

**FACTORS AFFECTING CORPORATE DIVIDEND PAYOUT: A
CASE OF COMMERCIAL BANKS WITH FOREIGN INVESTMENT
OPERATING IN NEPAL**

A Dissertation submitted to the office of the dean, faculty of management in partial
fulfillment of requirement for the master's degree

By

Sajana Basnet

Campus Rolls No: 649/074

Exam Symbol No: 6140/18

T. U. Registration No: 7-2-25-850-2013

Shanker Dev Campus

Kathmandu

May 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “FACTORS AFFECTING CORPORATE DIVIDEND PAYOUT: A CASE OF COMMERCIAL BANKS WITH FOREIGN INVESTMENT OPERATING IN NEPAL”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degree 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 declared that all information sources and literature used are cited in the reference section of the dissertation.

Sajana Basnet

May 2024

REPORT OF RESEARCH COMMITTEE

Ms. Sajana Basnet has defended research proposal entitled "FACTORS AFFECTING CORPORATE DIVIDEND PAYOUT: A CASE OF COMMERCIAL BANKS WITH FOREIGN INVESTMENT OPERATING IN NEPAL" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Kapil Khanal and submit the thesis for evaluation and viva voce examination.

.....
Asso. Prof. Dr. Kapil Khanal

(Supervisor)

..... Dissertation Proposal Defended Date

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha

Head of Research Committee

..... Dissertation Submitted Date

..... Dissertation Viva Voce Date

APPROVAL SHEET

We have examined the dissertation entitled "FACTORS AFFECTING CORPORATE DIVIDEND PAYOUT: A CASE OF COMMERCIAL BANKS WITH FOREIGN INVESTMENT OPERATING IN NEPAL" presented by Ms. Sajana Basnet for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

.....
Asso. Prof. Dr. Kapil Khanal

Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Examiner

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya

Campus Chief

May 2024

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Any remaining errors are mine.

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Abbreviation

CACL:	Current Assets to Current Liabilities
CV:	Coefficient of Variation
DPR:	Dividend payout Ratio
EBL:	Everest Bank Limited
EPS:	Earning Per Share
HBL:	Himalayan Bank Limited
PER:	Price Earnings ratio
SD:	Standard Deviation
SDC:	Shaker Dev Campus
TLTA:	Total Liabilities to Total Assets
TU:	Tribhuwan University

Abstract

The objective of research is to know the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable. To examine the relationship between dividend payout and its determinants to the independent variable of the sample commercial Banks. To analyze the impact of with profitability, Financial Leverage, price earnings Ratio and liquidity to the dividend payout of sample commercial banks. The research is done by using descriptive and explanatory research design. Out of 20 commercial banks heaving foreign direct investment 3 bank are select randomly and all the data are secondary collected from annual report of the bank, Nepal stock exchange website and Merolagani website. Financial and statistical instrument are used for the analysis such are different ratio, descriptive statistic, correlation and multiple regression analysis are done for find out the objectives of the research. For data presentation and analysis is don using MS EXCEL and SPSS 23 version. It is found that the dividend payout ratio which is calculated by dividing the dividend per share by earning per share is highest dividend payout ratio in Nabil bank and lowest dividend payout is Himalayan bank limited. The price earnings ratio is the growth of the organization is the highest in EBL bank and lowest in Nabil bank limited. The liquidity measuring ratio called current assets to current liabilities and liquidity ratio in Himalayan bank and lowest ratio in NABIL bank limited. The Everest bank limited the profitability, financial leverage and Growth is positive relationship with Dividend payout and which is not significant. The relationship between the Dividend payout and liquidity is negative relationship and which is not significant. The NABIL bank limited relationship between the profitability, financial leverage to the dividend payout is negative relationship and which is not significant. The impact of Growth to the dividend payout ratio is positive and which is not significant in EBL. The impact of profitability, financial leverage and liquidity to the dividend payout ratio is negative and which is not significant in NABIL. The impact of Growth to the dividend payout ratio is positive and which is not significant In NABIL. The impact of profitability, financial leverage and liquidity to the dividend payout ratio is positive and which is significant in HBL. The impact of Growth to the dividend payout ratio is negative and which is significant in HBL.

