DIVIDEND PRACTICE OF NEPALESE COMMERCIAL BANKS

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

By

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June-2024

CERTIFICATIONOFAUTHORSHIP

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

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APPROVALSHEET

We, the undersigned, have examined the thesis entitled **"Dividend Practice of Nepalese Commercial Banks "** Presented by **Saroj Khatri** has a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ACKNOWLEDGEMENTS

This thesis entitled "**Dividend Practice of Nepalese Commercial Banks** has been prepared for the partial fulfillment of the requirement for the degree of Master of Business studies.

I extend my deep sense of indebtedness to my respected supervisor Asso. Prof. Dr.Kapil Khanal for his precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis. I would like to express my gratitude to my honorable campus chief Asso. Prof. Krishna Prasad Acharya of Shanker Dev Campus and Shanker Dev Campus Library who provided the reference and reading materials during the period of research. I also like to thank to my respectable teacher for guiding and inspiring me to complete this thesis.

I am deeply indebted to my respected teachers and friends for helping me during the period of research.

Saroj Khatri

Researcher

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LISTOFTABLES

ABBREVIATIONS

DPR	:	Dividend Payout Ratio
DPS	:	DividendPerShare
DY	:	DividendYield
DYR	:	DividendYield Ratio
EPS	:	EarningPerShare
FY	:	FiscalYear
HBL	:	HimalayanBank Ltd
MPS	:	MarketPricePerShare
NABIL	:	Nabil Bank Ltd
NEPSE	:	NepalStockExchangeLimited NE

ABSTRACT

The objective of the study is to analyze impact of EPS, DPY, Dividend Yield, P/E ratio, ROA and bank size on MPS over the ten year study period starting form year 2012/13 to 2021/22. This study basically deals with the secondary data of NABIL, SCBNL and HBL which are collected from annual reports of the banks. In this study, descriptive as well as casual comparative research design are used. Correlation coefficient and regression analysis are conducted to find out the relationship between Dependent Variable (MPS) and independent variables (EPS,DRY,DY,P/E Ratio and Bank Size). The study conclude that beside DY and Bank Size, other independent variables has significant impact on market value of share (MPS).

Keywords: EPS,DRP,DY, P/ERatio,Bank Size andMPS

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Any nation's ability to flourish economically depends on its ability to generate creative output from investments in profitable businesses. These businesses require significant money and a stable environment to be established. In order to sustain operations, guarantee seamless functioning, and promote ongoing expansion, established firms and companies need to make both short- and long-term capital expenditures. A business that has a strong capital structure may overcome obstacles with ease. Financial institutions and primary and secondary securities markets are the main sources of an enterprise's short- and long-term capital needs. Financial institutions are vital to the economy of every nation since they provide start-up and startup capital to businesses. They serve as the foundation of any economy. "In practice, net earnings may not conform and may not be an appropriate measure of the ability of the firm to pay dividends" (Home, (2000)).

Commercial banks are financial institutions that mostly work in the trade, commerce, industry, and agricultural sectors. They offer continuous financial support as well as other forms of assistance to promote development and progress. They provide the essential funds for savings on an individual and institutional level. Commercial banks' primary goal is to gather idle resources from diverse sources and put them to profitable purposes. Banks collect resources from the general population and direct them toward industries in need of funding. They transmit financial resources from savers to users by acting as middlemen. Banks need to keep a careful eye on whether their operations are profitable and if their resources are being used effectively. For banks, profit is a vital component, just as in any other organization. A business cannot continue to provide its services without revenue. Dividends from profits might be given to the owners.

Since not all net income is dispersed as dividends, a dividend is the portion of a company's net profit that is given to its shareholders; it does not represent the full net profit of the business. Businesses set aside a portion of their net profits as reserves for

future growth and expansion. Dividend policies refer to how a business allocates its net profits between retained earnings and dividends. The percentage of profit given to shareholders is known as dividends, although retained earnings are a major source of funding for the expansion of the business. Management must choose how much profit to deliver to shareholders and how much to keep for future growth at the end of the fiscal year. One of the most important dividend practices is this choice. There isn't a standard procedure for allocating dividends in Nepal. Different businesses distribute their net income between retained earnings and dividends in different ways. Dividends are normally given out every three months, six months, or a year. But the majority of businesses in Nepal give dividends every year. Cash dividends and stock dividends are the two most popular types of dividend payouts. Whereas stock dividends are paid in shares of the company's stock, cash dividends are paid in cash.

When allocating the company's earnings to retained earnings and dividends, the financial manager must be aware of all the competing elements that affect the dividend policy.The following are a number of factors that could influence a company's dividend decision:Krishna (2001: 336–337)This study examines all pertinent dividend-related elements and dividend policies of particular commercial banks. The primary goal of this research is to evaluate the dividend policies now followed by NEPSE-listed firms.

1.2 Problem Statement

Investors anticipate receiving a dividend as a form of income from their investments. Nonetheless, choosing a payout is still a crucial and contentious aspect of managerial work. A plethora of financial literatures, theories, and findings exist in response to dividend policy and practices. Financial findings from various research exports and financial exports, however, disagree. The relationship between dividend payout, market value per share, and earnings per share is unclear. According to some study, the amount of dividends a firm pays its shareholders has little bearing on how much the company is worth. However, other academics believe that dividends and form valuation have a direct relationship, meaning that decisions about dividends have an impact on the firm's worth. Therefore, it is yet unclear if the dividend choice has a favorable or negative impact on the firm's valuation.

Modigliani & Miller (1961) state that dividend policy do not effect market valuation. There is no relationship between dividend policy adapted by firm and firm's market valuation. They argue that firm's earnings effect market valuation which depends on its investment policy.

"Investors, board of directors and head of finance department of Nepalese commercial banks to give consideration to dividend announcement, EPS, P/E ratio, DPR before they invest and set the dividend policy." Baral & Pradhan (2018) 'The dividend disbursement rate of the mature corporations are more then the of the newly listed corporation' Islam& Adnan (2019), dividend policy and factors like dividend yield and DPR is relevant in determining chare price change. Okafor, mgbame and Chijoke-mgbame (2011)

EPS, DPS,DY,RR, ROE and profit have significant impact on market valuation of share. Singh & Tandon (2019). There exist the positive relationship between DPS and EPS and generally company's follows consistent pattern of dividend payouts. Das (2022)

Discussion shows that there are some gap in literature. This study focuses to fill a gap examining the relationship between dividend and market value of selected commercial bank of Nepal and different dividend practice adopted by different banks. Keeping this in mind, this study seeks to answer the following questions.

i. What is the position MPS,EPS,DRP,DYRatio,ROA,P/ERatioand Bank size of selected commercial banks?
ii. IsthereanyeffectofEPS,DRP,DYRatio,ROA,P/ERatioandBank Size on MPS?
iii. HowdoestherelationshipbetweenMPSandeachindependvariable differ across Nabil, SCBNL, and HBL banks?

1.3 ObjectivesoftheStudy

This study's primary goal is to examine listed banks' dividend policies and how they relate to market value. The following are additional study objectives:

- To examine the position of MPS, EPS, DRP, DY Ratio, ROA, P/ER and

Bank Size of sample commercial banks.

- To analyze the relationship of EPS, DRP, DY Ratio, ROA, P/E Ratio, and Bank Size with market price per share of sample commercial banks.
- To enhancing shareholder value, ensuring financial stability, demonstrating financial performance, complying with regulations and balancing growth and returns.

1.4 Rationale of the Study

Increasing return on investment from a finite source is a crucial component for any investor looking to diversify their portfolio's holdings across several industries. People these days are very attracted to investing in shares in order to increase their return. As a result, dividend policies are now a successful strategy for drawing in a sizable number of new investors, keeping hold of current ones, and preserving goodwill and the intended controlling position of the company.

People in Nepal are making haphazard share market investments because they lack expertise about how to make informed investment selections. Sufficient research has been done to make things better. Before making an investment in the stock market, many investors take a business's dividend policy into consideration. For this reason, this study helps investors form clear ideas about the potential returns on their listed company investments. This study can help businesses determine and implement appropriate dividend policies.This study can serve as a reference for researchers in the future.

1.5 Limitations of the Study

Thelimitation of presentstudy are as follow:

- The study is mainly conduced on the secondary data .So the resultdependson the reliability of secondary data.
- There are many factors that affect dividend decisions and valuation of thefirm, however only those factors related with dividend are considered in the study.
- Only three commercial banks (NABIL, SCBNL And HBL) are taken as sample

- The study covers a period of ten years of time from fiscal year 2012/13 to 2021/22.

CHAPTER II
LITERATUREREVIEW

This study summarizes the information from other researchers who have carried out their research in the similar field of study. The present study aims to analyze the dividend policy and practices of insurance companies. For this purpose, it has reviewed past and related literature in this concerned area which will help to generate clear idea, opinions and conceptual framework on the research topic.

2.1 Theoretical Review

In this section, some of the basic literatures on dividend, dividend policy and stock price behaviour are reviewed. This section would broadly discuss the concepts related to the research topic. It includes dividend, dividend policy, dividend policy and market price of share and rules regarding dividend practices in Nepal.

2.1.1 Dividend

Retained earnings are allocated for future investment, while a portion of the company's net earnings are given to shareholders when tax requirements are satisfied. The amount of the company's net profits that is given to the shareholders is known as the dividend. A dividend may be given out in the form of shares or cash. Since capital is required for every business to expand, a company that is planning to expand preserves its earnings as retained earnings. A business pays its shareholders a dividend when it no longer has plans for growth.

