

**IMPACT OF DIVIDEND ON MARKET PRICE OF
STOCK OF COMMERCIAL BANKS OF NEPAL**

By:
Pritika Sah
Shanker Dev Campus
Campus Roll No.: 2185/072
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RECOMMENDATION

This is to certify that the thesis

Submitted by:

PRITIKA SAH

Entitled:

IMPACT OF DIVIDEND ON MARKET PRICE OF STOCK OF COMMERCIAL BANKS OF NEPAL

*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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Kiran Thapa (Thesis Supervisor)	Asso. Prof. Dr. Sajeeb Kumar Shrestha (Head, Research Department)	Asso. Prof. Dr. Dr.Krishna Prasad Acharya (Campus Chief)
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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

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that this thesis work entitled “**Impact of Dividend on Market Price of Stock of Commercial Banks of Nepal**” 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 Masters of Business Studies which is prepared under the supervision of respected supervisor Kiran Thapa of Shanker Dev Campus, T.U.

.....

Pritika Sah

Shanker Dev Campus

Campus Roll No.: 2185/072

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Pritika Sah
Researcher

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ABBREVIATIONS

CB	:	Commercial Banks
DPS	:	Dividend per Share
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earnings per Share
GDP	:	Gross Domestic Products
HBL	:	Himalayan Bank Limited
JVBs	:	Joint Venture Banks
LMPS	:	Natural Logarithm of Market Price per Share
LSIZE	:	Log of Total Assets
Ltd.	:	Limited
MPS	:	Market Price per Share
NABIL	:	Nabil Bank Limited
NRB	:	Nepal Rastra Bank
PER	:	Price Earnings Ratio
ROA	:	Return on Assets
SBI	:	Nepal SBI Bank Limited
SCB	:	Standard Chartered Bank Nepal Limited
SD	:	Standard Deviation
SIZE	:	Bank Size or Total Assets
TU	:	Tribhuvan University

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

A dividend is an amount that is paid out directly to shareholders; usually, this takes the form of cash. Of course, some of the revenue is made up of dividends. Pradhan (2003) stated that shareholders can view dividends favorably because they often increase owners' existing wealth. Furthermore, dividends show a steady stream of income for the company and can provide hard evidence of its ability to generate liquidity (Dangol, 2016). A dividend is a proportion of earnings paid to shareholders as compensation for their capital investment in shares. This payout to shareholders each month is intended to reduce the risk associated with their investment and usage of it. Therefore, distributions must be able to meet the expectations of the great majority of shareholders, according to dividend policy.

Although dividend payment is one of the most studied subjects in finance, experts, managers, and decision-makers have long disagreed on the question of whether dividend policy influences stock prices. For lenders, investors, management, and other stakeholders, dividend policy is crucial. Investors care about it because, in addition to providing income, they see dividends as a tool for evaluating companies from an investing perspective. It's a means of determining whether or not the business can turn a profit. Many investors find interest in the dividend yield, which is calculated by dividing the current share price by the annual dividend income per share. The dividend yield indicates how much income is earned relative to the share price. The market may not be overly concerned about dividend payments if a company has a low dividend yield when compared to other companies in its industry. Alternatively, the company may be experiencing financial difficulties and won't be able to pay reasonable dividends. In the latter scenario, the company's share price can be high. A indicator that many investors find fascinating is the dividend yield, which may also be used to identify a struggling firm with a dropping share price. The dividend yield is calculated by dividing the current share price by the annual dividend income per share (Bhattarai, 2016).

Technical and fundamental analysis can be used to evaluate stock prices. Technical analysis uses past stock price data to predict and assess future price movement. The intrinsic value of the firm is ascertained through fundamental research and subsequently compared with the stock price. To determine why the company's share price is dropping, a technique that many investors find intriguing is dividing the current share price by the yearly dividend income per share. Dhakal and Shah (2018) argued internal factors like dividends, payout ratios, book value per share, bank size and age, return on equity, return on assets, dividend yield, and retained profits all have an impact on the share prices of various markets. Understanding the many basic elements that impact share price will be very helpful to investors as it will help them make more successful investment decisions.

The stock market is the primary means by which financial institutions raise funds and engage in stock investments. If any public institutions are listed, they can sell their shares on the market to raise money for expansion. Companies that were not listed on a stock market had to begin the process of making an initial public offering (IPO). The stock market serves as an intermediary between buyers and sellers of these stocks since every listed firm provides shares to the market. One could argue that the main objective of the stock exchange is to further the industrial and commercial growth of the nation. Since the market is crucial to the growth of the industrial sector, it is the driving force behind the nation's industrial and commercial expansion (Adesina et al., 2017).

Regarding the stock price and dividend policy, there are two opposing viewpoints. Some contend that dividends have a greater influence on share price because shareholders prefer current returns over future ones and because dividend distributions are a reliable signal of future earnings potential. The differing views are a result of how important retained earnings are. Retained earnings, according to their argument, are a sign of potential future investment possibilities. Retained earnings are tax-beneficial to investors. Retained money is not considered income for tax purposes until it is recognized (Brittain, 1966).

In Nepal, only a very small proportion of companies pay dividends, and most of them don't do so frequently. A small number of companies have never paid their

shareholders a dividend. One important indicator that investors use to assess a bank's success is share dividends. A bank's dividend policy is something that investors consider while making stock market investments. The payment practices of Nepalese commercial banks are erratic, nevertheless, so investors may never be certain of the future cash flow from cash dividends (Bhandari & Pokharel, 2012). It is thought that companies with increasing dividends typically experience a rise in stock price, while those with decreasing or nonexistent payouts typically experience a downward trend in stock price. It thus shows that a dividend affects the stock price of the company; yet, some studies claim that the stock price is affected by information about dividend payments. In fact, that dividend is a rather transparent indication of management's outlook for the company's current state and future prospects.

Choosing the right dividend distribution is crucial since it influences the bank's ability to invest in upcoming initiatives and the amount of dividends it can distribute to shareholders. The amount of money available for investments in upcoming initiatives will decrease if the corporation raises its dividend payouts. Lenders pay particular attention to the amount of dividends a firm reports because if it pays out more, it will have less money available to pay down its debt. Therefore, the research's objective is to ascertain how dividend policy affects share prices on the Nepal stock exchange. Unlike many other members, ten commercial banks listed on the Nepal Stock Exchange will be used as a real-world sample to test whether the dividend policy has any bearing on the firm's share price determinants. This is because researchers will be focusing on more than just the dividend payment pattern in this study.

The share price of the bank worries the management of commercial banks as well as other stakeholders including investors, employees, depositors, and borrowers. It is customary to use the stock price to assess a company's value. An increase in stock price will often translate into an increase in investors' wealth. The stock values of commercial banks fluctuate significantly over time. Planning for and making reasonable estimates of future stock prices is essential. Bhattarai (2016) asserts that in addition to figuring out how much of the company's income need to be invested, managers should consider the possible effects of their decisions on share prices. An announcement to raise dividends could lead to unusually high stock returns, while an announcement to decrease dividends could lead to very poor stock returns. Therefore,

share values may decrease if banks reduce the dividend distribution they make to their shareholders.

1.2 Problem Statement

A crucial and contentious topic in management finance is dividend decision-making. Gaining more wealth is the aim of equity capital investments made by shareholders. A dividend is the kind of return on investment that investors hope to get. However, deciding on a compensation is still a critical and divisive part of managerial job. The effect of dividend policy on share prices has long been a topic of discussion. Still, there isn't a single, conclusive study regarding the relationship between dividend payments and share price. Within the corporate finance literature, the link between retained earnings, dividends, and share price is a topic of constant discussion.

Abeyratna and Lonie (1996) argued that the abnormal returns of the relatively small group of companies in the dividend not change and earning increased category were caused by them. Their announcement of no dividend change was linked to positive abnormal returns that were even larger than those of the dividend increased and earning increased (DI-EI) category. Conversely, out of all the groups taken into consideration, the bad news businesses in the dividend decreased and earning dropped (DD-ED) group had the biggest negative anomalous returns.

Rashid and Rahman (2008) revealed that profits per share had a large positive impact on stock prices, whereas dividend yield and return on equity had a negative impact. Dhakal and Shah (2015) found that dividend yield and retention ratio had a significant negative impact on share price, although earnings per share had a significant positive influence. Bhattarai (2016) concluded that dividends had a significant positive impact on share price. Dongol (2016) found that the share price is significantly impacted by regular dividend announcements.

Adesina et al. (2017) found a strong positive link between market price and earnings per share. Pardhan and Gautam (2017) found that while dividend distribution was negatively connected with share price, dividend yield and size had a significant positive influence on share price volatility. Similarly, Baral and Pradhan (2018)

mentioned that earnings per share and price-earnings ratio had a significant positive impact on stock price.

Singh and Tandon (2019) showed that dividend policies have a major effect on a company's stock price. . Tahtamouni (2020) found a significant positive relationship between stock price and dividends. Shrestha (2020) revealed that dividends had a major effect on stock prices. Kimani and Olweny (2021) concluded that both firm size and dividend payout ratio had a beneficial impact on stock price volatility. Agustina (2022) stated that dividend policy, earnings per share, and return on assets had no effect on stock returns. Ahmed, Kabir, and Ibrahim (2023) came to the conclusion that the dividend price ratio, dividend payout ratio, firm growth, and firm age had a negative impact on the share price. Therefore, the purpose of this study is to objectively evaluate Nepalese commercial banks' dividend distribution and stock price. For that reason, the following research topics have been raised by this study:

- What is the existing position and status of dividend and market price of stock price of commercial banks in Nepal?
- What is the relationship between dividend variables such as dividend per share, earning per share, price earnings ratio, dividend yield, bank size and stock price of commercial banks in Nepal?
- What is the impact of dividend per share, earning per share, dividend yield, price earning ratio and bank size on stock price of commercial banks in Nepal?

1.3 Objectives of the Study

The major objective of this study is to examine the impact of dividend distribution on stock price of commercial banks in Nepal. The other specific objectives are:

- To examine the position and status of dividend and market price of stock price of commercial banks in Nepal.
- To evaluate the relationship between dividend variables such as dividend per share, earning per share, price earnings ratio, dividend yield, bank size and stock price of commercial banks in Nepal.
- To analyze the impact of dividend per share, earning per share, dividend yield, price earning ratio and bank size on stock price of commercial banks in Nepal.

1.4 Research Hypotheses

The earlier research questions were divided into the following hypotheses. As a result, the purpose of this study was to evaluate the following theories on Nepalese commercial banks.

1. H₁: Dividend per share has significant impact on stock price of commercial banks in Nepal.
2. H₂: Earning per share has significant impact on stock price of commercial banks in Nepal.
3. H₃: Dividend yield has significant impact on stock price of commercial banks in Nepal.
4. H₄: Price earnings ratio has significant impact on stock price of commercial banks in Nepal.
5. H₅: Bank size has significant impact on stock price of commercial banks in Nepal.

