exchange—should be aware of how rules pertaining to dividend payments are formulated and implemented. This would support the banking industry in Nepal's efforts to regularize its dividend policy.

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Appendix

Appendix 1

NIC Asia Bank Ltd.

EPS	DPS	MPS	P/E Ratio	DY	DPR
47.41	20	554	11.69	3.61	42.19
35.98	30	970	26.96	3.09	83.37
25.59	41.05	697	24.11	5.89	160.41
28.31	27.37	798	28.19	3.43	96.68
23.06	21.05	445	19.30	4.73	91.28
160.35	139.47	3464	110.25	20.75	473.93
$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$
235.31	62.25	19265.44	107.32	0.2916	2765.70
15.29	4.45	76839.84	24.108	1.123	130.32
41.99	173.18	17.34	4.234	3.027	4306.50
14.14	0.270	11067.04	37.699	0.518	3.61
81.19	46.78	61404.84	7.562	0.336	12.25
387.92	286.93	168594.8	180.927	5.296	7218.38

$\bar{x}=\frac{\sum X}{N}=\frac{160.35}{5}=32.07$

$\bar{x}=\frac{\sum X}{N}=\frac{139.47}{5}=27.894$

$\bar{x}=\frac{\sum X}{N}=\frac{3464}{5}=692.8$

$\bar{x}=\frac{\sum X}{N}=\frac{110.25}{5}=22.05$

$\bar{x}=\frac{\sum X}{N}=\frac{20.75}{5}=4.15$

$\bar{x}=\frac{\sum X}{N}=\frac{473.93}{5}=94.786$

$\sigma=\sqrt{\frac{\sum(X-\bar{X})^2}{N}}=\sqrt{\frac{387.92}{5}}=8.80$

$\sigma=\sqrt{\frac{\sum(X-\bar{X})^2}{N}}=\sqrt{\frac{286.93}{5}}=7.57$

$\sigma=\sqrt{\frac{\sum(X-\bar{X})^2}{N}}=\sqrt{\frac{168594.8}{5}}=183.62$

$\sigma=\sqrt{\frac{\sum(X-\bar{X})^2}{N}}=\sqrt{\frac{180.927}{5}}=6.015$

$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{5.296}{5}} = 1.029$

$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{7218.38}{5}} = 37.99$

Global IME Bank Ltd.

EPS	**DPS**	**MPS**	**P/E Ratio**	**DY**	**DPR**
22.84	15	432	19.29	3.48	65.67
24.41	25	695	28	3.60	102.41
20.67	23	479	23.87	4.80	111.27
22.50	16	515	22.89	3.10	71.11
25.22	20	388	15.38	5.15	79.30
115.64	99	2509	109.43	20.13	429.71
$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$	$(X-\bar{X})^2$
0.084	23.04	4872.04	6.71	0.3025	411.28
1.64	27.04	37326.24	37.466	0.1849	270.93
6.015	10.24	519.84	3.96	0.5929	641.10
0.40	14.44	174.24	1.020	0.8649	220.22
4.37	0.04	12950.44	42.25	1.2633	44.22
12.545	74.80	55842.80	91.40	3.2085	1587.75

$\bar{x} = \frac{\sum X}{N} = \frac{115.64}{5} = 23.128$

$\bar{x} = \frac{\sum X}{N} = \frac{99}{5} = 19.8$

$\bar{x} = \frac{\sum X}{N} = \frac{2509}{5} = 501.8$

$\bar{x} = \frac{\sum X}{N} = \frac{109.43}{5} = 21.88$

$\bar{x} = \frac{\sum X}{N} = \frac{20.13}{5} = 4.026$

$\bar{x} = \frac{\sum X}{N} = \frac{429.71}{5} = 85.95$

$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{12.545}{5}} = 1.58$

$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{74.8}{5}} = 3.87$

$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{55842.8}{5}} = 105.68$

$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{91.40}{5}} = 4.28$

$$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{3.2085}{5}} = 0.801$$

$$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{N}} = \sqrt{\frac{1587.75}{5}} = 17.82$$

Appendix 2 NIC Asia Bank Ltd.