2.1.1.1Major Forms of Dividend

Depending on the goals and strategies they pursue, corporations must adhere to different dividend schedules (Paudel, 2009). The majority of companies in Nepal pay stock dividends (bonus shares) and cash dividends. Corporate objectives and policies are limited by a variety of external factors, including financial constraints, which influence the types of dividends that firms pay out (Paudel, 2009). Dividends are paid out in a variety of ways based on the shifting needs of organizations. They are listed in the following order:

i) Cash Dividend

A cash dividend is a portion of earnings distributed to shareholders in accordance with their ownership stakes. A company's net worth and total assets decrease as a result of reductions in its reserve and cash accounts. In most cases, the market price of a share decreases in proportion to the amount of cash dividend paid out. For the purpose of paying cash dividends, the company must maintain a sufficient cash balance; otherwise, borrowing money for this reason may be challenging. Cash flow planning is beneficial for businesses that consistently issue dividends (Paudel, 2009).

ii) Stock Dividend (Bonus shares)

A stock dividend is when new shares are distributed to current shareholders in lieu of cash. According to Van Horne (1998), "a stock dividend is just the payment of additional stock to stockholders; stockholders' proportionate ownership remains unchanged" (a recapitalization of the corporation). Another name for it is bonus share. As a result, there are now more outstanding shares of the business. The announcement of the stock dividend will result in a rise in paid-up share capital but a decrease in the company's reserves and surplus. It has no bearing on who owns the business (Paudel, 2009).

iii) Stock Split and Reverse Split

A dividend that is paid out in assets or property rather than cash is referred to as a property dividend. This type of dividend payment may be applied in any case when the company owns assets that are no longer required for proper business operations. Seldom is this dividend payment technique employed (Paudel, 2009).

iv)Property Dividend

An accounting technique to raise the number of outstanding shares is the stock split. Shares outstanding are reduced by a reverse split. Both alter the company's capital structure and solely have an impact on the par value and total number of outstanding shares (Paudel, 2009).

v) Bond Dividend

A dividend that is given to shareholders in the form of bonds is known as a bond dividend. Delaying the cash delivery is the primary goal of this dividend strategy. These are awarded to businesses that are unable to bear the cost of the loan's interest. Stated differently, a firm decides to forego cash outflows by declaring a dividend in the form of its own bond (Paudel, 2009).

vi) Share Repurchase

A company can use the share repurchase method to buy back shares of its own stock with cash that it has on hand. Repurchasing shares is frequently seen as a substitute for dividend payments. By repurchasing the shares, a firm can lower the total number of shares. If the price-to-earnings ratio stays the same following the stock repurchase, then the stock price must increase. "It is the shareholders' interest to distribute funds if a company has extra cash and not enough investment prospects to warrant using these assets. According to Van Horne (2000), the distribution might be carried out through the purchase of additional stock or by paying the money as higher dividends. Consequently One option to dividend payments is the repurchase of stock (Paudel, 2009).

2.1.1.2Theories of Dividend

A. Residual Theory of Dividend

According to Lawrence (1976), the residual dividend policy proposes that the dividend paid by the company should be seen as a residual amount or left over after all reasonable investment alternatives have been exhausted.

As there are investment projects that yield returns that are higher than those that are necessary, the company maintains its revenues to reinvest in these kinds of profitable ventures rather than paying dividends. When a company has the chance to invest in a profitable project, it first employs internally generated money because externally generated funds are more expensive due to financing expenses. While the residual income theory of dividends is useful for further analyzing dividend policy, it is important to clarify that dividends are only a mechanism of disbursing excess cash.(Rao, 1992).

The basis for residual dividend policy is the idea that investors would rather have a firm where they can earn and reinvest earnings than pay them out in dividends. If the firm's earnings from reinvested earnings exceed the rate of return, investors will be able to obtain funds for themselves from other investments with comparable risk. According to this principle, earnings should always be used in profitable investment plans that show an equal or higher rate of return. Moreover, it is less costly for the company to utilize retained earnings rather than to issue shares of ordinary

stock.(Paudel, 2009).

B. Stability of Dividend

B. Stability of Dividend Stability, or more specifically, uniformity of dividend, is regarded by most companies' management as an ideal policy in practice. The term "dividend stability" refers to the amount handed out on a regular basis. Even if the quantity of dividends may fluctuate from year to year and may not always be associated with profitable shareholders, investors generally favor this policy and place a higher value on consistent payouts than on volatile ones. Everything else being equal, steady dividends have a favorable effect on the market price of the share (Sharma, 2001).

A stable dividend policy is one in which a company pays a constant amount of dividends and keeps them there for the duration of the business, regardless of fluctuations in the level of earnings. This policy stipulates that dividends will be paid on a regular basis. A consistent dividend policy is probably going to increase the share price by satisfying the firm's customers and by consistently giving favorable signals about the possibilities for future earnings. This guideline is relevant to firms with steady and consistent revenue. The three different ways that dividend payments can be made are as follows:

1. Constant Payout Ratio

The payout ratio is defined as the ratio of dividends to earnings. A predetermined percentage of net earnings paid out each year is referred to as an instant payout ratio. The amount of dividend will fluctuate in direct proportion to earnings with this policy. It guarantees that dividends are paid out when profits are produced and avoided when losses occur. This kind of policy is typically adopted by management because it directly relates to the company's need to pay dividends (Sharma, 2001).

1. Constant Dividend per Share

The term "constant dividend per share" refers to a company's fixed dividend amount paid out over the course of a year that is not subject to change based on fluctuations in earnings levels. Stated differently, a decline in earnings would not impact the dividend payout. In actuality, if a business adheres to its dividend policy, it will pay dividends to its shareholders—even if they incur losses. However, when the company maintains higher levels of earnings and expects it to sustain them, the amount of dividends is increased.

Following this policy is simple when wages are stable. However, if a company's earnings pattern reflects how widely it operates, it will be challenging to uphold such a strategy. Investors that view their dividends as their primary source of income typically favor constant dividend policies. Institutions that rely on dividend income to cover their operating expenses likewise favor reliable dividend income.Sharma (2001).

2. Low Regular Dividend Plus Extra Dividend

Between the first two, low irregular dividend plus extra payout represents a compromise. This policy states that the low-regular dividend can typically be maintained even in cases where earnings drop, and the extra dividend can be given out in cases where excess funds are available. It offers investors a certain amount of freedom, but it also leaves them confused about what their dividend income will be. If the company's earnings are quite variable, this policy might be the optimal one (Sharma, 2001). I

2.1.2 Dividend Policy

A dividend policy should be one that maximizes the wealth of its shareholders over the long term, and it can be described as a percentage (%) of dividend (DPR). Any company, institution, or firm that divides its profit among its shareholders as dividends and retention of profits for making investments is said to have a dividend policy. The dividend policy covers every detail pertaining to dividend payments. The allocation of earnings between payments to stockholders and investment in the company is determined by the dividend policy. One of the most important sources of funding for business expansion is retained earnings, but dividends also constitute the cash flow that accrues to stockholders (Weston and Copeland, 1990). As a result, the dividend payout affects the overall amount of internal financing and lowers the amount of earnings kept by the company.

2.1.2.1 Factors Influencing Dividend Policy

A firm's dividend policy is impacted by a number of factors. In actuality, financial executives take into account the criteria listed below while making a divided decision:

a) Desire of Shareholders

Shareholders may be interested in capital gains or dividend income. Rich stockholders may have a high income bracket and be interested in capital gains as

opposed to current dividends. An elderly and retired individual, whose primary source of income is a regular dividend from a closely held corporation, would prefer a large dividend payout. Management often understands the needs of the shareholders and, as a result, sets a dividend policy that satisfies each and every one of them. However, in a widely held corporation, the number of shareholders is relatively large, and they have a variety of interests when it comes to capital gains and dividends. Certain shareholders desire cash dividends, while others would rather get bonus shares (Pandey, 1995). I

b) Stability of Earning

It is stated that the company's earnings are stable and that it will normally pay out a higher portion of its earnings as dividends. Should earnings change drastically, the more of the profits that are maintained to ensure that there is sufficient money available for investment projects when needed. As a result, companies with consistent earnings are more likely to give out bigger earnings or a larger percentage of their earnings than those with changing earnings (Pandey, 1995).

c) Liquidity Position

The firm's ability to pay dividends is influenced by its cash or liquidity positions. A firm may have sufficient retained earnings, but if those earnings are invested in fixed assets, cash may not be accessible to the individual making the payment. Therefore, even in the case that a company has a record of earnings, it is still possible for it to pay dividends because of its liquidity position. Thus, the company needs to have enough cash on hand as well as retained earnings in order to pay dividends (Pandey, 1995).

d) Past Dividend

I certify that I have a record of my history, divided my payments, and will continue to do so in the future. Dividends are a habit-forming entity. The stock price will suffer if the market does not receive its anticipated dividend. "The majority of the surveyed firms indicated that they would continue to make their current dividend payments, even if they were operating at a loss for a brief period of time," according to Pandey (1995).

e) Need to Repay Debt

There are two options available to a company when it issues debt for the purpose of financing expansion or as a substitute for another type of financing. It can be used to

make up for the immaturity by replacing the loan with another form of security or by creating a provision for paying off the debt. If the decision is made to retain the debt, it will typically necessitate the retention of earnings. It reduces cash flow in order to pay dividends. Under such circumstances, the decision will also be divided (Pandey, 1995).

f) Profit Rate

A high percentage of profit on equity makes it attractive to maintain earnings rather than pay investors less if they don't make a profit (Pandey, 1995).

g) Rate of Asset Expansion

More funding is necessary if a company is expanding quickly. An excessive amount of asset expansion generates income rather than dividend payments (Pandey, 1995).

h) Restrictions in Debt Contract

h) Restrictions in Debt and Contracts: Frequently, when a long-term debt is involved, a firm's liability is defined as its ability to pay cash and dividends. In other words, limits are things that are mentioned in contracts, whereas dividends are things that are paid out only after earnings are generated after the loan agreement is signed, and only when working capital is what is described above.

In a similar vein, preferred stock agreements typically stipulate that until all preferred shares have been accrued, cash dividends may be paid on the common stock. These kinds of restrictions influence the firm's dividend policy (Pandey, 1995).

i) Tax Position of Shareholders

The tax status of owners has an impact on dividend policy as well. Companies owned by large tax payers have high income tax brackets that finish in a reduced dividend payout, but smaller investors' firms are owned by larger dividend payouts (Pandey, 1995).

j) Access to Capital Market

The size and age of a company will have an impact on its access to the capital market. A sizable, well-established business with a track record of profitability and earning consistency has simple access to the capital market and other types of external finance. Conversely, a small and inexperienced firm's ability to increase equity or debt is limited to money from capital and the market. Therefore, a tiny and independent business must retain more revenue to finance its operations. As a result, ia is a well-established firm that is probably going to have a greater payout ratio than ia is a smaller independent firm (Pandey, 1995).

k) Legal Rules

The illegal laws restrict dividend payments under specific conditions as they are followed (Pandey, 1995).

The Capital Impairment Rule stipulates that dividends should not be paid out of paid capital, as this would have a negative impact on creditors' security and shareholders' preference.

ii) The net profit criterion stipulates that dividends must come from net profit—either current or previously earned. I

iii) The insolvency rules specify that a dividend may be paid when liabilities exceed assets.

l) Control

The voting vote is crucial for a number of small businesses as well as some major ones. These investors would rather use their debt and retained profits to finance future investments than to issue new stock. If the incumbent shareholders are unable or unwilling to subscribe for additional shares, the new stockholders may erode their controlling interest in the company. Thus, modest dividend payment policies are preferred by shareholders who are highly sensitive to a potential loss of control (Pandey, 1995).

m) Inflation

Indirectly, inflation also plays a major role in divided and irrevocable decisions. The foundation of our accounting system is historical cost. Depreciation is levied based on the initial expenditures incurred when assets were purchased. If the price increases, the amount saved on account of depreciation would not be sufficient to replace assets or preserve capital. As a result, the corporation may be able to keep a high percentage of earnings in order to replace or sustain its capital assets (Pandey, 1995).

n) Investment Opportunity

The financial needs of each individual corporation have a significant impact on dividend policy. A developing company prioritizes the retention of earnings over dividend payments in order to finance its increasing operations. Therefore, a company's investment opportunities also have an impact on its dividend policy (Pandey, 1995).

o) Dividend Policy of Competitive Concerns

Another significant aspect influencing the policy is the competitive worries' differing

policies inside the market. If shareholders of other rival companies are paying a bigger dividend than their own, they may choose to invest their money in those companies rather than in their own. Therefore, each business will have chosen its dividend policy by taking into account the payout policies of other rival companies in the market (Pandey, 1995).

