IMPACT OF DIVIDEND ON MARKET PRICE OF STOCK OF DEVELOPMENT BANKS IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial Fulfillment of the requirements for the Master of Business Study (MBS)

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Impact of Dividend on Market price of Stock of Development Banks in Nepal".** 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 had been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation

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REPORT OF RESEARCH COMMITTEE

Mr. Bibek Dhungel has defended a research proposal entitled **"Impact of Dividend on Market price of Stock of Development Banks in Nepal"** Successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion

ns and guidance of Lecturer. Dr. Dhan Raj Chalise and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Impact of Dividend on Market Price of Stock of Development Banks in Nepal**" submitted by Bibek Dhungel, a candidate for the degree of Master of Business Studies (MBS) and conducted the viva-voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

DPS	:	Dividend per Share
DY	:	Dividend Yield
EPS	:	Earnings per Share
MPS	:	Market Price per Share
P/E ratio	:	Price Earnings Ratio
ROA	:	Return on Assets
ROE	:	Return on Equity
SIZE	:	Bank Size or Total Assets of the Banks
JBB	:	Jyoti Bikash Bank
GBB	:	Garima Bikash Bank
MBB	:	Muktinath Bikash Bank
NRB	:	Nepal Rastra Bank
'Kha'	:	'B' Class Financial Institution
BAFIA	:	Bank and financial Institution Act
Ltd	:	Limited
MDB	:	Miteri Development Bank
SBB	:	Sindhu Bikash Bank
CV	:	Coefficient of variation
NPM	:	Net Profit Margin
r	:	Correlation Coefficient
SD	:	Standard Deviation
TU	:	Tribhuvan University

ABSTRACT

This study analyzes the impact of dividend on market price of stock in development banks of Nepal. Secondary data was gathered from development banks of Nepal for Nine years periods (2070/71-2078/79). This study has taken descriptive and causal relationship research design to analyze the impact of dividend on stock price of banks; and has employed descriptive analysis, correlation analysis and multiple regression analysis. It shows that Nepalese development banks have distributed dividend to the shareholders but not following stable dividend payout policy. A wide range of market stock price is found. However, the dividend yield is low of sample banks. This study also reveals that the correlation analysis of earning per share, return on assets, dividend payout ratio has significant positive relationship with market price of stock in Nepalese development banks. Similarly, bank size and price earnings ratio have insignificant positive relationship with MPS of the banks. However, Dividend yield has insignificant negative correlation. The regression result depicts that earning per share has significant with MPS and dividend yield have significant negative effect on MPS of development banks in Nepal. The implication of the findings is that devoting adequate time in designing and disseminating a dividend policy are desired in improving the performance of listed companies and enhancing the stock price in the pre-emerging capital markets. The findings could be useful for research scholars, financial analysts and investors to address the gap in the extent of this literature.

Key words: Market price per share, earning per share, price earnings ratio, return on assets, dividend payout ratio, total assets, profitability and dividend yield

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

A dividend is a payment made directly to shareholders that is often made in cash. Dividends are unquestionably a part of income. In general, management of corporate firms only announces dividends when profits are produced following successful business operations, and the quantity distributed of dividends should be sufficient to meet the ordinary shareholder's normal expectations. Dividend also refers to the signal of the sustainable income of the corporate firms (Watts, 1973) and can be a tangible evidence of the firm's ability to generate liquidity Martin et al. (1979). Dividend implies to the portion of retained earnings which is paid to the stock holders while dividend policy refers to the guidelines that corporate management uses in establishing portion of retained earnings that is paid to the stockholders in dividends Mathur (1979). Therefore, dividend policy should be able to provoke that dividend meet the average shareholders expectation. Dividend is an important component of the financial performance and allure of bank stocks. They stand for the distribution of earnings to shareholders and have a big impact on stock prices, market dynamics, and investment decisions. For investors looking for consistent income and long-term capital growth, dividend policies, including dividend yield, payout ratio, and dividend stability, are essential factors to consider.

One of the ways a business can directly impact its owners' wealth is by paying dividends to shareholders. A dividend policy should therefore aim to contribute as much as possible to boosting owners' wealth. A dividend policy is influenced by a wide range of factors, thus boosting shareholder wealth is not the same as giving out all profits in dividends. For instance, if a business presents its dividend policy as a goal payout ratio, certain factors will favor a high payment, while others will prefer a lower payout, and yet other factors will limit the range of dividend distribution that the business can adopt. Dividend policy affects how much money is paid out to stockholders and how much is reinvested back into the business. Dividends are normally paid quarterly. Weston and Copeland (1992).

Dividend policy is one of the most widely researched topics in the field of finance but the question is whether dividend policy affects stock prices still remain debatable among managers, policy makers and researchers for many years. 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 the firms from investment points of view. It is the way of assessing whether the company could generate cash or not. Many investors like to watch the dividend yield, which is calculated as the annual dividend income per share divided by the current share price. The dividend yield measures the amount of income received in proportion to the share price. If a company has a low dividend yield compared to other companies in its sector, it can mean two things such as the share price is high because the market reckons the company has impressive prospects and isn't overly worried about the company's dividend payments, or the company is in trouble and cannot afford to pay reasonable dividends. At the same time, however, High dividend yields may be an indication of a struggling business with a falling stock price. Bhattarai (2016).

Dividend policy is crucial for management and stockholders since one group must deliberate and make arrangement for the distribution of dividends, while the other must receive it as compensation for their investment. Dividends are a source of revenue for investors and a symbol of a company's success. A manager's and investor's first decision are choosing the right dividend policy. Shareholders enjoy receiving dividends and increases in earnings per share, which are only made possible by their investments of operating profit in the business. If a major portion of the profits earned is reinvested, the payment of a satisfactory level of dividend will not be possible. However, if a significant amount of a company's profits is dispersed as dividends, it will be impossible to reinvest profits at a fair level Sharif et al. (2015).

The value of the company and the value of the shares are determined by the share market price. The price at which shares are exchanged or the sum that a buyer pays a seller to acquire a share of a corporation is known as the market price. Share market prices differ from firm to company. The common share price is extremely volatile and sensitive to environmental conditions because it is owned by the company and has the lowest priority

to claim in a liquidation. There are two different types of environments in an organization: internal and external. Internal environmental conditions are those that exist within an organization and which in some way influence it. In order to increase the share price on the stock market, the business strives to preserve a positive atmosphere. However, although being outside of the organization's control, external environment influences have a significant impact on share market prices. So, the firm tries to adjust themselves according to the changing environmental forces, and such adjustments are intended to maximize the share price or the value of the firm. Dhakal and Shah (2018).

The banking industry is essential to Nepal's economy since it offers services for financial intermediation and promotes economic expansion. Two crucial parts of the nation's banking sector are commercial banks and development banks. Development banks concentrate on providing long-term finance for infrastructure development and industrial projects, while commercial banks are largely involved in standard banking activities including deposit taking, lending, and transaction services. Development banks in Nepal are financial entities created to support economic growth by offering long-term funding for rural, industrial, and infrastructure projects. By raising money and offering specialized financial services, these banks significantly contribute to the nation's development goals. Development banks have a specific mandate to support areas that are underserved by commercial banks, which largely concentrate on traditional banking activities.

Section 49 of Bank and Financial Act, 2073 has categorized development banks as 'Kha' or class 'B' financial institution and operating banking services in Nepal. Depending upon the Paid-up Capital, the Development Banks in Nepal are categorized into working. As per Mid-April 2023 Published by NRB, there are 17 Development Banks in Nepal. These Banks are categorized as 1-3, 1-5, 1-7 (Province) and National Level Working Area Banks. Development banks were established with the goal of speeding up industrialization. Due of their limitations, traditional financial institutions were unable to take on this issue. Banks were transformed into multipurpose institutions to aid in overall growth. In addition to financing, they were given promotional tasks like filling financial

gaps, taking on an entrepreneur role, starting a commercial banking business, and joint financing.

There is little specialized research on development banks in Nepal in the area of dividend policies and their effects on stock prices. Studies on the relationship between dividends and stock prices have mainly centered on commercial banks. To close this gap, the current study will assist to understand the effects of dividends on the market values of stocks of development banks in Nepal. The study aims to shed light on the relationship between dividends and stock prices in the development banking industry by considering the distinctive traits, goals, and regulatory frameworks that regulate these banks.

In contrast to the numerous studies carried out in international competition, very few studies have been carried out in the Nepalese setting, and no firm conclusions have been reached. Pradhan (2003) examined how dividend payments and retained earnings affect stock market price in Nepal. According to Pradhan, dividend payments have an impact on stock market pricing. The payout of dividends, according to Pradhan, is more significant than the company's retained earnings. According to Pradhan's analysis, a company's stock price may drop if it holds more retained earnings. Similar to this, Joshi (2012) examined the effect of dividends on Nepal's banking and non-banking sectors' stock prices. Joshi used dividend per share, retained earnings per share, lagged price earnings ratio, and lagged market price per share as the independent variables, while the current market price of the company was used as the dependent variable. Using the multivariate regression analysis, Joshi came to conclusion that dividends have a greater impact on stock prices of Nepalese companies than retained earnings. Joshi also discovered that dividends significantly increase the value of stocks in Nepal's banking and non-banking industries.

Pradhan et al. (2017) conducted study focusing on 11 commercial banks and 8 development banks which provides valuable insights into the general dynamics of the dividend-stock price relationship in the Nepalese banking sector. The outcome demonstrates that size and profitability are the key factors affecting the distribution of dividends across commercial and development banks in Nepal. The factors that have the biggest positive effects on dividend per share are earnings per share, return on assets,

return on equity, size, and liquidity. Leverage has been demonstrated to have a negative impact on cash dividend per share, but profitability, size, and liquidity have favorable substantial effects.

One of the major avenues of investment that has the potential of yielding considerable returns to investors is the investment in equity shares. It is also a source of finance for the capital requirements of firms. Returns from such equity investments are however subject to vary, depending upon the performance of the particular stock and movement in stock price. Fluctuation in stock prices may occur due to the supply and demand forces but there is no foolproof or perfect system that indicates the exact movement of stock prices. The factors behind the increase or decrease in the demand and supply of stock prices can be categorized into three main types: technical factors, fundamental factors and market sentiments. However, knowledge of such factors and their possible impact on share prices is highly appreciable as it would help investors make wise investment decisions and enable firms to enhance their market value (Baral & Pradhan, 2018).

Khan (2009) discovered evidence for a dynamic relationship between market share price and dividends, retained earnings, and other variables. The study showed that the overall impact of dividends on stock prices is comparatively better that of retained earnings. The expected dividends play an important role in the determination of stock prices whatever determinants, like lagged price earnings ratio or lagged price, are considered.

Understanding the dividend impact on the market prices of stocks in development banks is crucial for several reasons. Firstly, it provides valuable insights for investors who are interested in investing in the banking sector and seeking to optimize their investment decisions. Investors often consider dividends as an important factor in evaluating the attractiveness of bank stocks. The study will contribute to their understanding of how dividend policies in different types of banks can influence stock prices and guide their investment strategies accordingly. Secondly, the findings of the study can have implications for regulators and policymakers in shaping effective dividend policies for development banks. By examining the impact of dividends on stock prices in these banks, regulators can gain insights into how dividend policies can contribute to market stability,

investor confidence, and the overall development of the banking sector in Nepal. Furthermore, the study can provide evidence to support the formulation of appropriate regulations and guidelines that align with the specific characteristics and objectives of development banks.