Key Words: Profitability, financial leverage, Growth, Liquidity and Dividend payout

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Corporation profits can be either reinvested or distributed as dividends to shareholders. Investors expect returns on their investments, which can come in the form of capital gains or dividends. A dividend represents a portion of a company's after-tax profits distributed to shareholders based on the number and class of shares they hold. Dividends can be paid out in cash or additional shares, known as scrip dividends. These distributed earnings are called dividends, while undistributed profits become retained earnings. The board of directors decides whether to declare a dividend, shaping the company's dividend policy. The issue of dividend payout remains one of the most debated topics in contemporary corporate finance and is still considered a puzzle (Dakito 2015).

Scholars have developed numerous theoretical models outlining the factors managers should consider when making decisions about dividend policies. According to Modigliani and Miller (1961), in perfect capital markets, the dividend decision does not impact a firm's value and is therefore irrelevant. Dividend payout policy involves management's decision regarding the portion of income distributed to shareholders as dividends, a topic that has sparked debate among financial managers for over 50 years. An increase in dividends can positively affect shareholder wealth due to market imperfections and uncertainties. Subsequent theories have added to this discourse, such as Bhattacharya's (1979) signaling theory, which posits that dividends can convey information about a firm's future prospects in the presence of information asymmetry. Easterbrook's (1984) Agency Cost Theory suggests that higher dividends can help mitigate agency problems within firms by reducing the free cash available to managers.

The financial sector's role in the Nepalese economy has significantly expanded since the deregulation and liberalization efforts of the mid-eighties. In Nepal's sole secondary capital market, financial institutions such as commercial banks, development banks, and finance companies comprise more than 50% of the listed entities, underscoring the sector's crucial role in capital market development. Currently, Nepal has 20 commercial

banks, nearly all of which are publicly traded, except for RBB. Consequently, making dividend decisions has become essential for these banks. Understanding the factors influencing these decisions is crucial not only for managers but also for investors. Providing investors with accurate information on dividend policy decisions allows them to select stocks in both primary and secondary markets that align with their investment goals. This study aims to offer insights into the determinants of dividend policy and payout decisions within the context of Nepal.

Numerous studies have examined the determinants of dividend payout in developed capital markets, with existing empirical evidence primarily drawn from developed and developing countries. However, findings from developing countries have not been sufficiently tested for consistency and validity in the context of Nepal. Thus, it can be argued that empirical evidence specific to a developing country like Nepal is lacking. This study aims to address this gap by testing these factors in Nepal's developing capital market. It uses the most recent data and explores various dynamics of dividend decisions and the key determinants of dividend payout valued by commercial banks. Additionally, it seeks to understand how different banks formulate their dividend policies and the factors they consider before making these decisions.

1.2 Problem Statement

The analysis of dividend payout has spanned several decades, yet no universally accepted explanation for the observed behavior of companies regarding dividends has been established. Brealey & Myers (2005) described dividend payout policy as one of the ten most challenging unsolved problems in financial economics. This topic has garnered significant attention from corporate finance researchers due to its sensitive nature, primarily because of the importance of meeting shareholders' expectations and mitigating conflicts among a company's stakeholders. Additionally, dividend payout policy remains puzzling due to the notable differences observed between the policies of various countries. These differences arise from varying tax systems, rules, regulations, capital markets, and regulatory institutions (Felix, 2015).

Most empirical evidence aligns with theoretical assumptions, although some studies indicate discrepancies between observed behaviors and theoretical predictions. Despite the lack of a consensus solution regarding dividend policy, numerous studies are being conducted to achieve a robust theoretical and empirical understanding and to resolve this

financial puzzle. Concerning the factors influencing corporate dividend policy, the majority of respondents prioritized earnings first, followed by cash availability, past dividends, and the desire to maintain or increase the stock price (Pradhan & Adhikari, 2004).