Fiscal year	**EPS(X)**	**MPS(Y)**	**XY**	X^2	Y^2
2070/71	47.41	554	26265.14	2247.708	306916
2071/72	35.98	970	34900.6	1294.56	940900
2072/73	25.59	697	17836.23	654.84	485809
2073/74	28.31	798	22591.38	801.45	636804
2074/75	23.06	445	10261.7	531.76	198025
	160.35	$\sum Y$=3464	$\sum XY$ =111855.05	$\sum X^2$ =5530.318	$\sum Y^2$ =2568454

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

Where,

N	=	Number of observation in series X and series Y
$\sum$XY	=	Sum of the product of the observations in series X and series Y
$\sum$X	=	Sum of the observations in series X
$\sum$Y	=	Sum of the observations in series Y
$\sum X^2$	=	Sum of the square of observation in series in X
$\sum Y^2$	=	Sum of the square of observation in series in Y
r	=	Karl Pearson's coefficient of correlation

$$rXY = \frac{5*111855.05-(160.35)(3464)}{\sqrt{5*5530.318-(160.35)^2}\sqrt{5*2568454-(3464)^2}} = 0.0946$$

R^2= 0.00894

Fiscal year	**DPS(X)**	**MPS(Y)**	**XY**	X^2	Y^2
2070/71	20	554	11080	400	306916
2071/72	30	970	29100	900	940900
2072/73	41.05	697	28611.85	1685.10	485809
2073/74	27.37	798	21841.26	749.11	636804
2074/75	21.05	445	9367.25	443.10	198025
	$\sum X$=139.47	$\sum Y$=3464	$\sum XY$ =100000.36	$\sum X^2$ =4177.31	$\sum Y^2$ =2568454

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

Where,

N = Number of observation in series X and series Y
$\sum XY$ = Sum of the product of the observations in series X and series Y
$\sum X$ = Sum of the observations in series X
$\sum Y$ = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*100000.36 - (139.47)(3464)}{\sqrt{5*4177.31 - (139.47)^2}\sqrt{5*2568454 - (3464)^2}} = 0.4854 \qquad R^2 = 0.2356$$

Fiscal year	**P/E Ratio(X)**	**MPS(Y)**	**XY**	X^2	Y^2
2070/71	11.69	554	6476.26	136.65	306916
2071/72	26.96	970	26151.2	726.84	940900
2072/73	24.11	697	16804.67	581.29	485809
2073/74	28.19	798	22495.62	794.67	636804
2074/75	19.30	445	8588.5	372.49	198025
	$\sum X$=110.25	$\sum Y$=3464	$\sum XY$=80516.25	$\sum X^2$ =2611.94	$\sum Y^2$ =2568454

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

Where,

N = Number of observation in series X and series Y
$\sum XY$ = Sum of the product of the observations in series X and series Y
$\sum X$ = Sum of the observations in series X
$\sum Y$ = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*80516.25 - (110.25)(3464)}{\sqrt{5*2611.94 - (110.25)^2}\sqrt{5*2568454 - (3464)^2}} = 0.748 \qquad R^2 = 0.559$$

Fiscal year	**Dividend yield(X)**	**MPS(Y)**	**XY**	X^2	Y^2
2070/71	3.61	554	1999.94	13.03	306916
2071/72	3.09	970	2997.3	9.54	940900
2072/73	5.89	697	4105.33	34.69	485809
2073/74	3.43	798	2737.14	11.76	636804
2074/75	4.73	445	2104.85	22.37	198025
	$\sum X$=20.75	$\sum Y$=3464	$\sum XY$ =13944.56	$\sum X^2$ =91.39	$\sum Y^2$ =2568454

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

Where,

N = Number of observation in series X and series Y
$\sum$XY = Sum of the product of the observations in series X and series Y
$\sum$X = Sum of the observations in series X
$\sum$Y = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*13944.56 - (20.75)(3464)}{\sqrt{5*91.39 - (20.75)^2}\sqrt{5*2568454 - (3464)^2}} = 0.4569 \qquad R^2 = 0.2087$$