It is important to note that the Nepalese banking sector operates in a unique economic, social, and regulatory context. The country's banking system has undergone significant reforms and transformations in recent years, and the study will consider these contextual factors while examining the impact of dividends on stock prices. The study seeks to uncover potential variations in the dividend-stock price relationship of development banks. This approach considers the different characteristics, objectives, and regulatory frameworks that govern these banks.

1.2 Problem Statement

Choosing whether to pay out dividends or not has been still an important and contentious administrative task in the banking sectors of Nepal. Arguments on how dividend policies affect share prices have persisted for a long time. So, there hasn’t been conclusive result arrived till now regarding the relationship between the dividend policy and share market price.

Ali and Hwang (2000) explored the signaling theory of dividends by examining how the stock price responds to dividend announcements made on the Oslo Stock Exchange (OSE) and how this affects the firms' subsequent cash flows. The result shows significant abnormal stock returns are associated with announcements of dividend changes. When favorable dividend is announced and is followed by sustained growth in cash flow, the stock market's response is the strongest. Bali (2003) investigated on the study of an empirical analysis of stock returns around dividend changes that shows how stock returns significantly fluctuated after reports of adjustments to cash dividend rates. The increase in dividends is demonstrated to be strongly auto correlated, particularly every fourth quarter. Prices continue to fluctuate in response to upcoming news as if the market is unaware of these autocorrelations.

According to Chhetri (2008), high dividend-paying and low dividend-paying corporations have different financial positions. According to the study, retained earnings and dividend per share both considerably contribute to the variances in share price in the banking and nonbanking industries. Though the impact of the dividend is far greater than that of the retained earnings, dividends and retained earnings have a favorable correlation with share price in every situation.

Chughtai et al. (2014) investigated on Determining the Impact of Dividends, Earnings, invested Capital and Retained Earnings on Stock Prices in Pakistan. The Findings indicate that dividend per share and earning per share Possess positive and significant relationship with market prices, meaning by an increase in these variables tends to increase stock prices. However, capital employed and retained earnings are found to have statistically insignificant relationship with stock prices.

Rashid and Rahman (2008) conducted study is to investigate the connection between dividend policy and stock price volatility. This research finds that there is evidence of a positive, but insignificant association between stock price volatility and dividend yield using cross-sectional regression analysis after adjusting for earning volatility, payout ratio, debt, company size, and increase in assets. A key conclusion drawn from this study is that the share market response to earnings announcements differs from that of other developed nations. As a result, the managers cannot use the dividend policy to reduce the risk of their shares.

Mehmood et al. (2019) conducted a study on Determinants of stock price volatility. This study's main goal is to examine the impact of dividend payout ratio on stock price volatility. According to the study, the dividend payout ratio and stock price volatility are positively correlated. The findings also indicate a negative link between stock price volatility and earnings volatility and leverage. A positive association between stock price volatility and other independent variables, such as asset growth and size, has persisted. Gunaratne et al. (2015) stated the effect that a company's dividend policy has on the volatility of stock market values. The results showed that the dividend yield of the current year has a negative impact on the volatility of the share price, whereas the dividend

payout ratio of the current and prior years had a positive impact. Additionally, dividend yield has a negative impact on the company's market value, and this impact is also shown by the current year's dividend payout ratio.

Therefore, the statement of the problem can be summarized as follows:

i. What is the structure of dividend and market stock price of development banks in Nepal?
ii. Is there any relationship between dividend and market price of stock of development banks in Nepal?
iii. What is the impact of dividend factors on market price of development banks in Nepal?

1.3 Objective of the Study

The general objective of this thesis is to conduct a study on the impact of dividends on the market prices of stocks development banks in Nepal. The study aims to provide valuable insights into the dividend-stock price relationship in the Nepalese banking industry. The specific objectives are:

i. To identify the structure of dividend and market stock price of development banks in Nepal.
ii. To examine the relationship between dividend and market price of stock of development banks in Nepal.
iii. To analyze the impact of dividend factors on market price of development banks in Nepal.

1.4 Research Hypothesis

The following hypotheses are developed to break down the above research questions. Therefore, this research work attempted to test the following hypotheses in the case of development banks in Nepal.

H1: Earning per share has significant impact on stock price of development banks in Nepal.

Kumar (2017), Mussalamah and Isa (2015), Cahyaningrum and Antikasari (2017) concluded that EPS has a significant positive effect on stock prices. Similarly, Safitri et al. (2020) concluded that earnings per share have a positive and significant impact on the price of shares.

H2: Price earnings ratio has significant impact on stock price of development banks in Nepal.

Herlina Wati and Ratna Sari (2015) stated that PER has a negative and significant effect on stock prices. Different results were also shown in the study Kumar (2017), Meric et al., (2017), Aletheari and Jati (2016), that PER has a positive and significant effect on stock prices.

H3: Dividend payout ratio has significant impact on stock price of development banks in Nepal.

Hunraj et al. (2014) Results of dividend payout ratio indicated that DPR has significant impact on stock price on the basis of this result. Nishat and Irfan (2003) and Hussainey and Mgbame (2011) also found similar results in their studies. Dividend payout ratio has positive significant relation with stock prices. This result is same with Myer and Bacon (2004), and Asghar et al. (2011).

H4: dividend yield has significant impact on stock price of development banks in Nepal.

Baskin (1989) examined 2344 U.S common stocks from the period of 1967 to 1986, and found a significant negative relationship between dividend yield and stock prices. Khan et al. (2011) studied the effect of dividend payment on stock prices. Results of their study showed that dividend yield, earnings per share, return on equity and profit after tax were positively related to stock prices. Likeswise, Nazir et al. (2010) studied the effect of dividend policy on stock prices. Results of their study showed that dividend payout and dividend yield had significant effect on stock prices.

H5: ROA has significant impact on stock price of development banks in Nepal.

Febriani's (2016) research produces a combined effect of ROA, ROE, EPS, and CR on stock returns, partially ROA has no significant effect on stock return. In addition, Choiriyah et al. (2020) results showed that ROA has significant effect on the stock prices of banking companies . In contrast, Daniswara et al. (2020) concluded Return on Asset (ROA) has negative insignificant effect on Stock Return.

H6: Bank size has significant impact on stock price of development banks in Nepal.

Kasimodou et al. (2006), results of their study concluded that small banks showed higher performance in comparison to large ones. Redmond et al. (2007), results of tests showed that, there is a negative significant relationship between profitability and the volume of assets. Spathes (2002) had tested the financial markets through a study conducted to investigate Greek banks. The results of the study proved that, large banks are more efficient than small ones.

1.5 Rationale of the Study

The goal of this study is to fill a knowledge vacuum and offer insightful information about how dividends affect the market values of stocks of development banks in Nepal. The following points outline the rationale behind conducting this study:

i. This research work provides vital information about the impact of dividend on market price of stock.
ii. This study gives suggestion and recommendation that will be helpful for further researchers, investors.
iii. This study assists management and policy maker in setting and making a suitable dividend policy.
iv. This study may be useful to government for policy making, controlling, and monitoring.

1.6 Limitations of the Study

It is necessary to note some limitations that may affect the interpretation and generalizability of the findings when performing this study on the effect of dividends on the market prices of stocks of development banks in Nepal. The following restrictions should be considered:

i. This study's conclusions are based on information about Nepal's development banks. Generalizing the findings to other nations or banking systems should therefore be done with caution.
ii. This study is basically based on secondary data, articles, publication and journals of the respective banks.
iii. This study includes only limited number of development banks for the proposed study.
iv. There are also other factors such as market sentiment, economic conditions, and investor behavior that may affect the stock price of development banks.

CHAPTER-II

LITERATURE REVIEW

A literature review examines concepts as well as previous studies in the study's subject of interest. Reviewing previous research is done to find out how well similar concepts and methodologies were applied in the given field of study in the past. The researcher will develop a suitable structure for the report with the aid of the literature review. It also aids in developing an appropriate report structure. It also helps to be familiar with the terminology, concepts, and interpretations utilized in the report. In order to review related research work and studies in the areas of dividend policy and stock market value of development banks in Nepal; books, papers, and journals were consulted.

2.1 Theoretical Review

2.1.1 Theories of Dividend Policy

This paper reviews the dividend's irrelevance theory, residual theory of dividend, agency theory and stability theory of dividend.

2.1.1.1 Dividend's Irrelevance Theory

Miller and Modigliani first proposed the dividend irrelevance theory in 1961. According to them, dividend policy is irrelevant in a perfect capital market where there are no transaction costs, taxes, or bankruptcy costs, investors are rational, all investors have equal opportunities, and there is no information asymmetry. The dividend policy has no bearing on the cost of capital or the market value of any company. Thus, it is irrelevant whether cash is retained or distributed as a dividend. There is no model of a perfect capital market, however, as there are investors, transaction costs, taxes that businesses must pay, and information asymmetry. However, since there are investors, transaction costs, taxes that enterprises must pay, and information asymmetry, there is no model of a perfect capital market. The present corporate finance system is based on this kind of theory. According to Miller and Modigliani's irrelevance argument, dividends have no bearing on a company's value and its value is determined by its current and future cash

flows. It's significant that Miller and Modigliani (1961) and Black and Scholes (1974) and Miller and Scholes (1978) share the same viewpoint.

2.1.1.2 Residual Theory of Dividend

According to one school of thought, the residual theory of dividends proposes that the dividend paid by a firm should be viewed as a residual amount left after all acceptable investment opportunities have been undertaken. Dividend policy can be viewed as one of a firm's investment decision. A firm that behaves in this manner is said to believe in the residual dividends. According to this theory, dividend policy is a residue after investment whether or not a company pays dividends depends on the availability of investment opportunity.

This theory begins with the assumption that investors prefer to have the firm keep and reinvest earnings rather than issue dividends if the return on reinvestment is greater than the opportunity cost of money for the investors. Under the residual dividend policy, the dividend equals the amount left over from earnings after investment; no dividends are given, and new shares are sold to pay the deficit for uncovered investments. If there are no investment opportunities, the earnings are dispersed as a dividend to the shareholders. Dividends are thus essentially a residue, or the percentage remaining after all equity investment needs have been met. Rashid Rahman (2008).

2.1.1.3 Agency Theory

According to the agency cost hypothesis, dividend policy is decided by agency costs resulting from ownership and control divergence. Managers may not always choose a dividend policy that optimizes shareholder wealth, but rather one that maximizes their own private benefits. Making dividend payments that restrict the free cash flows available to managers ensures that managers maximize shareholder wealth rather than exploiting the funds for personal gain DeAngelo et al. (2006). Firms expose themselves to market scrutiny and discipline in the process of recruiting fresh equity.

According to agency theory, company managers are prone to participate in Non-Value Maximizing (NVM) behavior. Jensen and Meckling (1976) hypothesized that the agency costs experienced by NVM managers would reduce the firm's value. These agency expenses may be minimized if a manager's personal wealth was linked to the price of the

firm's common equity. Thus, managerial ownership of shares (insider holdings) could act as a cost-cutting tool, improving the firm's value.

2.1.1.4 Stability Theory of Dividend

Dividend stability refers to the consistency of dividend payments. In other words, dividend stability refers to the regularity with which dividends are paid, even if the amount of the dividend varies from year to year. Most company executives believe that dividend stability is a desirable policy. Shareholders generally support this policy and prefer consistent dividends to variable ones. All else being equal, a consistent dividend may have a favorable impact on the share's market price. Pandey (1995).

