DIVIDEND PRACTICES OF NEPALESE COMMERCIAL BANKS

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Dividend Practices of Nepalese Commercial Banks "** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Susant Basnet has defended research proposal entitled **"Dividend Practices of Nepalese Commercial Banks"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dr. Dhan Raj Chalise Submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

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ABBREVIATIONS

CITIZENS	:	Citizens Bank Limited
DPR	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
EQUIV_DIV	:	Equivalent Dividend
GLOBAL IME	:	Global IME Bank Limited
K	:	Cost of capital
MM	:	Modigliani and Miller's
MPBL	:	Machhapuchhre Bank Limited
MPS	:	Market Value per Share
NABIL	:	Nabil Bank Limited
NMB	:	NMB Bank Limited
NWPS	:	Net Worth Per Share
NWPV	:	Net Worth Par Value
NYSE	:	New York Stock Exchange
PREVDPR	:	Previous Year Dividend
R	:	Internal Rate of Return
S.D	:	Standard Deviation
SANIMA	:	Sanima Bank Limited
SIDBL	:	Siddhartha Bank Limited
SUNRISE	:	Sunrise Bank Limited
TSE	:	Tehran Security Exchange
UK	:	United Kingdom
US	:	United States

ABSTRACT

This study attempts to explain the impact of different variables like net worth par value, liquidity, leverage and previous year dividend on dividend policies of Nepalese Commercial Banks. The study of previous year dividend and its effect on current year dividend has distinct this research from previously conducted international and Nepalese studies. This paper investigates these implications taking the reference of eight commercial banks listed in NEPSE. Data from eight different commercial banks Citizens bank , Sunrise bank, Machhapuchhre bank, Sanima bank, Siddhartha bank, NMB bank, Global IME bank and Nabil bank has been studied and analyzed. Ten years data has been taken for reference.

This study has used descriptive statistics, regression and correlation analysis as a statistical tool for analysis of secondary data. This study shows a predominant influence of different independent variables and minimal impact of other variables on current year dividend payout determination and its effect on market price. Previous year dividend, Net worth par value, Liquidity, Leverage and Market price per share has been closely studied and compared. This analysis has created a significant impact on achieving tremendous results. The existing dividend policies and practices have been closely observed with the reference taken from different Nepalese commercial banks. This has also studied the impact of dividend policies on Market price per share of the commercial banks.

A multiple regression model and correlation analysis has been applied for analyzing the data. The researcher has been able to draw the conclusion that these factors dividend payout ratio, net worth par value, liquidity, leverage and previous year dividend are statistically significant determinants of the commercial banks. This study shows that leverage and previous year dividend have positive impact on current year dividend payout determination.

Keywords: *Previous year dividend, Net worth par value, Liquidity, Leverage, Dividend Payout Ratio*

CHAPTER-I

INTRODUCTION

1.1 Background of the study

Dividend policy is determined as the process of determination of proportion of profit which is to be paid out to the shareholders. In other words, dividend is the proportion of earning by the firm or organization which is to be paid out to the share holders as per their investment in the organization or firm. Dividend distribution has always been a major concern in an organization for both management and shareholders. The policies of determining dividend greatly affect the amount of dividend to be distributed to the share holders. The main objective of a firm has always been profit maximization. In such cases, many firms or organization always try to create balance between the retention of profit and dividend distribution amount. They try to maintain balancing portfolio in these two aspects. There are 27 commercial banks in Nepal. All those commercial banks in Nepal are providing dividend payout to its shareholders. The dividend payout provided by all those commercial banks to its shareholders is different. The factors affecting the dividend payour ratio of Nepalese commercial banks are analyzed properly in this report.

Lawson, Moller and sherer (1981), Lawson and Stark (1981), and Lee (1978, 1981 and 1983) argued that payment of dividends should be based on cash flows and not on accrual earnings because cash flows better reflect the liquidity position of the organization. Dividend payments are taxable income of an investor which decreases the value of the stock. Double taxation on dividend has always been a major issue for both investors and organization. At first tax is paid at the corporate level and also at individual level by the investors. Dividend policy is considered to be one of the most important financial decisions that corporate managers encounter (Allen and Michaely, 1997) and (Baker and Powell, 1999).

The dividend policies of Nepalese organization and its current and past scenarios provide an interesting platform for the study and analysis. Many people in our country are still unaware about what dividend actually is. How dividend is determined, how is it distributed has been a great dilemma to all existing customers. Dividends can be declared as fully franked, partially franked or unfranked. When dividends are ‘franked’, it means the bank has paid tax on the profits and shareholders do not have to pay tax again on the same money. They receive a ‘franking credit’ attached to each dividend, which may reduce the amount of personal income tax they need to pay. When dividends are ‘unfranked’, it means the bank has not paid tax on that money. As such, shareholders do not receive any franking credits.

When a bank announces a dividend, its share price will sometimes rise as investors buy stocks ahead of the ex-dividend date. The ex-dividend date is the cut-off point when the shares begin to trade without the entitlement to the latest dividend. You would need to buy shares before this date to receive the dividend payment. Some bank offer dividend reinvestment plans, giving shareholders the option of either receiving a cash payment or reinvesting their dividends to receive new shares in the bank, or a combination of both. Sometimes the bank will offer these new shares at a discount to their current market price, although they are not obliged to do so. The payment of dividends despite adverse personal taxation is a puzzle with a long standing tradition in finance (Thakor, 1989). Dividend policy is the most observed issues in an organization. It is also an unsolved mystery due to the effect of double taxation.

The most important requirement for dividend irrelevance is that markets should be efficient. When an enterprise issues new equity to finance its increased dividend, dividend policy is irrelevant if the new equity is sold at a fair price. Because efficient markets ensure that all assets are fairly priced, the dividend irrelevance arguments really require that markets be efficient. It is believed that dividends provide the much- needed shot in the arm to stock markets. Bar-Yosef and Kolodny (1976) concluded that knowledge of an enterprise’s dividend policy made a significant contribution to providing an explanation of the return received on the enterprise’s securities. They stated their findings, in particular, that the results support the position that investors have a net preference for receiving their return in the form of dividends than to receiving it in the form of capital gains. Consequently, they are willing to settle for a smaller return, holding risk constant, given that it is in the form of dividends that could otherwise be obtained via capital gains. Dividend payments, except for a small exclusion, are taxable income of investors, which decreases the value of stock as compared to retained earnings- taxed as capital gains only when stock is sold. By paying dividends, insiders return corporate earnings to investors and hence are no longer capable of using these earnings to benefit themselves (Porta et al, 2000). Payments of dividend make management forced to go to capital market for additional financing. Each time it attempts to raise fresh capital, its operations are intensely scrutinized by investment bankers, accountants and other market professionals. As these parties have a comparative advantage over the bondholders in monitoring the enterprise's activities, dividend payments accompanied by subsequent new financing may lower monitoring costs and thereby increase enterprise value (Rao, 1995). Before paying or declaring a dividend out of the profits for any financial year, a bank shall have fully deducted the pre operation expenses, the amount required to be depreciated in accordance with the accounting standards fixed by the competent authority under the prevailing law, any amount required to be paid or set aside out of the profits under the prevailing law or the amount or accumulated loss in previous financial years.

Provided, however, that if the prevailing law requires the establishment of a reserve or consolidated fund of any amount prior to distributing dividend, any bank which is required to comply with such legal requirement shall not distribute divided without establishing such reserve or consolidated fund.

The amount of dividend not claimed/received by any shareholder even after the empery of a period of five years after the date of resolution adopted by the bank in its general meeting to distribute dividend shall be credited to the investor protection fund to be established under Section 183. A bank shall credit the amount of a dividend to be distributed to its shareholders pursuant to this Act to a separate account within forty five days after the date of approval by the general meeting and pay the amount of dividend out of that a account; and the bank shall not use such amount for any other purpose. Dividend payout policy in such a case becomes a vehicle for monitoring the managers' potential to misuse excess funds.

The focus on accounting mischief may also lead enterprises to increase dividends as the payment of larger dividends may assure investors of a higher quality of earnings. Dividends are taxed twice, once at the corporate level since enterprises pay dividends from after-tax earnings, and then again at the level of the investor, who must pay tax on dividends received. Dividends are taxed more heavily than capital gains in the United States and many other countries (Allen et al, 2000).

Many economists have long opposed the double taxation of dividends because of the high overall tax rates this imposes on corporate income (Morck and Yeung, 2005). They argued that double taxation deters corporate investment and distorts corporate financing decisions, favoring debt over equity financing and earnings retention over dividend payouts.

Lintner (1962) argued that generalized uncertainty is itself sufficient to ensure that shareholders will not be indifferent to whether cash dividends are increased (or reduced) by substituting new equity issues for retained earnings to finance given capital budgets.

Dividend policy influences in a very large measure the savings pattern in an economy. Enterprise dividend policy has a relatively direct bearing on cyclical fluctuations and longer term growth trends in the economy (Lintner, 1956). Distribution of dividends has an impact on the savings of the household sector as well leading to country's economic growth and stability. The pattern of savings thus generated is of great importance to planners entrusted with the task of planning for economic growth which, in the long run, depends upon flow of savings- it is more so in a developing country like Nepal. The prediction of the magnitude of the savings flows requires, among others, information about long-run dividend payout policies of enterprises.

Empirical evidence suggests that profitability, investment opportunities, and size are the important factors determining dividends (Fama and French, 2001). Dhameja (1972) contended that lagged dividend is directly associated with current year dividend and fluctuations in dividend determination are influenced by current year earnings. Different organization in Nepal also has different types of dividend distribution policies. The way of determining dividend amount differs from organization to organization. The dividend amount determined the retained earnings amount and the value of the stock too.
The dividend amount indirectly affects the wealth of the organization and earnings of shareholders too. Gordon (1963) argued that the required rate of return used by investors to discount dividends expected in future increases with time. The implication of Gordon's argument is that the required rate of return rises with the proportion of earnings retained. As a result, investors would value current dividends over capital gains.

The various types of dividend are as follows:
Cash Dividend: By its name, cash dividend refers to the portion of earning paid to the investors in the form of cash in proportion to their share investment in the bank. In context of Nepal, cash dividend is the most popular form of dividend and is mostly adopted by many bank/forms/financial institutions. Cash dividend is the most popular form of dividend. A bank having enough cash and not having expansion program in near future prefers cash dividend to stock dividend.

Stock Dividend: Stock dividend also called bonus share is another popular form of dividend. A firm with enough earnings but not enough cash balance required to distribute the cash dividend prefers stock dividend to cash dividend. The major findings of the survey were that managers strongly agree stock dividends have a positive psychological impact, managers believe stock dividends enable them to express their confidence in the enterprise's future prospects, management views on issues and motives about stock dividends differ little based on the enterprise's trading location or the size of the stock dividends, and the dominant motive for paying stock dividends is to maintain the enterprise's historical practice.

Viewed in the aforementioned theoretical perspective of relevance and irrelevance of dividends as well as practical perspective of paying dividends, the study on the dividend policy of Nepalese enterprises offers an interesting subject and complements the existing dividend policy literature.

1.2 Statement of the problem

Life cycle considerations may also influence retail investors' dividend preferences (Shefrin and Thaler, 1988)). As in earlier studies, Crum et al. (1988) concluded that the most important dividends changes are prior year dividends, current net income, current net income plus depreciation, and working capital from operations.

The dividend decision, however, is still a crucial as well as controversial area of managerial finance. Some scholars also argued that dividend per share do not have any effect on market price per share. However, in practice many other factors and market influence also affect the share price of the commercial banks. Dividend distribution can make changes in bank's investments opportunities and market price of a share to some extent. Dividend only cannot be treated as a sole factor for changes in market prices of share of commercial banks. Dividend policy is both pervasive and perplexing. It is pervasive that enterprises have been paying regular cash dividends since the dawn of the modern limited liability enterprise in all market economies. Dividend policy is perplexing because it is not obvious why investors should demand cash dividends. Dividend is a desirable factor by investor. Dividend policy is considered to be one of the most important financial decisions that corporate managers encounter (Allen and Michaely, 1997; and Baker and Powell, 1999). Dividend decision has always been a controversial factor in corporate finance. Controversy about the affect of dividend payout and the market value is still an unsolved mystery. Easterbrook (1984) proposed that dividend payments indicate a weaker corporate future in which managers have limited opportunity to re-invest the cash in other new profitable projects for the future. At the same time, dividend cuts are attractive because together with indicating future profitable investments, they avoid any transaction costs associated with otherwise raising new finance. Megginson (1997) commented that institutional investors such as pension funds and insurance companies may also fall into the same category as tax payers. Here the author explained that the investment horizon for these investors is almost by definition long term in nature, suggesting their preferences for companies with opportunities to reinvest their earnings, rather than for those with large dividend payouts. Dividends serve to manage agency problems, in which managers may use excess returns from firms' operating activities to pursue their own interests (Rozeff, 1982; and Easterbrook, 1984).

Dividend payout can make investors happy and also make appropriate environment for further profitable investment opportunities by making sufficient amount of retained earnings. In such case the retained earnings can only be maintained in adequate level by increasing retention ration which in fact decreases dividend payout ratio. This might make investors unhappy to certain level however can increase an organizations wealth and profitable investment opportunities as a whole. Baker and Wurgler define a catering affect which is implied investors' demand for dividends and which is changing over time. For the period 1963-2000 they found four distinct trends to exist. A positive dividend premium accompanies the first trend in the mid-1960s, an increase in the propensity to pay. The premium becomes negative through 1969 with a coinciding decline in the propensity to pay. The period of 1970-1977 signifies the third trend during which the dividend premium, once again, becomes positive. Finally, the beginning of 1978 is the start of the fourth trend continuing through 2000. During this period the propensity to pay decrease and the dividend premium becomes and remains negative which, according to Baker and Wurgler, is an accurate prediction of the post-1977, disappearance of dividends.