1.5 Rationale of the Study

The dividend approach is a good way to bring in fresh money and make sure the ones you have are satisfied. Maintaining goodwill and desired control over the firm's management is also beneficial. Due to a lack of market knowledge, people in Nepal are investing in stocks at random. Not enough research has been done so far to improve the situation. As a result, it's vital to comprehend the return associated with stock investments. This thesis is very important and will fill this gap to some extent. The study is significant for the following reasons:

- This study provides recommendations and ideas that will be helpful for investors and other researchers.
- This study provides significant insights into how dividends impact market price.
- This study helps managers and policy makers create dividend policies that are acceptable.
- This report might be useful to the government in enforcing, supervising, and keeping an eye on policies.

1.6 Limitations of the Study

The study has some limitations. The main limitations of the study are as follows:

- There are 20 commercial banks operating in Nepal so far, but only five commercial banks HBL, EBL, NABIL, SCB and SBI are taken for the proposed study.
- This study concentrates only impact of dividend on market price of stock of commercial banks.
- This study covers past ten years from fiscal year 2013/14 to 2022/23.
- The analysis is mostly based on secondary data from publications, journals, and articles from the relevant banks.

CHAPTER - II

LITERATURE REVIEW

The literature review is a vital and necessary phase in every research undertaking. In order to do fresh research, it involves reviewing research papers or other relevant claims in the relevant field of study to become aware of all prior studies, their flaws, and their conclusions. This chapter can be related to by looking at and evaluating a few pertinent books, articles, published and unpublished works in various economic journals, magazines, newspapers, the yearly balance statement of the relevant banks, previous theses on related topics, and subject-related web searches. The theoretical review and the empirical review are the two sections that make up this chapter.

2.1 Theoretical Review

2.1.1 Theories of Dividend

A study of the broad theories of dividend may assist shed light on how banks really pay their dividends in this section, even if each bank may have its own distinct approach. The dividend hypotheses are as follows:

2.1.1.1 Pecking Order Theory

Pecking order theory states that certain businesses would choose to declare dividends and look for investment opportunities with their own funds. In a similar vein, a business that earns less revenue internally may prioritize debt above outside equity. However, a substantial body of previous academic literature has argued that there are two competing theories about the rationale behind why certain firms select the pecking order theory; the first idea was put forth (Donaldson & Preston (1995). The authors contend that because businesses wish to avoid the expenses associated with debt and floatation, they choose internally generated money over debt. Furthermore, because debt has lower costs than external financing, some businesses choose to raise cash through debt rather than external equity. However, Myers and Majluf (1984) presented the other viewpoint. According to their own perspective, the advantages of debt financing in terms of financial crisis risk and tax shield outweigh the benefits of the expenses associated with debt and flotation. Additionally, they contend that businesses aim to increase the wealth of their present stockholders. Furthermore, they

hold the opinion that certain businesses would rather raise money through debt than from outside sources. This is because it goes against the interests of present shareholders to sell new shares, which will have a detrimental impact on the price of existing shares. They also hold the alternative opinion that risk-free debt has no impact on shareholder value.

2.1.1.2 Bird in the Hand Theory

Gordon put up the concept of the "bird in hand" in 1959. This hypothesis states that dividends are linked to and have a significant effect on a company's value. The proverb "A bird in hand is worth more than two in the bush" makes it simple to find the name of the idea. Nonetheless, most investors would prefer to have cash on hand above possible financial advantages due to their risk aversion. This belief states that the bird in hand represents money payments and the bush represents future financial riches. Additionally, Gordon (1959) argues that companies who pay dividends appear to be making a lot of money, which makes it easier for them to access the capital markets. Additionally, paying dividends has an impact on a company's valuation.

2.1.1.3 Dividend Relevance Theory

The problem of dividend relevance theory is not new. It dates back to the early 1900s, when Williams (quoted in Manon et al., 2015) asserted that the selling price of a share and the present value of its future dividend define its worth. Graham and Dodd (1951), who underlined that earnings and dividends have an impact on a share price, have endorsed this assertion. Gordon (1959), referenced in Manon et al. (2015), who created a model based on the distribution of dividends to corporate share value, also backed the assertion. Dividend policy, therefore, plays a significant role in figuring out the firm's worth.

The dividend relevance theory posits that a thoughtful payout policy can have a favorable impact on a company's stock market standing. While lower payouts will have the opposite impact, higher dividends will raise the value of the company. A large dividend payout would cause the market price to rise, whereas a low payout would cause it to fall. Therefore, it is possible to implement an ideal dividend policy that maximizes the firm's worth, however it is still up for debate how this may be

done. The dividend relevance hypothesis, which contends that investors consider dividend policy a crucial component in determining the certainty of a company's profit and perceive dividend distribution as an indication of managerial prowess, is pertinent to the current investigation. Therefore, a firm with a high and regular dividend policy is probably going to do well. Consequently, a high dividend payout rate indicates the company's general financial stability.

2.1.1.4 Dividend Irrelevance Theory

Miller and Modigliani formulated this hypothesis in 1961. As its name suggests, it turned out that the firm's dividend policy had no bearing on the firm's value. Put another way, a company's dividend policy has no bearing on its value, regardless of whether it pays out a high or low payout. These academics contend that a firm's earning potential alone determines its worth. Research on the relationship between dividends and stock price was done in order to test the MM irrelevance theory of dividends (Black & Scholes, 1974), but the results showed no such relationship. Finally, they came to the conclusion that business value is unaffected by dividend policy. Financial researchers and practitioners have disputed with the MM thesis, arguing that it is predicated on assumptions about the perfect capital market that do not exist in the real world of business, in contrast to irrelevance theory.

The way a company allocates its earnings between internal retentions and dividend payments to shareholders is irrelevant, according to M&M's irrelevancy argument. According to the dividend irrelevance argument, a company's cost of capital or market value are unaffected by its dividend policy. Miller and Modigliani (1961) proposed the dividend irrelevance thesis, which states that investors are in charge of their return on investment regardless of a stock's dividend. If the dividend surpassed the investor's expectations, they may use it to buy more stock. Because they can replicate a company's homemade dividend, investors are consequently uninterested in a company's dividend policy. Their hypothesis, which was based on the idea that capital structure was irrelevant, was based on similar underlying assumptions.

2.1.1.5 Residual Theory of Dividend

The residual theory of dividends, according to one school of thinking, contends that a company's payout should be seen as the amount that remains after all reasonable investment possibilities have been taken advantage of. One way to think of a company's dividend policy is as an investing choice. This kind of behavior is indicative of a corporation believing in residual dividends. This theory holds that a corporation's dividend policy is an after-investment residue, and that the availability of investment opportunities determines whether a company pays dividends or not. The theory's premise is that, in cases where the return on reinvestment exceeds the investors' opportunity cost of funds, investors would rather see the company keep and reinvest earnings rather than distribute dividends. Under the residual dividend policy, new shares are sold to make up the shortfall for unpaid investments, and the dividend is equal to the amount remaining after investment. In the event that there are no investment opportunities, the shareholders receive a dividend equal to one-tenth of the earnings. Dividends are therefore only a residue, or the percentage that remains after all requirements for equity investments have been met (Rashid & Rahman, 2008).

2.1.1.6 Agency Theory

According to the agency cost hypothesis, agency costs resulting from ownership and control dispersion impact dividend policy. It is possible that managers will occasionally select for a dividend policy that optimizes their own gains above one that maximizes value for shareholders. DeAngelo, DeAngelo, and Stulz (2006) suggest that managers should prioritize maximizing shareholder wealth instead of spending money for personal gain by reducing free cash flows through dividend payments. Firms expose themselves to the scrutiny and discipline of these markets in an effort to draw in fresh equity.

Business managers are prone to operate in a non-value-maximizing (NVM) way, claims agency theory. Jensen and Meckling's (1976) argument states that the agency costs that NVM managers bear would lower the firm's value. However, if a manager's personal wealth was linked to the value of the company's common stock, these agency costs may be reduced. Thus, managerial ownership of shares, or insider holdings, may lower agency costs and increase the firm's worth.

2.1.1.7 Stability Theory of Dividend

The term "dividend stability" describes the dividend stream's consistency. Stated differently, dividend stability refers to the dividend being paid on a consistent basis, even while the exact amount varies annually. The majority of businesses' management see dividend stability as a good policy. Additionally, consistent dividends are often valued more highly by shareholders than fluctuating ones, and they support this approach. If all else remains the same, a consistent dividend could raise the share's market price (Pandey, 1995).

Maintaining the position of the company's dividend payments with respect to a trend line ideally an upward-sloping one is what we mean by stability. There are a few grounds for thinking that rising stock prices are a direct result of a consistent dividend policy. First, since variable dividends are riskier than stable ones, investors are typically expected to place a higher value on dividends they can be certain of getting. As a result, a bigger discount factor will probably be applied to the same average dividend amount received under a changing dividend policy than it will be for payouts under a stable dividend policy. This implies that compared to a firm whose dividend fluctuates, one with a steady dividend policy will have a lower necessary rate of return or cost of equity capital. Secondly, dividend income is a major source of income for many stockholders. These investors will pay more for a stock that has a comparatively certain minimum dollar payout since they are very inconvenient with variable payments. Third, from the perspective of the company and its investors, dividend stability is preferred in order to meet legal listing requirements. Dividend payment stability comes in three different kinds. They are low regular dividend plus extra dividend, consistent dividend payout ratio, and constant dividend per share.

2.1.1.8 Efficient Market Hypothesis Theory

The efficient market hypothesis (EMH), sometimes referred to as the efficient market theory, is a theory that holds that consistent alpha production is impossible and that share prices accurately represent all available information. On the other hand, this theory is called into question by observable market abnormalities.

Fama (2000) delivered a seminal study on the efficient market that concentrated on an in-depth analysis of the theory and went beyond it to empirical research. Market

efficiency, according to the author, is simply described as a system in which prices consistently properly represent all available information. Fama identified three levels of nested information sets: historical pricing, information that is accessible to the general public, and all information, including private information. In terms of the availability of the three aforementioned information sets, efficient market hypothesis is classified into three stages: weak form, semi-strong form, and strong form.

According to Bodie et al. (2007), a weak version of efficiency asserts that the present stock prices already take into account all historical market data, including previous prices and trade volumes. The claim that the price varies independently over time is in line with the results of studies on the random walk hypothesis, which is the weak form of efficiency. According to the semi-strong form of efficiency, security prices should fully reflect all publicly available information, in addition to historical prices. This information includes fundamental data on the firm's product line, earnings forecast, dividend, stock split announcements, management quality, balance sheet composition, number of patents held, accounting practices, etc. Therefore, applying the markets semi-strongly efficient fundamental analysis will not yield higher profits. According to the strong form of efficiency, market prices take into account all available information, including past prices, publicly available information, and private information. Prices would always be reasonable in such a market, and no investor not even traders could outperform the market.

2.1.1.9 Free Cash Flow Theory

According to Jensen's (1986) proposal, companies often produce and hold onto large amounts of cash flows even in the absence of lucrative initiatives or expansion prospects. As a result, the management of these companies may abuse the surplus cash by making excessive investments or investing in businesses that have a negative net present value, even when these actions are not in the best interests of the shareholders. This lowers the firm's worth and future profitability. Jensen (1986) argues that the management can lower the agency cost that comes with large levels of free cash flows by providing debt financing and dividend payouts. This argument goes on to say that rather than paying out dividends on extra cash, the management of these companies would want to maintain an excess level of cash flows in order to increase the quantity of liquid assets under their control.

