

**A STUDY ON DIVIDEND POLICY PRACTICES
OF COMMERCIAL BANKS
(Special reference to NABIL and SBI)**

Thesis Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University

BY
BINAYA PRAKASH SHRESTHA
Campus Roll No: - 06/059
T.U. Reg. No: - 7-1-302-23-97
Lumbini Banijya Campus

In partial fulfillment of the requirements for the degree of
Master of Business Studies (M.B.S)

Butwal
March, 2010

RECOMMENDATION

This is to certify that the thesis:

Submitted by:

BINAYA PRAKASH SHRESTHA

Entitled:

**"A STUDY ON DIVIDEND POLICY PRACTICES
OF COMMERCIAL BANKS"**

(Special reference to NABIL and NSBI)

has been prepared as approved by the Department in the prescribed format of faculty of management; this thesis is forward for examination.

.....
Tara Prasad Upadhyaya
(Thesis Supervisor)

.....
Dr. Ishwor Gautam
(HOD Research)

Date:

VIVA -VOCE SHEET

We have conducted the viva-voce of the thesis

Submitted by:

BINAYA PRAKASH SHRESTHA

Entitled:

**"A STUDY ON DIVIDEND POLICY PRACTICES
OF COMMERCIAL BANK"**

(Special reference to NABIL and NSBI)

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

Viva-Voce Committee

Head of Research Committee

.....

Dr. Ishwor Gautam

Member (Thesis supervisor)

.....

Tara Prasad Upadhyaya

Member (External Expert)

.....

Date:

DECLARATION

I hereby declare that the work done in thesis entitled "**A Study on Dividend Policy Practices of Commercial Banks**" (Special reference to NABIL and NSBI) submitted to central department of management, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirements for the Master's Degree in Business Studies (MBS) under the guidance and supervision of Lecturer Mr. Tara Prasad Upadhyaya, Lumbini Baniya Campus, Butwal, Nepal.

.....

Binaya Prakash Shrestha

ACKNOWLEDGEMENT

This entitled thesis "**A Study on Dividend Policy Practices of Commercial Banks**"(Special reference to **NABIL and NSBI**) has been prepared for the partial fulfillment of the requirement of Master's Degree of Business Studies (M.B.S) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative as well as qualitative aspect.

My supervisor Mr. Tara Prasad Upadhaya, Lecture of LBC had assisted me throughout the completion of this thesis and therefore I am very much indebted with his contributions. His assistance for this research work has been preferred to be very prudent and I would like to thank from the core of my heart. There have been considerable helping hands from many others personalities of the campus. In this regard, I would like thank campus Chief Dr. Ishwor Gautam for having assisted to provide necessary suggestions during my research work.

I am thankful to Lecture Mr. Tara Prasad Upadhaya and all the lectures of Master Degree, they all have support and help me in my research work and other staff member of LBC for helping me to make final work more productive. The Liabrians of the LBC will always be remembered for their assistance to provide me necessary documents relevant to my thesis. I wish to express my sincere thanks to all the staff members of NABIL and NSBI Bank, Nepal stock exchange and security board of Nepal that provided me necessary data and ideas required for this study. Similarly, I would like to express debt of gratitude to my family members especially to my mom for her continuous inspiration and support during the entire period of the study. I would like to extend my thanks to my friends Mr. Jonny Tiwari, Mr.Robin Rana for their inspiration and co-operation during the entire period of thesis preparation.

I am thankful to Mr. Ram Limbu for his kind support and Mr. Padam Ghimire for providing me Computer and necessary equipments to make this look productive and comprehensive. Finally, I am indebted to all associates who had contributed to make this thesis complete.

Binaya Prakash Shrestha
T.U. Regd. No. : 7-1-302-23-97
Lumbini Banijya Campus
Butwal, Rupandehi

CONTENTS

	Page
Recommendation	i
Viva-Voce Sheet	ii
Declaration	iii
Acknowledgement	iv
Table of Contents	v
List of Table	viii
List of Figure	ix
List of Abbreviation	x

CHAPTER - ONE

INTRODUCTION	1-13
1.1 Background of the Study	1
1.2 Brief Profiles of the Sample Banks	8
1.3 Statement of the Problem	10
1.4 Objectives of the Study	11
1.5 Significance of the Study	11
1.6 Limitations of the Study	12
1.7 Organization of the Study	13

CHAPTER- TWO

REVIEW OF LITERATURE	14-40
2.1 Conceptual Framework	14
2.1.1 Forms of Dividend	14
2.1.2 Residual Theory of Dividend	16
2.1.3 Factors Affecting Dividend Policy	16
2.2 Review of Financial Journals & Books	19
2.3 Review of Thesis	34
2.4 Research Gap	40