Some assume that dividend and stock price has positive relationship however others belief there is a negative relationship between dividend and stock price. Moreover, dividend is desirable form the stockholder's point of view. It is the most stimulating factor for the investment on the shares of the bank. Payment of dividend makes the investors happy but for the expansion of the firm and get the opportunity of investment in profitable securities, the firm should have an optimum amount of retained earnings.

According to Walter's study, dividend policy almost always affects the value of the bank, where the investors demand the relationship between internal rate of return on investment regarding the dividend and market rate. . Why do firms pay dividends? Is there, or should there be a corporate dividend policy? These questions were at the center of inquiry of modern finance/financial economics since the proposition of the so-called bird –in-the-hand dividend models of Gordon and Shapiro (1956), Gordon (1963), Solomon (1963), and Walter (1963). The bird-in-the-hand explanation was offered, possibly, to rationalize the wisdom propagated by Graham and Dodd's book (Graham and Dodd, 1934), that turned into the professional investors' bible.

Shefrin and Statman (1984) argue that mental accounting may influence investors' dividend preferences – investors who keep dividend income and capital gains in two separate "mental accounts" may not treat them equally. Solomon concludes that dividend may offer tangible evidence of the firm's ability to generate cash, and as a result, the dividend policy of the firm affects the share price. Even if dividends do affect the value, there is not much that they do to increase the shareholders wealth. As per previous study, most of the banks are underrating the expectation of investors and there is resulting the low market ability of share on trading floor of stock exchange. Pradhan (2003) argued that dividend payment is more important as compared to retained earnings in Nepal. The positive relationship has been documented between dividend payments and the market price per share in Nepal. Taken together, the arguments and evidences on dividend policy in Nepal are in support of the positive effect of dividends on the value of the enterprise.

All those discovered facts inspire to study what are the factors that affect the dividend decision and valuation of the shares. There is no uniformity in the distribution of dividend in Nepal. Dividend distribution decision results in various other things. When the firm retains its earning, it will result in decreasing leverage ratio, expanding activities and increasing profit in succeeding year. Whereas if the firm pays the dividend it may need to raise capital through capital market which adulterate ownership control. This might also affect on risk characteristics of firms. If a firm pay dividends it states that firm has healthy position in the market and doing well .As the firm announces its dividend the value or market share per price of the firm increases. Firm may choose one of the many combinations between two extremes is, distribution of zero to hundred percent as cash dividend Though the aforementioned studies are good in their own right, with the exception of a few issues, many of the issues on dividend policy of Nepalese enterprises are still remain unresolved. The problem basically emanates from a few empirical studies and surveys on dividend policy with small sample size and limited study period that have been conducted to date in Nepal. The impact of banks' dividend policy on its market prices and what are the other factors that affect dividend policies is one of the major aspect of study of this research work.

Some specific issues to be investigated in this study are as follows:

- What is the dividend payout pattern over a period in Nepalese scenario?
- What is the relationship between dividend payout and previous year dividend?
- What is the relationship between dividend payout and net worth par value?
- How does leverage affect dividend policy of the firm?
- What is the relationship between dividend payout and liquidity?
- How does the size of the firm affect dividend payout ratio?
- How does dividend payout affect the share price?

1.3 Objectives of the study

The important aspect of dividend policy is to determine the amount of earning to be distributed to shareholders and the amount to be retained in the firm. Dividend policy is one of the key instruments, which affects the firm's ability of internal financing. Thus, this study primarily aims to analyze the dividend policy of Nepalese listed bank. The major objectives of this study are as follows:

- To examine the dividend practices of Nepalese commercial bank.
- To identify the factors influencing dividend policies and dividend payout of Nepalese commercial bank.
- To analyze the impact of dividend policy on stock price.

1.4 Rationale of the study

Dividend has always been a sensitive factor to study in the world of finance. Dividend policies and its effects on internal financing has always been an important factor to study. Dividend distribution decisions also affect the performance and market price of share of the organization so it is an important factor to study. The dividend policies also affect the probable opportunities in investment field which relate the significance of study of dividend policies with respect to investment opportunities too. The vulnerabilities in dividend distribution policies and the remedies to correct those weaknesses are traced out in this study as a solution to existing problems to some extent. Considering the ongoing practices and deficiencies in dividend policies make study of dividend polices very much significant which may add up positive vibes in literature and might provide suggestion to many bank in dividend decision.

Dividend announcement also help to solve symmetric information problem between management and shareholders. The dividend is most sensitive element in the area of investment in the common stock. Nowadays people are attracted to invest in share for the purpose of getting more return as well as to maximize their wealth.

As the study's main objective is to examine managements' views on various aspects of dividend policies and practices in Nepal, the study can be helpful to various stakeholders related to this. This research may be helpful to the policymakers to formulate an optimum dividend policy in accordance with international standard and this research may try point out the loopholes and suggest the remedies about the appropriate dividend policy. At the same time the managers can be aware of various aspects of dividend policies and it will be also helpful for the investors in identifying the productivity of their investment and justify the rational of their investment decision.

1.5 Limitations of the study

Boundaries of limitation have always been obstacle for analysis of this study. Due to some limitations and uncertainties some plot has also remain unturned and untouched in this study. Adequacy of time and lack of research experiences has always been a limitation to this study. The strength of findings or the strength of result always depends upon the quality of input provided to the research. Some of the limitations have been listed below:

- The study is based on secondary sources so the accuracy of the study is based on the reliability of such secondary data obtained from journals, books, websites, magazines etc
- Data is based on limited fiscal years.
- The study has used only limited statistical tools to obtain its result.

Despite of working under various boundaries of limitations, this research has tried to draw the real picture of dividend policies in Nepalese context.

1.6 Chapter plan

The study has been divided into five chapters. The first chapter deals with the introduction consisting, background of the study, statement of the problem, Purpose of the study, significance of study, limitations of the study. The second chapter is mainly focused with literature review that includes a discussion on the conceptual framework on Dividend practices and review of previous studies i.e. books, journals, articles, dissertation etc. The third chapter describes the research methodology used to conduct the present research. It deals with research design, sources of data, data processing procedures, population and sample, period of the study, method of analysis and financial and statistical tools. The fourth chapter deals with presentation, analysis and interpretation of relevant data through definite courses of research methodology using various financial and statistical tools and at the end of chapter major findings of the study have been presented. The fifth chapter is the last part of study, which is related to summary, conclusion and recommendations of the study and at the end of the study bibliography and appendices have been included.

CHAPTER-II
LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Meaning of Dividend Policy

In general, dividend policy refers to the decision of whether the cash flow available to shareholders should be reinvested in the company or paid to shareholders, i.e. what the "right" amount to be retained for investing in new projects is, and what the "right" amount to be paid to shareholders should be. Namely, the key reason for the decision on dividend policy being so complex is the double motive behind the investment in certain company's shares. The desired shareholders' return is comprised of two components: dividend yield and share value growth. Consequently, the question arises: What is better? To distribute the dividend or to retain it in the company and realize higher capital gains from the dividend amount (Naz, and Siddiqui, 2020).

Dividend policy is important for investors, managers, lenders and for other stakeholders. It is important for investors because investors consider dividends not only the source of income but also a way to assess company from investment point of view. It is the way of assessing whether the company is cash generative or not. Selecting a suitable dividend policy is an important decision for the company because flexibility to invest in future projects depends on the amount of dividends that they pay to their shareholders. If a company pays more dividends than fewer funds available for investment in future projects. Lenders are also interested in the amount of dividend that a company declares, as more amounts is paid as dividend means less amount would be available to the company for servicing and redemption of their claims and finally it is important for other stakeholders especially for claim holders to help them in reducing agency cost. The basic objective of shareholder is to maximize their return and this return may be in the form of dividends or capital gain. Investors' decisions regarding the return on investment are affected by the dividend policy of the company (Naz, and Siddiqui, 2020).

Dividend policy involves the decision to payout verses retaining them for reinvestment in the firm. Any change in dividend policy has both favorable and unfavorable effects on the firm's stock price. Higher the dividends means higher the immediate cash flows to investors, which is good, but lower future growth which is bad. The dividend policy should be optimal which balances the opposing forces and maximizes stock price. Management should try to maintain regular dividend. For regular dividend, the firm will have sufficient earnings. Management will set a lower regular dividend rate than firms with the same average earnings but less volatility. Management may also declared extra dividends in years when earnings are high and funds are available (Gautam and Thapa, 2008).

2.1.2 Forms of Dividend

Dividends can be distributed different forms regarding the corporate dividend policy and attitude to the directors. The types of dividend that corporations follow is partly a matter of attitude of directors and partly a matter of shareholder's preferences, and also depending on the various circumstance and financial constraints that bound corporate plan and policy. Dividend may be distributed in different forms as enumerated below:

i) Cash Dividend

Distribution of dividend in cash out of the earnings generated is called cash dividend. Cash dividend reduces the retained earning. Such dividend enhances liquidity problem in corporation. The market price of the share drops in most cases by the amount of cash dividend distributed (Hasting: 1996).

Generally, stockholders have strong preference for cash dividend. Both the total assets and net worth of the company are reduced by same amount, when the cash dividend is announced or distributed. Moreover, the share price will fall (or may not) after the cash dividend. Therefore, the need is that, the firm should have sufficient fund for the distribution of the cash dividend among shareholders or if the firm does not have sufficient fund for the distribution: it should borrow from any source. Cash dividend has the psychological value for stockholders. Each and everyone like to collect their return in cash rather than non-cash means. So cash dividend is not only a way of perception improvement in the capital market.

ii) Stock Dividend

Stock dividend is the payment of additional shares to the existing shareholders often used in place of or in addition to cash dividend (Van Horne, 2000).

Stock dividend is known as bonus shares too. An issue of bonus share represents a distribution of shares in addition to the cash dividend (known as Stock dividend in U.S.A) the existing shareholders (Pandey, 1995).

Stock dividend becomes supplement to cash dividend. A stock dividend simply is the payment of additional stock to shareholders nothing more than a recapitalization of the company; a stockholder's proportional ownership remains unchanged. (Van Horne, 2000). "A stock dividend is paid in additional shares of the stock instead of in cash and simply involves a book keeping transfer from retained earning to stock accounts" (Weston and Copeland; 1991). In any case, the concern of the management is the positive effect on the stock price. The stock dividend must not be issued if it causes the stock price decline. The effect of the stock dividend cans be outlined into the following points:

- The issue of the stock dividend increases the number of the outstanding shares.
- The issues of stock dividend transfer retained earnings to the capital amount.
- The net worth and the par value of the company do not change with the issue of stock dividend.
- The issue of the stock dividend does not affect the stockholders proportional ownership.
- The earning per share (EPS) will decrease if the total profit does not increase.

iii) Bond Dividend

It is the bond distributed to the stockholders in the form of bond. The main policy and objective of such dividend is to postpone the payment of cash. It has fixed maturity period. Therefore the intention and purpose of bond dividend is also the postponement of dividend payment for sometime. The only difference between bond and scrip dividend and scrip dividend is that bond carries relatively longer maturity period than scrip dividend.

iv) Scrip Dividend

Scrip dividend is the payment of dividend in scrip or promissory notes. Because of temporary cash shortage, sometimes the firm needs cash generated by business earnings to meet the different requirements. For those requisites, scrip dividend is issued promising the payment will be made in future. The scrip has the definite maturity period and may be of either interest bearing or not. But in financial practice it is relatively scare.

v) Property Dividend

If the company pays the dividend in the form of assets to its stockholders other than the cash is known as property dividend. In this practice, assets, which are superfluous for the company, are distributed as dividend to the stockholders, and in some cases the company pays (as dividend) the subsidiary company's shares. But the shares have to be owned by the company. Property dividends are also least used practice and used when extra ordinary circumstances exist.

Even though this type of dividend is paid in the extra ordinary situation, it is less attractive in the point of view of the investors in any cases. Similarly the payment of the subsidiary company's shares in place of cash dividend could result the negative impact of 'this is not better than that'. The shareholder may feel the shares that are paid to them as of less value therefore they are paid. (Weston and Copeland; 1991)

2.1.3 Theories of Dividend

Residual Theory of Dividend

Residual dividend policy is based on the premise that investors prefer to have a firm retain and reinvest earnings rather than pay them out in dividends if the rate of return the firm can earn on reinvested earnings exceeds the rate of return investors can obtain for themselves on the other investments of comparable risk. This theory states that profit should be used first in all profitable investment plans which reflect equal or higher rate of return. Further it is less expensive for the firm to use retained earnings than is to issue new common stock (Gautam and Thapa, 2008).

A firm using residual dividend policy would follow these four steps :

- Determine the optimal capital budget.
- Determine the amount of equity required to finance the optimal capital budget given its target capital structure, recognizing that funds used will consist of both equity and debt to preserve the optimal capital structure.
- To the extent possible, use retained earnings to the supply the equity required.

- Pay dividends only if more earnings are available than are needed to support the optimal capital budget.

Stability of Dividend

Stability or regularity of dividend is considered as a desirable policy by the management of most companies in practice. Stability of dividend refers to the amount paid out regularly. Though amount of dividend may fluctuate from year to year and may not be related with earning. Shareholders also generally favor this policy and value stable dividends higher than fluctuating ones. All other things being the same, stable dividends have a positive impact on the market price of the share (Pandey, 1995).

There are some reasons to believe that a stable dividend policy does lead to higher stock prices. First investors can be expected to value more highly dividends that they are surer of receiving since fluctuating dividends are riskier than stable ones. Accordingly, the same average amount of dividend received under a fluctuating dividend policy is likely to have a higher discount factor applied to it than is applied to dividends under a stable dividend policy. This means that a company with a stable dividend will behave a lower required rate of return or cost of equity capital than one whose dividend fluctuated.