Drobetz and Grüninger (2007) stated that management may have a large amount of cash on hand due to a variety of reasons, including a dislike of debt financing or a desire to avoid paying dividends, which indicates a correlation between retained earnings and cash reserves. This implies that in order to maintain a high amount of capital within the company, management may decide to reduce or eliminate the dividend distribution. Therefore, as this study looked at the impacts and validity of profitability and liquidity on dividend distribution, free cash flow theory is deemed important in this context. This theory explains how liquidity and profitability may help investors make informed investment decisions, which further improves the study variables.

2.1.1.10 Life Cycle Theory

Typically, businesses are founded by individuals who want to make money off of an inventive and enterprising idea. Businesses first devote all of their available funds to developing the novel concept. After starting off slowly, these businesses expand quickly, reach maturity, and finally begin to deteriorate (Bulan & Subramanian, 2009). Companies that successfully complete this shift start to pay dividends, indicating their maturity. Investment prospects often decrease as a company becomes older, while profitability typically rises. Additionally, cash resources often rise, enabling a company to start paying out or raise its present dividends. Positive empirical data supports the life cycle idea. Large, successful companies are often dividend payers, whereas smaller companies with more investment options are non-payers. DeAngelo, DeAngelo, and Stulz (2006) found that the contributed capital mix tended to be correlated with the dividend payment behavior as well. According to their research, dividend payers are often larger and more lucrative than non-payers.

2.1.1.11 Signaling Theory

The signaling theory was initially proposed by Brennan and Copeland in 1988, according to Aduda and Chemarum (2010). The idea states that changes in dividend payments usually correspond with changes in a company's stock price. The signaling notion states that when dividend payments are declared, new information is disclosed to the market. Ramiro and Agustin's (2017) research indicates that signals have the power to sensitize the market, which influences consumer preference indirectly. The authors assert that regular dividend payments made by a corporation to its

shareholders over an extended period of time may have an effect on the share prices of that company. An increase in dividends indicates management's expectation of stronger cash flows in the future.

Azoff (1994) offered factual support for the signaling theory. According to the author, a rise in dividend payments typically results in an increase in shareholder wealth. Since the company will appear to be generating consistent positive earnings and income (even if this is untrue), many investors will be enticed to purchase company shares, increasing the stock price and the firm's final market value. Investors utilize dividends as a clue regarding the firm's prospects (Jackson, 2001). By looking at the displacement features of payouts, their study on the signaling hypothesis proved these conclusions.

2.1.2 Types of Dividend Policy

Stable Dividend Policy

Banks normally smooth dividends in relation to earnings, and managers generally favor steady dividend policies (Lintner, 1956). Dividend fluctuation is less than earnings variability when payouts are gradually increased and seldom reduced. A company that follows a steady dividend policy aims to distribute dividends annually, irrespective of the company's overall performance. There is a stronger correlation between stable dividend policies and long-term prospects and projections than there is with the short-term success of banks. The ultimate goal of the policy is to increase dividends at a pace that closely matches long-term earnings growth. A stable policy is often constructed using a target payout ratio, which indicates the portion of the policy's earnings that will be distributed to shareholders throughout the medium to long term.

Payouts under a stable dividend policy are dependable and steady, even in the event that the bank experiences brief unrest. Even in the event of a poor year, a corporation will make an effort to pay the dividend; if profits are insufficient, it will draw from cash reserves, offering a sort of safety net for investors. However, it may alter the strategy or rebase the dividend if it thinks its poor performance will last longer. This implies that in the event that a bank does better than anticipated, shareholders won't see a significant increase in payouts because the corporation will probably choose to

keep onto the cash. A consistent dividend strategy requires dedication. Investors want payouts to stay stable even in the event that the business experiences a downturn. Companies are free to retain capital, but they are not required to give it back to investors.

Residual Dividend Policy

If a corporation has a residual dividend policy, it pays out whatever cash is left in the business after all expenses have been met. This implies that once the bank has paid for things like working capital, investments, and capital expenditures, the remaining funds are distributed to the shareholders.

If only the investment policy is adhered to, a dividend becomes an accidental payout. These policies are put in place by companies because their management think that high retention rates boost bank growth. They also do this because they rely more on internal revenue and don't want to take on new debt in order to avoid paying floatation and other costs associated with debt issuance. Such a strategy might result in a zero dividend structure. Organizations may need to modify this strategy to avoid driving away investors from various clienteles due to strict execution of the rule (Miller & Rock, 1985).

Alternative Policies to Paying Cash

The bank may choose to buy back shares in order to give shareholders a choice between dividends and new shares. This is a stock or share buyback. This provides the investors with significant tax benefits. Stock buybacks and repurchases are not taxed until the shares are sold and the shareholder earns a profit or capital gain, whereas dividends are fully taxed like normal income (Rashid & Rahman, 2008).

Zero Dividend Policy

Businesses may elect to not distribute any dividends at all. This is especially common in newly established companies that want capital to advance their plans or because they can have serious financial difficulties and be unable to pay dividends. Which company, then, retains its earnings in order to expand? Due to taxation, investors who favor capital gains over dividends are naturally drawn to this kind of approach. Furthermore, it is simple to run and eliminate all of the costs associated with dividend

distributions (Watson & Head, 2010). The primary advantage of this payout strategy is that it is easy to utilize and won't need any of the administrative costs associated with paying dividends (Watson & Head, 2010).

A Constant or Fixed Policy

Businesses that have embraced a continuous payout strategy distribute a fixed portion of their profits as dividends, and they do it consistently over an extended period of time. In accordance with this strategy, the banks retain its annual fixed dividend for consideration for an extended period of time, notwithstanding fluctuations in the bank's earnings. The main issue with companies that have adopted a constant payout policy is that if they experience earnings decrees or a period of time when they record losses rather than profits, the dividend may not be paid or may be paid less than usual, which could have a negative impact on the bank's stock price as dividends are frequently seen as indicators of bank's future performance. This sort of policy provides the possibility for shareholders to know how much dividend they may anticipate from their investments in the banks. But as Watson and Head (2010) point out, the strategy might be devastating for businesses whose earnings are erratic or unpredictable.

2.1.3 Provisions Regarding Dividend Practice in Nepal

Nepal Company Act- 2063 makes some legal provisions for dividend payment in Nepalese firms/organizations. These provisions are as follows.

Section 2(m) states bonus shares are defined as shares that are capitalized of a company's reserve or excess earnings and awarded to shareholders as additional shares. The word also denotes an increase in capitalized excess or reserve funds.

Under Section 47, the corporation is not allowed to purchase its own shares. This provision prohibits a company from purchasing its own stock or utilizing the security deposits of its own stock as collateral for loans.

Section 137 is regarding bonus share and sub-section (1) states that the Company must inform the office before issuing bonus shares under sub section

(1) This may be done only by passing special resolution by the general meeting.

Sub-Section (1): Dividends are to be paid to shareholders within 45 days of the decision to distribute them, unless the following situations apply.

a) In case any law forbids the distribution of dividends.

- b) In case the right to dividend is disputed.
- c) If, for reasons outside of anyone's control and without the company's fault, dividends are not able to be delivered within the previously specified time frame.

Sub Section (2): If the dividends are not disbursed by the deadline specified in subsection (1), interest at the specified rate will be added.

Sub-section (3): The only individual to whom dividends are intended is the one whose name is on file with the register of current shareholders at the time of declaration.

It is evident from the aforementioned provisions and subsections of the Company Act of 1997 that Nepalese businesses are not permitted to buy back their own stock. These sections only address issues pertaining to bonus shares. The dividend policy of this Act is inadequate. Regarding the dividend payments to government enterprises, the Nepali government reached a decision.

2.2 Empirical Review

2.2.1 Review of Journals and Articles

Bhattarai (2016) analyzed effect of dividend payment on stock prices of commercial banks in Nepal: Panel approach. This study has examined at how dividend payments affect the share prices of commercial banks in Nepal. A causal comparative research technique was employed for this investigation. Panel data from six commercial banks was collected via their annual reports during a seven-year period, from 2010 to 2016. The data were analyzed using the Fixed Effect Model, Random Effect Model, and Pooled OLS Model. In the study, share price served as the dependent variable and dividend per share as the independent variable. Additionally, size and profitability were introduced concurrently with dividend per share as control factors in the regression models. The computed regression models' outcomes demonstrate that dividends per share have a positive and statistically significant impact on a commercial bank's share price. However, the price per share of a commercial bank is hardly impacted by profitability or size. According to the analysis, the shares of Nepalese commercial banks could become more valuable if a larger dividend is paid out.

Dhakal and Shah (2016) examined dividend policy, share price and future profitability: Case of commercial banks in Nepal. The main objective of the study was to analyze how Nepali commercial banks' dividend policies affected their share prices and prospective profitability. The link between the variables is investigated using regression and correlation analysis. The retained ratio, earnings per share, profit after taxes, dividend yield, and return on equity are the independent variables, while the market price (MP) is the dependent variable. This study revealed that dividend yield had significant negative impact on market price per share with the coefficient value - 0.239 at 5 percent level of significance. Similarly, retained ratio had significant negative effect on market price of stock. At the same time, profit after tax had insignificant negative impact on market price of stock. Besides these, earnings per share had significant positive effect on market price of stock. Moreover, return on equity had insignificant positive effect on market price of stock.

Adesina et al. (2017) analyzed dividend policy and share price valuation in Nigerian banks. This study examined the value of share prices and dividend policies in Nigerian banks. Secondary data from public financial statements of four major Nigerian banks Access Bank, First Bank, United Bank for Africa, and Guarantee Trust Bank were used in the ten-year research. The data received was analyzed using the Ordinary Least Square (OLS) regression model in this study. The study's conclusions demonstrate a strong positive correlation between market price and earnings per share. The study concludes that banks may enhance their performance by putting into practice a strong and efficient dividend policy and making advantage of the newly introduced e-dividend payment scheme. The firm and Allied Matter Act (CAMA) 2004 as amended should be modified to mandate that any firm with a total asset worth over 10 billion be listed on the Nigerian capital market in order to attract more investors.

Pardhan and Gautam (2017) analyzed the dividend policy and share price volatility: a case of Nepalese commercial banks. This study evaluated at how Nepalese commercial banks' dividend policies affected the volatility of their share prices. To determine the significance and effect of dividend policy on the volatility of Nepalese commercial banks' share prices, regression models are estimated. According to the study, share price volatility (price volatility, change in MPS, and stock return

volatility) is adversely correlated with dividend payout. It suggests that a rise in dividend payments causes share price volatility to decline. Nonetheless, there exists a positive correlation between earning volatility and share price volatility, meaning that elevated earning volatility corresponds to increased share price volatility. The outcome of the regression indicates that share price volatility is significantly positively impacted by dividend yield and size. At the five percent significance level, the growth and dividend yield beta coefficients are noteworthy.