2.1.3Dividend Policy and Market Price of Share (MPS)

2.1.3 The Dividend Policy and Market Price of the Share (MPS) The goal of a firm's dividend policy should be to maximize the wealth of its shareholders. The dividend payment informs shareholders that the business is successful and sound financially. The growth in dividends and earnings of mature companies will be communicated, providing extremely convincing information that will ultimately have a significant influence on MPS.(Pandey, 1995). The value that a company can acquire from the market is known as iMPS. One of the characteristics that is impacted by the firm's earnings per share and dividend per share is market value. If earnings per share are shared and divided, then the value is high. If markets are shared, then the value is likewise high. The market values of the shares may be higher or lower than the values of the books. The market value of a share will be higher than the value of a book if the company is growing and its earning power is greater than the cost of capital. In the event that the company's earnings capacity is lower than the cost of capital, MPS will also be lower. The capital market determines MPS. The stock market's price is typically affected by inadequate information. Nobody can get more inefficient, and inefficiency is forbidden by law in an effort to govern security throughout the entire organization. However, in order to keep this study focused, I will split policy and its impact on the stock market price. In addition, there should be discussion of various models and practices that have a substantial impact on the MPS or IOT. Thus, security assessment and MPS are essential components. One can quote the price without evaluation, and there is no likelihood of dealing without price. The more perfection available in the stock market, the greater the relevance of dividend policy relative to market price. Since the company is seen as a reliable source of future prospects and growth, the cash dividend of the normal firm will have a big impact on market price. I i

The link between the study variables is established in the framework that follows.

Table 2.1

Dependent and Independent Variable

Independent Variables	Dependent Variable
Dividend Per Share Earnings Per Share Price Earnings Ratio	Market price of share

An economic mechanism called "share valuation" generates irrational fears and prices. Although the price volatility may seem chaotic, it is actually random volatility that arises from the random introduction of fresh information (Francis, 1990)

The market price of the stock (MPS) is the price at which the stock is traded on approved or unofficial stock exchanges. There is usually a correlation between dividend policy and MPS; if the company pays a big dividend, the MPS grows and vice versa. However, in rare circumstances where there is no interaction, the price may remain constant or even fall. As a result, the flow or absence of information is crucial to the analysis of MPS. The price that is quoted for buying or selling under the Nepal Stock Exchange Act or related laws and regulations on the stock exchange is known as the "MPS" in the country's icontext.

2.1.4 Rules Regarding Dividend Practices in Nepal

Nothing about divided practice is indicated in the Nepal Company Act of 1964. As per the Information Security Exchange Act of 1983, Nepal Stock Exchange Limited is the only entity that ensures investor safety. However, this organization is not as able to protect investors' interests as it could be because the board of directors' interests and attitudes play a dominant role in the management of publicly traded companies, and they are typically members of the majority that the government nominated in 1997. The 2006 Nepal Company Act has some illegal clauses regarding dividend payments in Nepal. These provisions may be interpreted as follows:

Section 179(1): A firm may issue bonus shares to its shareholders in excess of the amount available for dividend distribution following the adoption of a special resolution to that effect at the general meeting.

Sub-section i(2): Before issuing bonus shares pursuant to sub-section i(1), the

Company shall notify the Office.

Section 182(1) states that the dividend will be given to the shareholders 45 days after the date of the resolution authorizing the dividend payment, unless the following conditions are met.
If the payment of dividends has been forbidden by legislation, what is the situation?
b) If it is appropriate to receive the dividends in any dispute.
c) Should the dividends not be dispersed during the specified period due to any incident outside of the company's control or for any other cause.

Sub-section (2): A corporation that is totally or substantially owned by the Nepali government may only distribute dividends with the prior approval of the government, and the government may issue any required directives in respect to the distribution of such dividends.

Subsection i(3): In the event that the dividend is not paid within the time frame specified in Subsection i(1), the same will be paid along with the interest at the required rate.

Subsection (4) states that the shareholder whose name appears on the share that was registered at the time of the dividend declaration or his successor shall be entitled to the payment of the dividend.

Subsection (5): A firm is not allowed to pay dividends or distribute them unless they are from profits that are designated for that purpose.

Subsection i(6): A company shall eliminate pre-incorporation expenses, deduct the amount of depreciation as prescribed by the competent authority under the law in force, and eliminate the accumulated loss in the years preceding the payment or distribution of dividends out of profit in a particular year to certain reserves if found under the law in force; dividends shall not be distributed unless a certain amount is transferred to a reserve.

Sub-section (7): Subject to the provisions specified in this section, the company's

board of directors may distribute an interim dividend out of the earnings from the previous year under the following circumstances:

a) If the articles of the association of interim dividends contain any provisions.
b) The interim dividend will be issued out of the profit if the board of directors has approved the annual financial statement verified by the auditor for the relevant financial years.

Subsection (8): Unless in the form of a dividend that has been approved by the general meeting, a corporation is not permitted to make payments or distribute any benefits to its shareholders in cash or in any other way.

Subsection I(9) states that the payout that is left unclaimed for more than five years following the declaration will be transferred to the investor's protection fund in the event that section 183 is formed.

Subsection I(10): A corporation shall, in accordance with sub-section I(9), deposit an unclaimed dividend. As per the provisions of Section 183, an announcement was made in a national daily newspaper to gather the unclaimed dividend and to give notice at least one month in advance of the expiry indicated in Subsection I.(9).

Sub-section I(11): A corporation must open a separate account and deposit the dividend amount within 45 days of the declaration. The dividend will then be distributed from the account and will not be used for any other purpose.

2.1.5Different Model of Dividend Policy

2.1.5.1Modigliani and Miller's Study

(1961) The most thorough defense of the irrelevant payout for each division has been provided by Franco Modigliani and Metrô Miller in 1961 A.D.
The way in which the earnings stream is divided between dividends and retained earnings does not impact the firm's worth, they believe. The firm's value is decided by the earning capacity of its assets or investment policy. The assumption that he made is rather accurate (Pandey, 1995).
1) An ideal capital market where every investor is irrational.

2) The lack of settlement charges on securities issued by the company.

3) A universe of inoculations.

4) An investment policy that is handed to the company and not subject to alteration.

5) Perfect certainty for all investors with regard to future investments and business earnings (MM drops this assumption earlier).

The following model was offered by Modigliani and Miller in order to support their argument.

Market value of a share: At the start of the period, the market value of a share is equal to the present value of dividend payments at the conclusion of the period.

Symbolically,

$$P_o = \frac{D_1 + P_1}{1 + K_e} \text{.....} (i)$$

Where,

P_o = Market price of share at the beginning of the period.

D_1 = Dividend per share at the end of the period.

P_1 = Market price of share at the end of period.

K_e = Cost of equity capital (assumed constant).

No new external financing

If there is any external finance available, the market value of the company can be calculated by multiplying both sides by the ino. One of the amazing shares is as follows:

$$npo = \frac{n(D_1 + P_1)}{1 + k_e} \text{.....} (ii)$$

Where,

n = No. of outstanding shares.

New shares

If there is any external finance available, the market value of the company can be calculated by multiplying both sides by the ino. One of the amazing shares is as follows:

$$npo = \frac{nD_1 + P_1(n + m) - mP_1}{1 + k_e} \text{.....} (iii)$$

Where,

n = No. of shares at the beginning

m = No. of shares issued at the end of the period.

Total number of shares

A company has the ability to raise capital, pay dividends, and implement the best investment strategy. If the company finances all investment opportunities, either through retained earnings or the issuance of stock, the total number of equity shares can be calculated in the manner described below:

$$MP_1 = I - (E - nD_1) \text{.....} (iv)$$

Where,

MP_1 = Amount obtained from the sale of new shares.

I = Amount required for new investment during the period.

E = Total earnings during the period.

E-nD_1 = Total dividend paid.

Substituting the value of MP_1 of the equation (iv) to equation (iii) we get,

$$np_o = \frac{nP_1 + P_1(m+m) - I + E - nD_1}{1+k_e}$$

A company that pays dividends will need to raise capital from other sources in order to support its investment plans.iMM contends that dividend policies have no bearing on a shareholder's wealth and that, in the event that a company pays dividends, the benefit is neutralized by outside financing. The increase in dividends that investors have experienced will be entirely offset by the decline in the share price at the end of the investment period. As a consequence, the present value per share after the dividend and external financing is equal to the present value per share before to the dividend payment and earnings retention.(Pandey, 1995).

2.1.5.2 Gordon's Study

Myron J. Gordon produced study in 1962 regarding the intriguing methodology connecting the market value of the company to dividend policy. He maintains that, in the face of uncertainty, investors show a substantial preference for present dividends to future capital gains.

This hypothesis is relevant and comparable to Walter's model. It is explained in this study that "investors prefer present dividends rather than future capital gains." As to his statement, the market value of a share is equivalent to the present value of an endless stream of dividends that are received by the shareholders.

The underlying presumptions of Gordon's model are as follows (Pandey, 1995).

1) The company is an all-equity company.

2) No external financing is offered; as a result, earnings are maintained and could be utilized to support any expansion.

3) The firm's internal rate of return (r) is significant. IThis ignores the declining initial investment efficiency.

4) The inappropriate deduction makes I(k) angry since it remains constant. Then, Gordon's model also ignores the impact of a shift in the firm's risk category and its implications for k.

5) The company and its earnings stream are unending.

6) The corporate frauds are nonexistent.

7) The retention ratio (b) is determined after it is significant. Therefore, the growth rate (ig=br) is constant.

8) K> ibr=g. IWe cannot obtain significant value for the share if this requirement is not met.

The market value of the share is equivalent to the present value of the endless stream of dividends that the shareholders receive, according to Gordon's dividend capitalization model. Gordon has therefore further improved the equation for the determination of the market value of stocks.

According to Gordon's dividend capitalization model, the market value of the share is equal to the present value of an infinite stream of dividends to be received by the shareholders. Thus,

$$P_0 = \frac{P_1}{(1+k)} + \frac{P_2}{(1+k)^2} + \ldots\ldots\ldots\ldots\ldots\ldots \frac{P_n}{(1+k)^n}$$

Gordon has further developed the following equation for the computation of market value of stock.

$$P_0 = \frac{EPS(1-b)}{(k_e - br)}$$

Where,

P = Market price per share

EPS = Earning per share

b = Retention ratio

k_e = Cost of capital

1-b = Dividend payout ratio

br = Growth rate

As per this paradigm, the subsequent facts have been revealed:

Growth company: When a business is growing, its share price will either decrease or increase in proportion to the payout ratio or retention ratio, for example. Dividend and stock price are therefore adversely connected in growing firms.