Second many stockholders live on income received in the form of dividends. These stockholders are greatly inconvenienced by fluctuating dividends and they will likely to pay a premium for a stock with a relatively assured minimum dollar dividend. These stock holders are greatly inconvenienced by fluctuating dividends and they will likely to pay a premium for a stock with a relatively assured minimum dollar dividend. Third from the stand point of both the corporation and its stockholder is the requirement of legal listing.

2.1.4 Factors Affecting Dividend Policy

Many considerations may effect a firm’s decision about its dividends, some of them are unique to that company and some of the more general considerations are given subsequently. They are as follows:

i) Size of the Earnings

A firm that has high level of earning will generally pay a larger portion of its earnings in dividends. If the size of earnings is small, a smaller amount of the profits may be distributed to shareholders. Thus, size of earnings affects the dividend policy of the firm.

ii) Liquidity Position

Cash or liquidity position of the firm influences its ability to pay dividend. Greater the cash position and over all liquidity of a company shows its ability to pay dividend.

iii) Legal Rules

The dividend policy of the firm has to evolve with the legal framework and restrictions. Certain legal rules may limit amount of dividends that a firm may pay. First statutory restrictions may prevent a company from paying dividends while specific limitations vary by state, generally a company may not pay dividend.

- If the firm's liabilities exceeds its assets.
- If the amount of dividend exceeds the accumulated profits (retained earnings) and
- If dividend is being paid from capital invested in the firm. Legal rules are significant in what they provide the framework within which dividend policies can be formulated.

(iv) Desire of Shareholders

Shareholder may be interested either in dividend incomes or in capital gains. Wealthy shareholder in a high income tax bracket may be interested in capital gains as against current dividends. A retired and old person, whose source of income is dividend, would like to get regular dividend. In closely held company, management usually knows the desires of shareholders. Therefore, they can easily adopt a dividend policy that satisfies all shareholders. But in a widely held company, number of shareholders is very large and they have diverse desires regarding dividends and capital gains. Some shareholders want cash dividends, while other prefer bonus share.

v) Need to Repay Debt

The need to repay debt also influences ability of cash flow to pay dividend. When a firm issues debt capital, it must be refunded in maturity in order to retire debt, retention of earning is essential. So the dividend policy is affected by retained earnings.

vi) Restriction on Loan Agreement

Restriction on loan agreement directly affects on dividend policy of a firm. Such restrictions are designed to protect the position of lender and preference shareholders. Restrictions on debt contracts may specify that dividend may be paid out of earning generated after signing the loan amount agreement and only when net working capital is above a specified amount certain amount of earning to reinvest as well.

vii) Rate of Assets Expansion

The more rapidly a firm is growing greater its need for financing assets. The greater the future need for fund, there is more likely to retain earnings rather than pay them out consequently shareholders will get minimum dividend.

viii) Profit Rate

The rate of return on assets determines the relative attractiveness of paying out earning in the form of dividend to stockholder. If other things remain same high profit rates is the indicator of high dividend payout.

ix) Stability in Earning

A firm that has a stable earnings trend will generally pay larger portion of its earnings as dividend. The unstable firm is not certain that in subsequent years the hoped for earning will be resized. So it is likely to retain a high proportion of current earnings.

x) Tax Position of Stock Holder

Because of difference among investor’s tax rate, certain investor preference for dividend versus capital gain have been observed in the market. Corporations owned by large tax payers in high income tax brackets tend toward lower dividend payout where as corporations owned by small investors tend toward higher dividend payout.

xi) Control

For many small firms and certain large ones, maintain the controlling vote is very important. These owners would prefer the use of debt and retained profit to finance new investments rather than issue new stock. As a result dividend payout will be reduced.

xii) Access to the Capital Market

All firms do not have equal access to the capital market. A large well established firm with record of profitability and stability of earning has easy access to capital markets and other forms of external financing. Easy accessibility to the capital market provides flexibility to the management in paying dividend as well as in meeting the corporate obligation. Thus a fast growing firm having tight liquidity position will not face any difficulty in paying dividends if it has access to the capital market. (Bhattarai, 2008)

2.1.4 Dividend Payment Procedures

The process of distributing the dividend is called dividend payment procedure. Dividend payment includes a systematic steps and every company should follow it. The major steps of dividend payment procedure are as follows:

Declaration Date

The date on which directors meet and declare the dividend is called declaration date. On this date, board of directors declares dividend what the company is going to distribute for example, Board of directors of NABIL Bank Limited met on March 1 and declare to pay 20% cash dividend from April 10, those who record their name until April 15.

Holder of Record Date

A date until which a person who has bought shares before ex-dividend date mush registers his/her name in the company is called holder of record date. it is a final date to transfer the title meaning that the seller's name should be replaced by the buyer's name in the company's register till this date. In the above example, April 10 is a record date. Any investor who buys shares before April 11 must record his name in the company until April 15 to receive dividend.

Ex-dividend Date

The date when one right to the dividend leaves the stock is called ex-dividend date. The ex-dividend date may vary country to country and may also determine by the companies themselves. This date normally is the four days before the holder of record date. In the above example, April 11 is the ex-dividend date.

Payment Date

The date on which actually a company starts to pay dividend is called payment date (Pradhan, 1998).

2.2 Review of Empirical

Some of the major studies which have been conducted before 2000 A.D and till present has been summarized below. Different methodologies have been used for fulfilling the objectives of the research by the researcher.

Table no 2.1 Summarization of major dividend studies before 2000 A.D

Study	Topic	Methodology	Major Findings
Miller & Modigliani(1961)	Dividend Policy , Growth, and The Valuation of Shares	Discounted cash flow approach, Investment opportunities approach	Terminal value of the share declines when dividends are paid. The shareholders are indifferent between the payment of dividends and retention of earnings. The present value per share after dividends and external financing is equal to the present value per share before the payment of dividends.
Baker et al& Baker and Powell (1999)	Determinants of Corporate Dividend Policy: A Survey of NYSE Firms	Questionnaire Survey	Dividend policy affects the stock prices. The managers are concerned about the signals that dividend change may provide to investors and try to maintain continuity of dividends.

This research paper shows the effect of firm's dividend policy on the current price of its shares. This is a matter of serious importance. This research paper mainly investigates that do companies with generous distribution policies consistently sell at a premium over those niggardly payouts. Is there an optimum payout ratio or range of ratios that maximizes the current worth of the shares?. It concludes that a firm which pays dividends will have to raise funds externally in order to finance its investment plans. When a firm pay dividend, its advantage is offset by external financing. This means that the terminal value of the share declines when dividends are paid. Thus the wealth of the shareholders' dividends plus the terminal share price remains unchanged. Thus the share holders are indifferent between the payment of dividends and retention of earnings.

This study reports the results of a 1997 survey of NYSE listed US firms about managers' views of what factors determine dividend policy. The results underscore the importance that managers place on maintaining the continuity of dividends. The responses of most of the managers surveyed clearly imply the belief that dividend policy affects stock prices. Another implication of the findings is that managers are concerned about the signals that dividend change may provide to investors. Such concern appears warranted given the extensive empirical research on the information content of dividends.

Table 2.2 Summarization of major dividend studies from 2000 A.D to 2010 A.D

Study	Topic	Methodology	Major Findings
Nissim (2001)	Dividend Changes and Future Profitability.	Regression analysis, Correlation analysis	Dividend changes are positively related to the level of future profitability.
Jorge Farinha (2003)	Dividend Policy, Corporate Governance and the Managerial Entrenchment Hypothesis: An Empirical Analysis.	Regression analysis	The hypothesis that liquidity needs on the part of insiders are responsible for the positive association between dividend payouts and insider ownership after critical turning point was also investigated.
Skinner	What do dividends	Correlation	This paper provides new evidence on

(2004)	tell us about earnings quality?	coefficient and regression analysis	whether dividends provide information about firms' future earnings prospects, and in particular about the quality of reported earnings.
Kevin Chiang, George M. Frankfurter, Arman Kosedag (2006)	The perception of dividends by professional investors.	Factor analysis	Dividend patterns do exist; therefore signaling well being with dividends is just a limited and unclear explanation. Paying dividends by firms that are different in size and at different stages of their life cycle may be myopia in one instance, and an economically rational move in another.
Alpa Dhanani (2006)	Corporate Dividend Policy: The Views of British Financial Managers	Questionnaire Survey, T-test, Correlation analysis.	Lack of support for the role of dividends in the free cash flow hypothesis. Changes in dividends do not reflect changes in the level of wasteful investments, as the hypothesis would suggest. Rather dividend changes are associated with changes in future cash flow expectations (signaling implications.)

This study firstly, examines the relation between dividend changes and future profitability, calculated in terms of either upcoming income or abnormal income. Secondly, the information content of dividends hypothesis is concerned in which dividend changes deliver information about the level of profitability in succeeding years, incremental to market and accounting data. The study shows that dividend changes are positively associated to earnings variations in later two years after the dividend change. The final result of empirical study tells us that its positive relation among return on equity and dividend change. Through statistical test the relationship is significant . It accepts the alternative hypothesis and rejects null hypothesis. The study of collected data shows that there is positive relation among return on assets and dividend change of the firm and this relationship is significant. The relationship between earning per share and dividend change is also positive and statically significant. The final output of the study support the information content of the dividend change and implies that positive future prospect is linked with positive future in profitability of the firm and negative future prospects linked with negative future in profitability.

The paper analyses the agency explanation for the cross-sectional variation of corporate dividend policy in the UK by looking at the managerial entrenchment hypothesis drawn from the agency literature. Consistent with predictions, a significant U-shaped relationship between dividend payout ratios and insider ownership is observed for a large (exceeding 600 firms) sample of UK companies and two distinct periods. These results strongly suggest the possibility of managerial entrenchment when insider ownership reaches a threshold of around 30%.

The research investigates whether the in formativeness of payout policy with respect to earnings quality changes over this period. It has been found that reported earnings of dividend-paying firms are more persistent than those of other firms and that this relation is remarkably stable over time. It has also presented that dividend payers are less likely to report losses and those losses that they do report tend to be transitory losses driven by special items. These results do not hold as strongly for stock repurchases, consistent with them representing less of a commitment that dividends. The evidence shows that dividends are informative with respect to firms' earning prospects, although not in the traditional sense of signaling future earnings changes. It also suggests that repurchases are unlikely to completely supplant dividends given the strength of the relation between earnings quality and dividends.

The major purpose of this research paper is to study the perception of dividends by the professional investor, for whom mutual fund managers are a proxy. The main line of research in dividends is based on using market data that are fit, expost, to a cherished hypothesis. It is believed, however, that such data cannot measure motivation which is underlying force behind generating market data. The research use survey instrument and factor analysis and hierarchical grouping which includes three distinct groups of professional investors and their attitude towards dividend. The three groups formed were more growth – oriented, aggressive and a middle-of-the-road group is posited. Traditional group give more importance to dividends than the growth-oriented group. The other groups perceive dividends as something needed to pacify the shareholder. This survey satisfies one's desire to better understand the dividend puzzle.

Using a survey approach, this paper examines the importance and relevance of the various theories of dividend policy for UK companies.. In general, the results support dividend hypotheses relating to signaling and ownership structure, in preference to those about capital structure and investment decisions and agency issues. In short, the cross sectional analysis reveals important differences between managers' responses, based on company size, industry sector, growth opportunities, ownership structure and information asymmetry.

Table 2.3 Major dividend studies from 2011 to 2020

Study	Topic	Methodology	Major Findings
Tahereh Sanjari, B.Zarei (2014)	The Study Factors Influencing Corporate Dividend Policy of Financial and Non-Financial Firms on Companies Listed In Tehran Stock Exchange	Hypothesis (T-test)	The study investigates the factors influencing coorate dividend policy of financial and non-financial firms on companies listed in Tehran stock exchange. The result signifies that leverage, company size and liquidity have positive impact on the dividend policy while growth and profitability impact is negative and significant.
Ricardo Rodrigues, J.Augusto Felicio and Pedro Verga Matos (2020)	Corporate Governance and Dividend Policy in the Presence of Controlling shareholders	Regression Analysis	This research focused on the influence of corporate governance on the dividend policy of corporation listed in continental European countries. The results also revealed that the dividend payment decisions and the dividend yield decisions, in the presence of controlling shareholders, are influenced by different governance variables.
Sana Charbti (2020)	Dividend policy, irrationality approaches and	Mean, S.D, Regression analysis.	This research suggests that a firm with a large board independence would pay few dividends to its shareholders since

	behavioral corporate finance: theory and evidence		dividend and board independence rise monitoring and effectiveness and improve corporate governance.
Hanady Bataineh, Collins G.Ntim(2020)	The impact of ownership structure on dividend policy of listed firms in Jordan	Regression analysis, Correlation analysis.	This research suggests several things that investors can anticipate dividend payment from their current investments by examining the ownership structure of their firms.
Makshindra Thapa, PhD (2021)	Effect of Financial Determinants on Dividend Payout: Evidence from Nepalese Retail Banks	Regression Analysis.	This paper examined the effect of dividend determinants on dividend payout ratio and revealed mixed results. The result from five years observation has indicated that only profit and cash flows are not major factors that determine dividend ratio but available financial slack and market to book value ratio are strong determinants of dividend.

The study investigates factors influencing corporate dividend policy of financial and non-financial firms on companies listed in Tehran stock exchange. Dividend payables as variable dividend policy alternatives were considered. Data were collected from 70 different firms in Tehran Security Exchange (TSE) during 2009-2013. The results signifies that the variable liquidity and size of the company has a significant positive impact on the dividend is payable. This concludes that increasing the size, growth, and liquidity of the company dividend payment will also increase.