Baral and Pradhan (2018) analyzed impact of dividend policy on share price of commercial bank in Nepal. The objective of this study was to find out how stock prices of Nepali commercial banks were impacted by dividend policy. The cross-sectional data sets from ten commercial banks together provided the study's base. The influence of these determinants on stock price was investigated using ANOVA, Wilcoxon Signed Rank Test, P/E ratio, DPR, and descriptive statistics. The authors concluded that EPS and P/E ratio showed positive connections with stock price, with the exception of DPR. P/E was the most important element affecting share price for commercial banks that were operating well; among other factors, EPS, P/E ratio, and DPR all had positive effects on stock price. DPR was the factor that affected share price the most for the bank that was losing the most money.

Singh and Tandon (2019) examined the effect of dividend policy on stock price: Evidence from the Indian Market. The objective of the current study is to assess how dividend policies have affected Nifty 50 firms' market values for shares that have been listed on the National Stock Exchange (NSE) between 2008 and 2017. Multiple panel data regression methods, including pooled regression, fixed effect models, and random effect models, have been used to examine the data. The best regression model has been recommended using the Hausman test. The random effect model is more pertinent in explaining the relationship between the supplied variables, according to the Hausman test result. The results of the random effect regression model support the relevant dividend policy techniques. This study shows that EPS has a favorable impact on the MPS, DY, ROE, and PAT have negative effects, and DPS and RR have no effect at all. Accordingly, the study concluded that rather than the total dividend paid per share, shareholders are more interested in the DY that the stock offers. This is because a dividend payment pushes up the market price of the stock, hence

lowering the dividend yield. Therefore, it can be concluded that dividend policies significantly affect the stock values of companies.

Ayunku and Apiri (2019) analyzed dividend policy impact on market value of quoted commercial banks in Nigeria (2004-2018). The primary aim of the research was to evaluate the influence of dividend policy in Nigeria on the market value of commercial banks that are quoted. The study covered the period from 2004 to 2018. The ADF test was performed in the study, and the Johansen Co-integration test was used to determine if two long-term co-integrating connections between the variables would exist. The market value of the stock is the dependent variable in this study, and the explanatory factors are the dividend yield, retention ratio, and payout ratio. This study found that dividend payout had significant positive effect on market price of stock. However, retention ratio (RTR) had significant negative impact on market price of stock of quoted commercial banks in Nigeria. Moreover, dividend yield had significant positive effect on market price of stock.

Shrestha (2020) examined effect of dividend on stock market price: a panel data approach. This research investigated at how dividends affected Nepalese companies' stock market prices. 33 dividend-paying firms that are listed on the NEPSE have been chosen as a sample for this purpose. Similarly, imbalance panel data for the years 2000/01–2018/19 were used in this analysis. The results of the Hausman test indicated that the Random Effect model is inappropriate for the data utilized in this study, while the Breusch and Pagan Lagrangian multiplier test revealed that the Pooled Regression model is inappropriate. Consequently, the Fixed Effect model was used in this study to examine how dividends affect stock market price. This study found that, after adjusting for return on equity, earnings per share, and return on equity, dividends have a considerable impact on the stock market price of Nepalese companies. The study's final conclusion was that the stock market price of Nepalese firms is significantly impacted positively by stock dividends and significantly negatively by cash dividends.

Tahtamouni (2020) examined the effect of dividends policy on the stock prices: the Jordanian listed commercial banks case. The purpose of this study was to examine at how the dividend policy affected the fair value of the Jordanian commercial banks'

stock prices that were listed on the Amman Stock Exchange (ASE). 13 listed commercial banks were utilized by the publication between 2007 and 2017. The Jordanian Shareholding Banks Guide and the banks' annual reports served as the two sources of data used. The study made use of descriptive statistics and frequency distributions to make sense of the sample. According to the study, there is a positive and substantial correlation between stock price and dividends. This suggests that the dividend policy has an effect on the fair value of stock prices in commercial banks that are listed in Jordan. The study resulted to the conclusion that in order to boost stock market performance, Jordanian listed commercial banks should endeavor to increase shareholder wealth by gradually raising dividend payments.

Kimani and Olweny (2021) investigated relationship between dividend policy and stock price volatility among listed commercial banks in Kenya. The study was aimed at determining the relationship between the dividend payout ratio and stock price volatility of Kenya's listed commercial banks, with the firm's size serving as a control variable. The signaling impact argument, which contends that dividends may have informational value even in an efficient market, is one of the theories underlying the study. The population of interest in the study consisted of Kenyan commercial banks that were listed between 2015 and 2019 (excluding those that were listed as a result of mergers). The results indicate that the dividend payout ratio and stock price volatility are negatively correlated; among the Kenyan commercial banks that were chosen, a rise in the dividend payout ratio is associated with a decrease in stock price volatility. In a similar vein, there was no correlation between stock price and dividend yield. The dividend Pay-out Ratio tends to have a positive influence on the stock price volatility among the chosen commercial banks in Kenya when the firm size is high, and a negative influence when the firm size is small.

Agustina (2022) investigated the effect of fundamental factors, earning per share and exchange rate on stock returns with dividend policy as intervening variables. This study attempted to ascertain the impact of exchange rates, dividend policy, and fundamental reasons on earnings per share as intervening variables on stock returns. Financial ratios are used in this study to measure essential aspects. The welfare of the shareholders increases with the stock return. A rise in stock returns will influence

prospective investors to put money into the business. The results of the research indicate that the exchange rate and other fundamental variables, which are represented by the debt to equity ratio (DER), have an impact on stock returns. Earnings per share and dividend policy, which are basic characteristics that are proxied by return on assets, have little bearing on stock returns. The link between the basic factor variables—return on assets and the exchange rate to stock returns—and the dividend policy variable can be mediated. The link between the basic factor factors, which are proxied by the DER, and earnings per share to stock returns, however, cannot be mediated by the dividend policy variable.

Ahmed, Kabir and Ibrahim (2023) analyzed dividend policy and share price of listed deposit money banks in Nigeria: moderating effect of inflation rate. This study evaluated at how the inflation rate affected the link between the share price of Nigerian listed deposit money banks and their dividend policy. Correlation, descriptive statistics, and hierarchical moderated multiple regression analysis were employed in this investigation. In order to analyze the study, the market price is the dependent variable while the dividend price ratio, dividend payout ratio, firm age, firm growth, and inflation rate are the independent factors. This study revealed that dividend price ratio had insignificant negative impact on market price per share. Similarly, dividend price ratio had insignificant negative effect on market price of stock. However, inflation rate had insignificant positive impact on market price of stock. Likewise, firm age had insignificant positive effect on market price of stock. In addition, firm growth had insignificant negative effect on market price of stock.

2.2.2 Review of Previous Thesis

Subedi (2017) studied on dividend policy in commercial banks: a comparative study of NIBL, & NABIL. The main objective of the study was to analyze the dividend situations of the sample banks. In a similar vein, this study also tests out other dividend schemes. This analysis indicates that the average EPS and DPS of all commercial banks are acceptable. The data reveals that dividend per share is generally more consistent across the sample institutions, but EPS and DPS exhibit notable fluctuations. There doesn't seem to be a clear dividend policy in place at any commercial bank, despite the industry's robust profitability and future prospects. The market value of the financial institution's shares is increasing due to their active

trading. Compared to other industries like manufacturing and commerce, commercial banks are a strong group of profit-making businesses. The study's most startling conclusion is that not a single commercial bank in its sample had a dividend strategy that was well defined. Conversely, there appears to be a strong correlation between expansion program earnings and dividends.

Timilsina (2018) analyzed on dividend and stock price: an empirical study. This study examined the connection between stock price and dividend per share. The effect of dividend policy on stock price is then also established by this investigation. In addition to theses, determine if altering the dividend policy or payout ratio may raise the market value of the company. Additionally, this study employed simultaneous equation models in an attempt to evaluate pricing behavior. The study's conclusions were as follows: for the sample firms, there is a positive correlation between stock price and dividend per share. The impact of dividends per share on share prices varies depending on the industry. The market price of the share may rise in response to changes in the dividend policy or dividend per share. Retained earnings per share and stock price do not have a strong correlation. There is a negative correlation between stock prices and the lagged earning price ratio.

Paudel (2019) assessed on determinants of share price in Nepalese financial market. This study emphasized the investigation of the fundamental goal of the study, which was to determine if MPS of listed firms, particularly for the chosen companies under review, and the degree of risk associated with investing in those companies' common stocks. The association between MPS and the several financial metrics of the tested organizations is not consistent. Based on average data over the last five years, MPS of six financial institutions shows a substantial positive association (greater than expected) with important financial indicators 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 company 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 company.

Shrestha (2020) examined on dividend decision and its impact on stock valuation. The main objective of the research was to examine how dividends affect stock market pricing. The association between dividend financial measures and the firms' stock prices is also examined in this study. The results of this study indicate that cash flow, current profit, and the split proportion of shares are positively correlated. The relationship's degree is almost ideal. There is no set standard for payout ratio adoption, and it has been found that payout ratio and share valuation are negatively correlated. All things considered, the corporations have never paid a consistent dividend. A few businesses have raised their dividends consistently. If investors are reasonable, such a dividend hike has a significant effect on share pricing; however, Nepalese firm management has not yet recognized this. The market price of shares is rising as the rate of inflation has decreased in recent years. However, the businesses are unable to provide investors with the necessary rate of return. The needed rate of return for investors and share price were negatively correlated. In an attempt to increase returns, shareholders have given up opportunity income, but businesses have not been able to provide returns that are even close to the risk-free rate of return.

Dahal (2021) conducted a study on effect of dividend on stock price in Nepal. The differences between the financial standing of corporations that pay large and low dividends were brought to light by this study. Higher liquidity is found in equities with higher dividends per share relative to book value per share. In addition, it is less predictable than stocks with smaller payouts. All other things being equal, high dividend paying corporations have a somewhat better financial condition than low dividend paying ones. An other intriguing finding is that the impact of dividends on stock prices varies across the finance and non-finance industries. The correlation between dividends and stock price is favorable. Dividend payout and earnings before taxes have a negative correlation with net value. Higher profitability is shown in stocks with larger DPS to book value per share ratios. Shareholders in Nepal are not genuinely apathetic when it comes to dividend payments or nonpayment. One of the main conclusions is that the market price of the share rises in response to earnings announcements.

Aryal (2022) analyzed on dividend policy: comparative study between NABIL and SCBNL with eight year's data relating to dividend policy from 2006/07 to 2013/14.

The study's goals are to examine bank dividend policies and the ways in which dividends relate to other significant factors. Secondary data are employed in this study in order to achieve its goals. The investigation was supported by the use of statistical and financial techniques. The results demonstrate that, in the sample banks, there is a positive correlation between DPS and EPS, net profit, net worth, and stock prices. This study also discovered that various banks' share prices are impacted by DPS changes in different ways. Lastly, the dividend distribution policies of the two banks differ from one another.

Bhandari (2023) examined on impact of dividend and earnings announcement on shareholders return and stock prices in Nepal. The main objective of the study was to examine how profits and dividend announcements affected shareholders' returns. Determining the level of systematic and unsystematic risk as well as looking for any correlation between the return of the individual securities and the market return were the other objectives. The results demonstrated that the disclosure of earnings and dividends had no effect on the average shareholder return. In a similar vein, other banks expect Nepal SBI Bank Ltd. to provide shareholders with no appreciable variation in exchange for their variable dividend rates. The owners of NSBL, SCBNL, and NBBL also had good anomalous returns.