By stability, we mean preserving the position of the firm's dividend payments in regard to a trend line, preferably an upward sloping one. There are various grounds to believe that a consistent dividend policy leads to greater stock values. First, because variable payouts are riskier than stable ones, investors are often expected to value them more highly. As a result, the same average amount of income received under a changing dividend policy is likely to have a higher discount factor applied to it than dividends received under a steady dividend policy. This means that a corporation with a consistent dividend policy will have a lower necessary rate of return or cost of equity capital than one whose dividend swing. Second, many owners rely on dividend income to make ends meet. These stockholders are irritated by fluctuating payouts and will pay a premium for a stock with a generally certain minimum cash distribution. Third, from the standpoint of both the corporation and its stockholders, dividend consistency is important for the legal listing requirement. There are three basic types of dividend payout stability. They are a stable dividend per share, a constant dividend payout ratio, and a modest regular dividend with an additional dividend.

2.1.1.5 Random Walk Efficient Market Theory

Random walk theory suggests that changes in stock prices have the same distribution and are independent of each other. Therefore, it assumes the past movement or trend of a stock price or market cannot be used to predict its future movement. In short, random walk theory proclaims that stocks take a random and unpredictable path that makes all

methods of predicting stock prices futile in the long run. Basnet (2007). Random walk has some assumption; they are

i. Random walk theory suggests that changes in stock prices have the same distribution and are independent of each other.
ii. Random walk theory infers that the past movement or trend of a stock price or market cannot be used to predict its future movement.
iii. Random walk theory considers technical analysis undependable because it results in chartists only buying or selling a security after a move has occurred.
iv. Random walk theory considers fundamental analysis undependable due to the often-poor quality of information collected and its ability to be misinterpreted.

2.2 Conceptual Review

A dividend is a payment made by a corporation to its shareholders of a percentage of its profits, usually in the form of cash or more stock. Companies use it as a means of rewarding shareholders who hold shares by giving them a direct return on their investment. Dividends, which provide a steady income stream and can indicate a company's financial stability and willingness to sharing its profits with shareholders, are a crucial component of shareholder value and can be a significant factor in luring investors. The company's board of directors decides the size and frequency of dividend payments, which are influenced by things like profitability, financial stability, and growth goals.

The distribution of a company's earnings to its shareholders in the form of dividends is a key idea in finance and investing. As they significantly influence investment strategies, corporate finance choices, and the broader financial landscape, dividends are important for both investors and corporations to understand. The essential elements of dividends, including their kinds, determinants, impacts, significance of dividend announcement, and relevance in contemporary financial markets, will be explored in this conceptual overview.

Cash dividends, stock dividends, and property dividends are the three main types of dividends. Cash dividends entail giving shareholders an immediate source of income by distributing a portion of a company's profits in the form of cash payments. In order to increase existing shareholders' ownership without affecting the company's cash position, stock dividends comprise the issuance of new shares of the company's stock to those shareholders. Property dividends entail giving shareholders non-cash assets like property, bonds, or other securities. The company's financial state, growth goals, and shareholder preferences all go into the dividend type decision.

The elements that determine dividends, often known as dividend policy, are complex and affected by a number of variables. Earnings and profitability of a corporation are important factors, as higher earnings typically allow for larger dividend payments. Companies must generate enough cash flow to pay dividends, run operations, and make investments, so cash flow is crucial. Decisions about dividends can be influenced by a company's financial health, especially its amount of debt and liquidity, since highly leveraged businesses may favor paying down debt over dividends. Dividends are influenced by growth potential as well; businesses with strong growth prospects frequently reinvest profits rather than paying dividends. Additionally, key factors influencing a company's dividend policy include legislative restrictions, industry conventions, and shareholder preferences.

The significance of a dividend announcement lies in its ability to convey vital information to shareholders and the broader financial market. It serves as a formal declaration by a company's management or board of directors to distribute a portion of its profits to shareholders, offering insight into the company's financial health, commitment to shareholder value, and expectations for future performance. For income-oriented investors, it indicates the amount of income they can expect from their investments, affecting their financial planning. Additionally, the announcement can influence investor confidence and market sentiment, as positive news, such as dividend increases, can enhance a company's reputation, attract investors, and potentially boost its stock price, while negative news, such as dividend cuts or suspensions, may raise concerns about financial stability and lead to stock price declines

Modern financial markets are significantly impacted by dividends, and this influence endures for a number of important reasons. Dividends are, first and foremost, an essential source of income for investors, especially at this time of record low interest rates. Investors who prioritize income, like retirees, rely on dividend payments to cover their expenses. Because traditional fixed-income investments sometimes give little yield, equities with stable dividends continue to be appealing. Dividend-paying stocks continue to attract investors due to their ability to generate income, which increases their usefulness in contemporary portfolios. Additionally, dividends have a significant impact on market dynamics and investor mood. A company's financial stability and commitment to delivering value to shareholders are frequently seen in companies that routinely pay dividends. Positive dividend news can bolster market confidence and stimulate demand for certain companies, such as dividend increases. On the other hand, dividend reductions or suspensions could cause market volatility and raise questions about a company's financial stability. In this way, dividends impact both individual stock prices and larger market movements by offering insightful indications about a company's performance and management's future. As a result, dividends have an effect on investor behavior and market sentiment in addition to generating income in today's markets.

2.3 Empirical Review

Bustani et al. (2021) analyzed on The Effect of Earning Per Share, Price to Book Value, Dividend Payout Ratio, and Net Profit Margin on the Stock Price in Indonesia Stock Exchange. The purpose of this study is to investigate how the stock price is impacted by the following factors: net profit margin (NPM), dividend payout ratio, price to book value (PBV), and earnings per share (EPS). Five years (2014-2018) were covered by the research at the Indonesia Stock Exchange, which focuses on the food and beverage industry. The population of food and beverage companies that satisfied the researchers' requirements consisted of 26 companies, of which 12 made up the study's sample. SEM (statistical equation modeling) was utilized in hypothesis testing during data analysis with bootstrapping. The study's findings indicated that Price to Book Value, Earnings per Share, and Dividend Payout Ratio all have a substantial impact on stock prices. The Net Profit Margin, on the other hand, has an alpha significance of 5% and does not

significantly influence stock prices during the study period. These results suggest real-world implications that information on EPS, PBV, DPR, and NPM ratios might be considered when making investment decisions.

Sari (2021) examined on Analysis of the Effect of Earnings per share, Price earnings ratio and Price to book value on the stock prices of state-owned enterprises. The objectives of this study is to ascertain the relationship of earnings per share, price-earnings ratio and price to book value with stock prices and to ascertain their simultaneous impact on stock prices. This study makes use of secondary data from the Indonesian stock exchange and data sources that were disclosed by businesses—up to nine businesses throughout five years. The research period from August to October 2020, this study was carried out. Multiple linear regression analysis, the traditional assumption test, a partial test, a simultaneous test, and the coefficient of determination are the analyses used. The Statistical Product and Service Solution (SPSS) 23 software was used to analyze the data. According to the study's findings, (1) earnings per share positively and significantly affects stock prices, (2) price earnings ratio positively and significantly affects stock prices, (3) price to book value positively and significantly affects stock prices, and (4) earnings per share, price earnings ratio, debt to equity, and price to book value all simultaneously affect stock prices.

Safitri et al. (2020) conducted a study which tries to ascertain how earnings per share, price earnings ratio, and debt to equity ratio affect stock prices. This study was done on the businesses in the banking sector that were included in the InfoBank15 index between 2014 and 2018. Purposive sampling was the method of sampling that was employed in this investigation. As many as 30 financial documents from 6 companies were gathered for the samples. The price earnings ratio and earnings per share have a positive and significant influence on the price of shares, according to the findings of this study utilizing multiple linear regression analysis approaches. An indication that a corporation can expand its value by steadily raising the price of its shares is the higher price-earnings ratio, which causes the offer price of its shares to keep rising. Additionally, a high earnings per share may indicate that the corporation can boost its worth by paying out a

substantial dividend. On the other hand, the debt to equity ratio has no bearing on the price of the stock.

Choiriyah et al. (2020) examined on the effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock prices of banking companies in Indonesia Stock Exchange The purpose of this research is to ascertain the impact of return on assets (ROA), return on equity (ROE), net profit margin (NPM), earning per share (EPS), and operating profit margin (OPM) on the stock prices of banking businesses listed on the Indonesia Stock Exchange. Associative research is this kind of study. Financial statements from banks serve as the study's secondary data source. 32 banking firms made up the overall population used in the study, and the eight banking companies listed on BEI were the samples that were found to meet the research criteria. Multiple linear regression analysis served as the analytical framework for this study. According to the findings of the investigation, ROA, ROE, NPM, EPS, and OPM collectively have a considerable impact on the stock prices of banking companies listed on the Indonesia Stock Exchange (IDX). However, the Indonesia Stock Exchange (IDX) stock prices of banking companies are not significantly impacted by the coefficient of ROA, NPM, and OPM. The stock price of banking businesses on the Indonesia Stock Exchange (IDX), however, is heavily impacted by ROE and EPS.

Daniswara et al. (2020) investigated on Earning Per Share (EPS), Price Book Value (PBV), Return on Asset (ROA), Return on Equity (ROE), and Indeks Harga Saham Gabungan (IHSG) Effect on Stock Return. In this study, the author employed four ratios to examine how 20 businesses' stock returns that were listed for ten years in the LQ45 index from 2014 to 2018 were impacted by Earning Yield (EY), Price Book Value (PBV), Return On Asset (ROA), and Return On Investment (ROE), with Market Return serving as the control variable. Because of a multicollinearity issue with Return On Asset (ROA), Return on Equity (ROE) was eliminated from the model. This study discovered that market return, price book value, return on asset, and earning yield all had an impact on stock return. Only performance on Asset (ROA) has a negative negligible impact on stock performance, whereas the other of the variables have a positive substantial impact. One of the key drivers of economic growth in Indonesia at the moment is the expansion of the stock market. This phenomenon arises when more Indonesians get interested in

investing in the stock market, as the number of companies that list on the Indonesia Stock Exchange rises, and as the government supports the market through investment regulation. Stock returns are highly responsive to changes in a nation's business climate and economy. Investors must therefore exercise caution when making stock market investments and must take proper information into account when making decisions.

Sinaga and Hasanuh (2020) investigated on the Effect of Return on Assets and price earnings ratio toward stock prices. The purpose of this study is to ascertain how stock prices are impacted by Return on Assets (ROA) and Price Earnings Ratio (PER). The construction and building-related enterprises listed on the Indonesia Stock Exchange (BEI) over the years 2014–2019 made up the study's population. Then, using the purposive sampling technique, 42 data were acquired from a sample of 7 companies. Multiple linear regression and hypothesis testing were employed in the data analysis technique. The findings demonstrated that Return on Asset hardly little affects stock prices.

Meric et al. (2017) analyzed the interaction among stock price and financial ratios. According to the study, the price of stocks, as well as the factors that influence that price, is one of the key factors for investors. Investors can value these products using a variety of indications and techniques, including fundamental and technical analysis. Financial ratios and fundamental analysis are instruments that are frequently utilized in the investment process. The success of the stock is predicted using standard financial ratios, particularly the price-earnings ratio and dividend yield ratio. Analysis of the correlations between the price, price-earnings ratio, and dividend yield ratio of the companies listed at BIST Banking sub-sector is the goal of this study in this context. In this context, the monthly price, price-earnings ratio, and dividend yield ratio of the stocks will be studied using the VAR approach. The findings demonstrate that the price-earnings and dividend yield ratios are cause of the changes in the stock price in general. This study investigated that Price earnings ratio has a positive and significant effect on stock prices. Additionally, it concluded that the size and direction of the correlations between the aforementioned factors vary from bank to bank.