The focus of previous research on the contribution of corporate governance to dividends policy was limited. This research paper focused on the payment of dividends by listed corporations with headquarters in continental Europe with the objective of identifying whether governance mechanisms would still play a role in the protection of shareholder interest in a context where the presence of controlling shareholders in the norm. The results conclude the presence of significant relationships between several of the selected governance mechanisms. Even in the presence of controlling shareholders, governance mechanisms are clearly important for stimulating the payment of dividends, thus reducing agency costs and supporting the outcome approach of the relationship between corporate governance and dividends. It also concludes that dividend payment decisions are influenced by different governance variables.

The study investigates the impact of ownership structure on the dividend policy in Jordan. It aims to uncover the effects of family ownership, institutional ownership, foreign ownership and state ownership on dividend decision. The research results show a significant positive association between institutional ownership and dividend yield, while foreign ownership is associated with a less likelihood of paying dividends. The study provides a clear evidence that high institutional ownership as an external control mechanism increases the need to pay dividends. The study recommends that investors should take into account ownership structure when making investment decisions to help them choose the best investment opportunities.

This paper examined the effect of dividend determinants on dividend payout ratio and revealed mixed results. The result from five years observation has indicated that only profit and cash flows are not major factors that determine dividend ratio but available financial slack and market to book value ratio are strong determinants of dividend.

2.3 Review of Nepalese Studies

Nepalese books and journals are also important sources to gain knowledge about dividend policies. We can really understand about the trend which is going on in current context of Nepal through these books and journals. We can compare about the practices or way of distributing dividend of different commercial banks and bank through these journals .Books really help to know about dividend, dividend policies and the way of distributing dividends to its final share holders.

Many studies have also been made in Nepalese context regarding to dividend and stock prices. Because of lack in information the studies might have been limited to certain extent. However, some studies are being reviewed here

Table 2.4 Major Nepalese studies

Study	Topic	Methodology	Major Findings
Pradhan (2009)	Impact of dividend policy on share price volatility	Correlation analysis using secondary data from time period 2009 to 2014	The dividend payout ratio is negatively related to share price volatility.
Nabina (2001)	Impact of dividend policy on share price and future profitability of commercial bank in Nepal.	Correlation and regression analysis using secondary data of 13 commercial banks from year 2001 to 2014.	The findings of the study explains the dividend yield and retention ratio has significant negative impact, whereas earning per share has significant positive impact on market price of share of commercial banks in Nepal.
Adhikari (2014)	Manager's views on dividend policy of Nepalese enterprises.	Chi-Square analysis and Spearman's Correlation coefficient analysis was carried out with 66 listed enterprises.	The study concludes that the growth rate of the enterprise's earnings, patterns of past dividends and availability of investment opportunities are the major determinants of dividend policy.
Aryal (2017)	Dividend policy: comparative study between Nabil bank and Standard Chartered Bank Nepal Limited.	Correlation analysis	The major findings of the study was that there was a positive relationship between dividend per share with earning per share, net profit, net worth and stock prices. Change in dividend policy or DPS might help to increase or decrease the market price of shares.

Pradhan (2009) studied in impact of dividend policy on share price volatility. The study reveals that dividend payout is negatively related to share price volatility (price volatility, change in MPS and stock return volatility). It indicates that increase in dividend payout leads to decrease in share price volatility. However, earning volatility is positively related to share price volatility indicating that higher the earning volatility, higher would be share price volatility. The study is based on secondary data which were gathered from a sample of 18 commercial banks of Nepal within the time period from 2009 to 2014. The major findings of the study are that dividend payout ratio is negatively related to share price volatility. It indicates that increase in dividend payout leads to decrease in share price volatility. The dividend yield has significant negative impact on stock return change. It reveals that higher the dividend yield; lower would be the stock return change.

Nabina (2001) analyzes the impact of dividend policy on share price and future profitability of commercial bank in Nepal. This study supports the dividend relevance in Nepalese market, and it is further extended to analyze whether dividend changes carried any special information influencing future profitability of commercial banks in two subsequent year of dividend declaration. Using different methodologies the researchers analyzed the impact of dividend policy on share price and future profitability of commercial banks in Nepal. The study first analyzes the impact of dividend policy on share price. The finding of the study explains the dividend yield and retention ratio has significant negative impact, whereas earning per share has significant positive impact on market price of commercial banks in Nepal. The finding of the study on the impact of dividend policy on share price is consistent with previous studies. However, the study covers more recent study period and wider study area. Hence, this study and its findings are significant to the entire banking industry regarding the factors and its intensity on influencing share prices of commercial banks in Nepal.

Adhikari (2014) research on manager's views on dividend policy of Nepalese Enterprises also analayze the perceptions of managers on dividend policy by surveying the views of 125 managers of 66 companies listed on Nepal Stock Exchange. The result of this study indicate that the most important determinants of dividend policy in order are growth rate of enterprise's earnings, patterns of past dividends, availability of investment opportunities; managers have more emphasis on the stable dividend policy; and dividend policy influences the value of enterprises in Nepal. This current study extends limited previous research based on questionnaire and survey related dividend policy. It thus provides new evidence from a pre-emerging capital market of Nepal. The study concludes that the growth rate of the enterprise's earnings, patterns of past dividends and availability of investment opportunities are the major determinants of dividend policy. The managers from banking sector and non banking sector equally view on major aspects of dividend policy. Dividend policy influences the value of the enterprises in Nepal. The dividends influence the value of the enterprises as it affects the growth and financing mix of the enterprise, and it has signaling effect on shareholders, so Nepalese enterprises are recommended to follow stable and explicit dividend policy commensurate with the actual growth and earning capacity of the enterprise.

Aryal (2017) has conducted a research work on "Dividend policy: comparative study between NABIL bank and Standard Chartered Bank Nepal Limited". The study analyzed the data of the two banks for five fiscal years. The major objectives of this research was to test the relationship between dividend per share and stock prices, to identify the relationship between DPS and other financial indicator, to determine the impact of dividend policy on stock prices, to identify whether it is possible to increase the market value of the stock changing dividend policy.

The major findings of the study were that there was a positive relationship between dividend per share with earning per share, net profit, net worth and stock prices. Market price is affected by dividend decision, if there is change in dividend per share. Change in dividend policy or DPS might help to increase or decrease the market price of shares.

2.4 Research Gap

Many studies have been made in the field of dividend policies that are international and national studies. Time factor is a major hindrance on research work. The concept and practices prevailed on that period may not accurate for today's time period or current situation. So, conducting a recent study by reviewing different literature and studies made by researcher is the main aim of this study.

These research works were different by means of scope, objectives, sample size and research methodology used. Due to different time frame used, different result has been achieved in different studies and research. In this present research work performed may be taken as a further step which might have been able to fill the gap between previous researches. The finding of this research might be quite relevant because of the sufficient sample size taken and variables taken. Different types of statistical tools and financial tools have added high value to this research. The previous research have focused on only the dividend policy and its effect on market price of share of selected banks. This particular research is trying to fulfill the gap or stones unturned by previous research. A dividend policy is a bank’s approach to distribute profits back to its owners or stockholders. If a bank is in a growth mode, it may decide that it will not pay dividend, but rather re-invest its profits (retained earnings) in the business.

CHAPTER-III
RESEARCH METHODOLOGY

Research Methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view. In the other words, Research methodology refers to the various sequential steps (along with a rationale, of each such step) to be adopted by a researcher in the studying a problem with certain object/objects in view It refers to the various sequential steps to adopt by a researcher in studying the problem with certain objectives. It describes the method and process applied in the entire aspect of the study. In this chapter, the research design, data collection procedure and procedures concerning analysis of data are described thoroughly

3.1 Research Design

It is the plan, structure and strategy of investigation concerned so as to obtain answers to research questions and to control variances. The research design refers to the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and the analysis of data. This study is mainly focused with dividend practices by the Nepalese commercial bank and the applied data are secondary in nature.

Descriptive research design was adopted to describe the situation and events of dividend policy, the dividend patterns, dividend policy behavior. For this, Descriptive statistics were used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Descriptive statistics are the numerical, graphical, and tabular techniques for organizing, analyzing, and presenting data. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. Some of the descriptive statistics used in this study are;

3.2 Population and Sample

For the sampling purpose for the study, random sampling method has been chosen where the total population is segregated into mutually exclusive subpopulation and includes elements from each of the segments. Therefore, the total population for the study becomes 20 of listed commercial banks. Among them there are 8 commercial banks out of which are taken as sample for secondary data collection. The selection of samples has been made on the basis of capital structure of the bank. Four commercial banks with large capital structure and four commercial banks with lower capital structure.

Sample size determination

For secondary data analysis:

For the analysis of secondary data, eight commercial banks have been chosen. They have been mentioned below:

a) Sanima Bank Ltd
b) Siddhartha Bank Ltd
c) Global IME Bank
d) Citizens Bank
e) Nabil Bank
f) Machhapuchhre Bank
g) NMB Bank
h) Sunrise Bank

Rational behind choosing sample size for study:

The rationale behind choosing those banks under the study is because those entire bank are the reputed listed bank in their sectors and have widely practiced dividend payment too. The banks are selected under the basis of size of the bank. Banks with high total assets and lower total assets have been selected on the basis of their popularity and goodwill.

In addition, besides this, this study also revel the dividend policy and practice of paying dividend of the commercial banks of our country. In order to enhance the greater speed of data collection and to reduce the time between the recognition of a need for the information and the availability of information those eight commercial banks are chosen. The following rationale could be drowning in selection of the eight commercial banks as samples during the period of study for the secondary data analysis.

a) The main focus of the study was to understand the view of management of Nepalese commercial banks towards the dividend policies and practices.
b) The significant payment of the dividend by all the banks chosen for the study throughout different period have also forced me to choose them.

c) All the selected banks are of high profile in Nepalese banking industry

3.3 Instrumentation

As the main objective of the study is to analyze the views of managements of Nepalese commercial banks regarding the dividend policies and practices, secondary data has been collected from different websites and journals for study. As already mentioned that another one of the objectives of the study is to study the practices of dividend policies by the Nepalese commercial banks. For this, in order to collect secondary data, instruments such as, annual reports, financial statements, reports from SEBON, NEPSE, different websites , books and journals and other relevant materials such as Google search engines have been used.

3.4 Data collection procedure and time frame

The procedure for the data collection and time frame are shown as;

3.4.1 Data collection procedure

The study has more focused to the secondary data analysis. Secondary data have been analyzed. Hence, in order to collect the required data for their analysis, secondary sources have been used.

Secondary sources:

a) To analyze the study topic, require secondary data have been collected from eight commercial banks which are related with dividend. The data relating to the dividend policy are directly obtained from concerned banks. The required secondary data were collected from mentioned below:
b) Annual reports of the selected commercial banks
c) Security Board of Nepal
d) Nepal Stock Exchange Limited
e) Books Journals and Articles
f) Websites such as

3.5 Time frame

This study includes the data of the selected eight commercial banks of ten fiscal years which are related to the dividend policies and practices which are needed for accomplishing the objective of the study. Those data which are retrieved, processed and analyzed for the eight years are 2070/71,2071/72,2072/73,2073/74,2074/75 2075/76,2076/77,2077/78,2078/79,2079/80.

Validity and reliability is an important aspect of this study which has helped to proof the study has been conducted in a sound way. The validity has been focused while collecting data from the secondary sources. Datas from different websites, annual report has been verified and analysed to determine the validity and reliablilty of collected datas.

Cross checking of collected datas has also been done to check the reliability of data. Reliability and validity of datas is very much essential since the whole results of the study depends upon the reliability and validity of the collected data.

Not only these, editing of the report has been done several times that has helped for effective reliability of the study too. In this way, validity and reliability has been given focused in this study.

Different type of errors has been detected and eliminated due to several checks in the report.

3.6 Analysis Plan

The analysis of data under this study has been done according to the pattern of data available. Wide varieties of methodology have been applied according to the reliability and consistency of data. For the systematic analysis of data gathered from secondary sources, various financial and statistical tools have been used in this study. Mainly the analysis has been done by using financial tools and statistical tools.

3.6.1 Financial Tools

Independent variables are those, which help to study the financial strength and weakness of the sample firms. The independent variables used in this study are briefly presented below:

3.6.1.1 Earning per Share (EPS)

Earnings per share refer the rupee amount earned per share of common stock outstanding. It measures the profitableness of the shareholders investment. The earnings per share shows the profitability of the bank on a per share basis. The higher earning indicates the better achievements in terms of profitability. This study has analyzed EPS of eight banks for the ten FYs.

3.6.1.2 Dividend Payout Ratio (DPR)

The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders in dividends. The dividend payout ratio provides an indication of how much money a company is returning to shareholders versus how much it is keeping on hand to reinvest in growth. Generally, the higher DPS creates positives attitude of the shareholder toward the bank, which consequently helps to increase the market value of the shares. This study has analyzed DPS (including bonus) on share capital of selected eight banks for ten FYs.

3.6.1.3 Equivalent Dividend

An equivalent dividend is the total dividend in the form of rupee equivalent. It includes both the cash dividend and stock dividend in the form of rupee equivalent. It is the value of the dividend in rupee equivalent that the company pays to its shareholders. Understanding equivalent dividend is very much important so that one can realize the actual gain of the bonus shares in the form of monetary value. In some cases, getting bonus shares is very much beneficial than getting the cash dividend. It might have a higher return than the cash dividend in the form of monetary value.

3.6.1.4 Market Value Per Share (MPS)

Market price per share is the price of the shares of a bank at which the share of a bank is prevailed in the market. MPS of eight banks for the ten FYs have been studied under this studied and analyzed accordingly.

3.6.1.5 Net Worth Per Share (NWPS)

Net worth per share is a measurement of the net worth of the company for each share of stock that has been issued. Since stock dividends are cash the company pays out to shareholders, this value cannot be included in a company’s net worth. If this value is negative, this is a bad sign that the company’s liabilities exceed its ability to pay them. Company’s that distribute a large amount of stock dividends may also see this ratio value suffer, as it is burdened with constant dividend disbursements. An increasing Net worth per Share value is a positive sign as this may often be a signal the company has reduced its liabilities.