Fiscal year	**DPR(X)**	**MPS(Y)**	**XY**	X^2	Y^2
2070/71	42.19	554	23373.26	1779.99	306916
2071/72	83.37	970	80868.9	6950.55	940900
2072/73	160.41	697	111805.77	25731.37	485809
2073/74	96.68	798	77150.64	9347.02	636804
2074/75	91.28	445	40619.6	8332.03	198025
	$\sum X$=473.93	$\sum Y$=3464	$\sum XY$ =333818.17	$\sum X^2$=52140.96	$\sum Y^2$ =2568454

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

Where,

N = Number of observation in series X and series Y
$\sum$XY = Sum of the product of the observations in series X and series Y

$\sum X$ = Sum of the observations in series X
$\sum Y$ = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*333818.17-(473.93)(3464)}{\sqrt{5*52140.96-(473.93)^2}\sqrt{5*2564454-(3464)^2}} = 0.1570 \qquad R^2=0.0246$$

Appendix 3 Global IME Bank Ltd.

Fiscal year	EPS(X)	MPS(Y)	XY	X^2	Y^2
2070/71	22.84	432	9866.88	521.66	186624
2071/72	24.41	695	16964.94	595.84	483025
2072/73	20.67	479	9900.93	427.25	229441
2073/74	22.50	515	11587.5	506.25	265225
2074/75	25.22	388	9785.36	636.05	150544
	$\sum X$=115.64	$\sum Y$=2509	$\sum XY$ =58105.62	$\sum X^2$ =2687.05	$\sum Y^2$ = 1314859

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

Where,

N = Number of observation in series X and series Y
$\sum$XY = Sum of the product of the observations in series X and series Y
$\sum$X = Sum of the observations in series X
$\sum$Y = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*58105.62 - (115.64)(2509)}{\sqrt{5*2687.05 - (115.64)^2}\sqrt{5*1314859 - (2509)^2}} = 0.0926 \qquad R^2 = 0.00857$$

Fiscal year	DPS(X)	MPS(Y)	XY	X^2	Y^2
2070/71	15	432	6480	225	186624
2071/72	25	695	17375	625	483025
2072/73	23	479	11017	529	229441
2073/74	16	515	8240	256	265225
2074/75	20	388	7760	400	150544
	$\sum X$=99	$\sum Y$=2509	$\sum XY$ = 50872	$\sum X^2$ = 2035	$\sum Y^2$ = 1314859

$$rXY = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum Y)^2}} = 0.5843$$

R^2=0.3414

Where,

N = Number of observation in series X and series Y
$\sum XY$ = Sum of the product of the observations in series X and series Y
$\sum X$ = Sum of the observations in series X
$\sum Y$ = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

Fiscal year	**P/E Ratio(X)**	**MPS(Y)**	**XY**	X^2	Y^2
2070/71	19.29	432	8333.28	372.10	186624
2071/72	28	695	19460	784	483025
2072/73	23.87	479	11433.73	569.78	229441
2073/74	22.89	515	11788.35	523.95	265225
2074/75	15.38	388	5967.44	236.54	150544
	$\sum X$=109.43	$\sum Y$=2509	$\sum XY$ =56982.8	$\sum X^2$ = 2486.37	$\sum Y^2$ = 1314859

rXY= $\frac{5*56982.8-(109.43)(2509)}{\sqrt{5*2486.37-(109.43)^2}\sqrt{5*1314859-(2509)^2}}$ = 0.9170 R^2=0.8408

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

Where,
N = Number of observation in series X and series Y
$\sum XY$ = Sum of the product of the observations in series X and series Y
$\sum X$ = Sum of the observations in series X
$\sum Y$ = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

rXY= $\frac{5*41626.26-(100.11)(1939)}{\sqrt{5*2159.041-(100.11)^2}\sqrt{5*829301-(1939)^2}}$ = 0.81 R^2=0.6561

Fiscal year	Dividend yield(X)	MPS(Y)	XY	X^2	Y^2
2070/71	3.48	432	1503.36	12.11	186624
2071/72	3.60	695	2502	12.96	483025
2072/73	4.80	479	2299.2	23.04	229441
2073/74	3.10	515	1596.5	9.61	265225
2074/75	5.15	388	1998.2	26.52	150544
	$\sum X$=20.13	$\sum Y$=2509	$\sum XY$ =9899.26	$\sum X^2$ =84.24	$\sum Y^2$ = 1314859