Kumar (2017) investigated on Impact of earning per share and price earnings ratio on market of share. This study's goal is to determine how earnings per share and price earnings ratio affect the market price of company shares. As a result, market price of shares is the dependent variable in this study, while earnings per share and price earnings ratio are the dependent variables. The study is exploratory in nature. Based on the Nifty auto index and for a span of five consecutive fiscal years from 2011–12 to 2015–16. The study was conducted for a sample of eight auto industry companies. The effect of profits per share and price earnings ratio on the market price of shares of particular auto industry companies was predicted using multiple regression analysis. According to the study's findings, price earnings ratios have a substantial impact on the prediction of market prices of shares of certain auto sector companies, while earnings per share has been found to be a very strong predictor of share prices.

Labhane and Mahakud (2016) examined the study on Determinants of dividend policy of Indian companies. The study looks at the factors that affected the dividend payout ratio for Indian corporations from 1994–1995 to 2012–2013. To check the reliability of the findings, a period-by-period study was done. They discovered through the trend research that companies with higher dividend payout ratios are more successful and larger, whereas companies with lower dividend payout ratios have more investment prospects and higher levels of financial leverage. They discovered from the empirical analysis that factors like leverage ratio, life cycle, company size, profitability, and liquidity significantly affect the calculation of payout ratio both overall and for two sub-periods. Variables including leverage, business risk, firm size, and profitability have all been key factors in determining dividend yield. The outcomes differ depending on the time periods and dividend policy proxies. The empirical findings suggest that factors like life cycle, market capitalization, return on assets, and liquidity are positively affecting the dividend payout ratio and dividend yield while factors like market-to-book ratio, debt-to-capital ratio, tangibility of assets, business risk, and dividend distribution tax are negatively affecting them. This shows that enterprises with high investment opportunity, financial leverage, and business risk have lower dividend payout ratios than larger, more successful, more mature, and highly liquid firms. When they compared the results across

the different dividend policy proxies and throughout the different time periods, they discovered that just three factors—leverage ratio, firm size, and profitability—significantly influenced the decision of Indian companies to pay dividends.

Aladwan (2015) investigated the study which aims to look into how different size bank categories affect a bank's profitability for Jordanian listed commercial banks. In order to categorize banks into three groups based on the size of their assets relative to their total assets, data for Jordanian commercial banks from 2007 to 2012 were used. Return on Equity (ROE) was used as a dependent variable to determine profitability y. The purpose of the study is to determine whether there is a statistically significant variation in profitability based on size. Dummy variables for categories were used to simulate asset size in simple regression. The study's findings showed that the profitability of these variously sized banks varied significantly. The study's final finding suggests that there is a size effect, with small and medium-sized banks performing better than large banks overall.

Bilal and Jamil (2015) analyzed the research that intends to investigate and analyze the impact of dividend policy on stock prices of 28 industrial sector businesses listed on Muscat Securities Market (MSM) in Oman, during the five-year period from 2009 to 2013.The impact of dividend policy on stock market prices has been examined and explained using a panel data approach employing five factors: dividend yield, retention ratio, earnings per share, return on shareholders' equity, and net profit after tax. The study's conclusion shows a strong correlation between stock price, return on equity, and earnings per share.The stock price is favorably correlated with the variables dividend yield and retention ratio, however these correlations are not statistically significant. The fifth factor, Profit after Tax, shows a negative relationship with Stock Price but has a negligible impact.

Hunraj et al. (2014) analyzed to determine how Pakistani stock prices were affected by dividend yield, dividend payout ratio, return on equity, earnings per share, and profit after tax. Four non-financial sectors—sugar, chemicals, food and personal care, and energy—have been chosen for this purpose. For the years 2006 through 2011, a sample

of 63 companies that were listed on the Karachi Stock Exchange were examined. On panel data, the ordinary least squares regression model has been used. According to the findings, the stock price is significantly impacted by dividend yield and dividend payout ratio, two indicators of dividend policy. These results go against the dividend irrelevance argument since dividend yield is inversely correlated with stock price while dividend payout ratio is positively correlated with stock price. When compared to other independent factors, profit after taxes and earnings per share have a notable positive impact on stock price, while return on equity has a positive but negligible effect. This study offers fresh perspectives for decision-makers to enhance Karachi Stock Exchange performance.

Khan et al. (2011) examined on dividend decision effect with stock price. The purpose of this study is to determine the relationship between dividend policy and stock prices by selecting 55 dividend-paying businesses that were listed on the Karachi Stock Exchange between 2001 and 2010. Panel data are used to apply fix and random effect regression models to examine the relationship between dividend policy, stock prices, and the control variables profit after tax, earnings per share, and return on equity. The study's findings show that, in both scenarios of Fixed and Random Effect, Dividend Yield and Retention Ratio are favorably and negatively connected to Stock Prices, respectively, and that these relationships considerably account for changes in Stock Prices. This further explains why dividends are desired by investors as they signal the company's future potential. Earnings per share and Profit after Tax, the control variables, are favorably correlated with stock prices in both models, whereas Return on Equity is inversely correlated with stock prices in the Fixed Effect Model and positively correlated with stock prices in the Random Effect Model. Although these findings are true and well-representative of emerging economies like Pakistan, they are neither trustworthy nor well-representative of industrialized economies.

Hussainey et al. (2011) investigated the connection between stock price volatility and dividend policy (dividend yield and dividend payout). This was carried out from 1998 to 2007 over a ten-year period. It was based on data from a sample of UK public

corporations. It also looked at how other factors, including size, growth, earnings volatility, and debt, affect stock price volatility. According to the empirical results, there is a significant inverse association between a company's payout ratio and stock price volatility as well as an inverse relationship between dividend yield and stock price volatility. Overall results point to a correlation between a stock's price volatility and payout ratio, which is higher the higher. Additionally, they contend that the payout ratio is the primary factor in determining stock price volatility. The results showed that the two control factors having the strongest association to price volatility were size and debt. However, debt showed a significant positive relationship with price volatility, indicating that the more leveraged a firm is, the more volatile the sto ck price will be. This contrasts with the significant negative relationship between size and price volatility, which suggests that the larger the firm, the less volatile the stock price is.

Nazir et al. (2010) investigated the study to find out how company payout policies affect stock price volatility. For a period of six years, from 2003 to 2008, 73 KSE companies are selected as a sample and inspected. The empirical estimation is based on a regression study using a fixed effect and random effect model between the dividend policy and stock price volatility, as well as the control variables size, leverage, growth, and earning. We discovered that the payout ratio and dividend yield, two components of the dividend policy, have a considerable impact on the share price volatility. This provides evidence in favor of the effects of arbitrage realization, duration, and knowledge in Pakistan and demonstrates that dividend policy affects stock price volatility. During the whole period (2003-2008), the dividend yield's impact on stock price volatility rose, whereas the payout ratio only had a substantial impact at a lower level of significance. Size and leverage have a negative and little overall effect on stock price volatility. Although the results aren't as robust as they are for developed markets, they are consistent with how emerging stock markets like Pakistan behave.

Rashid and Rahman (2008) investigate how dividend policy and stock price volatility are related. This study uses cross-sectional regression analysis to show that there is evidence of a positive, but not statistically significant association between stock price volatility and dividend yield after adjusting for earning volatility, payout ratio, debt, firm size, and

increase in assets. This study's key finding is that the share price response to earnings announcements differs from that of other industrialized nations. Therefore, the managers cannot use the dividend policy to alter the risk associated with their stock. Due to Bangladesh's underdeveloped capital market, the impact of stock price risk through dividends may also be confusing. This study helps fill a research gap on dividend and stock price volatility in emerging economies.

The size of the bank was a major component in the study that divided UK banks into two categories, large and small, based on the volume of their assets. They came to conclusion from their analysis that small banks performed better than large ones. Additionally, it has been demonstrated that, in addition to other factors like liquidity, the size of the bank affects profitability. The goal of the current study was to determine how well a novel multi-criteria decision-aid approach could be used to assess the banking performance of both small and large UK banks. The goal of this investigation was to pinpoint the key elements that, in relation to bank size, distinguish small from large banks. The majority of characteristics of banking performance (profitability, liquidity, capital adequacy, and asset quality) were covered by the use of thirteen financial ratios, which are frequently used in banking research. In order to assess the multicriteria methodology's classification accuracy and produce reliable results on the significance of the ratios considered in the study, a 10-fold cross validation approach was used. Kasimodou et al. (2006).

Spathes et al. (2002) through a study to look into Greek banks, they have tested the financial markets. His research centered on the impact of bank asset size. His study's objective was to look into the profitability of both major and small Greek banks, as well as the relationship between return on equity (ROE) and several classifications of criteria such asset volume, liquidity, and risk. To identify the elements that contributed to these banks' success, data from 1990 to 1999 was used. The study's findings demonstrated that large banks are more effective than small ones; whereas small banks exhibit high capital yield (ROE), large banks exhibit high asset yield (ROA).

Table2. 1 Summary Table of Review

SN	Author	Title	Objective	Methodology	Findings
1	Sinaga, B., & Hasanuh, N. (2020).	The effect On Return On Assets And Price Earnings Ratio Toward stock price.	To ascertain how stock price are impacted by return on assets and price earnings ratio.	The study uses purposive sampling technique, 42 dat were acquired from a sample of 7 companies. Multiple linear regression and hypothesis techniques were employed in the data analysis.	The findings demonstrated that Return On assets hardly affects stock prices.
2	Aladwan, M.S. (2015)	The impact of bank size on profitability.	To determine whether there is statistically significant variation in the profitabilty based on Size.	Dummy Variables for categories were used to stimulate asset size in simple regression.ROE is used to measure the profitability.	The study's findings suggets that there is a size effect , with smal and medium-sized banks performimg better than large banks overall.

3	Bilal, Z.O., & Jamil, S.A. (2015)	Does Dividend Policy impact stock market Prices?	To investigate and analyse the impact of dividend policy on stock price of industrial sector listed Muscut Security Exchange in Oman	Market price has been examined using panel data approach methodoly with fixed and random models, Descriptive statitics analysis and pearson's correlation coefficient is used.	The findings shows significant positive relatioship between EPS, ROE and Stock price.
4	Hussainey, K., Mgbame, C.O., & Chijoke-Mgbame, A.M. (2011)	Dividend Policy And Share Price Volatility.	To investigate the cinnection between stock price volatilty and dividend policy(dividend yield and dividend payout)	Multiple regression analyses are used to explore the association between share price changes and both dividend yield and dividend payout ratio.	A positive relation is found between dividend yield and stock price changes, and a negative relation between dividend payout ratio and stock price changes.
5	Hunjra, A.I., Ijaz, M.S., Chiani, M.I., Hassan., S., & Mustafa, U. (2014)	Impact of Dividend Policy, Earnings per share, Price earnings Ratio, Return on Equity, Profit after Tax on Stock Prices.	To determine how pakistan stock price were afected by dividend payout, Earnings per share, Price earnings Ratio, Return on Equity, Profit after Tax	Ordinary least square regression model has been applied on panel data	Dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price which means that these results are against dividend irrelevance theory

6	Sari, R. (2021)	Analysis of the Effect of Earnings per share, Price earnings ratio and Price to book value on the stock prices of state-owned enterprises	To ascertain the relationship of earnings per share, price-earnings ratio and price to book value with stock prices and to ascertain their simultaneous impact on stock prices.	Multiple linear regression analysis, the traditional assumption test, a partial test, a simultaneous test, and the coefficient of determination are the analyses used	Earnings per share, price earnings ratio, debt to equity, and price to book value all simultaneously affect positive and significantly on stock prices.
7	Bustari, B., Kurniaty, K., & widyanti, R. (2021)	The Effect of Earning Per Share, Price to Book Value, Dividend Payout Ratio, and Net Profit Margin on the Stock Price in Indonesia Stock Exchange	To investigate how the stock price is impacted by the following factors: net profit margin (NPM), dividend payout ratio, price to book value (PBV), and earnings per share (EPS).	Data analysis with bootstrapping used SEM (statistical equation modeling) in hypothesis testing	The research findings confirmed the significant effect of Earning per Share, Price to Book Value, and Dividend Payout Ratio on stock prices.
8	Choiriyah, C., fatimah, F., agustina, S., & Ulfa, U. (2020)	The effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock prices of banking companies in ISE.	To ascertain the impact of return on assets (ROA), return on equity (ROE), net profit margin (NPM), earning per share (EPS), and operating profit margin (OPM) on the stock prices	Multiple linear regression analysis served as the analytical framework for this study.	stock price is heavily impacted by ROE and EPS whereas stock prices of banking companies are not significantly impacted by the coefficient of ROA, NPM, and OPM.