Normal firms are those that have ir = ike iare referred to. If a business is operating normally, prices will remain consistent regardless of changes to divisional policy.

decreasing firm: When a firm is decreasing, it means, for example, that its price ends up rising in proportion to its rise in dividend payment ratio. It demonstrates how prices for stocks and dividends are positively associated with one another in an idecline firm.

2.1.5.3 Walter's Study

Professor James E. Walter (1963) conducted study on dividend policy and stock prices, contending that dividend choice impacts firm value. As per his statement, the criteria that determine the division policy are the firm's cost of capital and internal rate of return. The primary point that the speaker underlined is that there is a relationship of significance between the investor's market-driven anger and the internal anger of the investment project. This analysis highlighted the potential for inequality policies to optimize stockholders' wealth position.

The underlying presumptions of Walter's model are as follows (Pandey, 1995).

• All investments are financed by the company using retained earnings. That is the idea or inequality.

• The company's internal rate of return and cost of capital (k) are constant; all earnings are either promptly reinvested internally or dispersed as dividends; beginning earnings

and dividends never fluctuate. The values of the earning per share (EPS) and dividend per share (DPS) may vary in the model to calculate the results, but any given set of igiven values (EPS and DPS) is expected to remain constant, regardless of the method used to obtain the values.

• The company has an extremely lengthy or endless lifespan.

The formula that Walter used to calculate the market price per share is as follows:

$$P = \frac{DPS}{k} + \frac{r(EPS - DPS)/k}{k}$$

or,

$$P = \frac{DPS + (r/k)(EPS - DPS)}{k}$$

Where,

P = Market price of share

DPS = Dividend per share

EPS = Earnings per share

r = Internal rate of return

k = cost of capital or capitalization rate.

The ideal dividend policy, according to Walter's model, is determined by the connection between the firm's internal rate of return and its cost of capital. Walter's perspective on the ideal dividend payout ratio can be summed up as follows:

Growing companies: The company that has ir i> is considered to be a growth firm. The ideal payout ratio for a growing company is zero. When ir i> ik, the market value per share (P) grows and the payout ratio decreases.

Normal firms are those that have ir = ik imay ibe referred to as such. These are not the same as the ideal payout ratio for a typical firm. A policy that is divided is just as beneficial as another. When ir=k, the payout ratio has no bearing on the market value per share.

Declining firms: Businesses that possess or have the potential to be referred to as declining firms. For a fading company, the ideal payout ratio is 100%. The market's worth improves as the payout ratio rises when the price per share (P) rises.

According to Walter, therefore, dividends are inversely connected with stock price when the company is experiencing growth waste. Dividends and stock price have a favorable correlation in the decreasing company. In a typical corporation, there is no correlation between stock prices and dividends. Therefore, investment policy is a finance decision when it is handled as a financing decision involving the payment of cash; otherwise, it is a passive residual (Ezra, 1963).

2.1.5.4 Van Horne and Mc-Donald's Study

Van Horne and McDonald (1971) conducted a more thorough investigation of inequality funding and divided policy. The primary goal of the study is to demonstrate the combined impact of inequality and dividend policy on financing decisions related to the market value of the company's common stocks. Two businesses, namely 86 electric utility firms included in the computing utility database and 39 firms in the electronics and their electric component industries included on the computing industrial data tape in 1968, were chosen for the study's objectives.

According to Chitrakar (2004), they use one iregression model for the electric utilities industry and one iregression model for the electronic components industry.

Where,

MP_1 = Amount obtained from the sale of new shares.

I = Amount required for new investment during the period.

E = Total earnings during the period.

$E\text{-}nD_1$ = Total dividend paid.

Substituting the value of MP_1 of the equation (iv) to equation (iii) we get,

$$np_o = \frac{nP_1 + P_1(m+m) - I + E - nD_1}{1+k_e}$$

A company that pays dividends will need to raise capital from other sources in order to support its investment plans. iMM contends that dividend policies have no bearing on a shareholder's wealth and that, in the event that a company pays dividends, the benefit is neutralized by outside financing. The increase in dividends that investors have experienced will be entirely offset by the decline in the share price at the end of the investment period. As a consequence, the present value per share after the dividend and external financing is equal to the present value per share before to the

dividend payment and earnings retention (Mathur, 1999).

iOR = Operating Risk; this is determined by the standard error or the iregression of operating profits per share over the years 1960 through 1968, with the remaining values falling into the first model above.

Through the application of distinct methodologies, the outcomes achieved for companies that engage in equity financing and pay dividends were compared to those of other companies in the industry as a whole. They stated that, for electric utility companies founded in 1968, stock value is not adversely impacted by equity financing in the presence of cash dividends, with the exception of companies in the highest equity issue group, where equity financing takes a more expensive form than retained earnings.

2.2 Empirical Review

2.2 Empirical Review Kosasih, Aditya, and Rahma (2023) studied it to investigate the factors that are specific to firms in relation to the variables of corporate governance, firm size, and firm profitability, as well as the economic phenomenon factor in relation to the variable of inflation toward the division of policy at one time. The secondary data gathering methods used in the data documentation were publications, journals, scientific papers, The Indonesian Stock Exchange, Bank Indonesia, and The Indonesian Exchange. The gathered data was coded and examined with the help of SPSS (Statistical Package for Social Sciences). The outcome demonstrated that both internal (firm-specific factor) and external (economic phenomenon) stimuli have an impact on dividend policy. On the other hand, it was inferred from the test findings that there is a greater impact from the internal factor; in contrast to the other.

Using an example from the commercial banking industry and an iregression model using panel data, Bhatta and Jain (2023) attempted to explain how the corporate governance system in Nepal influences dividend payments. Through the use of board characteristic variables such as board size, board independence, board irregularity of meeting, and board audit size as proxies of corporate governance along with profitability, capital raising, and bank size as control variables, they investigated the idea that all explanatory variables—aside from audit committee size—are insignificant in determining the dividend payment. The number of audit committee

members was found to have a favorable and significant impact on dividend payout. This result indicates that the outcome hypothesis was only partially applicable, and corporate governance is not a significant influencing element in the decisions made by individuals in the commercial banking sectors. demonstrating that divided policies and governance practices are not very useful in reducing agency conflicts. It was also mentioned that the outcome of either bad or good governance mechanisms is the distribution of bank rewards. Furthermore, the decision made by the dividend is highly positively impacted by profitability, leverage, and bank size, among other firm-specific factors.

Naz, Siddiqui, and colleagues (2022) conducted a study on the impact of divided policy on price volatility in Pakistan. This article aims to examine the correlation between Pakistan's share price volatility and the various policies that impact share price volatility. Dividend yield and dividend payment were utilized as proxies for Dividend policy, and these ratios were regressed in conjunction with other control variables. The study's independent variables were dividend yield, price volatility, earning volatility, payout ratio, and size; the dependent variables were price volatility and dividend yield. The results of this study indicate a significant positive relationship between payout ratio and price volatility. There was a negative correlation between share price volatility and both size and debt. This study suggests that dividend yield, rather than payout ratio, is a better and more significant determinant factor in determining share price volatility in the KSE 100 index.

Raj and Dalwadi (2022) looked at the relationship between the market price of shares and the factors determining dividend policy. For this reason, the researchers looked at seven public sector banks during a five-year period, spanning from the years 2014–15 to 2018–19. Karl Pearson's correlation and multiple regression analysis have been used with the help of SPSS and Excel, taking into account all assumptions. The following variables have been considered explanatory: profitability (ROE and EPS), liquidity (current ratio), leverage (total debt to total assets), size (LN of total assets), dividend policy (DPS, DPO, and DY), and risk (P/E ratio). The closing market price of a share is accepted as the dependent variable to examine the relationship between two variables. The findings of the multiple linear regression analysis show the significant positive impact of liquidity, size, and leverage on the market price of

shares, the positive but insignificant relationship between profitability, risk, and dividend policy with the market price of shares, and the insignificant relationship between growth and the market price of shares of specifically chosen PSBs.

Lydia (2021) carried out research on the function of dividend policy on share price volatility.The goal was to determine whether there are any correlations between dividend policy and share price volatility for shares listed on the Johannesburg Stock Exchange Limited (JSE). A crucial factor in the wealth generation process is dividend policy, specifically in relation to whether or not to deliver dividends to shareholders. A dividend policy is frequently designed to meet the expectations of shareholders. The findings showed that there is a strong and significant correlation between dividend yield and share price volatility, but not between payout ratio and share price volatility. There was a favorable association between the yield and the share price volatility and the dividend payout ratio that was both established and compatible with the expectations. The results of the iregression study reinforced the poor association between the yield and the variables of interest, namely the share price volatility and the payout ratio. The findings of the panel data analysis showed that the fixed effects model was more appropriate for the regression analysis. Second, a relationship was observed between the volatility of share price and dividend policy. With dividend yield, this relationship was found to be significant, and with dividend payout, this relationship was shown to be minor with respect to share price volatility.

In 2018, Raza, Ramakrishnan, Gillani, and Ahmad conducted a study on the impact of divided policies on sharing. The aim of the research was to determine the impact of dividend policy on share price. The study aims to undertake an in-depth, non-systematic literature review on the empirical and theoretical studies of corporate diversity policy in order to comprehend its various aspects. IIn this case, a thorough analysis of the body of literature has been done, and it is discovered that there are three distinct approaches or schools of thought. The first school of thinking holds that a growth in dividend payout will raise the firm's worth (share price). Third, it confirms Miller and Modigliani's (1) claim that firm values or share prices are unaffected by dividend policy. Second, I believe that a growth in dividend distribution will diminish the firm value (share price). As of this writing, consensus has not materialized, and the outcomes remain ambiguous. This study also aims to uncover

important empirical research findings on diversity policies across nations, demonstrating how the phenomena of diversity policies vary from one nation to the next. A substantial body of literature that grows every day has been formulated as a result of the ongoing literature and broad discourse on divided policies. Thus, it is not practicable to conduct a thorough analysis of all the arguments.