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

Where,

N = Number of observation in series X and series Y
$\sum$XY = Sum of the product of the observations in series X and series Y
$\sum$X = Sum of the observations in series X
$\sum$Y = Sum of the observations in series Y
$\sum X^2$ = Sum of the square of observation in series in X
$\sum Y^2$ = Sum of the square of observation in series in Y
r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*9899.26 - (20.13)(2509)}{\sqrt{5*84.24 - (20.13)^2}\sqrt{5*1314859 - (2509)^2}} = -0.4789 \qquad R^2 = 0.2293$$

Fiscal year	DPR(X)	MPS(Y)	XY	X^2	Y^2
2070/71	65.67	432	28369.44	4312.55	186624
2071/72	102.41	695	71174.95	10487.8	483025
2072/73	111.27	479	53298.33	12381.01	229441
2073/74	71.11	515	36621.65	5056.63	265225
2074/75	79.30	388	30768.4	6288.49	150544
	$\sum X$=429.71	$\sum Y$=2509	$\sum XY$ = 220232.77	$\sum X^2$ = 38526.48	$\sum Y^2$ = 1314859

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

Where,

N = Number of observation in series X and series Y
$\sum$XY = Sum of the product of the observations in series X and series Y
$\sum$X = Sum of the observations in series X
$\sum$Y = Sum of the observations in series Y

$\sum X^2$ = Sum of the square of observation in series in X

$\sum Y^2$ = Sum of the square of observation in series in Y

r = Karl Pearson's coefficient of correlation

$$rXY = \frac{5*220232.77-(429.71)(2509)}{\sqrt{5*38526.48-(429.71)^2}\sqrt{5*1314859-(2509)^2}} = 0.4876 \qquad R^2=0.2377$$

Appendix 4

1. NIC Asia Bank Ltd.

EPS(X)	**MPS(Y)**	**U=X-25.59**	**V=Y-697**	**UV**	$\boldsymbol{U^2}$
47.41	554	21.82	-143	-3120.26	476.11
35.98	970	10.39	273	-2836.47	107.95
25.59	697	0	0	0	0
28.31	798	2.72	101	274.72	7.398
23.06	445	-2.53	-252	637.56	6.40
160.35	$\sum Y$=3464	$\sum U$ = 32.4	$\sum V$=-21	$\sum UV$=628.49	$\sum U^2$ =597.858

$\bar{X}$=A+$\frac{\sum U}{n}$

= 25.59 + $\frac{32.4}{5}$

=32.07

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 697 + $\frac{-21}{5}$

=692.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*-628.49-(32.4)(-21)}{5*597.858-(32.4)^2}$

= 1.97

a = 692.8-(1.97*32.07)

=629.62

DPS(X)	**MPS(Y)**	**U=X-41.05**	**V=Y-697**	**UV**	U^2
20	554	-21.05	-143	3010.15	443.10
30	970	-11.05	-273	-3016.65	122.10
41.05	697	0	0	0	0
27.37	798	-13.68	101	-1381.68	187.14
21.05	445	-20	-252	5040	400
$\sum X$=139.47	$\sum Y$=3464	$\sum U$ = -65.78	$\sum V$=-21	$\sum UV$=3651.82	$\sum U^2$ =1152.34

$\bar{X}$=A+$\frac{\sum U}{n}$

= 41.05 + $\frac{-65.78}{5}$

=27.89

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 697 + $\frac{-21}{5}$

=692.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*3651.88-(-65.78)(-21)}{5*1152.34-(-65.78)^2}$

= 11.76

a = 692.8-(11.76*27.89)

=364.82

P.E Ratio(X)	**MPS(Y)**	**U=X-24.11**	**V=Y-697**	**UV**	U^2
11.69	554	-12.42	-143	1776.06	154.28
26.96	970	2.85	-273	778.05	8.12
24.11	697	0	0	0	0
28.19	798	4.08	101	412.08	16.64
19.30	445	-4.81	-252	1212.12	23.13
$\sum X$=110.25	$\sum Y$=3464	$\sum U$ = -10.3	$\sum V$=-21	$\sum UV$=4178.31	$\sum U^2$ =202.14