3.6.1.6 Leverage ratio

Leverage ratio is defined as the capital measure divided by the exposure measure, expressed as a percentage. The leverage ratio measures a bank's capital to its total assets. Core Capital Adequacy Ratio (CCAR) is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. It is decided by central bank and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process. It has also been indicated that low leverage banks can pay higher dividend to its share holders. However, banks having high leverage cannot pay higher dividends.

3.6.1.7 Liquidity ratio

Liquidity ratios are a class of financial metrics used to determine a company's ability to pay off current debt obligations without raising external capital. Liquidity ratios determine a company's ability to cover short-term obligations and cash flows, while solvency ratios are concerned with a longer-term ability to pay ongoing debts. Banks having higher liquidity ratio can pay higher dividend and those having lower liquidity ratio cannot pay higher dividend to its shareholders.

3.6.1.8 Previous year dividend

Previous year dividend is an important factor which might determine the current year dividend payout ratio. Many commercial banks want to maintain the past year dividend payout ratio. They want to make consistencies in their dividend payout ratio. Since dividend payout ratio indicates banks' financial strength every banks want to maintain constant or increasing dividend payout ratio.

3.6.1.9 Net worth to par value

Net worth per share is a measurement of the net worth of the company for each share of stock that has been issued. Net worth par value indicates the Net worth of a share for par value i.e Rs.100. It is calculated by dividing the net worth per share by par value of the share.

3.6.2 Descriptive statistics

Statistics (as used in sense of data) are numerical statement of facts capable of analysis and interpretation and the science of statistics is a study of the principals and methods used in collection, presentation analysis and interpretation of numerical data in any sphere of inquiry. In the present study following statistical tools have been used to draw one meaningful conclusion.

3.6.2.1 Coefficient of correlation (r)

Correlation analysis is the statistical tool that can be used to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the direction of relationship between two sets of figures. It is the square root of the coefficient of determination – correlation can either be positive or it can be negative. If both variables are changing in the same direction, the correlation is said to be positive but when the variations in the two variables take place in opposite direction, the correlation is termed as negative.

The coefficient of correlation is generally denoted by the letter **r** and is always between -1 and +1. The value of +1 or -1 denotes perfect positive or negative correlation where as value of 0 means no correlation at all. The value of 0.7 to 0.999 or -0.8 to -0.999 indicates a high degree of positive or negative correlation. The value of r between 0.5 to 0.6999 indicates a moderate degree of correlation where as value of r less than 0.5 indicates a low degree of correlation. Two or more variables are said to be correlated if change in the other variables. It is used to determine the relationship exists or not, whether the relationship is significant or not to establish case and effect relation if any. This study tends to analyze the Relationship of different variables like net worth par value, previous year dividend, liquidity, leverage of bank with dividend payout ratio.

3.6.2.2 Regression analysis

The relationship can be represented by a simple equation called the regression equation. In this context "regression" (the term is a historical anomaly) simply means that the average value of y is a "function" of x, that is, it changes with x. The regression equation representing how much y changes with any given change of x can be used to construct a regression line on a scatter diagram, and in the simplest case this is assumed to be a straight line. Regression coefficient can explain the relationship and the changes likely to occur in dependent variable due to degree of changes in independent variables. It has been said that the results achieved from regression analysis can be highly reliable and valid.

3.7 Research framework and definition of variables

A research framework is a conceptual model that shows the relationship among the several factors that have been identified as important to the problem. It contributes in understanding the research. Research frameworks help to clarify the variables, general framework, data collection, analysis and impact of those independent variables to dependent variables. Following research framework has been developed as a result of literature reviews from articles, journal, research papers and books.

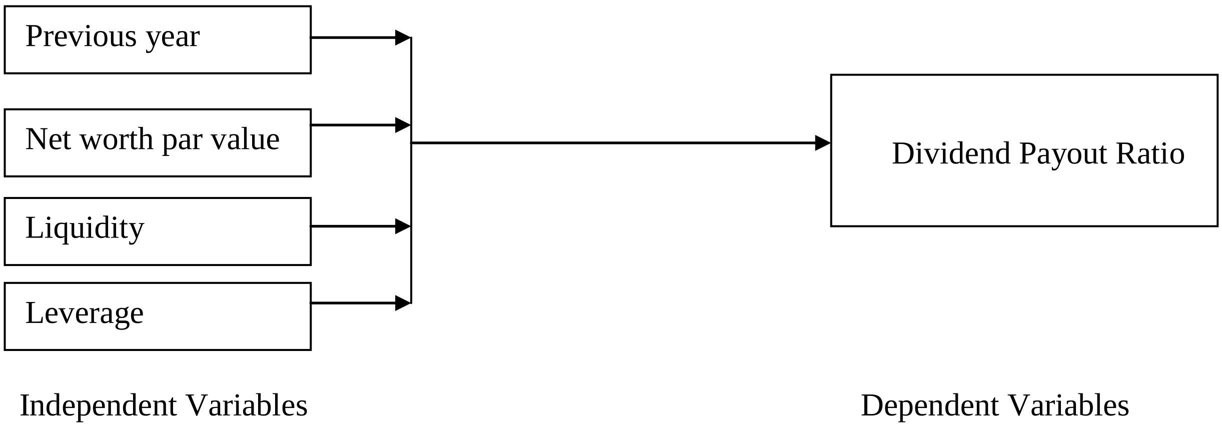

Figure 1 Research framework

(Source: Miller & Modifliani 1961)

The dependent and independent variables considered for the study are major determinants for providing significant effort to achieve a result for this research. The major determinants of dividend payout ratio have been extracted through various several literature reviews. The variables have been explained below:

Dependent variable: A variable which is affected by the change in the independent variable is known as dependent variables. The dependent variable has always been a major interest of the researcher.

Dividend payout ratio: Dividend payout ratio is the dependent variable in this study. Dividend payout ratio is defined as the dividend payment made to its shareholders analyzing the after tax profit.

Independent variables: The variables that influence the dependent variables positively or negatively is defined as independent variable.

Previous year dividend: The study of previous year dividend is also done to seek out the relationship of succeeding dividend with the preceding dividend payout. The previous year dividend can also have some impact on the current year dividend payout ratio since many commercial banks are concern about maintaining the dividend payout ratio in the upcoming year too.

Net worth par value: Net worth per share is a measurement of the net worth of the company for each share of stock that has been issued. Since stock dividends are cash the company pays out to shareholders, this value cannot be included in a company's net worth. If this value is negative, this is a bad sign that the company's liabilities exceed its ability to pay them.

Liquidity: Liquidity in banking refers to the ability of a bank to meet its financial obligations as they come due. It has been found that the commercial banks with higher liquidity can pay higher dividend to its shareholders. They have positive relationship with dividend payments. Liquidity is also refers to a bank's ability to use its current assets to meet its current or short-term liabilities.

Leverage: The leverage ratio is defined as the capital measure divided by the exposure measure, expressed as a percentage. The capital measure is tier 1 capital and the exposure measure includes both on-balance sheet exposure and off-balance sheet items. Higher the leverage ratio can result in lower dividend payment and lower the leverage ratio can result in higher dividend payment. The higher the tier 1 leverage ratio, the higher the likelihood of the bank withstanding negative shocks to its balance sheet. The leverage ratio is used as a tool by central monetary authorities to ensure capital adequacy of banks.

CHAPTER-IV
RESULTS AND DISCUSSION

This chapter includes presentation and analysis of relevant data for the achievement of the objectives of the study. In this chapter, secondary data which are collected for accomplishing the objective have been analyzed. The effort has been made to analyze the comparative dividend policy of the samples. This analysis is highly supported by the practices of dividend distribution. For this supportive reason the data has been taken for elaboration, explanation and come to conclusions. The chapter begins with the descriptive analysis of the secondary data's financial indicators i.e., EPS, Previous Year Dividend, MPS and NWPS, Liquidity, Leverage and analysis of the selected samples. The financial indicators then analyzed and interpreted with the help of available statistical tools. After that, the results from the secondary data are presented with the help of tabular and graphic tools and statistical test analysis**.**

4.1 Results

Analysis of dependent and independent variables

Earnings per share (EPS)

Earnings per share refer the rupee amount earned per share of common stock outstanding. It measures the profitableness of the shareholders investment. The earning per share shows the profitability of the bank on a per share basis. The higher earning indicates the better achievements in terms of profitability. This study has analyzed EPS of eight banks for the ten FYs. A higher EPS indicates greater value because investor will pay more for a company's shares if they think the company has higher profit relative to its share price. Dividends per share, on the other hand, calculate the portion of company's earnings that is paid out to each preferred shareholder.

4.1.1 Analysis of Earning Per Share

The table shows the comparative analysis of earning per share of 8 different commercial banks. Their averages and standard deviation has also been calculated for better comparison and results.

Table 4.1

Comparative analysis of earning per share

Fiscal Year	Earnings per share EPS (in Rs.)							
	CITIZENS	**GLOBAL IME**	**NABIL**	**MPBL**	**NMB**	**SUNRISE**	**SANIMA**	**SIDBL**
2070/71	9.58	4.95	78.61	4.96	10.7	16.35	10.63	21.99
2071/72	19.36	14	70.67	0.55	11.1	2.2	7.7	19.82
2072/73	10.7	11.79	83.23	1.54	2.61	5.52	6.04	20.41
2073/74	19.66	16.15	95.14	5.98	18	15.46	15.13	29.8
2074/75	23.7	19.57	83.68	18.34	20.5	11.03	19.28	38.63
2075/76	30.94	15.58	57.24	22.2	25.1	19.27	24.47	37.77
2076/77	35.25	19.33	59.27	25.04	27.8	23.94	32.55	41.53
2077/78	20.27	22.57	59.86	24	26.9	16.76	26.31	26.6
2078/79	15.37	23.64	51.84	15.81	21.9	18.13	21.22	26.45
2079/80	17.49	26.79	50.57	21.07	23.5	20.94	28.22	26
Average	20.232	17.437	69.01	13.95	18.8	14.96	19.155	28.9
S.D	8.0884	6.3697916	15.45	9.68	8.22	6.81358	9.0518	7.8574367

Source: Appendix 1

The Table 4.1 shows Earning per share of the samples from the Fiscal Year 2070/71 to 2079/80. While analyzing the earning, higher earning indicates the bank is in prosperity while lower earning indicates inefficiencies in their performances.

Looking at the average EPS of ten fiscal years of all those banks it can be clearly seen that Nabil Bank has been performing the best. Since it has higher EPS in average i.e 69.01. It indicates that the bank has been making a good earnings in its fiscal year. Higher the earning per share can directly lead to higher the dividend payment. Whereas if any bank which has lower EPS will not be able to pay higher dividend to its investors. The lowest average of EPS is of Machhapuchhre Bank ltd. i.e 13.95.

Market value per share (MPS)

Market price per share is the price of the shares of a bank at which the share of a bank is prevailed in the market. MPS of eight banks for the ten FYs have been studied under this studied and analyzed accordingly. This is not a fixed price , it fluctuates throughout the trading day as various market forces push the price in different directions. After the declaration of a stock dividend, the stock's price often increases. However because a stock dividend increases the number of shares outstanding while the value of the company remains stable, it dilutes the book value per common share, and the stock price is reduced accordingly.

4.1.2 Analysis of market value per share

The table shows the comparative analysis of market value per share of 8 different commercial banks. Their averages and standard deviation has also been calculated for better comparison and results.

Table 4.2

Comparative analysis of market value per share

Fiscal Year	**Market value per share MPS (in Rs.)**							
	CITIZENS	**GLOBAL IME**	**NABIL**	**MPBL**	**NMB**	**SUNRISE**	**SANIMA**	**SIDBL**
2070/71	491	260	2384	282	295	265	497	444
2071/72	222	209	1252	133	195	163	497	270
2072/73	230	160	1355	107	180	145	225	345
2073/74	267	432	1815	203	252	232	260	300
2074/75	539	640	2535	576	515	510	638	810
2075/76	489	479	1910	564	507	395	555	678
2076/77	680	515	2344	680	810	748	750	869
2077/78	403	388	1523	360	545	396	431	485
2078/79	236	290	921	209	358	230	324	300
2079/80	224	293	800	264	382	248	348	318
Average	378.1	366.6	1683.9	337.8	404	333.2	452.5	481.9
S.D	165.0861	150.6682891	614.86	201.1	194	185.0734	168.0246	224.6179225

Source: Appendix 2

The Table 4.2 shows the MPS of all those eight banks of ten fiscal years. Looking at the average of the MPS of the banks NABIL bank has the highest MPS ie 1683.9 and

SUNRISE bank has the lowest MPS i.e of 333.2. It indicates the performance of the bank and interest of investors in the market.

Equivalent dividend

An equivalent dividend is the total dividend in the form of rupee equivalent. It includes both the cash dividend and stock dividend in the form of rupee equivalent. It is the value of the dividend in rupee equivalent that the company pays to its shareholders

4.1.3 Analysis of equivalent dividend

The table shows the comparative analysis of equivalent dividend per share of 8 different commercial banks. Their averages and standard deviation has also been calculated for better comparison and results.