9	Kumar,p. (2017)	Impact of earning per share and price earning ratio on market of share	To determine how earnings per share and price earnings ratio affect the market price of company shares	Multiple regression analysis is used to predict the effect of earnings per share and price earnings ratio of company's share price.	The study's findings is that price earnings ratios has a substantial impact while earnings per share has been found to be a very strong predictor of share prices
10	Meric, E., Kamışlı, M., & Temizel, F. (2017).	Interactions among Stock Price and Financial Ratios	To understand the key factors for investors about the price of stocks, as well as the factors that influence that price.	Using fundametal analysis and ratio analysis with the help of correlation and VAR approach to understand the variables and its effect on stock price	The findings demonstrates that the price-earnings and dividend yield ratios are cause of the changes in the stock price in general. This study investigated that Price earnings ratio has a positive and significant effect on stock prices

2.4 Research Gap

The term "research gap" refers to a gap in earlier research. The goal of this research is to generate some ideas on dividend policy and explore what new contributions can be made, as well as to get some ideas, knowledge, and suggestions in this regard. Previous studies cannot be overlooked in this context because they serve as the foundation for the current investigation. To put it another way, research must be continuous. This research continuity is provided by tying the current investigation to previous research studies. The numerous financing decisions are critical to the company's financial well-being. One of the important decisions to be taken is the dividend.

Despite the significance of development banks for Nepal's economic growth, the impact of dividends on the market values of stocks in this industry is not well understood. There is a study gap regarding the comparison of dividend policies and their effects on stock prices between commercial banks and development banks in Nepal because the majority of available studies focus primarily on commercial banks. The inability of politicians to create efficient laws and guidelines for dividend policies as well as investors' ability to make knowledgeable investment decisions is hampered by the lack of research that is primarily focused on the development banking industry.

The goals of this study and earlier investigations are very different. To begin, investigations on this topic of development banks were conducted at various times. As a result, this study examined new data or a new time period. This study additionally examined five development banks that had not been examined in earlier investigations. This study also attempted to apply a regression model to determine the impact of dividend policy on the market stock price of development banks in Nepal. In this study, explanatory factors such as dividend per share, price earnings ratio, earnings per share, profitability bank size, and dividend yield of development banks are used to examine dividend policy and market stock price of development banks in Nepal that were not included. So, this study is fairly different to analyze in this area because it focuses on both technical and fundamental elements affecting the stock price.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is a term used to describe the processes and strategies used to do research. It is a road map for achieving a goal. An appropriate approach produces more accurate conclusions and findings, which in turn aid in the recommendation of workable solutions to their search-related issues.

3.1 Research Design

The specification of the approach and steps for gathering the required data is known as research design. It addresses what data needs to be gathered from what sources using what processes. The impact of dividend policy on the market stock price of development banks in Nepal has been investigated using a descriptive and causal research design in order to meet the study's specific purpose. While a causal research strategy is used to assess the influence of dividend policy on the market stock price of development banks in Nepal, a descriptive research design is employed to examine the structure of dividend and market stock price.

3.2 Population and Sample, and Sampling Design

Although 17 development banks are thought to represent the research's population and operate in Nepal, it is not feasible to examine each of them in this study. As a result, a sample of specific banks, namely Jyoti Bikash Bank, Garima Bikash Bank, Sindhu Bikash Bank, Muktinath Bikash Bank and Miteri Development Bank has been chosen on the basis of simple random sampling without replacement techniques using the entire number of development banks as the study's population.

3.3 Nature and Sources of Data, and the Instrument of Data Collection

Secondary data for this study has been gathered through websites and yearly reports of relevant offices. Therefore, the major sources and categories of data are these published sources, such as financial statements of a sample of banks, various prior studies and associated bulletins, NRB reports, and regularly released by various government authorities. Research that is conducted with the proper data gathering tools increases the

credibility and worth of research findings, according to trustworthy and consistent evidence. Data has been collected from audited financial statements (balance sheet and profit and loss account) of each development banks included in the sample and various journals and publications of NRB etc.

3.4 Method of Analysis

In this study, descriptive analysis, correlation analysis and multiple regressions are applied to examine the impact of dividend payout as measured through dividend variables on market price of stock of development banks in Nepal.

3.4.1 Descriptive Analysis

Mean ($\bar{X}$)

The average value of a group of data points is represented by the term "mean," which is a measure of central tendency. It is one of the statistical measures that is most frequently employed and offers useful details about the typical value in a dataset. The sign "" (mu) for a population mean or "x" (x-bar) for a sample mean is frequently used to represent the mean**.** It represents all of the information that is almost in the middle of the two extremes. For this reason, a measure of central tendency is frequently referred to as an average. It is calculated as:

$$\text{Mean } (\bar{X}) = \frac{x_1 + x_2 + x_3 + \ldots\ldots\ldots x_n}{n} = \frac{\Sigma x}{n}$$

Where,

$\bar{X}$ = Arithmetic Mean return

$\sum x$ = sum of all values of the variable 'x'

n = number of observations

x = variables involved

Standard Deviation

A statistical measure known as the standard deviation can be used to calculate how variable or dispersed a dataset is. It gives important information about how individual data points vary from the dataset's mean (average). A lower standard deviation signifies that the data points are closer to the mean, whereas a higher standard deviation denotes greater dispersion, which means the data points are further dispersed from the mean. Standard deviation is frequently used to determine the level of risk or uncertainty associated with data and to make judgments based on the variability of the data in many sectors. It is calculated as:

$$\sigma = \sqrt{\frac{\Sigma(x_i - \mu)^2}{N}}$$

Where,

σ = population standard deviation

N = size of the population

x_i =each value from the population

μ = population mean

3.4.2 Correlation Analysis

The Pearson's coefficient of correlation, popularized by Karl Pearson and used to evaluate the strength of the association between two variables, is one of the many mathematical techniques for measuring correlation. When the value of one variable change along with the value of the other, two variables are said to be correlated. As a result, it is calculated using the formula below utilizing two variables. Small 'r' is used to .indicate it.

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

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

The value of this coefficient can never be more than + 1 or less than -1. Thus, + 1 and -1 are the limit of this coefficient. The value of r = + 1 indicates the correlation between variables is positive and the value of r= -1 indicates the correlation between variables is negative. Zero denoted no correlation.

3.4.3 Multiple Regressions Analysis

In order to represent the link between two or more explanatory variables and a dependent variable, multiple linear regression involves fitting a linear equation to the observed data. A value of the dependent variable y corresponds to every value of the independent variable x. The dependence of the stock price (dependent) on the explanatory factors will be examined in this regression analysis. The explanatory variables are independent factors such price earnings ratio, profitability, dividend payout ratio, dividend yield, return on assets, earnings per share and P/E ratio.

Model Specification

The model estimated in this study assumes that the stock price measures market stock price (MPS) depend on bank specific variables. Therefore, the following model has been employed for the study of relationship and effect of the study variables.

$MPS = \beta_0 + \beta_1 EPS + \beta_2 PER + \beta_3 DPR + + \beta_4 DY + + \beta_5 ROA + \beta_6 SIZE_t + e$

Where:

MPS= Market price per share of bank

EPS= Earnings per share

PER = Price earnings

DPR = Dividend payout ratio

DY= Dividend yield

ROA = Return on assets

SIZE= Total assets of bank

β0 = The intercept (constant)

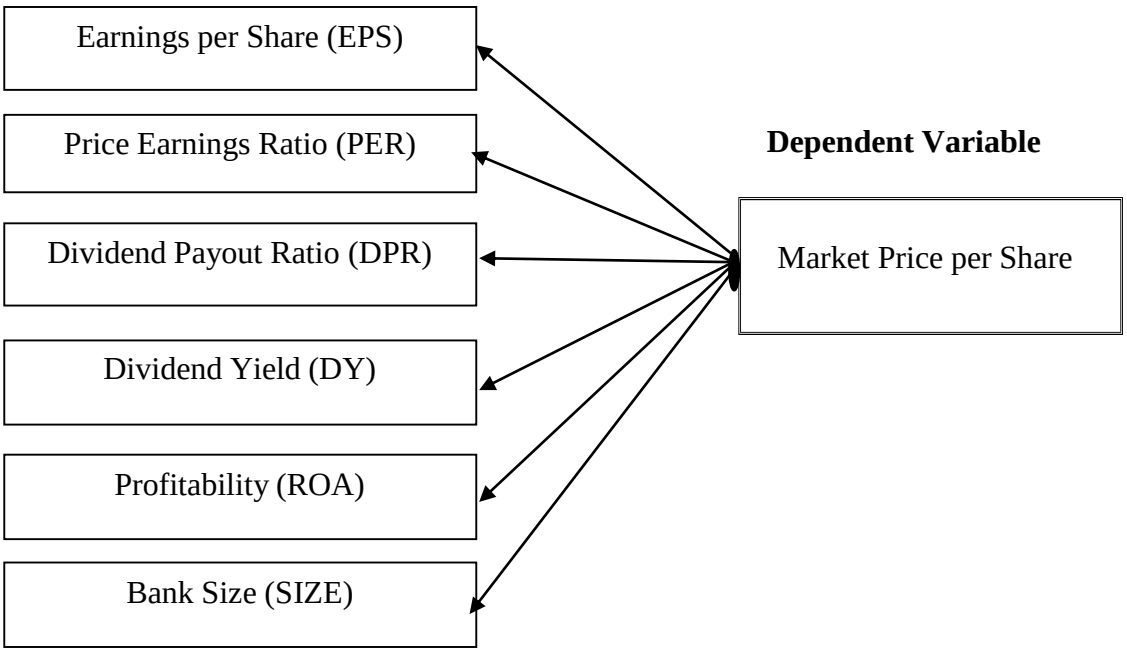
e = error component

β1, β2, β3, β4 β5 β6= The slope which represents the degree with which market price per share changes as the independent variable changes by one-unit variable.

3.5 Research Framework and Definition of Variables

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

Independent variables



Source: Hussainey and Mgbame (2011); Nazir et al. (2010); Bilal and Jamil (2015); Kumar (2017); Daniswara et al. (2020).