In 2016, Hosain did a study on the factors that determine the distribution policy's dividend: a review of the listed private and commercial banks of Dhaka Stock Exchange Limited in Bangladesh.The study's goal was to look at the factors that influence the dividend payout policies of Bangladesh's listed private commercial banks. Eight variables are thought to be potential predictors of dividend distribution policy in this study. The dynamic panel regression model and the pooled ordinary least square (POLS) model were used to a sample of the previously listed private and commercial banks of the Dhaka Stock Exchange. Restricted to Bangladesh throughout the eleven-year period from 2005 to 2015. Upon examining the influence of the eight independent variables on the dividend payout ratio, we arrived at the conclusion that just five factors could account for the dividend policy. The fixed effect regression model was selected to examine the association between dividend payout and dividend determinants. The findings demonstrate that liquidity, company growth, and previous year's dividends had a positive and significant impact on the dividend payout ratio, but that profitability and leverage had a negative impact. The size, risk, and ownership structure of the company do not directly affect the dividend payouts. Thus, the primary factors influencing dividend payouts of Bangladesh's listed private commercial banks are leverage, liquidity, firm growth, previous year's dividends, and profitability.

Research on the "Impact of iDividend iPolicy ion ithe iShareholders’ iWealth: ishariah vs. non-shariah iCompanies" was undertaken in 2015 by Akit, Hamzah, and Ahmad. I This study looks at how dividend policies affect shareholders' wealth in terms of both shariah and non-shariah compliance for companies listed in the main Bursa Malaysia market. A selection of 274 Shariah-compliant firms and 129 non-Shariah-compliant companies that were listed in Bursa, Malaysia, between 2004 and 2013 has been made. The two-way Fixed-Effect Generalized Least Squares (GLS) iregression for Shariah compliance companies and Random-effect GLS iregression

for non-Shariah compliance companies were utilized to acquire the results. Dividend per share (DPS), retained earnings per share (REPS), return on equity (ROE), lagged price-earnings ratio (PERt-1), financial leverage (DTE), and business size (lnTA) are the recognized variables. The findings show that the metrics for dividend policy (DPS and REPS) are important factors in determining shareholders' wealth for both non-Shariah and Shariah-compliant businesses. Conversely, it is demonstrated that financial leverage plays a significant role in determining the wealth of shareholders in non-Shariah compliant businesses, but not in Shariah compliant businesses. The findings show that dividend policy variables (DPS and REPS) and ROE are important variables influencing the wealth of shareholders in both groups of enterprises. The estimated coefficients of DPS and REPS of companies that comply with Shariah are higher than those of non-Shariah compliance companies, according to empirical results. The estimated rate of return on equity for non-Shariah compliant enterprises is lower than that of Shariah compliant companies. Every independent variable has a statistically significant positive relationship with the wealth of the shareholders. It seems that the value of the shareholders' money is increased by dividend policy variables. Financial leverage has an effect on the wealth of shareholders in Shariah-compliant businesses because these businesses were allowed to have only 33% debt financing in their capital structure. Financial leverage, on the other hand, is a significant component in shareholders' wealth for non-shariah compliant businesses since it does not impose restrictions and allows them to seek capital financing through debt and stock.

In 2015, Kamat and Mandasvi released an essay titled "Corporate Dividend Policy in India."The cross-sectional dividend trends were examined at the aggregate level of ownership (i.e., closely/largely held and regulated firms) and at the disaggregate level across 20 industries to investigate how the Indian Private Corporate Sector appropriated its profits between 1961 and 2007. As an alternative, the question of whether internal funds represent a substantial source of financing and the dynamics of the relationship between dividends and earnings across various company and industry types are studied. The dividends paid out by the Indian corporate sector are substantially higher in equity than in preference. When shareholder concentration increases, the likelihood of paying cash dividends reduces, and regulated corporations tend to pay substantially greater payouts. Dividend payouts for all types of businesses

drop, and this trend is especially noticeable following times of liberalization, suggesting a larger option for financing internally through retained earnings. The examination of inter-corporate and inter-industry variability shows that dividends interact with external factors in diverse ways. For the purpose of analysis, the data came from the Reserve Bank of India (RBI) and two distinct dataset compilations: the published data compilation from the Private, Corporate, and Business sector in India-Selected Financial Statistics, which covered the years 1950–51–1997–78 (All Industries), and the published compilation from the Selected Financial Statistics, which covered the years 1974–75–1999–2007 (Selected Industries), comprising icons of industry-level data.The average return on equity received by equity holders is twice that of preference holders, and the Indian business sector pays out considerably more equity dividends than preference dividends. The absolute average revenue earnings available to equity holders and preference holders increase from 1961 to 2007 onward, and earnings drastically increase in the post-1991 sub-period and its growth clearly translates into higher growth of absolute dividends by private limited companies and finance companies in the post-reform and full period, respectively. The average dividend payout ratios for all types of businesses decline in the case of closely held companies as well as widely held firms, but the decline is more noticeable in the case of closely held companies, suggesting a greater choice of internal financing through retained earnings after the liberalization period. The average dividend payment ratios for all kinds of businesses—widely held, narrowly owned, and industry-wide—are on the decline, and this trend has become increasingly noticeable since the liberalization eras.

A study on the "Impact of Dividend Policy on Share Price and Volatility" was undertaken by Al-Shawawreh in 2014. The empirical data used in this study came from the Jordanian stock market. The aim of this study was to investigate the relationship between price volatility and dividend policy, with a particular focus on companies that represent four sectors listed in the Jordanian stock market. For this reason, a sample of 53 companies listed in Bursa Amman's main market were chosen, and the relationship between share price volatility and the two primary indicators of dividend policy—dividend yield and payout—was examined by using multiple regression analysis over a 13-year period from 2001 to 2013. The principal regression model was broadened by include control variables such as stock size, stock purchase,

and stock dividend. The empirical findings of this study revealed a very weak positive association between dividend yield and share price volatility and a strong negative relationship between share price volatility and payout. Additionally, a strong positive correlation has been shown between size and share price volatility. According to the study's findings, among the predictor variables, dividend payout and stock dividend had the greatest influence on share price volatility.

The primary conclusions of the study are as follows: The empirical results indicate that there is a weak positive association between the volatility of an investment and its dividend yield, and a large negative relationship between a firm's payout ratio and its volatility. The findings often indicate that a higher payout ratio correlates to a reduced volatility in the share price. The primary factor influencing the volatility of stock prices is the payout ratio. A very weak positive link was found between the control variables, size and price volatility, indicating that the larger the firm, the less volatile the stock price, and the stock purchase had a negligible relationship with price volatility. Given that investors and management are both concerned about the volatility of stock prices, this research has shed light on the process of determining what influences stock prices and crucial considerations that investors should make before making investment decisions, as well as management's role in formulating dividend policies for their companies.

Hasan, Asaduzzaman, and Karam (2013) did an evaluative study titled "The Effect of Dividend Policy on Share Price."The study's goal is to assess the impact of divided policy on share prices in Bangladesh's national environment. The study collected secondary data, which I then evaluated using multiple regression models, correlation analysis, and descriptive statistics. The research indicates that the impact of dividend distribution is more significant on market price than retention. At 1%, this dependency is significant. Lastly, the research concludes that the relevant theories of divided policy—Walter's model and Gordon's model—are supported by the findings on the impact of divided policy on market price. The association between dividend policy and market price per share has been examined in this study. We looked at iMPPS, iDPS, and iREPS. The hypothesis states that there is a noteworthy impact of dividend policy on the share price. According to the regression model, there is a positive association between the MPPS and DPS as well as between the MPPS and REPS. The outcome

has also shown that sectors with high payment rates have higher MPPS than industries with low payout rates. The study has demonstrated that there is a non-significant impact of the policy on MPPS, which validates the notion of policy relevance.

Table I-1

Table 1

Summary of Empirical Review

Author i/ iYear i	Title i	Objective	Methodology	Findings
Rimintsiwa, iIbrahim,and i iMaitala i(2022)	the ieffect iof idividend ipolicy ion iall iof iNigeria's iD-SIBs i(Domestic iSystemicall y iImportant iBanks)	the iinfluence iwas ihomogenous iamong ithe iselected ibanks	This istudy iadopted ian iex ipost ifacto iresearch idesign, iwith idividend ipolicy iand ibank iperformance	The idata iwere ianalyzed iusing ipanel iregression iand ipooled imean igroup i(PMG) iestimators. iThe istudy iobserved ithat idividend ipolicy ihad isignificant iimpact ion ithe iprofitability iand iefficiency iof ithese ifive iD-SIBs, ia ipartial

				iimpact ion itheir ivaluation, iand ino iimpact ion itheir iliquidity iand isolvency
Bhatt i(2021)	Does iMarket iPower iAffect iBanking iDividend iPolicy? iEvidence ifrom iNepal	banking isector iemploying ia ipanel idata iregression imodel	The idata idocumentation itechniques iwas isecondary idata icollection	profitability iis ifound iinsignificant ideterminant iof idividend ipayment
Kosasih, iAditya&Rachma i(2021)	Impacting iFactors iof iDividend iPolicy iin iIndonesian iBanking iSector	to iexplores ifirms' ispecific ifactors iwith ithe ivariables iof icorporate igovernance	The idata idocumentation itechniques iwas isecondary idata icollection	The iresult ishowed ithat idividend ipolicy iis iaffected iby iboth iinternal i(firm-specific ifactor) iand iexternal i(economical iphenomenon) istimuli
Naz, iand	The iEffect	to iinvestigate	The istudy	The ifindings

iSiddiqui i(2020)	iof iDividend iPolicy ion iShare iPrice iVolatility iin iPakistan	ithe irelationship ibetween ithe ishare iprice ivolatility iin iPakistan	ihas icovered isecondary idata iand ianalyzed ithe idata	iof ithis istudy iare ithat ipayout iratio iand iprice ivolatility iis isignificantly ipositively irelated. iThe isize iand idebt iare inegatively irelated iwith ishare iprice ivolatility
Raj i& iDalwadi i(2020)	the ideterminants iof idividend ipolicy iand ithe imarket iprice iof ishares	considered i7 ipublic isector ibanks ifor ifive iyears ispan iof itime ifrom ithe iyear i2014- i15 ito i2018-19	Karl iPearson's icorrelation iand imultiple iregression ianalysis iwith iall iassumptions ihave ibeen iapplied iwith ithe iuse iof iSPSS iand iExcel	The iresult iof imultiple ilinear iregression ianalysis ishows ithe isignificant ipositive iimpact iof iliquidity
Lydia i(2019)	The irole iof idividend ipolicy iin ishare iprice ivolatility.	The iobjective iwas ito iestablish iwhether irelationships	The istudy ihas icovered isecondary idata iand ianalyzed ithe	The iresults iof ithe ipanel idata ianalysis iindicated,

		iexistibetween ishareprice ivolatility iand idividend ipolicy i	idata	ifirstly, ithat ithe ifixed ieffects imodel iwas imost iappropriate iin itheiregressio n ianalysis
Raza, iRamakrishnan, iGillani, iand iAhmad i(2018)	The iEffect iof iDividend iPolicy ion iShare.	The istudy iwas ito ifind iout ithe ieffect iof idividend ipolicy ion ishare iprice.	The istudy ihas icovered isecondary idata iand ianalyzed ithe idata	This istudy ialso iattempts ito icover ikey iempirical istudies ion idividend ipolicy iacross icountries, iwhich ishows ithat ithe iphenomena iof idividend ipolicy idiffer ifrom ione icountry ito ianother
Pradhan iand iGautam i(2017)	Impact iof iDividend iPolicy ion iShare iPrice iof	This istudy iis ito iexamine ithe iimpact iof idividend ipolicy ion ithe ishare	The istudy ihas icovered isecondary idata iand ianalyzed ithe	The istudy iconclude ithat iexcept iDPR, ithe iother