Therefore, it is crucial to research the determinants of dividend payout to help unravel the mysteries surrounding dividends and clarify the relationship between theory and practice, particularly from a Nepalese perspective. This study aims to analyze the trends and relationships of dividend payout and its determinants, including profitability, liquidity, leverage, growth, size, and EPS. In examining the corporate dividend payout behaviors of Nepalese commercial banks with foreign investment, this study will address the following research questions:

- What is the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable ratio?
- Whether there is any relationship between dividend payout and its determinants of the sample commercial banks?
- What are the impact with profitability, Financial Leverage, growth and liquidity to the dividend payout of sample commercial banks?

1.3 Objective of the Study

The major objective of the study is to examine the determinants of dividend payout of Nepalese commercial banks. However, the specific objectives of this study will be as follows:

- To know the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable.
- To examine the relationship between dividend payout and its determinants to the independent variable of the sample commercial Banks.
- To analyze the impact of with profitability, Financial Leverage, price earnings Ratio and liquidity to the dividend payout of sample commercial banks.

1.4 Hypotheses

This section defines the relationship between independent variable and dependent variable. Between variable significant relations establish or not. The relation is positive,

significant or negative one is answered after testing the hypothesis. Research question which defines the statement of problem is tested here:

The hypothesis is

Hypothesis 1

There is a significant relation of profitability, financial leverage, growth and liquidity measuring variable to the Dividend payout measuring variable.

Hypothesis 2

There is a significant Impact of profitability, financial leverage, growth and liquidity measuring variable to the Dividend payout measuring variable.

1.5 Rationale of the Study

Numerous studies have examined dividend issues, revealing varied empirical results across countries and industries regarding the factors corporate managers should consider when deciding on dividend payments. However, limited empirical analysis has been conducted on this issue in the context of Nepal. Therefore, the banking sector, a vital and rapidly growing part of the economy with relatively better data and documentation, has been chosen for this study. This research aims to identify the explanatory variables of dividend payout and stimulate further interest among researchers for broader studies.

This study investigates the determinants of dividend payout and analyzes the relationship between various factors and dividend payout in commercial banks with foreign investment operating in Nepal. The findings will be valuable to both internal and external stakeholders of these banks. For external stakeholders, such as investors making investment decisions, the community receiving financial services, and the government regulating the sector for public resource safety and sustainable economic development, this study is particularly important. Additionally, other researchers interested in this area may use this study as a resource for more detailed and extensive research.

Furthermore, investors in the capital market can earn returns through dividends and capital gains, making dividends a crucial factor for those investing in equity shares. This study will help investors make informed decisions about where and how to invest and what portfolio to construct for maximum profit by identifying the key determinants of dividend payout (Knife, 2011).

In the Nepalese context, many investors lack sufficient knowledge about companies' performance and dividend policies when investing in stocks. This study aims to raise awareness among Nepalese investors. It is also useful from the firm's perspective, as it provides insight into investor objectives. Primarily, this study assists investors in making timely and informed decisions about the influence of dividends on market share prices, thereby improving their investment strategies. By reducing information asymmetry, this study can help prevent problems related to adverse selection and moral hazards.

1.6 Limitations of the Study

Basically, this research is for the partial fulfillment of MBS degree. But, the research has its own limitations which are listed below:

- The study will be limited to 10 years which is a short period to observe changes in variables over time.
- The result obtain from the study can't be generalized for all similar organization due to varying nature of their operation and business.
- There are many factors that affect the dividend decision and valuation of the firms. However, only those factors related to dividend would be considered in this study.

CHAPTER- II

LITERATURE REVIEW

This chapter focuses on reviewing literature related to the topic "Factors Affecting Corporate Dividend Payout: A Case of Commercial Banks with Foreign Investment Operating in Nepal." The purpose of the literature review is to gain expertise in the area, understand recent contributions, and gather ideas for developing a research design. Previous studies are foundational and cannot be ignored as they provide the basis for the present study. This chapter highlights available literature on the subject, including research work, relevant studies, journal and article reviews, and previously conducted thesis work. The following subject matters are reviewed in this chapter.