Table 4.3

Comparative analysis of equivalent dividend

Fiscal Year	Equivalent dividend (in Rs.)							
	CITIZENS	GLOBAL IME	NABIL	MPBL	NMB	SUNRISE	SANIMA	SIDBL
2070/71	12.63	5	983.6	28.2	41.0635	10	10	10.03
2071/72	12.97	8.1088	30	0	9	4	6.5	20.89
2072/73	8.42	14.8	311	0	0	5.26	5.5	8.42
2073/74	15	64.8	312.25	0	10	26.1	26.53	46.11
2074/75	76.02	112.8	552	69.75	104.05	0	96.49	108.36
2075/76	98.85	110.17	579.84	91.08	38.8506	86.055	112.05	136.65
2076/77	167.822	82.4	718.2	142.19	154.9	249.3084	113.29	338.91
2077/78	65.48	10	474.9	38.4	82.54	59.4	68.96	67.9
2078/79	10.19708	46.4	132.52	10	55.8	11.5	14	23.16
2079/80	18.72	12.75	118	24.2	94.22	30.6	45.85	47.06
Average	48.610908	46.22288	421.231	40.382	59.04241	48.22234	49.917	80.749
S.D	53.176923	43.69698398	298.5111	47.17227	49.599318	75.81267	44.363552	100.092486

Source: Appendix 3

The Table 4.3 shows the equivalent dividend of all those eight banks which shows the cash dividend and also the bonus dividend in form of cash equivalent. From the Table 4.3 it can be clearly seen that NABIL bank has been providing the highest average equivalent dividend to its investors i.e Rs. 298.5111. In contrary, Machhapuchhre bank limited has been distributing the lowest equivalent dividend to its investors i.e just Rs.40.382.

Net worth per share (NWPS)

Net worth per share is a measurement of the net worth of the company for each share of stock that has been issued. Since stock dividends are cash the company pays out to shareholders, this value cannot be included in a company's net worth. If this value is negative, this is a bad sign that the company's liabilities exceed its ability to pay them. Companies that distribute a large amount of stock dividends may also see this ratio value suffer, as it is burdened with constant dividend disbursements.

4.1.4 Analysis of net worth per share

The table shows the comparative analysis of net worth per share of eight different commercial banks. Their averages and standard deviation has also been calculated.

Table 4.4

Comparative analysis of net worth per share

Fiscal Year	Net worth per share NWPS (in Rs.)							
	CITIZENS	GLOBAL IME	NABIL	MPBL	NMB	SUNRISE	SANIMA	SIDBL
2070/71	108	103.24	265	109.54	122.78	110.8	109.28	146
2071/72	106	106.75	225	108.99	110.57	106.5	104.59	127
2072/73	109	112.74	269	106.83	113.34	106.76	105.63	135
2073/74	113	116.19	275	112.8	121.2	121.24	120.24	155
2074/75	131	123.09	251	130.54	140.6475	120.48	127.77	165
2075/76	146	118.79	259	137.46	149.77	112.63	134.524	184.43
2076/77	121	125.09	244	138.18	119.65	115.91	174.89	206.54
2077/78	136	139.24	270	124.43	145.47	117.15	131.36	167.74
2078/79	137	152.77	256	128.57	132.2	141.73	134.83	161.88
2079/80	149.26	158.4	257	139.49	153.26	150.51	149.85	169.12
Average	125.626	125.63	257.1	123.683	130.8888	120.371	129.2964	161.771
S.D	16.30484	18.74461582	14.6625	13.07951	15.5395	14.62418	21.65113	23.18536054

Source: Appendix 4

Net worth per share is a measurement of the net worth of the company for each share of stock that has been issued. Since stock dividends are cash the company pays out to shareholders, this value cannot be included in company's net worth. The Table 4.4 shows the net worth per share of all the eight commercial banks in which NABIL bank has the highest net worth i.e 257.1 where as SUNRISE bank has the lowest net worth per share i.e 120.371.A stock market value is not only influenced by economy but also due to the investors prediction and expectation also. The S.D of Siddhartha Bank is the highest i.e 23.18536054 and S.D of MPBL is the lowest i.e 13.07951 which indicates that there is a wide variation and dispersion in the value of Siddhartha bank and Machhapuchhre Bank do not have such dispersion or variation in the value of Net worth per share.

4.1.5 Dividend Payout Ratio

A cash dividend is the distribution of fund or money paid to stockholders generally as the part of the corporate current earnings or accumulated profits. They are paid directly in the form of money, as opposed to being paid as a stock dividend or other form of value. Bonus dividend or bonus shares are the additional shares given to the current shareholders without any additional cost, based upon the number of shares the shareholders owns. These are company's accumulated earnings which are not given out in the form of dividends, but are converted into free shares.

Dividend payout ratio is the dependent variable in this study. We are analyzing the changes in dividend payout ratio due to influence of other factors. Many independent factors affect the dividend payout ratio. The patterns of the dividend payout ratio have been studied in the Table 4.5. Dividend payout ratio has impact on various other factors which might be discussed later. Dividend payout ratio can also affect the market price per share. The bank should declare sufficient dividend payout ratio for its shareholders. It should always focus in maximizing shareholders' wealth. However, management should consider about different other factors while declaring dividend payout ratio. Dividend payout ratio also indicates the financial strength of the banks. Higher the dividend payout ratio indicates that the bank has strong financial strength.

The table shows the better comparison among the 8 commercial banks. Data from 2070/71 to 2079/80 has been taken for comparison of dividend payout ratio of these banks. This dividend payout ratio here constitutes both cash dividend payout and stock dividend payout ratio.

Table 4.5

Comparative analysis of dividend payout ratio

Fiscal Year	Dividend payout ratio (DPR)							
	CITIZENS	**GLOBAL IME**	**NABIL**	**MPBL**	**NMB**	**SUNRISE**	**SANIMA**	**SIDBL**
2070/71	12.63	5	70	10	20.53	10	10	10.03
2071/72	10.53	6.67	30	0	9	4	6.5	15.79
2072/73	8.42	13	60	0	0	5.26	5.5	8.42
2073/74	15	15	55	0	10	11.58	10.53	22.11
2074/75	18.95	21	65	12.63	21.05	0	15.79	23.16
2075/76	21.05	23	36.84	16.84	8	22.63	21.05	21.05
2076/77	25.78	16	45	21.84	20	33.33	15.79	39
2077/78	17	10	48	15	15.79	15	16	14
2078/79	5.263	16	34	10	30	11.5	14	13.16
2079/80	15	12.75	34	16	35	15.8	21.05	25.26
Average	14.9623	13.842	47.784	10.231	16.937	12.91	13.621	19.198
S.D	6.1110	5.6964	14.2012	7.8482	10.6212	9.6665	5.4254	9.0172

Source: Appendix 5

Commercial banks provided dividend in the form of cash dividend and bonus shares. However, bonus share would be more valuable to investors in term of monetary value or gain. In the Table 4.5, it can be seen that Nabil bank has been providing the highest dividend to its share holders. The average of its dividend provided in last ten years is also the highest which is 47.784. The dividend payment it has been providing to its share holders also signifies that the bank is making good profit and proved to be financially sound commercial banks. However, the average of the dividend payout of Machhapuchhre bank is just 10.231 in last ten years. This shows that the bank has not been able to provide significant amount of dividend payment to its share holders. The deviation in dividend payout ratio is very high in Nabil bank due to change in the dividend payout ratio in huge rate in different years. However, it has been found that

Sanima bank has been able to maintain its existing dividend payout ratio in several years which has results in lower deviation in dividend payout ratio.

4.1.6 Previous year dividend payout ratio (PREVDPR)

The study of previous year dividend is also done to seek out the relationship of succeeding dividend with the preceding dividend payout. The previous year dividend can also have some impact on the current year dividend payout ratio since many commercial banks are concern about maintaining the dividend payout ratio in the upcoming year too. Many of the commercial bank tries to maintain the same dividend payout ratio as they were maintaining in their previous year. Constant dividend payout ratio or increasing dividend payout ratio has been the major objective of commercial banks.

The table shows the previous year dividend payout ratio history of eight commercial banks for ten years ranging from 2065/66 to 2078/79.

Table 4.6

Comparative analysis of previous year dividend payout ratio

Fiscal Year	**Previous year dividend payout ratio (PREVDPR)**							
	CITIZENS	**GLOBAL IME**	**NABIL**	**MPBL**	**NMB**	**SUNRISE**	**SANIMA**	**SIDBL**
2065/66	10	0	85	0	0	0	5	15.79
2070/71	12.63	5	70	10	20.53	10	10	10.03
2071/72	10.53	6.67	30	0	9	4	6.5	15.79
2072/73	8.42	13	60	0	0	5.26	5.5	8.42
2073/74	15	15	55	0	10	11.58	10.53	22.11
2074/75	18.95	21	65	12.63	21.05	0	15.79	23.16
2075/76	21.05	23	36.84	16.84	8	22.63	21.05	21.05
2076/77	25.78	16	45	21.84	20	33.33	15.79	39
2077/78	17	10	48	15	15.79	15	16	14
2078/79	5.263	16	34	10	30	11.5	14	13.16
Average	14.4623	12.567	52.884	8.631	13.437	11.33	12.016	18.251
S.D	6.3089	7.1972	17.4802	8.1660	9.7375	10.4048	5.3571	8.8046

Source: Appendix 6

Many of the commercial banks seek to increase its dividend payout ratio in the upcoming year. It is all because the dividend payout ratio also indicates the financial strength and weakness. So, many of the commercial banks also try to increase their dividend payout ratio each and every year. They also do not want to make their investors or shareholders disappointed.

4.1.7 Leverage ratio

Banks need to be well capitalized to tackle any crisis situation. The leverage ratio is defined as the capital measure divided by the exposure measure, expressed as a percentage. The capital measure is tier 1 capital and the exposure measure includes both on-balance sheet exposure and off-balance sheet items. Higher the leverage ratio can result in lower dividend payment and lower the leverage ratio can result in higher dividend payment. The higher the tier 1 leverage ratio, the higher the likelihood of the bank withstanding negative shocks to its balance sheet. The leverage ratio is used as a tool by central monetary authorities to ensure capital adequacy of banks.

The table shows the comparative data of leverage ratio of eight commercial banks for ten years ranging from 2070/71 to 2079/80.

Table 4.7

Comparative analysis of leverage ratio

Fiscal Year			**Leverage ratio**					
	CITIZENS	**GLOBAL IME**	**NABIL**	**MPBL**	**NMB**	**SUNRISE**	**SANIMA**	**SIDBL**
2070/71	10.51	10.63	9.89	10.3	19.86	10.88	16.92	8.68
2071/72	14.72	10.24	10.1	10	16.92	13.94	26.47	10.01
2072/73	14.65	10.04	11.11	13.74	13.82	11.98	20.82	8.63
2073/74	12.7	10.06	11.55	11.3	11.82	11.06	13.97	8.82
2074/75	10.92	11.31	11.6	9.47	9.6	10.88	11.66	9.23
2075/76	10.64	11.12	10.47	11.39	8.93	10.24	10.14	7.68
2076/77	11.46	11.09	11.29	11.2	9.47	11.07	10.72	8.81
2077/78	15.33	11.39	12.14	16.71	12.55	14.27	14.06	11.18
2078/79	14.16	10.62	11.87	14.72	11.84	13.35	11.78	10.71
2079/80	12.35	10.44	11.58	11.98	13.03	11.28	10.55	9.94
Average	12.744	10.694	11.16	12.081	12.784	11.895	14.709	9.369
S.D	1.8493	0.5068	0.7615	2.2934	3.4345	1.4338	5.3070	1.0709

Source: Appendix 7

Dividend payout ratio is said to have negative relationship with the bank leverage. The bank having higher leverage is likely to pay lower dividend and the banks having lower leverage is likely to pay higher dividend. However, different research may have different perspectives of their own. Table 4.7 shows that Sanima bank has the higest leverage i.e 14.709. However, Siddhartha bank has the lower leverage as compared to the selected other banks.

4.1.8 Liquidity ratio

Liquidity in banking refers to the ability of a bank to meet its financial obligations as they come due. It has been found that the commercial banks with higher liquidity can pay higher dividend to its shareholders. They have positive relationship with dividend payments. Liquidity is also refers to a bank's ability to use its current assets to meet its current or short-term liabilities.

The table presents the data of eight commercial banks for ten years which includes the liquidity ratio of those banks.

Table 4.8

Comparative analysis of liquidity ratio

Fiscal Year			Liquidity ratio					
	CITIZENS	**GLOBAL IME**	**NABIL**	**MPBL**	**NMB**	**SUNRISE**	**SANIMA**	**SI`DBL**
2070/71	35.47	30.02	28.18	26.47	36.58	24.25	28.19	23.66
2071/72	23.61	27.23	26.56	15.63	29.9	24.32	26.57	24.33
2072/73	29.11	34.13	27.31	30.7	36.62	32.4	30.24	30.62
2073/74	31	32.25	30.39	27.2	29.96	33.51	30.96	28.31
2074/75	29.59	31.11	32.86	23.67	30	34.03	26.68	30.15
2075/76	28.43	30.12	35.74	29.54	35.07	30.7	22.32	24.94
2076/77	24.36	35.14	26.76	26.38	26.55	28.31	24.24	25.07
2077/78	22.87	25.34	25.72	26.29	28.14	30.62	26.08	25.06
2078/79	22.22	22.13	24.24	21.79	25.73	25.99	24.72	21.48
2079/80	25.7	24.58	27.19	23.7	28.28	25.74	22.87	23.29
Average	27.236	29.205	28.495	25.137	30.683	28.987	26.287	25.691
S.D	4.2222	4.2709	3.5103	4.2823	4.0101	3.7615	2.8948	3.0159

Source: Appendix 8

Liquidity seems to have positive relationship with the dividend payment. It is said that the banks having higher liquidity can provide significant amount of dividend payout to its shareholders. In the Table 4.8, we can see that NMB bank has the highest average of liquidity obtained from the data of last ten years. However, Machhapuchhre bank has the lower average of liquidity compared to other banks.

4.1.9 Descriptive Statistics

Followings are the description analysis performed in this study:

Coefficient of correlation (r)

Correlation analysis is the statistical tool that can be used to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the direction of relationship between two sets of figures. If both variables are changing in the same direction, the correlation is said to be positive but when the variations in the two variables take place in opposite direction, the correlation is termed as negative.