$\bar{X}$=A+$\frac{\sum U}{n}$

= 24.11 + $\frac{-10.3}{5}$

=22.05

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 697 + $\frac{-21}{5}$

=692.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*4178.31-(-10.3)(-21)}{5*202.14-(-10.3)^2}$

= 22.85

a = 692.8-(22.85*22.05)

=188.96

DYX)	**MPS(Y)**	**U=X-5.89**	**V=Y-697**	**UV**	$\boldsymbol{U^2}$
3.61	554	-2.28	-143	326.04	5.20
3.09	970	-2.8	-273	-764.4	7.84
5.89	697	0	0	0	0
3.43	798	-2.46	101	-248.46	6.05
4.73	445	-1.16	-252	292.32	1.345
$\sum X$=20.75	$\sum Y$=3464	$\sum U$ = -8.7	$\sum V$=-21	$\sum UV$=-394.5	$\sum U^2$ =20.43

$\bar{X}$=A+$\frac{\sum U}{n}$

= 5.89 + $\frac{-8.7}{5}$

=4.15

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 697 + $\frac{-21}{5}$

=692.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

$= \frac{5*-394.5-(-8.7)(-21)}{5*20.43-(-8.7)^2}$

= 81.45

a = 692.8-(81.45*4.15)

=354.78

DPR(X)	**MPS(Y)**	**U=X-160.41**	**V=Y-697**	**UV**	U^2
42.19	554	-118.22	-143	-16905.46	13975.97
83.37	970	-77.04	-273	-21031.92	5935.16
160.41	697	0	0	0	0
96.68	798	-63.73	101	-6436.73	4061.51
91.28	445	-69.13	-252	17420	4778.00
$\sum X$=473.93	$\sum Y$=3464	$\sum U$ = -83.51	$\sum V$=-21	$\sum UV$=6857.57	$\sum U^2$ =28750.64

$\bar{X}$=A+$\frac{\sum U}{n}$

= 160.41 + $\frac{-328.12}{5}$

=94.78

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 697 + $\frac{-21}{5}$

=692.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

$= \frac{5*6857.57-(-328.12)(-21)}{5*28750.64-(328.12)^2}$

= 0.760

a = 692.8-(0.760*94.786)

=620.76

2. Global IME Bank Ltd.

EPS(X)	MPS(Y)	U=X-20.67	V=Y-479	UV	U^2
22.84	432	2.17	-47	-101.99	4.71
24.41	695	3.74	216	807.84	13.99
20.67	479	0	0	0	0
22.50	515	1.83	36	65.88	3.35
25.22	388	4.55	-91	-414.05	20.70
$\sum X$=115.64	$\sum Y$=2509	$\sum U$ = 12.29	$\sum V$=114	$\sum UV$=-357.68	$\sum U^2$ =42.75

$\bar{X}$=A+$\frac{\sum U}{n}$

= 20.67 + $\frac{12.29}{5}$

=23.128

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 479 + $\frac{114}{5}$

=501.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*357.68-(12.29)(114)}{5*42.75-(12.29)^2}$

= 6.18

a = 501.8-(6.18*23.128)

=358.87

DPS(X)	MPS(Y)	U=X-23	V=Y-536	UV	U^2
15	432	-8	-47	376	64
25	695	2	216	432	4
23	479	0	0	0	0
16	515	-7	36	-252	49
20	388	-3	-91	273	9
$\sum X$=99	$\sum Y$=2509	$\sum U$ = -16	$\sum V$=114	$\sum UV$=829	$\sum U^2$ =126

$\bar{X}$=A+$\frac{\sum U}{n}$

= 23+ $\frac{-16}{5}$

=19.8

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 479 + $\frac{114}{5}$

=501.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*829-(-16)(114)}{5*126-(-16)^2}$

= 15.95

a = 501.8-(15.95*19.8)

=185.99

P/E Ratio(X)	**MPS(Y)**	**U=X-23.87**	**V=Y-536**	**UV**	U^2
19.29	432	-4.58	-47	215.26	20.98
28	695	4.13	216	892.08	17.06
23.87	479	0	0	0	0
22.89	515	-0.98	36	35.28	0.960
15.38	388	-8.49	-91	772.59	72.08
$\sum X$=109.43	$\sum Y$=2509	$\sum U$ = -9.92	$\sum V$=114	$\sum UV$=1844.65	$\sum U^2$ =111.08