CHAPTER - THREE

RESEARCH METHODOLOGY	41-50
3.1 Introduction	41
3.2 Research Design	41
3.3 Source of Data	42
3.4 Population Sample	42
3.5 Data Analysis of Tools	43
3.6 Analysis of Data	43
3.6.1 Financial tools	43
3.7 Statistical Tools	47

CHAPTER - FOUR

DATA PRESENTATION AND ANALYSIS	51-77
4.1 Presentation of Financial variables	51
4.1.1 Analysis of EPS of the sample banks	51
4.1.2 Analysis of DPS of sample banks	53
4.1.3 Analysis of Dividend Payout Ratio (DPR)	54
4.1.4 Analysis of Market Price of Share (Stock Price)	55
4.1.5 Analysis of Price-Earning Ratio (P/E) of the sample banks	57
4.1.6 Analysis of Dividend Yield (D.Y) of the sample banks	59
4.1.7 Analysis of NWPS of the sample banks	60
4.2 Statistical Analysis	61
4.2.1.1 Correlation between Financial variables of Nabil Bank Ltd.	62
4.2.1.2 Correlation between Financial variables of NSBI	62
4.2.2 Regression Analysis	64
4.2.2.1 Regression Analysis between MPS on EPS	64

4.2.2.2 Regression Analysis between MPS on DPS	65
4.2.2.3 Regression Analysis between MPS on DPR	66
4.2.2.4 Regression Analysis between MPS on DY	67
4.2.2.5 Regression Analysis between DPS on EPS	68
4.2.2.6 Regression Analysis between DPS on NWPS	69
4.2.2.7 Regression Analysis of MPS on P/E Ratio and DPS	70
4.2.2.8 Regression Analysis of MPS on EPS and DPR	71
4.3 Major Findings of the Study	75

CHAPTER - FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS	78-82
--	--------------

5.1 Summary	78
-------------	----

5.2 Conclusion	80
----------------	----

5.3 Recommendation	81
--------------------	----

BIBLIOGRAPHY	83-91
---------------------	--------------

APPENDIX – I

APPENDIX – II

APPENDIX – III

LIST OF TABLE

	Page
Table 4.1: Comparative EPS of Nabil and NSBI	51
Table 4.2: Comparative DPS of Nabil and NSBI	53
Table 4.3: Comparative DPR of Nabil and NSBI	54
Table 4.4: Comparative MPS of Nabil and NSBI	56
Table 4.5: Comparative P/E Ratio of Nabil and NSBI	57
Table 4.6: Comparative DY of Nabil and NSBI	59
Table 4.7: Comparative Analysis NWPS of Nabil and NSBI	60
Table 4.8: Correlation Coefficient of Nabil Bank Ltd.	62
Table 4.9: Correlation Coefficient of NSBI	62
Table 4.10: Regression Analysis of MPS on EPS	64
Table 4.11: Regression Analysis of MPS on DPS	65
Table 4.12: Regression Analysis of MPS on DPR	66
Table 4.13: Regression Analysis of MPS on DY	67
Table 4.14: Regression Analysis of DPS on EPS	68
Table 4.15: Regression Analysis of DPS on NWPS	69
Table 4.16: Regression Analysis of MPS on P/E Ratio and DPS	70
Table 4.17: Regression Analysis of MPS on EPS and DPR	71

LIST OF FIGURE

	Page
Figure 4.1: Comparative EPS of Nabil and NSBI	51
Figure 4.2: Comparative DPS of Nabil and NSBI	53
Figure 4.3: Comparative DPR of Nabil and NSBI	55
Figure 4.4: Comparative MPS of Nabil and NSBI	56
Figure 4.5: Comparative P/E Ratio of Nabil and NSBI	58
Figure 4.6: Comparative DY of Nabil and NSBI	59
Figure 4.7: Comparative Analysis NWPS of Nabil and NSBI	61

LIST OF ABBREVIATION

a	=	Constant of Regression
b	=	Coefficient of Regression
CV	=	Coefficient of Variation
DPR	=	Dividend Payout Ratio
DPS	=	Dividend Per Share
DY	=	Dividend Yield
EPS	=	Earning Per Share
NSBI	=	Nepal SBI Bank Limited
Nabil	=	Nabil Bank Limited
Inf.	=	Inference
Insig.	=	Insignificance
MPS	=	Market Price Per Share
P/E Ratio	=	Price Earning Ratio
PE	=	Probability of Error
r	=	Coefficient of Correlation
R ²	=	Coefficient of Determination
SD	=	Standard Deviation
NWPS	=	Net Worth Per Share
LBC	=	Lumbini Banijya Campus
SE	=	Standard Error
SEE	=	Standard Error of Estimation
Sig.	=	Significance
T.U.	=	Tribhuvan University