2.3 Research Gap

A number of studies on dividends and share price have been carried out by various professionals, researchers, and students. Between the current study and earlier studies conducted during the first fiscal years, or time period because this study has analyzed up to 2022/23, there is a research gap. Additionally unique to this investigation are the sample banks. This study includes only five commercial banks namely Nabil Bank Limited, Himalayan Bank Limited, Everest Bank Limited, Standard Chartered Bank Nepal Limited, Nepal SBI Bank Limited which were not studied in previous studies. This study includes various tools like ratio analysis, correlation analysis and co-efficient of variation, t- statistics, regression analysis as specific tools which different tools were not used in previous research. In this study regression analysis has conducted to find out the impact of dividend and dividend practice related activities into share price of the bank and also the effort has been done for the effect of dividend

per share, earning per share, dividend yield, price earning ratio and bank size into the share price of the bank, which are not included in the previous studies on this topic. So, this study has fulfilled the gap.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology defines the methods, procedures, and approaches utilized in doing research. It acts as a roadmap for reaching the objective. It includes research design, population and sample, sampling design, nature and sources of data and data collection instruments, research framework and definition of variables and method of analysis.

3.1 Research Design

The methods and strategies for gathering the required data are described in the study design. It discusses what data has to be gathered, where to get it, and how to accomplish it. A well-defined research design guarantees the objective, cost-effective collection of data that is pertinent to the study themes. The study has employed both descriptive and causal relationship research designs to achieve its specific objective. Descriptive design is used to analyze the pattern and status of dividend and stock price. Causal research design is used to measure the impact of dividend distribution on stock price of commercial banks in Nepal.

3.2 Population and Sample, and Sampling Design

At present, there are 20 commercial banks operating in Nepal. They constitute the population. Among of them, only five commercial banks are selected namely; HBL, EBL, NABIL, SCB and SBI as a sample for the study of the dividend and stock price of commercial banks. This study has applied purposive sampling technique for this study because these banks have paying either cash or stock dividends to their shareholder and they have high market price share as compare to others commercial banks.

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

Secondary data for this study were gathered from linked offices' webpages and annual reports. Therefore, published sources such as financial statements of commercial banks that are representative of the sample, numerous prior studies and associated bulletins, NRB reports, and periodic publications from various government

organizations are the main sources and types of data. Research conducted using adequate data collection equipment enhances the legitimacy and worth of research findings, according to consistent and reliable research. As a result, structured document review will be employed in this study to gather the necessary data that are pertinent to achieving the study's goals. Data is gathered from a variety of NRB periodicals and publications, as well as audited financial statements (profit and loss account and balance sheet) of all commercial banks in the sample. Every year, all of the data were gathered, and the variables' numbers could be found on July 31 of that particular year.

3.4 Method of Analysis

The researcher employs the following categories of analytical instruments in order to increase the study's specificity and dependability:

Descriptive Analysis

Mean (\bar{X})

The simple mean, or arithmetic mean, of a collection of data is calculated by dividing the total number of observations by the sum of all the observations. It will be utilized to determine the optimal value, which will indicate to the group as a whole what the arithmetic average of a variable is. It is computed as follows:

$$\text{Mean } (\bar{X}) = \frac{X_1 + X_2 + X_3 + X_4 \dots \dots \dots + X_n}{n} \text{ or, } \bar{X} = \frac{\Sigma X}{n}$$

Where,

\bar{X} = Arithmetic Mean return

$X_1, X_2, X_3, X_4 \dots \dots \dots X_n$ = Set of Observation

ΣX = Sum of given Observation

n = Total number of Observations

Standard Deviation

The standard deviation is defined as the square of the variance derived from the arithmetic mean, or the positive square root of the mean. The ranges and sizes of departures from the mean or center are shown. It measures the dispersion exactly. A higher standard deviation The variability will be higher and vice versa. The amount

that the data vary from the center value is measured by dispersion. Stated differently, it is useful to assess the variability of the data to determine its quality. It is calculated in this way:

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$$

Correlation Coefficient (r)

The correlation coefficient shows how one independent variable and one dependent variable are related. It is a method for determining the relationship between these two variables. When there is a substantial correlation between the two variables that is, when changes in the value of the independent variable also have an impact on the value of the dependent variable there is a correlation coefficient. It's represented by a little "r."

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

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

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

Multiple Regressions Analysis

Multiple linear regression seeks to forecast the relationship between two or more explanatory factors and a response variable by fitting a linear equation to observed data. Every value of the independent variable x corresponds to a value in the dependent variable y. Regression analysis will be used to look at the relationship between the explanatory factors and the dependent stock price. The explanatory variables are independent characteristics such as earnings per share, price-earnings ratio, dividend yield, dividend per share, and bank size.

Model Specification

The model used in this study makes the assumption that certain variables affect the stock price. As a result, the link and effect of the research variables have been examined using the model that follows.

$$MPS_{it} = \beta_0 + \beta_1 DPS_{it} + \beta_2 EPS_{it} + \beta_3 DY_{it} + \beta_4 PER_{it} + \beta_5 SIZE_{it} + e_{it}$$

Where:

MPS_{it} = Market price of stock of finance company i^{th} for the time period t

DPS_{it} = Dividend per share of finance company i^{th} for the time period t

EPS_{it} = Earnings per share of finance company i^{th} for the time period t

DY_{it} = Dividend yield of finance company i^{th} for the time period t

PER_{it} = Price earnings ratio of finance company i^{th} for the time period t

$SIZE_{it}$ = Total assets of finance company of finance company i^{th} for the time period t

β_0 = The intercept (constant)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = The slope which represents the degree with which market price per share changes as the independent variable changes by one unit variable.

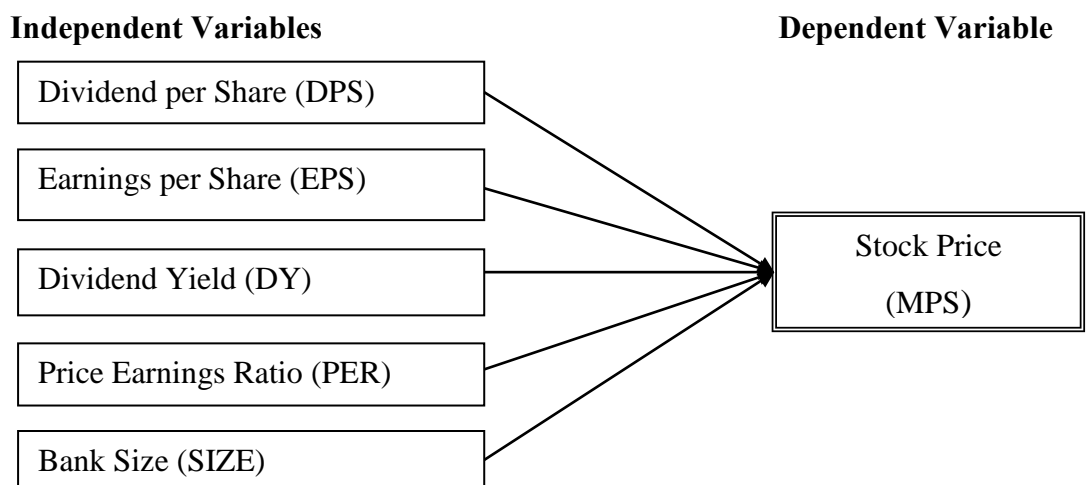
e = error component

3.5 Research Framework and Definition of the Variables

The researcher develops the following conceptual framework for the study based on reviews of the theoretical and empirical literature.

Figure 1

Research Framework of the Study



Source: Bhattarai (2016); Adesina et al. (2017); Singh and Tandon (2019); Tahtamouni (2020)

Dependent Variable

Market Price of Stock (MPS)

The objective of the current study is to determine what factors affect banks' prices on the Nepalese stock market. Researchers like Bhattarai (2016) and Singh and Tandon (2019) have noted that shifts in buying and selling pressure can cause the stock price to fluctuate minute by minute. Selecting which market price to regress as a dependent variable measure becomes challenging as a result of these developments. The market price is represented in this study by using the closing price of the bank's stock at the conclusion of its fiscal year. In this study, the dependent variable is the market price.

Independent Variables

Dividend per Share (DPS)

Dividends per share are computed using a financial indicator known as net income. It is calculated by dividing the net income available to common stockholders by the total number of outstanding common shares. Even in the absence of the customer effect, the market value of the company's shares will increase if it increases cash dividend payments. In the same token, Singh and Tandon (2019) found dividend per share had on positive relation between no effects on the market price of stock. However, Tahtamouni (2020) found that dividend per share, payout ratio and plowback ratio have significant positive impact on stock price.

Earnings per Share (EPS)

The profitability of a business is shown by its earnings per share. A high market price is typically the outcome of rising earnings per share. Shrestha (2020); Baral and Pradhan (2018) state that there is a positive correlation between market price and earnings per share that is, the greater the earnings per share, the higher the market price.

Price Earnings Ratio (PER)

It has to do with contrasting market value and earnings per share. The price-to-earnings ratio shows how much each share's earnings are covered by its price. It indicates if a company's share price is overvalued, undervalued, or reasonably valued. When compared to banks with a lower P/E, a high P/E often indicates that investors are anticipating more profits growth in the future. In the same time, Baral and Pradhan

(2018) indicated that price-earnings ratio have a significant positive association with firm's stock price.

Dividend Yield (DY)

A stock's dividend yield shows how much a corporation distributes as a percentage of its stock price. It is determined as a percentage of the company's yearly dividends on stock price. According to Rashid and Rahman (2008), Adesina et al. (2017), and Singh and Tandon (2019), dividend yield is a crucial variable that is utilized to explain how dividend policy affects stock market values. Each of these experts discovered a favorable correlation between stock price and dividend yield.

Bank Size (SIZE)

The natural logarithm of the total asset is used to assess one of the control variables, which is size (Bhattacharai, 2016). Previous empirical data has confirmed that a firm's size may have an impact on its share price. According to Pardhan and Gautam (2017), share price volatility was significantly positively impacted by bank size. Bhattacharai (2016), however, came to the conclusion that there is a negative correlation between size and share price. These empirical data support the expectation that size and share price will positively correlate.

CHAPTER - IV

RESULTS AND DISCUSSION

As the researcher discussed in the previous chapters the major objective of this study is to investigate the impact of dividend on market price of stock of commercial banks in Nepal. Since, this chapter, which is divided into three sections, deals with the findings and their analysis. The study's variables were analyzed descriptively and by correlation in the first portion, which also included the dividend structure and stock price. The second section demonstrated the fulfillment of the assumptions made by the linear regression model, and the third piece outlined the discussion. For additional statistical analysis, the ratio of the designated dependent and independent variables as well as the ratio scale measurement were computed using data analysis techniques.

4.1 Results

This section use statistical analytical methods, including multiple regression analysis, correlation analysis, and descriptive statistics, to analyze the impact of dividends on the share prices of commercial banks.

4.1.1 Position and Status of Dividend Variables and Market Price of Stock

Financial indicators are used to analyze the performances of particular banks. A bank that performs well has the highest market value, highest earnings, and highest dividend disbursed. In addition to the stock price of commercial banks in Nepal, dividend variables or indicators such as dividend per share, earning per share, price earnings ratio, dividend yield, and bank size are examined here.