	iCommercial iBank iin iNepal	iprice iof icommercial ibank iin iNepal	idata	ifactors ilike iEPS, iP/E iratio ihave ipositive irelationship iwith istock iprice iamong ithem iP/E iis ithe istrongest ifactor ithat iaffects ithe ishare iprice iin icase iof itop igainer icommercial ibanks
Hosain i(2016)	Determinants iof ithe iDividend iPayout iPolicy: iA iStudy ion iListed iPrivate iCommercial iBanks iof iDhaka iStock iExchange iLimited iin iBangladesh	the istudy iwas ito iinvestigate ithe ideterminants iof idividend ipayout ipolicy iof ithe ilisted iprivatecommerci al ibanks iin iBangladesh	The istudy ihas icovered isecondary idata iand ianalyzed ithe idata	The iresults ishow ithat idividend ipayout iratio iwere ipositively iand isignificantly iaffected iby iliquidity, ifirm igrowth, iprevious iyear’s idividends

				ibut iare inegatively iaffected iby ileverage iand iprofitability. iFirm isize, ifirm irisk iand iownership istructure ido inot ihave ia idirect iinfluence ion ithe idividend ipayments
Akit, iHamzah iand iAhmad i(2015)	Impact iof iDividend iPolicy ion ithe iShareholders' iWealth: ishariah ivs iNon-shariah iCompanies	This istudy iexamines ithe iimpact iof idividend ipolicy ion ithe ishareholders' iwealth iof ishariah iand inon-shariah icompliance icompanies ilisted iin iBursa iMalaysia imain imarket	A isample iof i274 iShariah icompliance icompanies iand i129 inon-Shariah icompliance icompanies ilisted ion iBursa iMalaysia ifor ithe iperiod iof i2004 ito i2013 ihas ibeen iselected	The iresults iare iobtained ithrough itwo-way iFixed-Effect iGeneralized iLeast iSquares i(GLS) iregression ifor iShariah icompliance icompanies iand irandom-effect iGLS

				iregression ifor inon-Shariah icompliance icompanies
Kamat iand iManasvi i(2015)	Corporate iDividend iPolicy iin iIndia	to iexamine ihow iIndian iPrivate iCorporate iSector iappropriated iits iprofits iover i1961-2007 iperiods	The istudy ihas icovered isecondary idata iand ianalyzed ithe idata	For ipurpose iof ianalysis ithe idata ifrom iReserve iBank iof iIndia i(RBI), iemerging ifrom itwo idifferent idataset icompilations inamely ithe ipublished idata icompendium iby ion ithe iPrivate iCorporate iBusiness iSector iin iIndia-Selected iFinancial iStatistics ifrom i1950-51 ito i1997-98

Al-Shawawrehi(2014)	Impact iofiDividend iPolicy ion iShare iPrice iVolatility	to iexamine itheirelationship ibetween idividend ipolicy iand ishare iprice	this ipurpose, iaisample iof i53 icompanies ilisted iin imain imarket iof iBursa iAmman iwere iselected iand ithe irelationship ibetween ishare iprice ivolatility iwith itwo imain imeasurements iof idividend ipolicy	The iempirical iresults iofithis istudy ishowed isignificant inegative irelationship ibetween ishare iprice ivolatility iwith idividend ipayout iand ia ivery iweak ipositive irelationship ibetween idividend iyield iand ishare iprice ivolatility
Hasan, iAsaduzzaman iand iKarim i(2013)	The iEffect iof iDividend iPolicy ion iShare iPrice: iAn iEvaluative iStudy	the istudy ihas ibeen iundertaken iaiming iat ievaluating ithe ieffect iof idividend ipolicy ion imarket iprice iof ishare iin ithe icontext iof	The istudy ihas icovered isecondary idata iand ianalyzed ithe idata	The iresult ihas ialso iindicated ithat ihighly ipayout iindustries ihave imore iMPPS ithan ilow ipayout

	iBangladesh	iindustries

2.3 ResearchGap

The goal of this research is to gather some information about dividend practices, identify potential areas of contribution, and solicit comments, ideas, and knowledge in this area. To far, a large number of national and international research have been conducted in the topic of dividend practices. We do not incorporate any foreign writers' ideas or methods about dividend practices into our own dividend practices in Nepal. The goal of such research was to determine how a company's dividend policy related to the stock price. However, given that Nepal's capital market is still in its infancy, the conclusions drawn from outside research may not apply to Nepal. Therefore, it is advised that considerable time and consideration be given to considering international model dividend practices in Nepalese dividend policy. Additionally, the previous research because the financial industry is evolving so quickly, dividend policies are becoming outdated and need to be updated and evaluated.

The approach, analysis tools, and sample size of this study set it apart from the others. A sample from joint ventures and commercial banks is included in the study. The most recent 10 years' worth of data have been examined, taking into account factors like EPS, DRP, DY Ratio, PE Ratio, ROA, bank size, and MPS. The data are analyzed using SPSS, a data analysis program. The information that was available from the relevant banks was examined and evaluated in order to determine the effect of a dividend on the market price of each bank's shares. The market price of share (MPS) and other factors such as EPS, DRP, DY Ratio, ROA, PE ratio, and bank size have been subjected to regression analysis. Thus, it is thought that this study is really distinctive and unusual.

CHAPTER-III
RESEARCH METHODLOGY

This chapter presents research design, population and sample, nature and source of data collection, methods of analysis, research framework and definition of variables.

3.1 ResearchDesign

The main objective of this research is to analyze dividend practices adopted by selected commercial banks and its effect on market valuation.This research is conducted on the basis of secondary data, It is a quantitative research. It covers the data from fiscal year 2012/13 to 2021/22. This research is conducted using descriptive and causal research design for fact finding and to identify adequate information about factors affecting dividend.

3.2 Population,Sample andSampling Method

By the end of Mar. 2023, there are 20 commercial banks are operating in the country. However, the analysis of all these commercial banks in terms of dividend policy is onerous to conduct. So taking this numbers as the population of the study, only three commercial banks; namely Nabil Bank Limited (NABIL), Standard Chartered Bank Limited and Himalayan Bank Limited (HBL), have been taken as the sample of the study. In this study, the convenience sampling strategy was chosen to select the sample banks due to its efficiency in terms of quick data collection and low cost.

3.3 Nature and Source of Data collection

For this study, secondary data are used to analyze dividend policy. The data are mainly collected from annual report of sampled banks from fiscal year 2012/13 to 2021/22 and website of NEPSE. Likewise, some other related information is gathered from related banks and related agencies like Nepal Rastra Bank, Nepal Stock Exchange Limited. Various data and information are also collected form the journals, national and international financial

article, periodical bulletins, magazines, newspapers and internet

3.4 Data Processing Procedure

After the necessary data has been collected, relevant facts and figure have to be tabulated under the different headings. Such tables and formats are to interpreted and explained as required. Different tools and techniques are used to interpret and evaluate the data.

3.5 MethodsofAnalysis

Processed data is analyzed and interpreted using specialized statistical and financial methods. Many different approaches have been used, depending on how consistent and reliable the data are. To analyze and understand data, SPSS software is utilized. Both statistical and financial analysis is done on the data. For readability, the computed results are also tabulated under several headings, and the findings are then interpreted by comparing them with one another. The ratios pertaining to earnings per share, dividends per share, dividend yield, dividend payout ratio, and market price per share are the financial instruments employed in this context. The arithmetic mean, standard deviation, regression equation, coefficient of determination, correlation coefficient, and trend analysis are the statistical techniques that are employed.

StatisticalTools

Statistical tools are used to describe the relationship between variables and interpret the result. They are the mathematical tools that are used to analyze performance. In this study, various statistical tools are used to analyze and interpret result, which are defined as follow.

Mean($\bar{X}$)

Mean represent the sum of total value to the number of observation in the sample. It is mostpopularmeasureofrepresentingtheentiredataofsamplewhichliesalmostbetween two extremes, As an average, it refers to the measure of central

tendency. The arithmetic mean of a set of observation is defined as being equal to sum of the numerical value of every observation divided by the total number of observation.

We have,

Mean $(\overline{X}) = \frac{\Sigma x}{n}$

Where $\sum x$ = sum of all values of the observations

n = Number of observation

x = Value of variables

StandardDeviation(S.D.)

Dispersion is the measurement of the mass ofa figure's scatterings around an average in a series. S.D. is an absolute dispersion measurement that eliminates the limitations of other dispersion measurements. A larger standard deviation is reflected in the high degree of dispersion. Additionally, less dispersion leads to a smaller standard deviation number, demonstrating the high degree of homogeneity between the mean and observed values.To put it simply, low SD indicates considerable similarity between the data, and high SD indicates very little resemblance. It is computed for the designated independent and dependent variables. It can be expressed as the following: It is the positive square root of the mean squared deviation from the arithmetic mean.

We have,

$$\sigma = \sqrt{\frac{\sum(x-\bar{x})^2}{n}}$$

Where,

σ = Standard Deviation

x = Value of variables

n = Number of observation

CoefficientofCorrelation(r)

The statistical method by which we can characterize the extent to which one variable is linearly related to another is correlation analysis. The

degree of positive or negative link betweentwotangentiallyrelatedsetsoffiguresismeasuredbythecoefficientof correlation.Itsvalueiswithintherangeof-1to+1.Thevalueofthecoefficientwillbe +1, showing complete positive correlation, if both variables are continuously changing in the same direction. When the coefficient of value is -1, two variables behave inopposition to each other. It is stated that there is a perfect negative correlation. In this study, the relationship between various parameters and dividend and other outcomes is examined using the basic coefficient of correlation. It is extremely uncommon to achieve complete positive or perfect negative correlation in real-world situations.

$$r = \frac{\sum xy}{\sqrt{\sum x^2 y^2}}$$

Where,

Σxy = Sum of the products of paired scores

Σx = Sum of x scores

Σy = Sum of y scores

Σx2 = Sum of squared x scores

Σy2 = Sum of squared y scores

CoefficientofDetermination(r^2)

The degree of linear relationship or correlation between two or more independent variables is expressed as the coefficient of determination. It calculates the proportion of the overall variation in the dependent variables that the independent factors account for.In the event where R2 is 0, there is no association and every data point in the scatter diagram lies precisely on the regression line. In the event that its value is one, it signifies perfect correlation, making the regression line the ideal estimator. However, the majority of the time, the R2 number will fall between these two extremes, 1 and 0. It is importantto bear in mind that an R2 value near one suggests a strong correlation between two variables, whereas an R2 value close to 0 implies a weak correlation.