Definition of variables

Market price of stock

The price at which a share of a stock is currently trading on a certain stock exchange or on the open market is known as the market price of that stock, also known as the stock's market value or market capitalization. It displays the price that buyers and sellers are ready to exchange for a particular stock at a particular time. As observed by researcher such as Malhotra and Tondon (2013) and Zahir and Khanna (1982), due to these changing nature of stock price minute by minute, it becomes difficult to decide as to which market price should be regressed as a measure of dependent variable. In the present study, closing price of stock at the end of the financial year of the bank has been taken to represent market price. The market price is used as dependent variable.

$$\text{Market price of stock} = \frac{Market\ value\ of\ share}{Total\ number\ of\ share\ outstanding}$$

Earnings per share

Investors frequently use earnings per share (EPS), a financial term that evaluates a firm's profitability on a per-share basis, to evaluate the financial performance of a company. It is computed by dividing the company's net income by the total number of outstanding common shares, after deducting any relevant preferred dividends. EPS gives information on the theoretical profit that each common shareholder would get if the company's profits were divided equally among them. more EPS typically reflects more profitability, making it an important consideration when assessing a company's financial standing and possible investor returns. According to Ball and Brown (1968), Baskin (1989), Malhotra and Tandon (2013), Almumani (2014), Jatoi, Shabir, Hamad, Iqbal and Muhammad (2014), the earnings per share has a positive relationship with market price.

$$\text{EPS} = \frac{Net\ income\ after\ deducting\ preference\ dividend}{Common\ share\ outstanding}$$

Price-Earnings ratio

Investors evaluate the relative worth of a company's stock using the Price-Earnings Ratio (P/E ratio), a financial statistic. It is determined by dividing the stock's current market price per share by its earnings per share (EPS). When a company's P/E ratio is high, it

generally means that investors have high hopes for its future growth and are prepared to pay a premium for its shares, whereas a low P/E ratio could mean that investors are undervaluing the stock or have lesser expectations for future growth. Khan and Amanullah (2012), Malhotra and Tandon (2013), Almumani (2014) also indicated that price-earnings ratio have a significant positive association with firm's stock price.

P/E ratio= $\frac{Stock\ price\ of\ one\ share}{Earning\ per\ share}$

Dividend yield

A financial indicator known as dividend yield calculates the annual income earned by a company's dividends as a proportion of the stock's current market value. It is calculated by dividing the annual dividend per share by the current market price per share and expressing the result as a percentage. An investor might anticipate a larger income stream compared to their investment with a higher dividend yield, which can be appealing to income-oriented investors. Dividend yield is taken as a vital variable that is used by Allen and Rachim (1996), Rashid and Rahman (2008), Nazir, Nawaz, Anwar and Ahmed (2010), Hussainey, Mgbame and Chijoke-Mgbame (2011) and it is significantly explaining the effect of dividend policy on stock market prices

Dividend Yield=$\frac{Annual\ dividend\ per\ share}{Current\ stock\ price\ pershare}$

Dividend payout ratio

The percentage of earnings that a firm delivers to its shareholders in the form of dividends is shown by the financial indicator known as the dividend payout ratio. It is determined by dividing the company's total dividend payments by its net income. This ratio, which is given as a percentage, shows how much of a company's profits are distributed to shareholders as opposed to being held back for reinvestment or other purposes. A greater payout ratio means that a larger portion of profits are being distributed as dividends, which may be appealing to income-focused investors but may leave less money available for business expansion and investment. In contrast, a smaller payout ratio may be more appealing to growth-oriented investors because it indicates that the company is keeping more of its profits, maybe for future growth or financial stability.

Myer and Bacon (2004), and Asghar et al. (2011) found that Dividend yield has positive significant relation with stock price.

Dividend payout ratio= $\frac{Dividend\ paid}{Net\ income}$

Return on assets

The return on assets (ROA) is a financial ratio which evaluates a company's profitability in relation to its total assets. It is used as a tool to analyze or measure the efficiency of business and profitability of a company. It is computed by dividing the business's net income by all of its assets, and it is frequently stated as a percentage. ROA offers information about how effectively a business is using its resources to make money. An increase in ROA shows that the business is more efficient at turning its assets into profits, which is generally good for investors and suggests high operational effectiveness. A lower ROA, on the other hand, can mean that the business is less effective at turning its assets into earnings. Naveed and Ramzan (2013) have concluded insignificant relationship between return on assets and share price in banking sector in Pakistan. However, Idawati and Wahyudi (2015) found that earnings per share and return on assets have positive relationship to the stock price and simultaneously significantly affect stock prices.

Return on assets= $\frac{Net\ income}{Total\ assets} \times 100\%$

Bank Size (Total assets)

Depending on a number of variables, the impact of bank size on stock price can change. Larger banks typically have more varied activities and may have economies of scale, which can increase the value of their stock. Furthermore, investors may be drawn to the development potential and flexibility of smaller banks, which could result in attractive stock prices. In conclusion, the relationship between bank size and stock price is complicated and influenced by a variety of elements, such as market conditions, the regulatory landscape, and the unique financial performance and business plan of the bank. As per the study by Redmond et al. (2007);Kasimodou et al. (2006) concluded that bank size has negative and significant relationship with stock price. In contrast, Spathes (2002) proved that bank Size has significant positive relationship with stock price.

CHAPTER- IV

RESULTS AND DISCUSSION

The main goal of this study, as the researcher indicated in the earlier chapters, is to look into how dividends affect the market price of development banks' stocks in Nepal. As a result, there are three sections in this chapter, which deals with the findings' analysis and results. The first section showed structure or position of dividend and market price of stock as well as descriptive and correlation analysis on variables of the study; the second section showed fulfillment of the linear regression model assumptions; the third section laid down the discussion. For further statistical analysis, the data analysis techniques for ratio scale measurement and the ratio of the required dependent and independent variables are determined.

4.1 Results

In this section, analysis of the effect of dividend on market price of stock development banks is carried out using the statistical analytical tools such as descriptive statistic, correlations analysis and multiple regression analysis.

4.1.1 Structure of Variables

Financial metrics has been used to analyze how well each bank has performed. The highest market price, largest earnings, and highest dividend payments are indicators of a bank's success. In this section, the market price of the stock of development banks in Nepal will be evaluated together with dividend variables or indicators such as earnings per share, price earnings ratio, dividend yield, dividend payout ratio, return on assets, and bank size.

4.1.1.1 Analysis of market price of share

Table 4. 1

Market Price Per Share

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	439.9	302.2	387	268.2	347
2077/78	657	478	544	401	586
2076/77	312	166	223	134	307
2075/76	370	163	224	144	234
2074/75	378	141	218	131	288
2073/74	971	207	296	366	520
2072/73	1307	169	356	580	861
2071/72	564	164	305	227	500
2070/71	630	207	345	160	490
Mean	625.433	221.911	322	267.911	459.222
SD	325.552	107.103	103.911	154.144	193.523
CV	0.52052	0.48264	0.32271	0.57535	0.42141

Source: Appendix-I

Table 4.1 shows the market price per share of development banks in Nepal. The highest market price of share of Muktinath Bikash Bank is RS.1307 in fiscal year 2072/73. The lowest market price per share of Sindu Bikash bank is Rs.131 in fiscal year 2075/76. The highest average market price per share of Muktinath Bikash Bank is Rs.625.433. The lowest average market price per share of Jyoti Bikash Bank is Rs.221.911. Compared to the other banks in the study, Muktinath Bikash bank has clearly performed better as the bank has the greatest mean. Similarly, Jyoti Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of varriation that Garima Bikash Bank has demonstrated the greatest consistency, with a CV of only 0.32271 percent.

4.1.1.2 Analysis of EPS

Table 4. 2

Earnings per share

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	23.72	15.7	22.49	8.31	16.37
2077/78	24.03	17.27	22.75	-1.85	18.27
2076/77	16.56	13.97	17.82	2.06	25.84
2075/76	27.94	17.14	21.32	8.12	25.17
2074/75	22.2	13.34	17.43	3.01	22.86
2073/74	32.09	10.73	15.83	12.68	31.61
2072/73	43.1	16.45	26.02	26.87	46.07
2071/72	35.99	12.16	20.32	15.8	39.54
2070/71	41.32	7.94	27.77	13.81	36.25
Mean	29.6611	13.8556	21.3056	9.86778	29.1089
SD	9.08132	3.17206	3.96274	8.64938	9.99217
CV	0.30617	0.22894	0.186	0.87653	0.34327

Source: Appendix-I

Table 4.2 shows the Earnings per share of development banks in Nepal. The highest Earnings per share of Miteri Bikash bank is RS.46.07 in fiscal year 2072/73. The Lowest Earnings per share of Sindu Bikash bank is Rs. -1.85 in fiscal year 2077/78. The highest average Earnings per share of Muktinath Bikash Bank is Rs.29.6611. The lowest average Earnings per share of Sindhu Bikash Bank is Rs. 9.86778. Compared to the other banks in the study, Muktinath Bikash Bank has clearly performed better as the bank has the greatest mean. Similarly, Jyoti Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of variation that Garima Bikash Bank has demonstrated the greatest consistency, with a CV of only 0.186 percent.

4.1.1.3 Analysis of Price Earnings Ratio (P/E Ratio)

Table 4. 3

Price Earnings Ratio

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	18.55	19.25	17.21	32.29	21.2
2077/78	27.34	27.68	23.91	-217.12	32.07
2076/77	18.84	11.88	12.51	65.1	11.88
2075/76	13.24	9.51	10.51	17.72	9.3
2074/75	18.48	10.57	12.51	43.56	12.6
2073/74	30.26	19.29	18.71	28.87	16.45
2072/73	30.32	10.27	13.68	21.56	18.69
2071/72	15.67	13.49	15	14.37	12.65
2070/71	15.25	26.07	12.42	11.59	13.52
Mean	20.8833	16.4456	15.1622	1.99333	16.4844
SD	6.24847	6.54166	3.92653	79.0475	6.5099
CV	0.29921	0.39778	0.25897	39.6559	0.39491

Source: Appendix-I

Table 4.3 depicts the price earnings ratio of development banks in Nepal. The Sindhu Bikash Bank has the highest P/E ratio of Rs. 65.1 times in the fiscal year2076/77. The bank has also the lowest P/E ratio of Rs -217.72 times in the fiscal year 2078/79. The highest average P/E ratio of Muktinath Bikash Bank is Rs. 20.8833times. The lowest average P/E ratio of Sindhu Bikash Bank is Rs.1.99333times. Compared to the other banks in the study, Muktinath Development has better performance as the bank has the greatest mean. On the other hand, Garima Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of variation that Garima Bikash Bank has demonstrated the greatest consistency, with a CV of only 0.25897 percent.

4.1.1.4 Analysis of Dividend Yield

Table 4. 4

Dividend Yield

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	0.0323	0.0225	0.0376	0	0.0375
2077/78	0.0282	0.0324	0.031	0	0.0239
2076/77	0.0479	0.0602	0.0637	0	0.0514
2075/76	0.0601	0.0782	0.0759	0.0797	0.08344
2074/75	0.0508	0.0596	0.0459	0	0.0652
2073/74	0.0206	0.0501	0.0507	0.0293	0.0669
2072/73	0.0173	0.0692	0.0584	0.0306	0.0385
2071/72	0.0553	0.0549	0.0657	0.0551	0.0663
2070/71	0.0603	0.0338	0.061	0.0123	0.0564
Mean	0.04142	0.05121	0.05443	0.023	0.05439
SD	0.01696	0.01837	0.01437	0.02866	0.01851
CV	0.40945	0.35869	0.26397	1.24628	0.34021

Source: Appendix-I

Table 4.4 depicts the Dividend yield of development banks in Nepal. The Miteri development Bank has the highest dividend yield of 0.8334 percent in the fiscal year2075/76. The Sindhu Bikash bank has no dividend yield in the fiscal year 2078/79, 2077/78, 2076/77, 2074/75. The highest average dividend yield of Garima Bikash Bank is 0.5443 percent. The lowest average dividend yield of Sindhu Bikash Bank is 0.023 percent. Compared to the other banks in the study, Garima Bikash Bank has better performance as the bank has the greatest mean. On the other hand, Garima Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of variation that Garima Bikash Bank has demonstrated the greatest consistency with a CV of only 0.26397 percent.