The coefficient of correlation is generally denoted by the letter **r** and is always between -1 and +1. The value of +1 or -1 denotes perfect positive or negative correlation where as value of **0** means no correlation at all. The value of 0.7 to 0.999 or -0.8 to -0.999 indicates a high degree of positive or negative correlation. The value of r between 0.5 to 0.6999 indicates a moderate degree of correlation where as value of r less than 0.5 indicates a low degree of correlation.

The table shows correlation results of different variables like DPR, NWPV, LIQUIDITY, LEVERAGE and PREVDPR.

Table 4.9

Correlations

Variables	DPR	NWPV	LIQUIDITY	LEVERAGE	PREVDPR
DPR	1	-	-	-	-
NWPV	.835**	1	-	-	-
LIQUIDITY	.034	-.064	1	-	-
LEVERAGE	-.218	-.263*	.077	1	-
PREVDPR	.758**	.819**	.028	-.134	1

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

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

[Source: SPSS software]

The Table 4.9 shows the correlation between different dependent variables with the independent variables. In the Table 4.9, it has been clearly shown that there is positive correlation among Dividend payout ratio, Liquidity, Net Worth per Share, Earning Yield and negative correlation between Dividend payout ratio and Leverage. The correlation obtained from the analysis shows the correlation between dividend payout ratio and Liquidity is 0.034 which is a positive correlation. The correlation between dividend payout ratio and net worth par value is 0.835 which is also positive. The correlation between DPR and PREVDPR is 0.758. However, the correlation between dividend payout ratio and leverage is negative i.e -0.218. In the correlation analysis Table 4.9, we have used significance level as 0.05. The sample size is 80. However, in the Table 4.9 we can see that the correlation between NWPV and DPR is significant at the 0.01 level only. The negative correlation between leverage and dpr signifies that the increase in leverage can results in decreament in dpr or vice versa.

Correlation of Equivalent Dividend and MPS

Table 4.10

Correlations of dividend and mps

		MPS	EQ_DIV
MPS	Pearson Correlation	1	.918**
EQ_DIV	Pearson Correlation	.918**	1
	N	80	80

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

In Table 4.10 correlation analysis, we have used significance level as 0.05. The sample size is 80. However, in the Table 4.10 we can see that the correlation between MPS and EQ_DIV is significant at the 0.01 level only. The positive correlation between MPS and EQ_DIV signifies that the increase in EQ_DIV results in increament in MPS too. Hence the study shows that there is significant and positive relationship between MPS and EQ_DIV.

Regression analysis

Regression analysis is a set of statistical methods used for the estimation of relationships between a dependent variable an one or more independent variables. It can be utilized to assess the strength of the relationship between variables and for modeling the future relationship between them. The regression equation representing how much y changes with any given change of x can be used to construct a regression line on a scatter diagram, and in the simplest case this is assumed to be a straight line. This analysis includes several variations, such as linear, multiple linear and non linear. The table shows the regression analysis of different variables under different model which shows regression analysis results between each and every variables.

Table 4.11

Regression analysis

Models	β_0	NWPV	LIQUIDITY	LEVERAGE	PREVDPR	ADJ.R^2	F
I	0.835	0.254	-	-	-	0.694	179.906
	-	-0.186	-	-	-	-	-
II	0.034	-	0.12	-	-	-0.012	0.091
	-	-	0.154	-	-	-	-
III	-0.218	-	-	0.316	-	0.035	3.903
	-	-	-	-1.082	-	-	-
IV	0.758	-	-	-	0.655	0.569	105.322
	-	-	-	-	0.069	-	-
V	0.836	0.254	-	0.009	-	0.69	88.801
	0.002	-0.188	-	-0.188	-	-	-
VI	0.84	0.256	0.311	-	-	0.698	92.145
	0.088	-0.275	-0.275	-	-	-	-
VII	0.651	0.198	-	-	0.195	0.707	96.253
	0.225	-0.139	-	-	-0.139		-
VIII	0.051	-	0.181	-1.102	-	0.026	2.037
	-0.222	-	0.268	0.268	-	-	-
IX	0.119	-	-	-0.589	0.642	0.578	55.034
	0.742	-	-	0.142	0.142	-	-
X	0.013	-	0.045	-	0.655	0.564	52.02
	0.758	-	0.057	-	0.057	-	-
XI	0.84	0.256	0.311	-0.019	-	0.694	60.636
	-0.004	-0.272	-0.272	-0.272	-	-	-

	-0.88	-	-	-	-	-	-
XII	0.121	-	0.079	-0.598	0.641	0.573	36.288
	0.022	-	0.121	0.121	0.121	-	-
	0.741	-	-	-	-	-	-
Xiii	0.67	0.204	0.251	-	0.18	0.708	64.903
	0.071	-0.214	-0.214	-	-0.214	-	-
	0.208	-	-	-	-	-	-
Xiv	0.642	0.196	-	-0.091	0.199	0.703	63.431
	-0.018	-	-	-	-	-	-
	0.23	-0.125	-	-0.125	-0.125	-	-
Xv	0.66	0.201	0.254	-0.107	0.184	0.705	48.137
	-0.022	-	-	-	-	-	-
	0.213	-	-	-	-	-	-
	0.072	-	-	-	-	-	-

The first model in the Table 4.10 shows the regression analysis between DPR and NWPV. From which we can conclude that there is significant relationship between DPR and NWPV since the significance value is less than 0.05 i.e 0.00. The adjusted R square value is 0.694 which indicates the accuracy of the model used. The model also indicates that if the value of NWPV increases or decreases by Rs.1 it will increase or decrease the value of DPR by 0.254 respectively.

The second model shows the regression analysis between DPR and LIQUIDITY. The significance value of the regression is 0.764 which indicates that there is no significant relationship between DPR and Liquidity.

The third model shows the regression analysis between DPR and LEVERAGE. The significant value of the regression analysis shows value of 0.052 which indicates that the result is significant. The model shows that if the value of leverage changes or increased by 1 percent then it will result in change in DPR as a decrement by -1.082 times. However, the adjusted R square value of 0.035 indicates that the model is not reliable.

The fourth model shows the regression analysis between DPR and PREVDPR The significance value of the regression is 0.000 which indicates that the result is significant. It also indicates that if the previous year dividend increase by 1 percent than it will result in increment in dividend payout ratio of current year by 0.655 times. The adjusted R square value is 0.569 which indicates that the model is significant and reliable.

The fifth model shows the regression analysis of DPR with NWPV and LEVERAGE. The model shows that only NWPV have significant relationship with DPR with significance value of 0.000 which is less than significance level of 0.05. It also indicates that the value of DPR will be increased by 0.254 times if the value of leverage increase by 1 percent.

The sixth model shows the regression analysis of DPR with NWPV and LIQUIDITY. The model shows that only NWPV has the significant relationship with DPR and LIQUIDITY donot have any significant relationship with DPR. It indicates that DPR will increase or decrease by 0.256 times if there is a value change in NWPV that might be and increment of decrement. The adjusted R square value is 0.698 which indicates that the model is significant and reliable.

The seventh model shows the regression analysis of DPR with NWPV and PREVDPR. The model has the adjusted R square value of 0.707 which indicates that the model is significant and reliable. This model shows that both the NWPV and PREVDPR have the significant relationship with DPR . In case of NWPV it states that the value of DPR will increase by 0.198 times if there is an increment of NWPV value by 1 percent or vice-versa.

The eight model shows the regression analysis of DPR with LIQUIDITY and LEVERAGE. The model have adjusted R square value of 0.026 which is less than 0.5 which indicates that the model is not so significant and reliable. The regression analysis shows that only LEVERAGE has the significant relationship with DPR which has significance value of 0.05. It indicates that the value of DPR will decrease by -1.102 times if there will be an increment in the value of leverage by 1 percent.

The ninth model shows the regression analysis of DPR with LEVERAGE and PREVDPR. The model has an adjusted R square value of 0.578 which is greater than 0.5 and which indicates that the model is significant and reliable. The regression analysis shows that only PREVDPR has the significant relationship with DPR with significance value of 0.000 which is less than 0.05. It also indicates that the value of DPR will increase by 0.642 times with the change in value of PREVDPR by 1 percent.

The tenth model shows the regression analysis of DPR with LIQUIDITY and PREVDPR. The model summary shows that the adjusted R square value of 0.564 which is greater than 0.5. It states that the model is significant and reliable. The regression analysis shows that the PREVDPR has the significant relationship with DPR with the significance value of 0.000 which is less than 0.05.It indicates that there will be increment in DPR by 0.655 with a value change in PREVDPR or vice-versa.

The eleventh model shows the regression analysis of DPR with NWPV, LEVERAGE and LIQUIDITY. The model have adjusted R square value of 0.694 which is greater than 0.5 which makes the model reliable and significant. The regression model shows that only NWPV have significant relationship with DPR with the significance value of 0.000 which is less than 0.05. It indicates that there will be increment in DPR by 0.256 times with the value change in NWPV or vice-versa.

The twelfth model shows the regression analysis of DPR with LEVERAGE, LIQUIDITY and PREVDPR. The model has adjusted R square value of 0.589 which is greater than 0.5 which makes the model reliable and significant. The regression model shows that only PREVDPR have significant relationship with DPR with the significance value of 0.000. The model indicates that DPR will increase by 0.641 times with the increment in PREVDPR by 1 percent value change or vice-versa.

The thirteenth model shows the regression analysis of DPR with NWPV, LIQUIDITY and PREVDPR. The model have adjusted R square value of 0.708 which is greater than 0.5. It indicates that the used model and variables are reliable and significant. The regression analysis shows that NWPV and PREVDPR have significant relationship with DPR with the significance value of 0.000 and 0.056 respectively. The model indicates that if there is an increment in NWPV by 1 percent then the DPR will increase by 0.204 times. Similarly, if there is an increment in PREVDPR by 1 percent it will result in increment in DPR by 0.180 times.

The fourteenth model shows the regression analysis of DPR with NWPV, LEVERAGE and PREVDPR. The model has adjusted R square value of 0.703 which is greater than 0.5 which states that the model is significant and reliable. The regression model shows that NWPV and PREVDPR have significant relationship with DPR with significance value of 0.000 and 0.036 respectively. The model states that if the NWPV and PREVDPR will increase by 1 percent then it will results in increment in DPR by 0.196 times and 0.199 times respectively.

The final model shows the multiple regression of DPR with all the variables i.e NWPV, LEVERAGE, PREVDPR and LIQUIDITY. The final model have the adjusted R square value of 0.705 which is greater than 0.5 which indicates that the model is significant and reliable. The regression models indicate that only NWPV and PREVDPR have significant relationship with DPR with significance value of 0.000 and 0.054 respectively. The regression equation achieved from this final model has been stated below:

DPR = -0.199 + 0.201 NWPV + 0.18 4PREVDPR

The obtained regression equation explained that if the value of NWPV increases by 1 percent or points it will results in increment in the value of DPR by 0.201 times or vice-versa. Similarly, the increment in the value of PREVDPR by 1 percent or points will results in increment in the value of DPR by 0.184 times or vice-versa.

Table 4.12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848[a]	.720	.705	.077401960

a. Predictors: (Constant), LIQUIDITY, PREVDPR, LEVERAGE, NWPV

Source: Spss software

The R square value of 0.720 suggests that the module used in this regression analysis is significant since the value of R square is greater than 0.05 . It justifies the overall modality of the equation.

Table 4.13

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.154	4	.288	48.137	.000[b]
	Residual	.449	75	.006		
	Total	1.603	79			

a. Dependent Variable: DPR

b. Predictors: (Constant), LIQUIDITY, PREVDPR, LEVERAGE, NWPV

Source: Spss software

The significance level in the regression Table 4.13 is 0.000 which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable.

Table 4.14

Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.199	.088		-2.264	.026
	NWPV	.201	.034	.660	5.915	.000
	LEVERAGE	-.107	.318	-.022	-.336	.738
	PREVDPR	.184	.094	.213	1.960	.054
	LIQUIDITY	.254	.218	.072	1.166	.247

a. Dependent Variable: DPR

Source: Spss software

To present the regression equation as :

DPR = -0.199 + 0.201 (NWPV) + 0.184 (PREVDPR)

In the Table 4.14 relationship between the dependent and independent variables has been analyzed with the help of regression analysis. The relationship between different variables like NWPV, LEVERAGE, PREVDPR and LIQUIDITY has been measured and the significance value is 0.000 between NWPV and DPR which is less than 0.005 which indicates that there is significant relationship between DPR and NWPV. Whereas LEVERAGE has no significant relationship with DPR due to higher significant level i.e 0.738 which is greater than 0.05. The relationship between DPR and PREVDP seems to be significant because it has significance value of 0.054 which is less than 0.05 which surely explain the relationship between the dividend payout ratio of current year with previous year dividend payout ratio. However, the LIQUIDITY do not seems to have significant relationship with DPR since it has higher significance of 0.247 than that of the significance level which is 0.05. The above obtained regression equation shows that if net worth par value increases by one rupees then it will increase the DPR by 0.201. In case of previous year dividend if previous year dividend rate increases by one percent it will increase the dividend payout ratio by 0.184 rate. This regression analysis shows that net worth par value and previous year dividend has significant impact on the current year dividend payout ratio.

In summary, the Table 4.14 regression analysis shows that net worth par value and previous year dividend has a significant relationship with the dividend payout ratio of the bank. However, leverage and liquidity do not seems to have significant relationship with the dividend payout ratio of commercial banks.