4.1.1.1 Analysis of Dividend per Share

The dividend, which is paid to the owner of one share of stock, is the percentage of the profit that is set aside for distribution to shareholders. It is computed by dividing the total dividend disbursed to common shareholders by the total number of shares in circulation. The dividend per share for the sample banks is displayed in Table 1.

Table 1*Dividend per Share*

(In Rs.)					
Year	NABIL	SBI	EBL	SCB	HBL
2013/14	65.00	22.07	62.00	51.50	21.05
2014/15	36.84	28.42	35.00	44.21	42.11
2015/16	45.00	29.53	70.00	35.09	31.58
2016/17	48.00	16.34	33.00	105.26	26.32
2017/18	34.00	15.79	20.00	17.50	15.79
2018/19	34.00	16.84	25.00	22.50	22.00
2019/20	35.26	9.47	10.53	11.84	20.00
2020/21	38.00	5.31	10.32	13.06	26.00
2021/22	30.00	10.53	20.68	16.51	19.11
2022/23	11.00	10.55	20.53	19.00	0.00
Mean	37.71	16.49	30.71	33.65	22.40
SD	13.79	8.09	20.33	28.58	10.88
CV	36.56	49.08	66.22	84.95	48.57

Source: Appendix-I

Table 1 shows that the dividend per share of commercial banks in Nepal during the study period. SCB has distributed the highest dividends in the fiscal year 2016/17 which is Rs.105.26 percent per share. The HBL paid out no dividend at all and the lowest dividend per share in the fiscal year 2022/23. The highest average DPS of NABIL is Rs.37.71 whereas, SBI has the lowest average DPS of any bank, at 16.49 percent. It suggests that NABIL has the largest and most consistent earnings when it comes to paying dividends to shareholders. A growing dividend per share may indicate the management of the firm thinks the growth can go on. SBI has the lowest standard deviation of all the sample banks, making it the least hazardous. Among the ratios, NABIL has demonstrated the best degree of consistency, with the lowest coefficient of variation (CV) at 36.56 percent.

4.1.1.2 Analysis of EPS

Any profitability or ratio pertaining to future market possibilities is equal to profits per share. An organization is generally more affluent and able to distribute more money to its shareholders when its earnings to shares ratio is greater. Though many investors don't give it much attention, a greater profits per share ratio is often connected with a rise in a company's stock price. Considering the plethora of factors that might influence this ratio, investors often take it into consideration but do not let

it substantially influence their decisions. Table 2 shows the profits per share of the sample commercial banks.

Table 2

Earning Per Share

(In Rs.)					
Year	NABIL	SBI	EBL	SCB	HBL
2013/14	76.12	34.83	86.04	65.57	33.10
2014/15	57.24	34.84	78.04	57.38	33.37
2015/16	59.27	36.78	40.33	45.96	43.03
2016/17	59.86	33.46	32.48	35.49	33.55
2017/18	51.84	25.16	32.78	27.00	23.11
2018/19	50.57	27.13	38.05	30.39	32.44
2019/20	36.16	17.23	29.71	24.81	27.60
2020/21	33.57	10.15	19.91	16.32	28.07
2021/22	18.64	16.67	26.30	23.92	18.26
2022/23	23.67	19.44	31.43	36.75	9.18
Mean	46.69	25.57	41.51	36.36	28.17
SD	18.11	9.35	22.18	15.64	9.45
CV	38.78	36.56	53.43	43.01	33.55

Source: Appendix-I

Table 2 shows that the earning per share of commercial banks in Nepal. The highest earnings per share for EBL during the research period is Rs.86.04 in the 2013/14 fiscal year. HBL's earnings per share for the fiscal year 2022/23 are the lowest at Rs.9.18. NABIL is leading the group with an average earnings per share of Rs.46.69, while SBI has the lowest average earnings per share, at Rs.25.57. It suggests that NABIL is the most profitable and that the bank is able to provide the highest payout to its investors. Out of all the sample banks, SBI has the lowest standard deviation, indicating that it is the least risky. Based on the data, it can be concluded that HBL has the lowest coefficient of variation (CV) in the ratio, measuring 33.55 percent.

4.1.1.3 Dividend Yield

The amount of cash dividends given to common shareholders in relation to the market value of the shares is compared using a financial measure called the dividend yield. The dividend yield is a tool used by investors to show how their stock investments are generating cash flows, either through dividend payments or increases in asset value as a result of stock appreciation.

Table 3*Dividend Yield*

(In percent)

Year	NABIL	SBI	EBL	SCB	HBL
2013/14	2.56	1.72	2.36	1.84	2.24
2014/15	1.93	3.20	1.65	2.28	5.18
2015/16	1.92	1.57	2.07	0.97	2.11
2016/17	3.15	1.77	2.44	4.59	2.97
2017/18	3.69	3.16	3.02	2.32	2.87
2018/19	4.25	3.59	3.75	3.30	3.99
2019/20	4.61	2.18	1.56	1.84	3.70
2020/21	2.80	1.30	1.40	2.21	5.37
2021/22	3.64	3.73	4.71	4.17	6.39
2022/23	1.84	3.09	3.65	3.58	0.00
Mean	3.04	2.53	2.66	2.71	3.48
SD	1.00	0.92	1.10	1.15	1.87
CV	32.81	36.13	41.21	42.41	53.68

Source: Appendix-I

Table 3 shows that the dividend yields of commercial banks in Nepal during the study period. HBL has the highest dividend yield for the fiscal year 2021/22, coming in at 6.39 percent. With a 0 percent dividend yield, HBL has the lowest payout for the fiscal year 2022/23. The maximum average DY for HBL is 3.48 percent. SBI has the lowest average DY, at 2.53 percent. It implies that HBL distributes the largest cash dividends to its common stockholders. Of all the sample banks, NABIL has the lowest standard deviation, indicating that it is the least risky. At 32.81 percent, NABIL has the lowest coefficient of variation (CV) and the highest degree of consistency.

4.1.1.4 Price Earnings Ratio

The price-earnings ratio, or P/E ratio, is the connection between a company's stock price and earnings per share (EPS). This popular ratio aids in investors' understanding of the bank's value. The price you have to pay per unit of profits, either current or prospective, is shown by the P/E ratio, which shows what the market expects. Earnings are a major factor in determining the value of a bank's shares since investors are interested in knowing how profitable a bank is and will be in the future. Moreover, if the bank doesn't expand and its current level of earnings doesn't change, the P/E may be interpreted as the number of years it will take to recover the money paid for each share.

Table 4*Price Earning Ratio*

(In percent)

Year	NABIL	SBI	EBL	SCB	HBL
2013/14	33.38	36.75	30.58	42.75	28.43
2014/15	33.37	25.40	27.17	33.86	24.36
2015/16	39.55	50.98	83.94	78.33	34.86
2016/17	25.44	27.64	41.66	64.67	26.40
2017/18	18.60	19.83	20.23	27.62	23.84
2018/19	15.82	17.29	17.50	22.44	17.02
2019/20	21.15	25.24	22.72	26.00	19.57
2020/21	40.48	40.30	37.06	36.16	20.57
2021/22	44.21	16.93	16.69	16.56	16.39
2022/23	25.31	17.54	17.91	14.42	23.18
Mean	29.73	27.79	31.55	36.28	23.46
SD	9.87	11.47	20.30	20.71	5.57
CV	33.21	41.26	64.34	57.09	23.74

Source: Appendix-I

Table 4 shows that the price earnings ratio of commercial banks in Nepal during the study period. In the 2015/16 fiscal year, EBL had the highest price–earnings ratio at Rs.83.94. EBL's price-earnings ratio for the 2017/18 fiscal year is the lowest at Rs.12.48. At Rs.36.28, SCB has the highest average PER overall. HBL has the lowest average, at Rs.23.46 for PER. The idea behind this is that businesses with the greatest P/E ratio are seen as growth corporations. This implies that SCB will do well in the future, and as a result, investors are willing to pay a premium for the company's potential earnings growth. HBL has the lowest standard deviation of all the sample banks, making it the least risky. The data shows that HBL has the best degree of consistency in the ratio, with the lowest coefficient of variation (CV) of 23.74 percent.

4.1.1.5 Bank Size

Size of the bank is given by the natural logarithm of total assets. Bank size has been included as a bank-specific internal independent variable in this study because it has an impact on the bank's performance. There is a positive or bad link with performance. If the size of a bank increases, so does the difficulty of managing it. However, larger banks have been shown to be able to raise capital more affordably due to the economies of scale that come with size. As a result, it is among the most important indicators of the bank's financial health.

Table 5*Size of Banks*

(Rs. in million)

Year	NABIL	SBI	EBL	SCB	HBL
2013/14	87275	61073	70445	53324	73590
2014/15	115986	59277	99153	64927	82802
2015/16	127300	78515	113885	65186	99863
2016/17	140332	99752	116510	77409	107255
2017/18	169076	102539	144818	83095	116462
2018/19	201139	118314	170077	93264	133151
2019/20	237680	132402	185023	116438	155885
2020/21	291066	137809	211650	114739	178491
2021/22	419818	153103	225381	123356	216286
2022/23	481204	185958	250090	151378	332393
Mean	227087.60	112874.20	158703.20	94311.60	149617.80
SD	133057.84	40835.52	59386.13	31289.60	77895.62
CV	58.59	36.18	37.42	33.18	52.06

Source: Appendix –I

Table 5 represents that the bank size of sample banks in Nepal. In the fiscal year 2022/23 NABIL had the biggest bank size, with total assets of Rs.481204 million; in the fiscal year 2013/14, SCB had the lowest bank size, with total assets of Rs.53324. The largest average bank size, held by NABIL, is Rs.227087.60 million, while the smallest average bank size, held by SCB, is Rs.94311.60 million. It demonstrates that NABIL has the average bank size throughout the study period was the biggest, according to NABIL. The bank can save costs as a result of the economies of scale that arise from this. Large banks can also raise funds more affordably. Among the sample banks, SCB has the lowest standard deviation, indicating that it carries the least amount of risk. Based on the coefficient of variation of the ratios, it can be deduced that SCB has demonstrated the highest degree of consistency, with the lowest CV of 33.18 percent.

4.1.1.6 Market Price per Share

The value of stock that a company or equity holders may purchase by selling it on the capital market is known as the share price. The MPS is set by the stock market. The closing market price of the sample banks' NEPSE Index is represented by MPS in this research. The market price of stock (MPS) of the sample banks is displayed in table 6.

Table 6*Market Price per Share*

(In Rs.)