2.1 Theoretical Review

The topic of this dissertation is the factors affecting corporate dividend payout. In this context, a dividend refers to a payment made by a corporation to its shareholders. In Nepal, seven commercial banks are under foreign direct investment. This study focuses on three joint venture banks as samples: Himalayan Bank, Nabil Bank, and Everest Bank. The study explores various conceptual terms, including profitability, financial leverage, growth, liquidity, and dividend payout, which are explained individually below.

Profitability

The decision to pay dividends begins with profit, making profitability a key factor in dividend payment decisions and stock prices. According to theory, dividends are typically paid from annual profits, indicating a company's capacity to distribute dividends. Consequently, companies experiencing losses are unlikely to pay dividends. The pecking order hypothesis suggests that companies prioritize internal financing for investments and resort to external financing, preferring debt over equity, only when necessary to minimize costs related to asymmetric information and other transaction expenses (Myers, 1984). This financial hierarchy influences dividend decisions; less profitable companies are less likely to pay dividends due to the high costs of issuing debt and equity. In contrast, highly profitable companies are more capable of paying dividends and generating internal funds (retained earnings) for investments. Thus, the pecking order hypothesis explains the link between profitability and dividends. Fama and French (2002) tested this hypothesis using

the expected return on assets and found a positive relationship between profitability, dividends, and stock prices, consistent with the pecking order hypothesis.

Financial Leverage

The financial structure of a company comprises both debt (obligations) and equity financing. Long-term financing refers to the company's capital structure, and the extent to which a company relies on debt financing is termed financial leverage. While debt financing offers tax benefits, such as interest deductions, and can enhance return on equity, it also introduces risks. When a company takes on debt, it commits to fixed financial costs, including interest payments and principal repayment, and failure to meet these obligations can lead to liquidation. High financial leverage can result in lower dividend payments as companies need to preserve internal cash flow to meet debt obligations rather than distributing it as dividends.

Rozeff (1982) noted that highly leveraged companies often have lower dividend distributions to minimize the transaction costs associated with external financing. Additionally, certain covenants restrict dividend payments. Therefore, a negative relationship between debt and dividend payments is logical. Numerous studies have found a negative correlation between debt and dividends (Jensen et al., 1992; Gugler and Yurtoglu, 2003). According to Chang and Rhee (1990), shareholders of more leveraged firms may demand higher dividends as compensation for the increased financial risk. Black (1976) also observed that higher dividends reduce the funds available to creditors, potentially affecting the company's credit terms.

To explore how debt affects dividend decisions, this study uses the financial leverage ratio, defined as the ratio of total short-term and long-term debt to total equity. Based on the discussion above, a negative association is anticipated between dividends and financial leverage. Consistent with Chang and Rhee (1990), shareholders of highly leveraged companies might demand higher dividends to offset financial risk. Black (1976) supports that increased dividends decrease available funds for creditors, which can, in extreme cases, impact the company's credit conditions.

The capital structure of Emerging Capital Markets (ECM) companies typically features a low proportion of long-term debt. Due to an underdeveloped bond market, banks are the primary source of debt financing for these companies, implying more financial constraints (Masry and Heba, 2018).

Liquidity

Theobald (1978) suggested that excessive dividends might reflect inflation effects and historical profits. Consequently, Lawson and Stark (1981) demonstrated that dividend payments in developed markets, particularly in the UK, were excessive relative to cash flow. To address this issue, Dalton and Pointon (1997) noted that reductions in dividends often indicate low liquidity. Kania and Bacon (2005) later proposed that increasing dividends would reduce liquidity. According to Miller and Modigliani (1961), uncertainty plays a role in using dividends as a signaling tool, conveying information from a company's directors to its shareholders. Deviations from established target payout ratios can signal changes in future income expected by the company's management. Likewise, financial announcements, such as dividend declarations, inform investors and other stakeholders about the company's future outlook.