Regression of Equivalent Dividend and MPS

Table 4.15

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918[a]	.842	.840	202.65118

a. Predictors: (Constant), EQ_DIV

The Table 4.15 model shows the regression of MPS with EQ_DIV. This model have the adjusted R square value of 0.842 which is greater than 0.5 which indicates that the model is significant and reliable. The regression models indicate that EQ_DIV have significant relationship with MPS with significance value of 0.000. The regression equation achieved from this model has been stated below:

MPS=280.227+2.765(EQ_DIV)

Table 4.16

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17130882.342	1	17130882.342	417.140	.000[b]
	Residual	3203265.145	78	41067.502		
	Total	20334147.488	79			

a. Dependent Variable: MPS

b. Predictors: (Constant), EQ_DIV

Table 4.17

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	280.227	26.344		10.637	.000
	EQ_DIV	2.765	.135	.918	20.424	.000

a. Dependent Variable: MPS

In the Table 4.17 relationship between the dependent and independent variable has been analyzed with the help of regression analysis. The regression equation explained that if the value of EQ_DIV increases by 1 percent or points it will results in increment in the value of MPS by 2.765 times of vice versa.

4.2 Discussion

In this sections of study, we are about to analyze dividend policies of the sample banks that have been chosen for this study. These banks are Citizens bank, Global IME bank , Nabil bank, Machhapuchhre Bank(MPBL), NMB Bank, Sunrise bank, Sanima bank and Siddhartha bank. The main focus of this study is to analyze the ongoing dividend practices of commercial banks and to analyze the effect of dividend on share market price. It also helps to know about different views of people on dividend policies. Ten years old data are taken as sample years and are analyzed by using financial and statistical tools such as Market value per share analysis, Earning per share analysis , Net worth par value analysis, equivalent dividend analysis, Liquidity analysis, Leverage analysis ,Previous dividend payout ratio analysis, correlation analysis and regression analysis.

- The earnings per share analysis shows that NABIL bank has the highest average of EPS. It shows the highest earning which also gives higher return to its shareholders. However, the standard deviation(S.D) of the NABIL bank is also the highest. Which also shows that there is deviation in the EPS of NABIL bank but GLOBAL IME has the lowest S.D. This shows that GLOBAL IME bank do not have higher deviation in EPS.
- The market value per share analysis shows that NABIL bank has the highest average of MPS i.e 1683.9. The standard deviation of MPS of GLOBAL IME BANK is the lowest which shows that there is no higher deviation in MPS of GLOBAL IME bank
- The equivalent dividend analysis shows the analysis of total dividend which includes cash dividend and rupee equivalent of stock dividends. As a result NABIL bank is the highest bank paying higher amount of average of equivalent dividend. However, GLOBAL IME bank has the lowest equivalent dividend.
- Net worth per share analysis shows that NABIL bank has the highest net worth per share in average i.e 257.1. However, SUNRISE bank has the lowest net worth per share in average i.e 120.371.
- Looking at the dividend payout ratio (DPR), Nabil bank has been able to pay the highest dividend to its share holders . The average of the DPR of last ten years of Nabil bank is 47.784 which is the highest among the sampled commercial banks. However, Machhapuchhre bank has the lowest average of its DPR which shows that Machhapuchhre bank has not been paying high dividends to its shareholders

and we can also see that it was not able to pay dividend for some years to its investors.

- The comparative analysis of leverage ratio of ten different banks shows that NMB bank has the highest leverage considering the average of leverage data of last ten years. However, it can be seen that Siddhartha bank seems to have the lowest average leverage in comparison to other commercial banks. The leverage of commercial banks is likely to indicate the relationship with dividend payment.
- The comparative analysis of liquidity ratio of ten different banks shows that NMB bank has the highest liquidity average i.e 30.683. However, Machhapuchhre bank seems to have lower liquidity average of 25.137 in comparison to selected sampled banks.
- The correlation analysis shows that DPR has the positive correlation with NWPV which is 0.835 with significant value of 0.000 which is less than 0.05. So the relationship between DPR and NWPV is much more significant.
- The correlation analysis shows that DPR also has negative correlation with LEVERAGE which is -0.218 with significance level of 0.052. Since the significance level is 0.052 which is less than or equal to 0.05 the relationship between these two variables is significant.
- The correlation analysis also shows the positive relationship between DPR and PREVDPR. The correlation value is 0.758 and the significance level is 0.000 which is less than 0.05. This concludes that DPR and PREVDPR has positive significant relationship.
- The regression analysis shows that NWPV has significant relationship with DPR. It also shows that increment in NWPV by Rs.1 will lead to increment in dividend payout ratio by 0.201. The significance level of the given relationship is 0.000 which is less than 0.05. So, we can say that the given relationship is significant.
- The regression analysis also shows that PREVDPR has significant relationship with DPR. It states that the increment in PREVDPR by 1 will lead to increment in DPR by 0.184 times.

CHAPTER-V
SUMMARY AND CONCLUSIONS

This is the concluding chapter of this study. This chapter is divided in to three sections summary, conclusion and implications of the study.

5.1 Summary

Dividend policy is determined as the process of determination of proportion of profit which is to be paid out to the shareholders. In other words, dividend is the proportion of earning by the firm or organization which is to be paid out to the share holders as per their investment in the organization or firm. Dividend distribution has always been a major concern in an organization for both management and shareholders. The policies of determining dividend greatly affect the amount of dividend to be distributed to the share holders. The main objective of a firm has always been profit maximization. In such cases, many firms or organization always try to create balance between the retention of profit and dividend distribution amount. They try to maintain balancing portfolio in these two aspects.

This study is to analyze about the dividend policies of sample commercial banks; Citizens Bank, Global IME Bank, Nabil Bank, Machhapuchhre bank, NMB Bank, Sunrise Bank, Sanima Bank, Siddhartha Bank have been taken to make the study more reliable , the whole study has been divided into five chapters. This study results in the analysis of the dividend policies prevailing in the Nepalese commercial banks. The major concerns of this study are to analyze and evaluate the dividend policies and the determinants which affect the dividend policies. The first chapter of the study deals with introduction of study, statements of problem, objectives of the study, rational of the study and limitations. Second chapter helps the researcher to provide the knowledge about the conceptual review and national and international researches review. The third chapter deals with the methodology used for the study such as sources of data, population and sample of data, data collection technique and procedure and tools used. The statistical tools and financial tools used are analyzed here perfectly. In chapter four , result and discussion has been explained . The analysis in this research has been done mainly using secondary data . Those data which has been obtained from secondary sources with reference to Citizens

Bank, Global IME Bank, Nabil Bank, Machhapuchhre bank, NMB Bank, Sunrise Bank, Sanima Bank, Siddhartha Bank has been analyzed using different methods and statistical tools. The presentation and analysis of the data has been made comparative analytical and their interpretation has been done in chapter four by applying the wide varieties of methodology as stated which includes the various financial and statistical tools. In case of financial tools ratio analysis different financial ratios are analyzed using comparative method. Various statistical tools such as arithmetic mean, coefficient of correlation, regression analysis and standard deviation .In chapter five, the summary, conclusion and implications are included. The major findings of the study are also included in the final section where summary of the study, conclusion drawn from the study are presented and necessary suggestions are given to the concern authorities, sampled banks.

5.2 Conclusion

Dividend payment has been a crucial factor for each and every commercial bank in today's world. Many investors invest their money to get regular flow of cash in the form of dividend. All commercial banks have been paying dividend on a regular basis however, the percentage of dividend payment might have differs from years to years. Dividend payment has been made in the form of cash or stock dividend or sometimes both. From the study it can be concluded that there is not any consistencies in paying dividend by the sample commercial banks. Many of the commercial banks have been announcing higher dividend to establish their goodwill or image in the capital market although they do not have good amount of earnings. However, most of the banks which have good earnings tend to retain most of the earnings. Earnings per share, net worth per share, leverage, liquidity, previous year dividend are the significant determinants of dividend polices.

Studying the dividend trend of Citizens Bank it has also not been able to pay consistent dividend to its share holders. Sometimes there has been a wide variation in its dividend distribution and it is mainly due to distribution of stock dividend. Among the sample banks like citizens, Global IME, Nabil, MPBL, NMB, Sunrise, Sanima and Siddhartha Nabil bank has proven to be the best banks in terms of higher dividend payment to its share holders. Nabil bank has paid the highest dividend to its share holders in fiscal year 2070/71 which was Rs.983.6 in form of rupee equivalent including the stock dividend. In fiscal year 2070/71 it has paid 30% cash dividend and 40% stock dividend to its share holders. The dividend payout ratio in that year was 70%.Due to higher stock dividend the rupee equivalent dividend of nabil bank has been the highest in that particular fiscal year. By this result we can also say that stock dividend has strong influence on equivalent dividend or monetary value to its share holders. We can also compare it with the dividend paid in fiscal year 2074/75. Nabil bank has paid 45% cash dividend and 20% stock dividend and because of higher cash dividend and lower stock dividend it has only distributed Rs.552 as rupee equivalent dividend in total to its share holders. The dividend payout ratio was 65%. By this particular comparison we can conclude that stock dividend has a very influential role in monetary value or rupee equivalent dividend received by share holders. So distribution of stock dividend is also an important factor in dividend policy.

Dividend policies are also related with earning per share, net worth per share, previous year dividend, liquidity and leverage. From the different comparative study made it can be concluded that nwpv, prevdpr and leverage has direct effect on dividend payout ratio of commercial banks. In 2070/71 Nabil bank has paid the highest dividend to its share holders i.e Rs.983.6 in rupee equivalent including stock dividend. In that particular year the MPS has been the highest in comparison to fiscal year 2075/76 and fiscal year 2076/77. MPS in year 2070/71 was Rs.2384 and in fiscal year 2075/76 and 2076/77 was Rs.1910 and Rs.2344 respectively. This indicates that when there was highest MPS there was also highest equivalent dividend per share.

The net worth per share (NWPS) also has direct relationship with the dividend per share of bank . The comparative study of NWPS shows that in fiscal year 2070/71 Nabil bank has the net worth per share of Rs.265 and Rs.259 and Rs.244 in fiscal year 2075/76 and 2076/77 respectively. Due to highest NWPS in fiscal year 2070/71 it has the highest dividend in that particular year.

The regression analysis shows that there is significant relationship between DPR and NWPV and also between DPR and PREVDPR. However, the regression analysis shows that there is no significant relationship between LEVERAGE and DPR and also between LIQUIDITY and DPR.

The correlation analysis shows that there is positive correlation between DPR and NWPV,DPR and PREVDPR, DPR and LEVERAGE. The correlation value between DPR and NWPV is 0.835 which has significance level of 0.000. The correlation value between DPR and LEVERAGE is -0.218 with significance value of 0.052. The correlation value between DPR and PREVDPR is 0.758 which has significance value of 0.000. The relationship among DPR and other variables are significant since the significant value is less than 0.05.

The analysis which was conducted has concludes that there is significant relationship among DPR, NWPV and PREVDPR. However, the analysis shows that there is no significant relationship among DPR, LEVERAGE and LIQUIDITY. While analyzing the relationship between MPS and EQ_DIV it also shows that there is significant relationship between both variables. The study and analysis of dividend paying pattern of eight commercial banks shows that in Nepal every commercial banks are paying significant dividend amount to its shareholders. The analysis shows that they are being affected by various different variables. The analysis has also confirmed and analyzed different independent variable and its affect on dependent variable.

5.3 Implications

In this section of the study few points that can be helpful to shareholders as well as banks are recommended based upon the obtained calculation and drawn conclusions. These recommendations are guidelines which could be helpful in making prompt and appropriate decision about dividend policies. Although, this study was concerned with dividend decision, it may be appropriate to provide different suggestion in the light of findings. However, these recommendations may not assure improvement in the existing conditions. On the basis of findings the following recommendation is made for further improvement in dividend policy:

Banks are accumulating capital from shareholders' investment. The banks should plan profit by making its investment in income generating programs whether it is fund based or non fund base. The bank should determine whether it is going to adopt stable dividend policy, constant dividend policy, pure residual policy, fixed dividend payout policy. The management interference in policy matters should be eliminated and reasons for dividend policy changes should be disclosed to its shareholders.

Since distribution of stock dividends has higher monetary value shareholders should be given choice whether they would prefer stock dividend or cash dividend. However shareholders should be well informed that issue of stock dividend decrease market value per share and earnings per share. Issue of cash dividend increases both market value per share and earnings per share but it does not increase the number of shares. As the number of shares are increased, total earning to shareholders will be the same.

The DPR analysis shows that there is not any consistency of dividend policy in all the sample banks. All the banks has been distributing different amount of dividends each year .Therefore, these banks need to create somehow paying reasonable DPR every year. The bank should explain the procedure for paying dividend and its allocation too. The higher DPR creates positive attitude of shareholders towards the bank, which consequently helps to increase the market value of shares.

EPS in MPBL and Citizens bank are in fluctuating trend, therefore these banks should search some fruitful investment opportunities plan for profit maximization. There is greater influence of DPR rather than EPS to market price. Therefore the banks should focus on improving DPR to improve market value per share of bank. Bank having higher net worth per share could also distribute higher amount of dividend. So the banks should figure out the dependent variables and analyze the dividend policy carefully. Bank should try to fulfill shareholders expectation as well as should be able to maintain consistencies in dividend distribution pattern.

The Bank should also be able to maintain sufficient liquidity .Maintaining sufficient liquidity will results in reasonable dividend payout to its shareholders. Liquidity directly affects the bank dividend payout. The management should make the dividend decision considering the liquidity of the bank.

Bank should also consider about its leverage position. Higher leverage position will have negative impact on dividend payout. So, banks should properly analyze its leverage position.

Bank should also focus on available investment opportunities. Available investment opportunities also affect on the determination of dividend payout ratio. The views and practice of the management also affect the upcoming dividend policy. The bank should be able to maintain its past dividend payout ratio. It should be able to maintain constant dividend payout ratio. Dividend payment conveys future prospects so bank should be able to distribute tremendous dividend to its shareholders. This also shows that bank's financial strength.

The disclosure of earnings and financial performance will help to increase the value of the bank. So, banks should disclose its earnings and financial strength to public to increase the real value of the firm.

Bank should analyze different variables affecting dividend policy carefully and form appropriate dividend policy which will benefit both the banks and its shareholders.

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