Coefficient of determination(R^2)=ExplainedVariation

$$\text{Or, } R^2 = \frac{\text{Total Variation}}{\text{Total Variation}} - \frac{\text{Unexplained Variation}}{\text{Total Variation}}$$

RegressionAnalysis

Regression analysis is the development of the statistical model that can be used to predict the values of variable. There are two types of variable in regression analysis. The variable whose value is to be predicted is called dependent variable and the variable which is used for prediction is called independent variable. On this Regression model, Dependent variable (MPS) is tested based on value of independent variables for their relationship. Independent variable of this study are EPS, DRP, DY Ratio, ROA, PE ratio and Banksize.

Thelinearregressionanalysismodelfor this study would be

Model:$MPS=\beta0+\beta1EPS+\beta2DRP+\beta3DY+\beta4P/E+\beta5ROAit+\beta6SIZEit+e$

Where:

MPS=Market priceofstock EPS= Earnings per share

DPR=Dividendpayoutratio DY = Dividend yield

P/E=Priceearningsratio

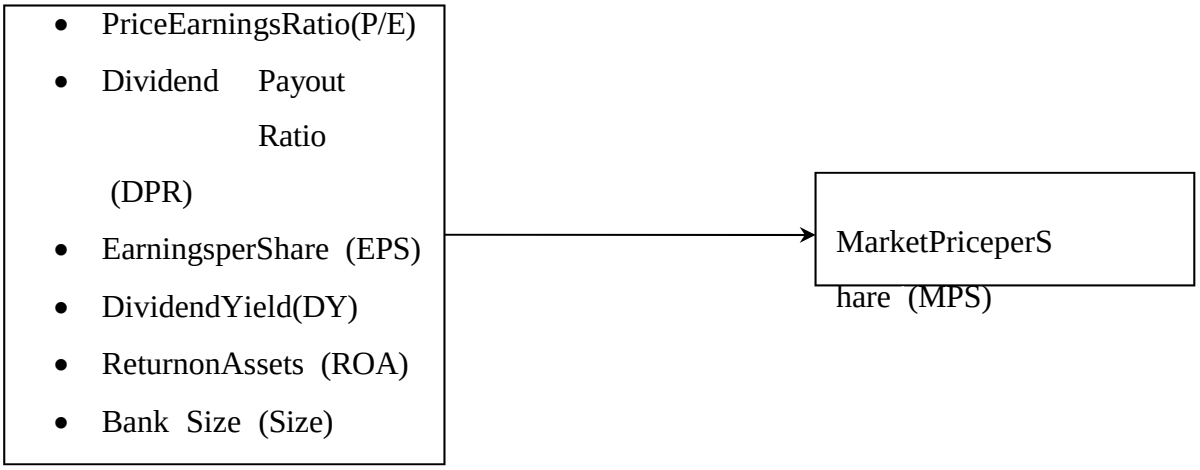
ROA=Returnonassets(ROA) SIZE=Banksize ortotalassets β0 = The intercept (constant)

β1, β2, β3, β4, β5, β6 = The slope which represents the degree with which market priceper share changes as the independent variables.

3.6 Research Framework

Fromthetheoreticalandempiricalliteraturereviews,thefollowingconceptual framework of the study is developed:

IndependentVariables **DependentVariables**



Source: Raj and Dalwadi (2022)

Figure1ResearchFramework

Research Framework and Definitions of Variables

Earnings Per Share (EPS)

Earnings per share is calculated to know earning capacity of a form. Eps refers as earning earned by each common share outstanding of a company. It is one of the most important financial indicator. The higher earning indicates the better achievements of the profitability of the banks by mobilizing their funds and vice versa. In other words, Higher EPS denotes strength as lower EPS is sign of weakness.

Earning per share (EPS) is calculated by dividing total after tax net earnings available to shareholders by total no of common share outstanding.

$$\text{EarningPerShare(EPS)} = \frac{\text{NetProfitAfterTaxes}}{\text{NumberofCommonStockOutstanding}}$$

Market Price Per Share (MPS)

The Market Price Per Share (MPS) is the current trading price of a company's stock on the stock exchange. It represents the amount investors are willing to pay for a single share of the company at a given time. MPS fluctuates based on supply and demand dynamics in the market, influenced by factors such as the company's financial performance, industry trends, economic conditions, and investor sentiment. It is a crucial metric for investors as it reflects the market's valuation of the company's equity.

Dividend Payout Ratio (DPR)

The Dividend Payout Ratio (DPR) measures the proportion of a company's earnings that is distributed to shareholders in the form of dividends. It is calculated using the formula: A higher DPR indicates that a larger percentage of profits is being returned to shareholders, while a lower DPR suggests that the company is retaining more earnings for growth, reinvestment, or debt repayment. The DPR helps investors understand a company's dividend policy and sustainability.

$$D/PRatio = \frac{DividendperShare(DPS)}{EarningperShare(EPS)}$$

Price earnings Ratio (P/Eratio) or, Earing Multiplier

The P/E ratio indicates how much investors are willing to pay for each dollar of earnings. A high P/E ratio may suggest that the market expects strong future growth, while a low P/E ratio could indicate undervaluation or concerns about the company's future performance. It is widely used to assess the relative value of a company's shares compared to its peers.

The Price-Earnings Ratio (P/E Ratio) is a valuation metric that compares a company's current share price to its earnings per share (EPS). It is calculated as:

$$P/ERatio = \frac{MarketPerShare(MPS)}{EarningPerShare(EPS)}$$

Dividend Yield (DY)

Dividend yield helps investors evaluate the income-generating potential of an investment. A higher dividend yield indicates a more attractive return on investment from dividends, making the stock appealing to income-focused investors.

The Dividend Yield (DY) shows the annual return on investment from dividends alone, expressed as a percentage of the stock's current market price. It is calculated as:

$$D/Y Ratio = \frac{Dividend Per Share}{Market Price Per Share}$$

Return on Assets (ROA)

ROA indicates the efficiency of asset utilization in generating earnings. A higher ROA signifies better management and utilization of assets to produce profit, making it an important indicator of operational performance and efficiency. Return on Assets (ROA) is a profitability ratio that measures how effectively a company is using its assets to generate profit. It is calculated as:

Bank Size

Bank Size refers to the scale of a bank's operations, typically measured by total assets, market capitalization, or the number of branches and employees. Larger banks, often called "big banks" or "megabanks," generally have extensive resources, broader service offerings, and greater market influence. They may benefit from economies of scale and enhanced competitiveness but also face increased regulatory oversight and complexity in risk management. Bank size is an important factor in understanding a bank's market position, capacity to lend, and resilience in economic fluctuations.

CHAPTER IV
RESULTS AND DISCUSSION

The purpose of this chapter is to find answer to the research questions and contains results and discussion. In this chapter, data and information regarding dividend practices of commercial banks are analyzed and evaluated to achieve the objective which are set in first chapter.

4.1 Results

4.1.1 Descriptive statistics

Descriptive statistics are brief descriptive coefficients that are used to summarize a given data set, which can help in representation of either entire or a sample of a population. A critical examination of the descriptive statistics for the dependent as well as explanatory/independent variables of the study is shown in following table:

Table 1

Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	30	299.20	3600.00	1254.8400	831.33204
EPS	30	14.83	91.05	41.4623	18.99030
DPR	30	43.87	296.59	86.3393	44.29719
DY	30	.97	6.39	3.1707	1.24216
ROA	30	1.09	3.25	2.0017	.54407
P/E	30	15.82	78.33	29.7917	14.07597
SIZE	30	45.63	419.82	131.0033	79.63128

Table 1 shows descriptive statistics of total observation of the study from fiscal year 2012/13 to 2021/22. Dependent variable of our study ie Market price per share range form 229.20 to 3600 and has mean 1254.84 and standard deviation 831.33. Independent variable such as EPS has range of 14.83 to 91.05 and has mean 41.4623 and SD 18.9903, DRP has range of 43.87 to 296.59 and has mean 86.3393 and SD 44.29719, Dividend Yield

(DY) has range of 0.97 to 6.39 and has mean of 3.1707 and SD 1.24216,ROA has range of 1.09 to 3.25 and has mean of 2.0017 and SD 0.54407, Price Earning Ratio(P/E) has minimum range of 15.82 to maxium 78.33 and has mean 29.7917 and SD 14.07597 and Bank size(SIZE) has range from 45.63 to 419.82 and has mean 131.0033 and SD 79.63128.

4.1.2 Correlation Analysis

Finding the fundamental association between independent factors (EPS, iDRP, DY iRatio, iROA, P/E iRatio, and bank size) and dependent variables (MPS) is the primary goal of this study. The value of this variable varies from -1 for an ideal negative correlation to +1 for an ideal positive correlation. The correlation coefficient of 0 shows that there is no significant association between the independent and dependent variables. The correlation matrix is shown in the itable that follows:

Table 2

Correlation Analysis

	MPS	EPS	DPR	DY	ROA	PE	SIZE
MPS	1						
EPS	.689**	1					
DPR	.199	-.124	1				
DY	-.521**	-.277	.393*	1			
ROA	.445*	.778**	-.206	-.254	1		
PE	.766**	.104	.481**	-.478**	-.044	1	
SIZE	-.358	-.347	.155	.375*	-.384*	-.141	1

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

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

The correlation matrix of independent and dependent variables is shown in Table II. The coefficient of correlation between iEPS and iMPS is 0.689, indicating a positive link between the two variables. Similar to iMPS, iDRP, iROA, and iP/E also have a positive correlation because of their respective positive correlation values; however, iDividend iyield i(DY) and iBank iSize i(SIZE) have a negative correlation with the market value per share, which is explained by that correlation's negative coefficient with iMPS.

4.1.3 Regression Analysis

When the focus is on finding out relationship between dependent variable (MPS) and independent variables (EPS, DRP, DY, PE Ratio, ROA, Bank Size), regression analysis technique is used for modeling and analyzing variables.

Table 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988a	0.975	0.951	146.95276

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

In Table 3, adjusted R square value of 0.988 shows that 96.90% of variability in MPS can be explain by the independent variables. Remaining 3.10% of variances in MPS

is related to other variables which are not depicted in the model. R square which measures the overall fitness of model shows value of 97.50% which mean that the model is capable of explaining 97.50% variability in MPS. Also R static Value of 0.988 indicated the existence of high level of relationship between study variables. It explain that dependent variable MPS is highly influenced by its predictors/independent variables.

Table 4

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.241	6	4.648	16.614	.000[b]
	Residual	55.676	23	.280		
	Total	78.917	29			

a. Dependent Variable: MPS

b. Predictors: (Constant), SIZE, PE, EPS, DPR, ROA, DY

Table 4 shows the overall regression model fitness of the data. Table shows F value of 16.614 with corresponding P-value 0.00, which means overall fitness of the correlation model is well justifies as P-value is less than 0.05. So, conclusion can be made that dividend predict stock price considerably.