4.1.1.5 Analysis of Dividend payout ratio

Table 4. 5

Dividend payout Ratio

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	14.21	6.8	14.5	0	13
2077/78	18.5	15.5	16	0	14
2076/77	15.51	10	14.21	0	15.79
2075/76	17.6	12.75	17	11.48	19.51
2074/75	19.21	8.4	13.75	0	18.78
2073/74	21.05	10	15	10.71	34.79
2072/73	34	11.7	20	17.76	33.16
2071/72	32.63	9	20	12.5	33.16
2070/71	40	7	21.05	14.28	27.64
Mean	23.6344	10.1278	16.8344	7.41444	23.3144
SD	9.35451	2.81415	2.82295	7.30851	8.86755
CV	0.3958	0.27786	0.16769	0.98571	0.38035

Source: Appendix-I

Table 4.5 depicts the Dividend payout ratio of development banks in Nepal. The Muktinath Bikash Bank has the highest dividend payout ratio of 40 percent in the fiscal year2070/71. The Sindhu Bikash bank has not distributed dividend in the fiscal year 2078/79, 2077/78, 2076/77, 2074/75. The highest average dividend payout ratio Muktinath Bikash Bank is 23.6344 percent. The lowest average dividend payout ratio of Sindhu Bikash Bank is 7.4144 percent. Compared to the other banks in the study, Muktinath Bikash Bank has better performance as the bank has the greatest mean. On the other hand, Jyoti Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of variation that Garima Bikash Bank has demonstrated the greatest consistency with a CV of only 0.16769 percent.

4.1.1.6 Analysis of Return on Assets (ROA)

Table 4. 6

Return On Assets

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	1.1082	0.9457	1.29	0.83	1.97
2077/78	1.1434	1.1086	1.15	-0.21	2.17
2076/77	1.066	1.1531	1.15	0.29	2.72
2075/76	1.6467	1.4573	1.53	1.25	2.56
2074/75	1.6667	1.479	1.86	0.52	2.49
2073/74	2.485	1.73	1.98	1.62	3.41
2072/73	2.79	1.703	2.1	1.98	3.61
2071/72	2.4181	1.3847	1.94	1.41	3.15
2070/71	2.5184	1.0149	2.26	1.42	2.88
Mean	1.87139	1.3307	1.69556	1.01222	2.77333
SD	0.68842	0.28892	0.42383	0.70516	0.54733
CV	0.36786	0.21712	0.24996	0.69664	0.19736

Source: Appendix-I

Table 4.6 shows the Return on Assets of development banks in Nepal. The highest ROA of Miteri development bank is 3.61percent in fiscal year 2072/73. The Lowest ROA Sindu Bikash bank is -0.21 percent in fiscal year 2077/78. The highest average ROA of Miteri development Bank 2.7333 percent. The lowest average ROA of Sindhu Bikash Bank is Rs. 1.0122 percent. Compared to the other banks in the study, Miteri development bank has clearly performed better as the bank has the greatest mean. Similarly, Jyoti Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of variation that Miteri development bank has demonstrated the greatest consistency, with a CV of only 0.19736 percent.

4.1.1.7 Analysis of Bank Size

Table 4. 7

Bank Size

Year	Muktinath	Jyoti	Garima	Sindhu	Miteri
2078/79	121083	670.01	80030.5	46.3	7519.99
2077/78	101127	663.87	72957.5	-9.63	6705.12
2076/77	66348.1	488.46	50293.7	11.48	6580.21
2075/76	51991.4	531.34	38749.1	40.63	5759.98
2074/75	34649.3	346.12	25286.5	18.29	4576.76
2073/74	19592.3	228.46	17662.1	36.79	3525.01
2072/73	12936.8	151.95	10578.8	26.87	2700.5
2071/72	9000.47	102.99	7452.36	17.22	2041.57
2070/71	6029.44	62.87	4612.39	13.81	1638.3
Mean	46973.1	360.674	34180.3	22.4178	4560.83
SD	41838.8	237.018	28249	17.2962	2187.82
CV	0.8907	0.65715	0.82647	0.77154	0.4797

Source: Appendix-I

Table 4.7 depicts the Bank Size or Total assets (Rs in million) of development banks in Nepal. The Muktinath Bikash Bank has largest size with total assets of Rs 121083 Million in fiscal year 2078/79. The Sindu Bikash bank has lowest size with total assets of Rs. -9.63 million in the fiscal year 2077/78. The highest average Size of Muktinath Bikash Bank with total assets of Rs. 46973.1 Million. The lowest average Size of Sindhu Bikash Bank is Rs 22.4178 million. Compared to the other banks in the study, Muktinath Bikash bank can raise large capital at lower cost due to economies of scale in production. Similarly, Sindhu Bikash Bank has the lowest standard deviation of the sample banks, which indicates that it also has the lowest risk. It is clear from the coefficient of variation that

Miteri development bank has demonstrated the greatest consistency, with a CV of only 0.4797 percent.

4.1.2 Descriptive Statistics of Variables

In this study, the descriptive statistics variables of dependent and independent variables are presented in Table 4.8 which is based on panel data set organized by five development banks in the Nepalese banking sector during the period from 2070/710 to 2078/79.

Table 4. 8

Descriptive statistics of variables of sample banks

Variables	N	Minimum	Maximum	Mean	Std. Deviation
MPS	45	131	1307	379.2955556	237.5344836
EPS	45	-1.85	46.07	20.75977778	10.76929336
P/E ratio	45	-217.12	65.1	14.19377778	36.72285697
DY	45	0	0.08344	0.044892	0.022551909
DPR	45	0	40	16.26511111	9.374135747
Size	45	-9.63	121083.47	17219.47356	29250.11643
ROA	45	-0.21	3.61	1.73664	0.802383483

Source: Appendix-II

Table 4.8 shows that the descriptive statistics of five sample of development banks listed on NEPSE from 2070/71 to 2078/79. The value of EPS is Rs. 20.75977778 with standard deviation of 10.76929336 and ranges from Rs. -1.85 to Rs. 46.07. This implies that value of EPS can vary on both sides by Rs. 10.76929336. Likewise, the average dividend yield is 0.044892 percent and ranged from 0 to 0.08344 percent with the low standard deviation i.e. 0.022551909 that indicates the low volatile position of development banks in Nepal. The mean of the P/E is 20.75977778 times with standard deviation of 36.72285697 and ranges from -217.12 to 65.1 which means the value of P/E can change on both sides by 36.72285697. Similarly, DPR has mean value of 16.2651111 percent and standard deviation of 9.374135747 ranging from 0 to 40 which means the value can be deviated by 9.374135747. It also shows that the mean of the ROA is 1.73664 percent with standard deviation of 0.802383483 and ranges from -0.21 to 3.61 percent. The bank size defined in terms of total assets ranges from Rs. -9.62 Million to Rs. 121083.47 Million leading to the average of Rs. 17219.47356 million. The minimum and maximum

value of market prices per share ranges from Rs. 131 to Rs. 1307. Likely, the average market price per share is Rs. 379.2955556 with standard deviation of Rs. 237.5344836.

4.1.3 Correlation Analysis

This study tried to attempt the fundamental relationship between dependent and independent variables. Here, the MPS is dependent variables and "dividend payout ratio," "dividend yield," "EPS," "price earnings ratio," "return on assets," and "bank size" are independent variables. Pearson's correlation coefficient is used to know how the variables are related to each other. Correlation matrix is shown in the following table no 4.9.

Table4. 9

Pearson Correlation Coefficients of Study Variables

Variables	MPS	EPS	P/E ratio	DY	DPR	Size	ROA
MPS	1						
EPS	.723**	1					
	0.000						
P/E ratio	0.035	0.221	1				
	0.822	0.145					
DY	-0.255	.314*	0.084	1			
	0.091	0.036	0.581				
DPR	.651**	.939**	0.158	.410**	1		
	0.000	0.000	0.301	0.005			
Size	0.166	0.133	0.079	-0.045	0.051	1	
	0.277	0.383	0.608	0.767	0.741		
ROA	.505**	.842**	0.254	.443**	.843**	-0.209	1
	0.000	0.000	0.092	0.002	0.000	0.168	

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

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

Source: Appendix-III

Table 4.9 shows the correlation test between both dependent and independent variables using correlation coefficient matrix. The correlation test shows that earnings per share (EPS) has significant positive relation with market price per share (MPS) in 1 percent level of significance with correlation coefficients.723. This implies that there is positive correlation between EPS and MPS. Similarly, there is insignificant positive correlation between PER and MPS with coefficient 0.035 and there is negative insignificant correlation between dividend yield and MPS. The correlation matrix also shows that dividend payout ratio (DPR) has significant positive correlation with MPS. Then, Size has positive but not significant correlation with MPS at 1 percent level of significance. correlation between return on assets (ROA) and MPS is significant positive correlations.

4.1.4 Results of Regression Analysis

This technique is for modeling and analyzing several variables, when our focus is on the relationship between a dependent variable (MPS) and independent variables (dividend payout ratio, dividend yield, EPS, price earnings ratio, ROA and bank size).

Table 4.10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	0.804	0.773	113.1107

a. Predictors: (Constant), ROA, Size, P/E ratio, DY, DPR, EPS

Source: Appendix-IV

In this study, the R statistics is .897 which indicates that there is high correlation between these variables. It penalizes the inclusion of additional predictors that do not significantly improve the model's explanatory power. The coefficient of determination, commonly referred to as R-squared (R^2), is a statistical measure that represents the proportion of the variance in the dependent variable (the outcome or response variable) that is explained by the independent variables (predictor variables). R adjusted value is 0.773 in the models denote that 77.3 percent of the observed variability in stock price can be explained by the differences in the independent variables. Remaining 22.7 percent of the variance in

preference is related to other variables which did not explain, as they are not depicted in the model. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 80.04 percent of the variability in the share prices of development banks. The variability or dispersion of the observed data points around the regression line in a linear regression model is measured by the standard error of the estimate. The value of 113.007 for the standard error of the estimate in this model summary of the regression equation denotes the typical or average error or residual in the predictions generated by the regression model.

Table 4. 1

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1996422.313	6	332737.052	26.007	<.001[b]
Residual	486173.446	38	12794.038		
Total	2482595.759	44			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, Size, P/E ratio, DY, DPR, EPS

Source: Appendix-IV

ANOVA Table 4.11shows the overall regression model fitness for the data. It reveals p-value of 0.001 which is less than 0.05 this indicates that dividend predicts the stock price significantly.

Table 4. 2

Regression coefficient of independent variables with MPS

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	231.030	50.942		4.535	0.000
EPS	13.600	5.714	0.617	2.380	0.022
P/E ratio	-0.730	0.495	-0.113	-1.475	0.149
DY	-6015.486	901.279	-0.571	-6.674	0.000
DPR	7.350	5.891	0.290	1.248	0.220
Size	0.000	0.001	0.059	0.635	0.529
ROA	10.651	54.551	0.036	0.195	0.846

Dependent Variable: MPS

Source: Appendix-IV

Table 4.12 reveals the regression coefficient of independent variables such as dividend payout ratio, dividend yield, EPS, price earnings ratio, ROA and bank size of sample banks and the intercept value of dependent variable MPS. In a regression model, a standardized beta coefficient represents the change in the dependent variable due to the change in the independent variable while holding all other variables constant.