The signaling hypothesis posits that competent management signals its capabilities by paying higher dividends than less competent managers. Higher dividends indicate to stakeholders that the company is performing well. However, Borokhovich et al. (2005) found that the signaling hypothesis has weak empirical support, concluding that while dividend payments reduce brokerage costs, they do not significantly reduce agency costs. Lower agency costs imply that managers have less shareholder money to waste in both current and future periods when dividends are paid. Edwards, Mayer, Pasherdes, and Poterba (1985) supported the view that dividend adjustments signal expected future profits in British companies. In the United States, Olson and McCann (1994) found that companies following a signaling dividend policy tended to record higher asset growth but had lower revenue growth, with their revenues being highly variable.

Asquith and Mullins (1983) observed that dividends could indicate future profitability in companies paying their first dividends or resuming dividends after a break of at least ten years. Benartzi, Michaely, and Thaler (1997) concluded that companies increasing their dividends are less likely to see future income reductions. Lintner (1956) implied that earnings are manageable and that partial adjustments can be made in future years if revenues allow. However, Davidson (2002) mentioned a common belief that changes in dividend behavior signal lower future profitability compared to changes in other variables.

Growth

Growth is typically represented by the market price per share divided by earnings per share. The Price-to-Earnings Ratio (P/E ratio) is a widely used metric for evaluating a company, measuring its current share price relative to its per-share earnings. It is a key indicator of a stock's valuation, with lower P/E ratios indicating better investment performance, as shown by Nicholson (1960). Fama and French (1992) also identified a positive association between stocks and the earnings price ratio. The P/E ratio is calculated as a company's market capitalization divided by its after-tax earnings over a 12-month period, usually based on trailing earnings but sometimes on current or forward earnings. This calculation yields the same value whether computed for the entire company or on a per-share basis.

Dividend payout

Extensive empirical research has been conducted in the area of dividend payout (DP), yet it remains unclear what factors determine firms' DP. Retaining profits or earnings generates funds that management can allocate to projects with positive returns compared to the firm's hurdle rate, leading to positive Net Present Value (NPV) and subsequently increasing the firm's value and share price (Miller & Modigliani, 1961).

2.2 Empirical Review

2.2.1 Article Reviews in international context

Vetarany et al. (2024) examined the impact of various factors, including the board of directors, independent board of commissioners, managerial ownership, institutional ownership, profitability, and leverage, on dividend policy. Using a quantitative research approach, secondary data from financial statements and annual reports of manufacturing companies listed on the Indonesia Stock Exchange were analyzed. Descriptive statistics, classical assumption tests, multiple linear regression analysis, and hypothesis testing were employed for data analysis. Results indicated that independent board of commissioners and managerial ownership positively influenced dividend policy, while profitability and leverage had a negative effect. However, the board of directors and institutional ownership showed no significant effect on dividend policy.

Purba et al. (2024) investigated the impact of company size and profitability on dividend policy among entities in the property, real estate, and building construction service sectors listed on the Indonesia Stock Exchange. Their study revealed that company size did not

significantly affect dividend policy, while liquidity had a positive correlation. Conversely, profitability did not show a discernible effect on dividend policy. The study concluded that the liquidity ratio played a pivotal role in shaping dividend policy, while firm size and Return on Assets did not significantly impact the Dividend Payout Ratio.

Yustisia et al. (2023) analyzed the effect of current ratio, debt to equity ratio, and return on assets on dividend payout ratio among pharmaceutical companies listed on the Indonesian Stock Exchange. Utilizing panel data regression with fixed effects, they found that current ratio and debt to equity ratio had a significant positive effect on dividend payout ratio, while return on assets had no significant impact. The study suggested that these factors collectively influenced dividend payout ratio.

Stephen (2023) investigated factors influencing dividend payout decisions of mutual funds in Tanzania, using the modified Lintner model as a theoretical framework. Through an explanatory research design, variables such as past dividend, free cash flow, liquidity, sales growth, return on assets, financial leverage, firm size, and market risk were examined. Results revealed that past dividend and return on assets positively and significantly affected dividend payout decisions. Additionally, free cash flows, liquidity, sales growth, financial leverage, and firm size had positive but insignificant effects, while market risk had a negative and insignificant influence. The study recommended mutual funds management focus on consistent dividend payments and ensure profitability, cash flow, liquidity, and growth for firm performance and value increase.