Year	NABIL	SBI	EBL	SCB	HBL
2013/14	2535	1280	2631	2799	941
2014/15	1910	887	2120	1943	813
2015/16	2344	1875	3385	3600	1500
2016/17	1523	925	1353	2295	886
2017/18	921	499	663	755	551
2018/19	800	469	666	682	552
2019/20	765	435	675	645	540
2020/21	1359	409	738	590	484
2021/22	824	282	439	396	299
2022/23	599	341	563	530	213
Mean	1358.00	740.20	1323.30	1423.50	677.90
SD	699.58	509.76	1032.11	1145.53	373.41
CV	51.52	68.87	78.00	80.47	55.08

Source: Appendix-I

Table 6 shows that the market price per share of commercial banks in Nepal. The highest market price per share of SCB is Rs.3600 in the 2015/16 fiscal year. For the fiscal year 2022/23, HBL's lowest MPS is Rs.213. The highest average market price for SCB is noted at Rs.1423.50 per share. With an average market price per share of Rs.677.90, HBL has the lowest pricing. This suggests that SCB has performed better than the other banks over this period. HBL has the lowest standard deviation of all the sample banks, making it the least risky. With the lowest coefficient of variation (CV), 51.52 percent, NABIL has shown the highest degree of stability among the ratios.

4.1.2 Descriptive Statistics of Variables

Table 7 displays the descriptive statistics for the explanatory and explained factors in this study. Its foundation is a panel data collection arranged by three commercial banks that were active in the Nepalese financial sector between 2013/14 and 2022/23. When examining them broadly, the data show that there is a great deal of variation in the commercial bank stock price and dividend indicators.

Table 7*Descriptive Statistics of Variables of Sample Banks*

Variables	N	Minimum	Maximum	Mean	Std. Deviation
DPS	50	.00	105.26	28.1888	18.85109
EPS	50	9.18	86.04	35.6600	17.09077
DY	50	.00	6.39	2.8846	1.24879
PER	50	14.42	83.94	29.7620	14.84692
LSIZE	50	4.73	5.68	5.1145	.21702
MPS	50	213.00	3600.00	1104.5800	841.30218

Source: Appendix - II

Table 7 shows that the descriptive statistics of three sampled commercial banks listed on NEPSE from 2013/14 to 2022/23. The dividend per share can vary by 18.85109 between 0.00 and 105.26, with a standard deviation of 18.85109 and a mean value of 28.1888. Additionally, it demonstrates that the EPS runs from Rs. 9.18 to Rs. 86.04 and has a mean of 35.6600 and a standard deviation of 17.09077. This shows that the EPS value may fluctuate 17.09077 on either side, and the average dividend yield, which ranged from 0.00 to 6.39 percent, is 2.8846 percent. The low standard deviation (1.24879) suggests that the commercial banks in Nepal are less volatile. The PER has a mean of 29.7620, a standard deviation of 14.84692, a range of 14.42 to 83.94, and the ability to differ by 14.84692 on both sides. The range of total assets used to define the bank's size is 4.73 to 5.68, resulting in an average of 5.1145 and a standard deviation of 0.21702. Lastly, the market prices per share have a minimum of Rs.213.00 and a maximum of Rs.3600. The market price per share is probably average at Rs.1104.5800, with a standard deviation of 841.30218.

4.1.3 Correlation Analysis

This study aimed to determine the fundamental relationship between the dependent variable, the "stock price," and the independent factors, which include dividend per share, dividend yield, EPS, price earnings ratio, and bank size. The many variables listed above were examined and noted. A correlation value of 0 signifies the absence of a linear relationship between the two variables. The correlation coefficient between two variables goes from +1, which represents a perfect positive link, to -1, which represents a perfect negative relationship. The correlation matrix is shown in Table 8 as follows.

Table 8*Pearson Correlation Coefficients of Study Variables*

	DPS	EPS	DY	PER	LSIZE	LMPS
DPS	1					
EPS	.657**	1				
DY	.150	-.126	1			
PER	.560**	.185	-.416**	1		
LSIZE	-.379**	-.439**	.203	-.323*	1	
LMPS	.779**	.786**	-.328*	.709**	-.536**	1

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

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

Source: Appendix - III

Table 8 reveals the correlation test between both dependent and independent variables using correlation coefficient matrix. The correlation test shows that dividend per share (DPS) has significant positive correlation with MPS. Likewise, earnings per share (EPS) has significant positive relation with market price per share in 5 percent level of significance with correlation coefficients 0.786. However, there is significant negative correlation between dividend yield (DY) and MPS i.e. -0.328. Then, correlation between price earning ratio (PER) and MPS is significant positive correlations. Moreover, Size has significant negative relation with MPS at 5 percent level of significance.

4.1.4 Results of Regression Analysis

A broad variety of modeling and analysis techniques are used when the relationship between a dependent variable (MPS) and independent variables (dividend per share, dividend yield, EPS, price earnings ratio, and bank size) is the main emphasis.

Table 9*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975 ^a	.950	.944	.07125

a. Predictors: (Constant), LSIZE, DY, EPS, PER, DPS

Source: Appendix-IV

The R square is 0.950. The implication therefore is that, 95.00 percent of the variation in the dependent variable (MPS) is explained by the independent variables (LSIZE, DY, EPS, PER, DPS). In this study, the R statistic is 0.975, indicated that there is strong relationship between study variables. This implies that the ROA was highly influenced by its independent variables. Standard error of estimate is flawlessly associated with regression analysis.

Table 10

Analysis of Variance (ANOVA)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.223	5	.845	166.393	.000 ^b
	Residual	.223	44	.005		
	Total	4.447	49			

a. Dependent Variable: LMPS

b. Predictors: (Constant), LSIZE, DY, EPS, PER, DPS

Source: Appendix-IV

The analysis of variance (The overall fitness of the regression model for the data is shown in Table 10. With a p-value of 0.000, less than .05, it was found that dividends significantly predict stock price.

Table 11

Regression Coefficient of Independent Variables with MPS

Variables	Coefficients	t-statistics	Sig.-value
(Constant)	2.687	8.971	.000
DPS	.001	.435	.666
EPS	.011	10.093	.000
DY	-.003	-.247	.806
PER	.011	8.141	.000
LSIZE	-.094	-1.731	.090

Source: Appendix-IV

Table 11 presents the regression coefficient of independent variables such as dividend per share, dividend yield, EPS, price earnings ratio and bank size of sample banks and the intercept value of dependent variable MPS. It shows that tolerance values were above 0.1 and VIF below 10. That's why, there is no multicollinearity in the model.

A positive correlation between MPS and dividend per share (DPS) is indicated by a coefficient estimate of 0.001. This shows that sample banks' MPS increases by 0.001

percent when DPS increases by one percent while maintaining other independent variables constant, and DPS's p value is 0.666. After testing at the five percent significance threshold and finding a higher p-value, the null hypothesis is accepted and it is shown that dividend per share positively affects the sample banks' MPS in a statistically insignificant way.

The findings of the regression model indicated a positive correlation between MPS and profits per share (EPS), with a coefficient estimate of 0.011. This means that a one-unit increase in EPS, MPS will increase by 0.011 in the banks', providing all other parameters stay the same. Additionally, at the five percent significance level, the p value of EPS 0.000 denotes statistical significance. As a result, earning per share has a significant positive effect on MPS of Nepalese commercial banks.

The dividend yield (DY) and MPS have a negative association, according to the dividend yield regression result, with a coefficient estimate of -0.003. This indicates that, when other independent variables are held constant, a one percent increase in dividend yield (DY) results in a -0.003 percent decrease in the banks' MPS. The p value of DY, which is 0.806, indicates that this effect is statistically insignificant at the five percent significance level. Hence it can be concluded that dividend yield has a statistically insignificant effect on MPS of sample banks.

Price-earnings ratio (PER) and MPS have a positive link, according to the regression result, with a coefficient estimate of 0.011. With other independent variables held constant, this indicates that a one percent increase in PER results in a 0.011 percent increase in the banks' market price per share (MPS). Furthermore, the p value of PER is 0.000, indicating that the price earning ratio has a statistically significant positive effect on market price per share at the five percent significance level.

The findings of the regression model show that there is a negative correlation between MPS and bank size (LSIZE), with a coefficient estimate of -0.094. This shows that an increase in bank size of one unit results in an MPS increase of -0.094 units for the banks when all other independent variables are held constant. At the five percent significance level, this rise is statistically insignificant, according to the bank size's p

value of 0.090. Hence, this is insignificant negative effect of bank size on MPS of commercial banks in Nepal.

4.2 Discussion

The main purpose of the study is to know the dividend distribution and stock price of commercial banks of Nepal. The correlation test shows that dividend per share (DPS) has significant positive correlation with MPS which is consistent with the findings of prior empirical studies of Bhattarai (2016); Singh and Tandon (2019). Likewise, earnings per share (EPS) has significant positive relation with market price per share in 5 percent level of significance which is consistent with the findings of prior empirical studies of Shrestha (2020); Baral and Pradhan (2018). However, there is significant negative correlation between dividend yield (DY) and MPS which supports the findings of Dhakal and Shah (2018) and significant positive relationship between PER and MPS. This is consistent with the findings of Baral and Pradhan (2018). Moreover, Size has significant negative relation with MPS which is not consistent with the findings of Bhattarai (2016).

The regression analysis shows that the dividend per share (DPS) has insignificant positive influence on the MPS of sample banks. This is consistent with the findings of Singh and Tandon (2019). In addition, this finding is similar with the findings of Bhattarai (2016) which observed that dividend has positive impact on market price of stock of the banks. The results of regression found that earnings per share (EPS) has a significant positive effect on MPS of commercial banks in Nepal. This result is consistent with the results identified by Shrestha (2020), Adesina et al. (2017), Singh and Tandon (2019) and Baral and Pradhan, 2018). At the same time, dividend yield (DY) has a negative relationship with MPS and it is statistically insignificant at 5 percent level of significance. Accordingly, the result supports the working hypothesis that dividend yield has statistically insignificant negative effect on MPS of sample banks. This result is consistent with the findings of Dhakal and Shah (2018), Adesina et al. (2017), Singh and Tandon, (2019).

According to the regression result of price earnings ratio (PER) has a positive and significant impact on MPS of sample banks. This result is in line with Baral and Pradhan (2018) conclusion. The results of regression model indicated that the

relationship between bank size (LSIZE) has a negative and insignificant impact on MPS of commercial banks in Nepal. Empirical study of Bhattarai (2016), had also found that size is an important factor affecting MPS and it had positive impact of commercial banks in Nepal. This is consistent with the finding of Kimani and Olweny (2021) concluded that size had significant negative effect on market price of stock. However, this finding is not consistent with the results of the studies by Pradhan and Gautam (2017).

CHAPTER - V

SUMMARY AND CONCLUSION

5.1 Summary

Dividends on shares are one crucial metric that investors use to evaluate a bank's performance. Investing novices acquaint themselves ahead of time with bank dividend policies. They've observed that expanding dividend companies typically have higher stock values, while contracting or nonexistent dividend companies typically have lower stock values. This indicates that a dividend has an impact on the company's stock price; however, other research suggests that knowledge regarding dividend payments has an impact on the stock price. In truth, the dividend makes explicit the management's expectations for the company's current and future prospects.