The results of regression model indicated that the relationship between earnings per share (EPS) has a significant positive relationship with MPS by a coefficient estimate of 0.617. This means when one unit increases in EPS, as a result it increases MPS of the banks by 0.617 units if other variables constant and the p value is 0.022 which is less than0.05 discloses that it is statistically significant at 5 percent level of significance. So, the alternative hypothesis is accepted i.e Earnings per share has significant impact on market price of stock of sample banks.

The price earnings ratio (P/E ratio) has a negative relationship with MPS by a coefficient estimate of 0.113. This means that holding other independent variables constant and when one percent increases in PER, consequently it decreases MPS of the banks by 0.113

percent and the p value of P/E ratio is 0.149 reveals that it is statistically insignificant at 5 percent level of significance. So, it rejects alternative hypothesis and supports null hypothesis.

According to the regression result, dividend yield (DY) has a significant negative relationship with MPS by a coefficient estimate of 0.574. This means that holding other independent variables constant and when one percent increases in dividend yield (DY), consequently it decreases MPS of the banks by 0.574 percent and the p value of DY is less than 0.001 reveals that it is statistically significant at 5 percent level of significance. Accordingly, the result supports the working hypothesis that dividend yield does have statistically significant effect on MPS of sample banks.

The dividend payout ratio (DPR) has a positive relationship with MPS by a coefficient estimate of 0.290. This means that holding other independent variables constant and when one percent increases in DPR, as a result it increases MPS of sample banks by 0.290 percent and the p value of DPR is 0.220. Testing in the 5 percent significance level p-value is more than 0.05 and alternative hypothesis is rejected concluding that dividend payout ratio does not have statistically significant influence on the MPS of sample banks.

The results of regression model indicated that the bank size has a positive relationship with MPS by a coefficient estimate of 0.059. This means that holding other independent variables constant and when one unit increases in bank size, as a result it increases MPS of the banks by 0.059 units and the p value of bank size is 0.529 discloses that it is statistically insignificant at 5 percent level of significance. Hence, this is insignificant positive effect of bank size and MPS.

The return on assets (ROA) has a positive relationship with MPS by a coefficient estimate of 0.036. This means that holding other independent variables constant and when one percent increases in ROA, as a result it increases MPS of sample banks by 0.036 percent and the p value of DPR is 0.846. Testing in the 5 percent significance level p-value is higher and null hypothesis is accepted concluding that ROA has statistically insignificant influence on the MPS of sample banks.

4.2 Discussion

The vital purpose of the study is to know the impact of dividend and also to analyze that how dividend effect on stock price in development banking sector. The correlation analysis depicts that earnings per share (EPS) has significant positive relation with market price per share (MPS) in 1 percent level of significance which is consistent with the findings of prior empirical studies of Pradhan et al. (2017); Chughtai et al. (2014); and contradicts the findings of Mehmood et al. (2019). Similarly, there is positive but insignificant correlation between price earnings ratio (P/E ratio) and MPS which supports the findings of Kumar (2017) and insignificant negative relationship between dividend yield (DY) and MPS which is similar with the results of Khan at el. (2011); Hunraj et al. (2014); and different than the findings of Rashid and Rahman (2008); Bilal and Jamil (2015) that DY is positive but not significant with MPS. The correlation matrix also reveals that dividend payout ratio (DPR) has significant positive correlation with MPS. This was inconsistent with the findings of prior empirical study of Hussainey et al. (2011); Hunraj et al. (2014); and similar with Mehmood et al. (2019); Gunaratne et al. (2015) that DPR is positively correlated with MPS. Then, correlation between return on assets (ROA) and MPS is significant positive correlations. This is consistent with Pradhan et al. (2017) and inconsistent with the findings of Sinaga & Hasanuh (2020); Febriani's (2016). Moreover, Size has insignificant positive relation with MPS which is consistent with the findings of Hussainey et al. (2011); Aladwan (2015); Spathes. (2002) and different with findings of Redmond et al. (2007).

The results of regression found that the relationship between earnings per share (EPS) has a positive relationship with MPS and the p value is 0.022 discloses that it is statistically significant at 5 percent level of significance. The finding is consistent with the results of Bustain et al. (2021); Sari (2021); Safitari et al. (2020); Bilal and Jamil (2015). This means EPS has significant impact on MPS of sample banks.

In the same way, dividend yield (DY) has a negative relationship with MPS and it is statistically significant at 5 percent level of significance. So, the result supports the working hypothesis which is similar with Khan et al. (2011); and Hussainey et al. (2011).

The finding differs than Bilal and Jamil (2015) that DY is positively related but not significantly.

As per the regression result, price earnings ratio (P/E ratio) has a negative relationship with MPS by a coefficient estimate of -1.13. This indicates that keeping other independent variables constant and when one percent increases in P/E ratio results increase in MPS of the banks by 1.13 percent. The p value of P/E ratio is 0.149 that it is statistically insignificant at 5 percent level of significance. The outcomes is different with Meric et al. (2017); Kumar (2017); Sari (2021); Aletheari and Jati(2016).The result supports null hypothesi and rejects the working hypotheses that price earnings ratio does not have significant effect on MPS of sample banks.

The dividend payout ratio (DPR) has a positive relationship with MPS and the p value of DPR is 2.90. Testing in the 5 percent significance level p-value is 0.529 more than 0.05. So, null hypothesis is accepted concluding that dividend payout ratio does not have statistically significant influence on the MPS of sample banks. This was consistent with the findings of Nazir et al. (2010);Bustani et al. (2021); and Hunraj et al. (2014) that DPR is positive and significantly related with MPS. The result is inconsistent with the findings of Hussainey et al. (2011).

The return on assets (ROA) has a positive relationship with MPS by a coefficient estimate of 0.036 and the p value of ROA is 0.846. Testing in the 5 percent significance level p-value is higher and null hypothesis is accepted concluding that ROA has statistically insignificant influence on the MPS of sample banks. This is consistent with the findings of Choiriyah et al. (2020). However, it contradicts with the findings of Daniswara et al. (2020) which observed that ROA has insignificant negative impact on market price of stock of development banks in Nepal.

The relationship between bank size has a positive relationship with MPS by a coefficient estimate of 0.59and the p value of bank size is 0.529 discloses that it is statistically insignificant at 5 percent level of significance. Previous study of Spathes et al. (2002) had also found that large banks are more effective than small banks and have positive impact. This finding is opposite to the findings of Kasimodou et al. (2006).

CHAPTER -V

SUMMARY AND CONCLUSION

5.1 Summary

The performance of banks is demonstrated by their dividend on share which attracts most of the investors in the business. Before making a stock market investment decision, investors carefully consider the bank's dividend policy. It has been observed that companies with growing earnings and dividend payout typically see an increase in stock price, while those with declining dividends or no dividends tend to see a downward trend in stock price. Thus, it is clear that dividends have an impact on a company's stock price. However, some scholars contend that it is actually information about dividend payments that has an impact on stock prices.

The main objective of this study is to examine impact of dividend payout on stock price of development banks in Nepal while other specific objectives are to identify the structure of dividend payout and market stock price of development banks in Nepal, to examine the relationship between dividend payout and market price of stock of development banks in Nepal and to analyze the impact of dividend factors on market price of stock of development banks in Nepal. Descriptive and causal research design has been carried out to achieve the specific objective of the study, in terms of dividend and stock price of development banks in Nepal. Descriptive research design is used for analyzing structure of dividend and market stock price whereas causal research design is followed to measure the impact of dividend policy on market stock price of development banks in Nepal. There are development banks operating in Nepal, which are assumed to be the population of the study but only five of them, namely Muktinath, Jyoti, Garima, sindhu and Miteri banks has been taken as sample on the basis of simple random sampling method. For this study, secondary data are taken from annual reports of related office and their websites. Data is collected from audited financial statements (balance sheet and profit and loss account) of each development banks included in the sample and various journals and publications of NRB etc. All data were collected on annual base

covering nine years periods, i.e. from the fiscal year 2070/71 to 2078/79. The study used descriptive statistics, correlation and multiple regression analysis by using IBM SPSS software programmer.

The study found that Nepalese development banks have distributed dividend to the shareholders but these banks have not been following stable dividend payout policy. A wide range of market stock price is found. However, the dividend yield is low of all sample banks. The correlation analysis of earnings per share, price earnings ratio, dividend payout ratio and return on assets, bank Size have positive and significant relationship with market price of stock of Nepalese development banks. However, dividend yield has negative and insignificant negative relationship with MPS. The regression result shows that earning per share has significant positive effect on MPS of development banks in Nepal. Dividend yield has significant negative impact on market price of stock. Then, return on assets (ROA), P/E ratio, and bank size have insignificant positive effect on market price of stock. The p value of dividend payout ratio (DPR) is 0.220 which is more than 0.05. In conclusion, dividend has considerable impact of stock price of Nepalese development banks.

5.2 Conclusion

From the findings, some conclusions are made during the study period. A wide range of market stock price is found. This study concludes that the earnings of banks said to be satisfactory in Nepalese context. There is less consistency found in dividend distribution in all sample banks but dividend yield is found to be consistent. However, the results of the study depict that there are several considerations made prior to issuing dividends to the shareholders. It also reveals that the average assets size of development banks in Nepal during the study period is bigger as total assets is in increasing trend each year.

As per correlation analysis, it shows that earnings per share (EPS) has significant positive relation with market price per share (MPS). Similarly, there is significant negative correlation between dividend yield (DY) with market price of stock and significant positive relationship between PER and MPS. The correlation matrix also shows that dividend payout ratio (DPR) has significant positive correlation with MPS. In the same way, correlation between return on assets (ROA) and MPS is significant positive

correlations. The relation is similar with bank size also. The results of regression found that earnings per share (EPS) has a significant positive effect on MPS. However, dividend yield has significant negative effect on MPS of development banks in Nepal. Price earnings ratio (P/E ratio) has negative and insignificant influence on MPS whereas return on assets and dividend payout ratio have insignificant positive impact on MPS of Nepalese development banks. The study also concluded that bank size is an important factor affecting MPS and it had positive insignificant impact on stock price of development banks in Nepal.

5.3 Implications

On the basis of above summary and conclusion, the following implications are made in banking sectors in Nepal;

i. This study discovered that the stock price of banks is significantly positively impacted by earnings per share. In this regard, the findings of this study are anticipated to offer stakeholders additional and relevant information about the effect of dividends on the stock price of development banks in Nepal. Finally, based on the data presented or the findings of the study, it would be highly beneficial to managers as internal users as well as to regulatory agencies and other external users to make decisions on the influence of dividend on bank stock prices.

ii. This study also showed that the stock market price of Nepalese development banks is significantly negatively impacted by dividend yield. It demonstrates that a lower stock price would result from a higher dividend yield. Therefore, in order to raise the firm's value and stock market price, management should aim to enhance dividend.

iii. As per the findings of the study, bank size has insignificant positive effect on market price per share. The implication of this study suggests a rational investor’s need to consider firm size, profitability and money supply before making investment decision along with signaling and asymmetric information in context of imperfect stock market like Nepal.

iv. Overall, there is a considerable effect of dividends on the stock price of development banks in Nepal. The conclusion would direct bankers to concentrate on modifying the dividend distribution rate to impact the changes in the corresponding year's earnings. However, in the subsequent years, the changes in dividend distribution would not be useful. Thus, to influence the future profitability of development banks in desired direction, they need to focus on other variables except dividend policy.

v. The conclusions provided by this study are beneficial to investors and other researchers. This work serves as a great source for more researchers.

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