$\bar{X}$=A+$\frac{\sum U}{n}$

= 23.87 + $\frac{-9.92}{5}$

=21.88

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 479+ $\frac{114}{5}$

=501.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*1844.65-(-9.92)(114)}{5*111.08-(-9.92)^2}$

= 22.65

a = 501.8-(22.65*21.88)

=6.218

DY(X)	**MPS(Y)**	**U=X-4.80**	**V=Y-536**	**UV**	U^2
3.48	432	-1.32	-47	62.04	1.742
3.60	695	-1.2	216	-259.2	1.44
4.80	479	0	0	0	0
3.10	515	-1.7	36	-61.2	2.89
5.15	388	0.35	-91	-31.85	0.1225
$\sum X$=20.13	$\sum Y$=2509	$\sum U$ = -3.87	$\sum V$=114	$\sum UV$=-290.21	$\sum U^2$ =6.1945

$\bar{X}$=A+$\frac{\sum U}{n}$

= 4.80 + $\frac{-3.87}{5}$

= 4.026

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 479 + $\frac{114}{5}$

=501.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*-290.2-(-3.87)(114)}{5*6.1945-(-3.87)^2}$

= 63.11

a = 501.8-(63.11*4.026)

=247.719

DPR(X)	**MPS(Y)**	**U=X-9.31**	**V=Y-536**	**UV**	U^2
65.67	432	-45.6	-47	2143.2	2079.36
102.41	695	-8.86	216	-1913.76	78.50
111.27	479	0	0	0	0
71.11	515	-40.16	36	-1445.76	1612.82
79.30	388	-31.97	-91	2909.27	1022.08
$\sum X$=429.71	$\sum Y$=2509	$\sum U$ = -126.59	$\sum V$=114	$\sum UV$=1692.95	$\sum U^2$ =4792.76

$\bar{X}$=A+$\frac{\sum U}{n}$

= 111.27 + $\frac{-126.59}{5}$

=85.95

$\bar{Y}$=B+$\frac{\sum V}{n}$

= 479 + $\frac{114}{5}$

=501.8

b = $\frac{n\sum UV-\sum U\sum V}{n\sum U^2-(\sum U)^2}$

= $\frac{5*1692.95-(-126.59)(114)}{5*4792.76-(-126.59)^2}$

= 2.88

a = 501.8-(2.88*85.95)

=254

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CHAPTER I INTRODUCTION 1.1 Background of the Study The economic growth **of a**

nation has a significant impact on its overall development. The growth of a nation's money and capital markets is crucial to its economic development. Banks, finance businesses, and other financial institutions contribute to the development of the capital market and money market by investing the funds raised from the public and mobilizing deposit amounts. In order to make money, commercial banks are those that gather and allocate financial resources to commercial and productive sectors. The primary goal of commercial banks is to finance various industries, commerce, agriculture, and other economic sectors in order to make money. Apart from its principal duties of deposit collection and lending to third parties, it also handles a broad range of auxiliary tasks on behalf of its clients, such as collecting checks, bills, dividends, and so on; paying insurance premiums; subscribing to rent, salaries, and other expenses; transferring money; and buying and selling securities. In addition to their agency duties, commercial banks offer a range of general utility services, such as traveler's checks, credit cards, vouchers, and letter of credit issuance, as well as custody and safe deposit box facilities. A commercial bank also represents its clients to outside parties as a referee and guarantor. The amount of net income distributed to shareholders is called a dividend. The public's interest in purchasing shares of banks or other organizations is mostly driven by their dividends. Put another way, a dividend is the company's distribution of earnings to shareholders only if it results in a decrease in the value of the company's liabilities and assets. A company's board of directors' discretionary choice results in a dividend. A company typically declares a dividend on its profits. One of the most persistent problems in contemporary corporate finance is corporation dividend policy. The allocation of earnings between payments to stockholders and reinvestment in the company is determined by the dividend policy. According to a notion put forward by Miller and Modigliani in 1961, the amount that shareholders keep and distribute inside the company should differ. Dividend policy becomes significant in situations when the