The major objective of this study is to examine the dividend distribution and stock price of commercial banks in Nepal. The other specific objectives are to examine the pattern of dividend and stock price of commercial banks in Nepal, to evaluate the relationship between dividend (dividend per share, earning per share, dividend yield, price earning share and bank size) and market price of stock of commercial banks in Nepal and to analyze the impact of dividend per share, earning per share, dividend yield, price earning share and bank size on market price of stock of commercial banks in Nepal. To achieve the specific objective of the study, descriptive and causal research design has been carried out in terms of dividend distribution and stock price of commercial banks in Nepal. Descriptive research design is used for analyzing current position of dividend distribution and stock price whereas causal research design is followed to measure the impact of dividend variables on stock price of commercial banks in Nepal. There are 20 commercial banks operating in Nepal, which are assumed to be the population of the study but only five commercial banks, namely NABIL, EBL, HBL, SBI and SCB have been taken as sample on the basis of purposive sampling method. For this study, secondary data are taken from annual reports of related office and their websites. Data is collected from audited financial statements (balance sheet and profit and loss account) of each commercial banks included in the sample and various journals and publications of NRB etc. All data were collected on annual base covering ten year periods, i.e. from the fiscal year

2013/14 to 2022/23. The study used descriptive statistics, correlation and multiple regression analysis by using SPSS version 26.

This study found that NABIL bank has to be highest and regular on offering dividend to shareholders. So, this bank is most profitable and the bank has highest profits to distribute to its shareholders. However, this study found that the highest market price per share of SCB means this bank is showing good performance over this period than the other banks. The correlation analysis shows that dividend per share, earning per share and price earning share have significant positive relationship with market price of stock of sample banks. However, dividend yield has negative and significant relationship with MPS and bank size has also significant negative relationship with market price of stock of commercial banks in Nepal. The multiple regression analysis reveals that dividend per share has insignificant positive impact on stock price of the banks. At the same time, earning per share and price earning per share had significant positive impact on stock price. However, dividend yield had insignificant negative impact on stock price. In addition, bank size has insignificant negative impact on MPS of commercial banks in Nepal. Hence, earning per share and price earning share are the major factors of stock price of the banks.

5.2 Conclusion

This study concluded that all the sample banks seem to be highest and regular on offering dividend to shareholders but it has fluctuating trend. A rising dividend per share may indicate the management of the firm thinks the growth can continue. The EPS is same. It suggests that the most profitable commercial bank in Nepal has the largest earnings to provide to its shareholders. In contrast to market value per share, banks offer the highest dividend yield since they deliver the greatest amount of cash dividends to common shareholders. According to PER, Investors have stronger expectations for future profits growth and are prepared to pay more for them because of the high PER of banks, which indicates that the sample banks will do well in the future. Then, the bank size of commercial banks is increasing trend. This study also concluded that there is high market price per share in previous year but there is low stock price in last couple of years showing that not good performance in last couple of years.

The correlation analysis shows that dividend per share, earning per share and price earning share have significant positive relationship with market price of stock of sample banks. However, dividend yield has negative and significant relationship with MPS and bank size has also significant negative relationship with market price of stock of commercial banks in Nepal.

The multiple regression analysis concluded that dividend per share has insignificant positive impact on stock price of the banks. At the same time, earning per share and price earning per share had significant positive impact on stock price. However, dividend yield had insignificant negative impact on stock price. In addition, bank size has insignificant negative impact on MPS of commercial banks in Nepal. Hence, earning per share and price earing share are the major factors of stock price of the banks.

5.3 Implications

This study has the following implications;

- This study found that earning per share and price earnings ratio has significant positive impact on stock price of banks. In this sense, it is anticipated that the study's findings would offer further details on how dividend distribution affects stakeholders and the value of Nepal's commercial banks' stock. In conclusion, when making choices on how dividends affect bank stock prices, managers acting as internal users as well as regulatory agencies and other external users would all greatly benefit from this knowledge.
- Dividend yield has a negative impact on the stock market price of Nepalese commercial banks, implies this study. It illustrates how a higher dividend yield might be consistent with a lower stock price. Therefore, management of the company should try to increase the stock dividend rather than the cash payout in order to improve the stock market price and the firm's value.
- This study also found that the size of the bank has little effect on stock price. The study's result is that, before making an investment decision in Nepal's imperfect stock market, a rational investor should consider signaling, asymmetric information, business size, profitability, and money supply.

- All things considered, the dividend payment has little effect on the stock price of Nepalese commercial banks. The results suggest that bankers ought to concentrate on adjusting the dividend distribution rate in order to impact variations in the associated year's profitability. But in the years to come, the dividend distribution adjustments would not be advantageous. Therefore, commercial banks must take into account other factors in addition to dividend policy in order to favorably effect their future profitability.
- Prospective researchers and investors can benefit from the research findings. This study will be a significant resource for future scholars.

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APPENDICES
APPENDIX – I
Raw Data of Sample Banks

Banks	Year	DPS	EPS	MPS	PER	DY	SIZE
NABIL	2013/14	65.00	76.12	2535	33.38	2.56	87275
	2014/15	36.84	57.24	1910	33.37	1.93	115986
	2015/16	45.00	59.27	2344	39.55	1.92	127300
	2016/17	48.00	59.86	1523	25.44	3.15	140332
	2017/18	34.00	51.84	921	18.60	3.69	169076
	2018/19	34.00	50.57	800	15.82	4.25	201139
	2019/20	35.26	36.16	765	21.15	4.61	237680
	2020/21	38.00	33.57	1359	40.48	2.80	291066
	2021/22	30.00	18.64	824	44.21	3.64	419818
	2022/23	11.00	23.67	599	25.31	1.84	481204
SBI	2013/14	22.07	34.83	1280	36.75	1.72	61073
	2014/15	28.42	34.84	887	25.40	3.20	59277
	2015/16	29.53	36.78	1875	50.98	1.57	78515
	2016/17	16.34	33.46	925	27.64	1.77	99752
	2017/18	15.79	25.16	499	19.83	3.16	102539
	2018/19	16.84	27.13	469	17.29	3.59	118314
	2019/20	9.47	17.23	435	25.24	2.18	132402
	2020/21	5.31	10.15	409	40.30	1.30	137809
	2021/22	10.53	16.67	282	16.93	3.73	153103
	2022/23	10.55	19.44	341	17.54	3.09	185958
EBL	2013/14	62.00	86.04	2631	30.58	2.36	70445
	2014/15	35.00	78.04	2120	27.17	1.65	99153
	2015/16	70.00	40.33	3385	83.94	2.07	113885
	2016/17	33.00	32.48	1353	41.66	2.44	116510
	2017/18	20.00	32.78	663	20.23	3.02	144818
	2018/19	25.00	38.05	666	17.50	3.75	170077
	2019/20	10.53	29.71	675	22.72	1.56	185023
	2020/21	10.32	19.91	738	37.06	1.40	211650
	2021/22	20.68	26.30	439	16.69	4.71	225381
	2022/23	20.53	31.43	563	17.91	3.65	250090
SCB	2013/14	51.50	65.57	2799	42.75	1.84	53324
	2014/15	44.21	57.38	1943	33.86	2.28	64927
	2015/16	35.09	45.96	3600	78.33	0.97	65186
	2016/17	105.26	35.49	2295	64.67	4.59	77409
	2017/18	17.50	27.00	755	27.62	2.32	83095
	2018/19	22.50	30.39	682	22.44	3.30	93264
	2019/20	11.84	24.81	645	26.00	1.84	116438
	2020/21	13.06	16.32	590	36.16	2.21	114739
	2021/22	16.51	23.92	396	16.56	4.17	123356
	2022/23	19.00	36.75	530	14.42	3.58	151378
HBL	2013/14	21.05	33.10	941	28.43	2.24	73590
	2014/15	42.11	33.37	813	24.36	5.18	82802
	2015/16	31.58	43.03	1500	34.86	2.11	99863
	2016/17	26.32	33.55	886	26.40	2.97	107255
	2017/18	15.79	23.11	551	23.84	2.87	116462
	2018/19	22.00	32.44	552	17.02	3.99	133151
	2019/20	20.00	27.60	540	19.57	3.70	155885
	2020/21	26.00	28.07	484	20.57	5.37	178491
	2021/22	19.11	18.26	299	16.39	6.39	216286
	2022/23	0.00	9.18	213	23.18	0.00	332393

Source: Annual report of sample banks

APPENDIX –II
Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
DPS	50	.00	105.26	28.1888	18.85109
EPS	50	9.18	86.04	35.6600	17.09077
DY	50	.00	6.39	2.8846	1.24879
PER	50	14.42	83.94	29.7620	14.84692
LSIZE	50	4.73	5.68	5.1145	.21702
MPS	50	213.00	3600.00	1104.5800	841.30218
Valid N (listwise)	50				

Source: SPSS version 26

APPENDIX -III
Pearson Correlation Coefficients

		DPS	EPS	DY	PER	LSIZE	LMPS
DPS	Pearson Correlation	1	.657**	.150	.560**	-.379**	.779**
	Sig. (2-tailed)		.000	.300	.000	.007	.000
	N	50	50	50	50	50	50
EPS	Pearson Correlation	.657**	1	-.126	.185	-.439**	.786**
	Sig. (2-tailed)	.000		.381	.199	.001	.000
	N	50	50	50	50	50	50
DY	Pearson Correlation	.150	-.126	1	-.416**	.203	-.328*
	Sig. (2-tailed)	.300	.381		.003	.157	.020
	N	50	50	50	50	50	50
PER	Pearson Correlation	.560**	.185	-.416**	1	-.323*	.709**
	Sig. (2-tailed)	.000	.199	.003		.022	.000
	N	50	50	50	50	50	50
LSIZE	Pearson Correlation	-.379**	-.439**	.203	-.323*	1	-.536**
	Sig. (2-tailed)	.007	.001	.157	.022		.000
	N	50	50	50	50	50	50
LMPS	Pearson Correlation	.779**	.786**	-.328*	.709**	-.536**	1
	Sig. (2-tailed)	.000	.000	.020	.000	.000	
	N	50	50	50	50	50	50

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

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

Source: SPSS version 26

APPENDIX -IV

Multiple Regression Analysis of Sample Banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975 ^a	.950	.944	.07125

a. Predictors: (Constant), LSIZE, DY, EPS, PER, DPS

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.223	5	.845	166.393	.000 ^b
	Residual	.223	44	.005		
	Total	4.447	49			

a. Dependent Variable: LMPS

b. Predictors: (Constant), LSIZE, DY, EPS, PER, DPS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.687	.299		8.971	.000		
	DPS	.001	.001	.036	.435	.666	.164	6.095
	EPS	.011	.001	.630	10.093	.000	.293	3.409
	DY	-.003	.013	-.014	-.247	.806	.366	2.736
	PER	.011	.001	.544	8.141	.000	.255	3.917
	LSIZE	-.094	.054	-.068	-1.731	.090	.744	1.345

a. Dependent Variable: LMPS

Source: SPSS version 26

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CHAPTER - I INTRODUCTION 1.1 Background of the Study A dividend is an

amount that is paid out directly to shareholders; usually, this takes the form of cash. Of course, some of the revenue is made up of dividends. Pradhan (2003) stated that shareholders can view dividends favorably because they often increase owners' existing wealth. Furthermore, dividends show a steady stream of income for the company and can provide hard evidence of its ability to generate liquidity (Dango, 2016). A dividend is a proportion of earnings paid to shareholders as compensation for their capital investment in shares. This payout to shareholders each month is intended to reduce the risk associated with their investment and usage of it. Therefore, distributions must be able to meet the expectations of the great majority of shareholders, according to