Prsa et al. (2022) conducted a study to evaluate the influence of financial factors on the dividend payout ratio, aiming to explore the factors affecting dividend payout in less developed markets and comparing them with findings from previous studies. Using the global research platform Screener.co and financial statements from the Zagreb Stock Exchange, data were collected from companies that paid dividends at least once in the last three years. Hierarchical linear regression analysis was employed with four explanatory variables: return on equity, return on assets, financial leverage, and free cash flow to revenue. The study observed significant fluctuations in the dividend payout ratio and return on equity variability. However, no statistically significant causality was found between the dividend payout ratio and the explanatory variables. The results suggest that long-term non-financial factors such as investors' expectations, dividend payment history,

and substantial cash reserves supported by high retained earnings may have a more decisive impact on the dividend payout ratio than recent financial factors.

Dang et al. (2021) investigated the impact of dividend policy on corporate value using data from listed companies on the Vietnamese stock market. Employing the general least square (GLS) approach, the study identified three factors—dividend payout, profitability, and corporate size—that positively and significantly influenced corporate value. Conversely, the degree of financial leverage had a negative impact on corporate value. The study found that firms implementing a higher dividend payout policy experienced a significant positive impact on corporate value, while those not paying dividends or paying low dividends did not observe significant effects. The findings provide meaningful insights for businesses regarding dividend policy implementation.

Rohov et al. (2020) explored the factors influencing dividend policy of non-financial joint-stock companies in Ukraine, emphasizing the dependence of dividend policy on the institutional environment and corporate governance practices. Using a sample of 58 Ukrainian non-financial public joint-stock companies and Interactive tree classification techniques (C&RT), hypotheses regarding the impact of financial state, size, business risk, and ownership structure on dividend payments were tested. The resulting classification model accurately predicted dividend decisions for companies that paid dividends and those that did not. The study found that companies with controlling interests held by individuals and institutional investors were more likely to pay dividends. Financial indicators effectively classified firms not paying dividends, while business risk had no significant impact on classification accuracy. The study suggests implications for economic regulation, protection of minority shareholders' rights, and promotion of modern corporate governance practices based on its findings.

Utomo, Machmuddah, and Sumaryati (2019) investigated the determinants of dividend policy in manufacturing companies in Indonesia. The study aimed to refute the influence of profitability, liquidity, leverage, company growth, and company size on dividend policy. Manufacturing companies listed on the Indonesia Stock Exchange during the period 2016-2018 were the focus of the study, employing purposive sampling. Structural Equation Modeling (SEM) with Warp PLS 4.0 was used for data analysis. Results indicated that profitability, company growth, and company size significantly impacted dividend policy, while liquidity and leverage did not have a significant effect. The study

suggests future research should synthesize other factors influencing dividend policy, and for publicly traded companies, optimizing dividend policy is crucial for attracting investors.

Ahmad, Ansari, and Shamsi (2019) investigated the factors influencing dividend payout in the cement sector of Pakistan. Extensive research has been conducted in the area of dividend policy to understand why firms pay dividends and what motivates them to distribute earnings to shareholders. The study aimed to determine the effect of financial factors—size, profitability, risk, leverage, and liquidity—on dividend payout among firms listed on the Pakistan Stock Exchange in the cement sector. Data spanning ten years (2009-2018) were extracted from annual financial statements of cement manufacturing firms. Bivariate correlation and backward multiple regression were employed to verify relationships between dependent and independent variables. Findings revealed that profitability and liquidity significantly influenced dividend payouts positively, while size, risk, and leverage did not exhibit significance over dividend payments in the sector.

Masry, Sakr and Amer (2018) explored factors affecting dividend policy in an Emerging Capital Markets (ECM) country through theoretical and empirical study. The dividend decision is influenced by various factors, including legal and financial considerations, making it difficult to develop a universal dividend policy applicable to all companies. The study highlighted the importance of profitability indicators such as return on equity, return on assets, and earnings per share in influencing share price performance and payout ratio. Financial risks, size, investment opportunities, and liquidity were also identified as significant factors affecting dividend policy.