Table 5

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1240.841	236.797		-5.240	0.000
	EPS	26.755	2.354	22.771	11.365	0.000
	DPR	3.602	1.200	2.811	3.002	0.006
	DY	-101.507	44.661	-94.014	-2.273	0.033
	ROA	26.938	84.615	23.324	-0.318	0.753
	P/E	50.701	4.038	42.251	12.555	0.000
	SIZE	-0.619	0.391	-.422	-1.581	0.127

a. Dependent Variable: MPS

The regression analysis presented in Table 5 provides valuable insights into the relationship between various independent variables and the dependent variable, Market Price per Share (MPS). Let's delve into the impact of each independent variable on MPS:

EPS reflects a company's profitability and is a key metric for investors. The positive coefficient of approximately 26.755 indicates that for every one-unit increase in EPS, the MPS is expected to increase by roughly 26.755 units. This suggests that investors value companies with higher earnings more favorably, as reflected in their stock prices. The high significance level ($p = 0.000$) underscores the robustness of this relationship.

DPR measures the proportion of earnings distributed to shareholders as

dividends. The coefficient of approximately 3.602 suggests that for every one-unit increase in DPR, the MPS is expected to increase by around 3.602 units. This indicates that companies with higher dividend payouts tend to have higher stock prices, possibly because they are perceived as more stable and attractive investments. The significance level of p = 0.006 confirms the statistical relevance of this relationship.

DY represents the dividend income generated by a stock relative to its price. The negative coefficient of approximately -101.507 suggests that for every one-unit increase in DY, the MPS is expected to decrease by approximately 101.507 units. This implies that investors may view high dividend yields as a sign of lower growth potential or increased risk, leading to lower stock prices. Despite a somewhat lower significance level (p = 0.033), the negative relationship between DY and MPS remains statistically meaningful.

ROA measures a company's profitability relative to its total assets. The positive coefficient of approximately 26.938 indicates that higher ROA is associated with higher MPS, suggesting that investors value companies with stronger profitability metrics. However, the non-significant p-value of 0.753 suggests that the relationship between ROA and MPS may not be statistically significant in this model, meaning other factors might be more influential in determining stock prices.

P/E ratio reflects the price investors are willing to pay for each dollar of earnings generated by a company. The coefficient of approximately 50.701 implies that for every one-unit increase in P/E ratio, the MPS is expected to increase by approximately 50.701 units. This indicates that investors are willing to pay a premium for companies with higher earnings relative to their stock price. The highly significant p-value of 0.000 reinforces the strong relationship between P/E ratio and MPS.

Size typically refers to the market capitalization or total assets of a company. The negative coefficient of approximately -0.619 suggests that larger companies tend to have slightly lower stock prices, holding other factors

constant. However, this relationship is not statistically significant, as indicated by the p-value of 0.127. Therefore, while size may play a role in determining stock prices, its impact may be less pronounced compared to other variables in this model.

4.2 Discussion

The observed insignificant relationship between Dividend Per Share (DPS) and other variables suggests that the dividend policies of these microfinancial institutions may not be optimally structured. This aligns with the broader narrative that cash dividends alone may not be the sole determining factor influencing share prices. Instead, the study contends that other factors, such as earning power, bonus shares, and the information value of dividend decisions, play crucial roles in share price fluctuations. Particularly in the imperfect market mechanism characteristic of the Nepalese Share Market, external factors like security brokers, market makers, and market rumors significantly contribute to share price volatility.

The results obtained from the data analysis of the Earnings Per Share (EPS), Dividend Per Share (DPS), Market Price Per Share (MPS), Dividend Payout Ratio (DPR), Price/Earnings Ratio (P/E Ratio), Earnings Yield (EY), and Dividend Yield (DY) of sampled micro financial institutions reveal both positive and negative outcomes. The lack of uniformity in the relationship of MPS with various financial indicators indicates the inefficiency of the Nepalese stock market in determining MPS based on financial performance. This departure from the efficient market hypothesis suggests that the market price of shares in Nepal may not accurately reflect a company's financial performance.

In comparison to previous studies on dividend policy and stock prices, our findings contribute to the evolving understanding of this relationship, particularly within the context of Nepalese micro financial institutions. Singh and Tandon (2020) supported relevant approaches to dividend policy and found a significant effect on stock prices. In contrast, our study in the Nepalese micro financial context revealed an insignificant relationship between Dividend Per Share (DPS) and other variables, suggesting that the dividend policies of these institutions may not be optimally structured.

Robiyanto and Yunitaria (2024) explored the impact of the COVID-19 pandemic on dividend announcement effects, highlighting negative market reactions. Our study, although not directly addressing the pandemic, underscores the inefficiency of the Nepalese stock market in determining Market Price Per Share (MPS) based on financial performance, indicating potential external factors influencing share price fluctuations.

Mlambo et al. (2021) discovered that sentiment-driven investor behavior contributes to volatility in the Johannesburg market. iExchange iStock. While our study did not specifically focus on sentiment-driven activities, it is consistent with the idea that outside factors—such as market rumors and security brokers—significantly contribute to the volatility of share prices in the imperfect market mechanisms that are typical of the Nepalese share market.

The study by Gautam (2009) highlighted inconsistent dividend payments and the need for a clear dividend strategy in two microfinance companies. Our findings resonate with this by suggesting that the dividend policies of micro financial institutions in Nepal may not be optimal, emphasizing the absence of well-defined and appropriate dividend payment policies.

Adhikari (2007) found a positive relationship between dividends and stock prices. Our study, while not explicitly measuring this relationship, indicates that the MPS in Nepal may not accurately reflect a company's financial performance, challenging the efficient market hypothesis.

CHAPTER-V
SUMMARY AND CONCLUSION

5.1 Summary

Dividend is one of most important aspect of any firm as it attract investors to invest in firms. Before reaching investing decision, investors examine and review dividend practice followed by banks. Company who pays higher level of dividend generally has higher share price in stock market and company who pay lower level of dividend are traded at lower price. Dividend works as single sufficient signal to investors about firm's current performance and its future prospects. The basic objectives of this study is to explore dividend pattern and share price of Nepalese commercial banks. The specific objectives of the study are i) What is the position MPS, EPS, DRP, DY Ratio, ROA, P/E Ratio and Bank size of selected commercial banks. ii) Is there any effect of EPS, DRP, DY Ratio, ROA, P/E Ratio and Bank Size on MPS.

In this study, to find the specific objectives, researcher examine and analysis some sample of commercial banks in Nepal. For this research, researcher has taken three commercial banks as sample, namely Nabil Bank Ltd (NABIL), Standard Chartered Bank Nepal ltd (SCBNL) and Himalayan Bank Ltd (HBL). Descriptive as well as casual comparative research design are used to analysis data. For this study, secondary data is used,. Data are first collected from financial report and annual report published by related banks for the period of fiscal year 2012/13 to 2021/22. After that data are analyzed using different financial descripted and analytical tools.In analysis part, interpretation and comments are also made wherever necessary.

5.2 Conclusion

The secondary data forms the foundation of our investigation. In line with the examination of the data that was previously presented. When it comes to EPS, NABIL Bank is outperforming other banks because its average EPS is greater. The SCBNL's MPS is the highest of all of them. Every other bank has a strong MPS and is performing well as they attempt to increase the share value and improve their

reputation in the market as a result. The way that the positive correlation between MPS and EPS, Dividend Yield, and P/E ratio is shown using regression analysis. This explains how rising values in certain independent factors also raise stock prices and vice versa. The relationship between dividend payout, ROA, and bank size and MPS is negative, which implies that a rise in dividend payout ratio, ROA, and bank size results in a fall in MPS and vice versa. There is a positive and substantial association between iMPS and EPS, dividend yield, and P/E ratio, however there is no meaningful relationship between iMPS and ROA and bank size. Based on the foundation of computation, it can be concluded that stock price evaluation is significantly impacted by earnings, dividend yield, and P/E ratio.

Every bank has its own set of dividend policies. Different policies can have varying kinds of effects. It implies that the market price of a share is not affected in a same way by the operations of individual banks and financial organizations. All banks have hesitant iMPS, but their iDPS is equally lacking in persistence. Therefore, it shows that other numerous qualitative aspects also have a significant impact on the market price of shares.

5.3 Implications

The main purpose of this study is to analyze various commercial banks' dividend policies. Thus, in order to reach a conclusion, a number of commercial bank characteristics must be examined. Every bank has its own resources, and it manages those resources in an effort to get the best outcome. The recommendations that follow are based on the summary and conclusions mentioned above, and it is hoped that they will serve as a first step toward resolving the problems that currently exist in this field.

The option to select between cash dividends, equity dividends, and other dividend types should be provided to shareholders. Therefore, the annual general meeting of shareholders should approve the dividend declaration. In order to do this, banks must first thoroughly educate investors through various media outlets about the benefits and drawbacks of various dividend models.

This study focuses on Nepal's commercial banks' dividend policies. Large populations in the financial, insurance, and private sectors may be the subject of future research.

•There is no flashing out of information about the capital market or secondary market.

Therefore, the relevant body should promptly furnish all the facts regarding this factor.

• There is a lot of variation in dividend payments. Investors become confused and have incorrect perceptions about the company because there are inconsistencies in the dividend distribution.

•Governments ought to support the formation of organizations that safeguard and advance investor-friendly initiatives. The government ought to get less involved in the day-to-day operations of the organizations.

•Banks don't specify their dividend policies. Whether they are going with a low regular plus additional dividend policy, a consistent payout ratio, or a steady dividend policy, they should be very clear about their dividend approach.

• Because the financial component of dividend practices was the main focus of this study, non-financial factors influencing dividend decision-making can be analyzed and evaluated in future research.

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ABSTRACT The objective of the study is to analyze impact of EPS, DPY, Dividend Yield, P/E ratio, ROA and bank size on MPS over the ten year study period starting form year 2012/13 to 2021/22. This study basically deals with the secondary data of NABIL, SCBNL and HBL which are collected from annual reports of the banks. In this study, descriptive as well as casual comparative research design are used. Correlation coefficient and regression analysis are conducted to find out the relationship between Dependent Variable (MPS) and independent variables (EPS,DRY,DY,P/E Ratio and Bank Size). The study conclude that beside DY and Bank Size, other independent variables has significant impact on market value of share (MPS).
Keywords: EPS,DRP,DY, P/ERatio,Bank Size andMPS i CHAPTER-I INTRODUCT ION 1.1 Background of the Study Any nation's ability to flourish economically depends on its ability to generate creative output from investments in profitable businesses. These businesses require significant money and a stable environment to be established. In order to sustain operations, guarantee seamless functioning, and promote ongoing expansion, established firms and companies need to make both