Masum (2014) delved into the impact of dividend policy on stock prices, particularly focusing on commercial banks listed in the Dhaka Stock Exchange. Despite extensive research in investments and finance, the relationship between dividend policy and stock prices remains enigmatic. The study aimed to explore whether dividend policy affects stock prices and addressed the debate surrounding dividend relevance. Empirical analysis was conducted on excess stock market returns of thirty banks listed in the Dhaka Stock Exchange from 2007 to 2011. The study utilized panel data analysis, revealing a significant positive effect of dividend policy on stock prices. Various theories on dividend policy were examined, and the study's findings were compared with previous research conducted locally and internationally. The large sample size comprising all listed

commercial banks of the Dhaka Stock Exchange enhanced the reliability and validity of the results. Notably, variables such as Earnings per Share and Return on Equity exhibited a positive relationship with stock prices, while Dividend Yield and Profit after Tax showed a negative, insignificant relationship.

Baker and Weigand (2014) provided a comprehensive overview and synthesis of literature on corporate dividend policy, tracking changing perspectives and trends in this domain. The paper surveyed existing literature with a focus on cash dividends, highlighting significant findings such as the declining importance of cash dividends in total returns and the increasing role of share repurchases in payout policy. It was observed that firms typically adopt a managed dividend policy rather than a residual dividend policy, and determinants of cash dividends, including past stability and anticipated earnings, consistently shape actual dividend policies. The study underscored the complexity of dividend policy, which is sensitive to numerous factors such as firm and market characteristics. Practical implications highlighted the persistent relevance of the dividend puzzle in modern finance.

Nnadi, Tanna, and Kabel (2013) examined the factors influencing dividend policy of acquired European banks, emphasizing the structural adjustments following mergers. Drawing on data from 120 large mergers and acquisitions in Europe, the study found that liquidity, risk, and financial structure composition are significant factors affecting dividend policy in both acquired and non-acquired banks. Notably, the price-earnings ratio emerged as a crucial determinant for non-acquired banks, indicating the aggressive impact of growth in investments and future projects. This distinction sheds new light on dividend policy analysis, offering insights not previously explored in the literature.

Komrattanapanya and Suntrauk (2013) investigated factors influencing dividend payout in Thailand using Tobit regression analysis. The study analyzed data from firms listed on the Stock Exchange of Thailand from 2006 to 2010. Results revealed that financial leverage, investment opportunities, and sales growth negatively impacted dividend payout, whereas firm size exhibited a positive effect. Furthermore, firms in the property and construction sector were more inclined to pay dividends. The study provided valuable insights for investors in stock investment and portfolio management, aiding financial managers in devising dividend policies to optimize shareholders' wealth.

Al-Malkawi (2008) explored the determinants of corporate dividend decisions in Jordan, utilizing panel data analysis covering the period from 1989 to 2003. The study examined factors such as firm size, profitability, age, and financial leverage in influencing dividend policy. Findings supported the agency costs hypothesis, indicating that factors affecting dividend policy in developed markets are applicable in emerging markets like Jordan. Specifically, firm size, profitability, and age increased the likelihood of dividend payment, while financial leverage decreased it, aligning with the pecking order hypothesis.

Table 1

Articles in international context

S.N	Date/ Author	Title	Objective	Methodology	Finding
1	Vetarany et al./ (2024)	Determinati on of Factors Influencing Dividend Policy: A Case Study of a Manufacturi ng Company in Indonesia.	To analyzed the influence of the board of directors, independent board of commissioner s, managerial ownership, institutional ownership, profitability, and leverage on dividend policy.	The analysis of data involves employing descriptive statistics, classical assumption tests, multiple linear regression analysis, and hypothesis testing techniques.	The findings indicated that there is a positive impact on dividend policy from having an independent board of commissioners and managerial ownership. Conversely, profitability and leverage were found to exert a negative influence on dividend policy. Notably, the presence of the board of directors and institutional ownership did not demonstrate any

					significant effect on dividend policy.
2	Purba et al./ (2024)	Determinants of Corporate Dividend Policy: A Factorial Analysis.	To assess the impact of company size and profitability on the dividend policy of a entities operating in the real estate and building construction service sectors, as listed on the Indonesia Stock Exchange.	Using multiple linear regression analyses, the study finds that company size does not exert a significant impact on dividend policy. However, liquidity shows a positive correlation with dividend policy.	The research concludes that the liquidity ratio significantly influences dividend policy. Conversely, variables such as firm size and Return on Assets were found to have no significant effect on the Dividend Payout Ratio.
3	Yustisia et al. (2023)	Factors Affecting THE Dividend Payout Ratio IN Pharmaceuti cal Companies.	To examined the effect of current ratio, debt to equity ratio, and return on asset on dividend payout ratio.	The study employed purposive sampling to select six pharmaceutical companies as the sample. Data analysis was conducted using panel	The research findings indicated that factors such as leverage, liquidity, and company size had a negative impact on dividend payout policy, whereas growth, earnings per share, and profitability had

				data regression with fixed effects as the chosen model.	a positive influence. Consequently, the study recommends that the Board of Directors of selected banks in Tanzania should take into account factors like growth, earnings per share, and profitability while formulating their dividend payout policy decisions.
4	Stephen (2023)	Factors influencing dividend payment decisions: A case of mutual funds in Tanzania.	To investigate the factors influencing dividend payout decisions of mutual funds in Tanzania.	The study utilized a range of explanatory variables, such as historical dividend payments, available cash flow, liquidity measures, sales expansion rates, and return on assets, financial leverage indicators, firm size metrics, and market risk	The analysis revealed that past dividend payments and return on assets significantly and positively influenced the decision to pay dividends. Furthermore, it was observed that free cash flows, sales liquidity, sales growth, financial leverage, and firm size had positive but statistically insignificant effects on dividend payout

- assessments. decisions.
- The analysis Additionally, employed market risks were various found to have a statistical negative and techniques, insignificant impact including on dividend payout. correlation analysis, as well as fixed effect and random effect regression models, to ascertain the empirical findings.
- 5 Prsa et al. Factors To assess the They utilized The study observed (2022) influencing impact of the global significant dividend financial of research fluctuations in both payout factors on the platform the dividend payout policy: dividend Screener.co ratio and return on Evidence payout ratio, along with the equity variability. from listed and the financial Furthermore, it non- purpose is to statements identified a lack of financial research from the statistically firms of the factors Zagreb Stock significant causality Zagreb affecting Exchange to between the Stock dividend gather data. dividend payout Exchange. payout in less Their sample ratio and the developed comprised explanatory markets and companies variables. compare them listed on the

with the Zagreb Stock results of Exchange that previous had paid studies dividends at least once in the past three years. They employed hierarchical linear regression analysis in their model.

- 6 Dang et al. Impact of To examined Employing the The research
/(2021) dividend the impact of general least revealed that
policy on dividend squares (GLS) companies with a
corporate policy on method, the more generous
value: corporate researchers dividend payout
Experiment value. Data have policy significantly
in Vietnam. collection is pinpointed affect their
the result of three factors corporate value.
listed that exert a Conversely, firms
companies on positive and that refrain from
the substantial paying dividends or
Vietnamese influence on offer low dividends
stock market. corporate do not witness a
value: dividend notable impact of
payout, dividend policy on
profitability, corporate value.
and company These findings hold
size. significant
Conversely, implications for
financial businesses when

- leverage has implementing
been identified dividend policies.
as a factor with
a negative
impact on
corporate
value.
- 7 Benson Factors The intention In this study, a The study findings
James Influencing of the study correlation indicated that
Lyimo & Dividend was to research design factors such as
Marym A. Payout examine A factors for data and company size
Mtawa/ Policy: Case of influencing collection, had a detrimental
(2021) Commercial dividend focusing on impact on dividend
Banks – payout policy, quantitative payout policy,
Tanzania. a case of methods to whereas growth,
selected banks gather relevant earnings per share,
in Tanzania. information and profitability had
During the aligned with a beneficial effect.
10-year the study's
period objectives.
between 2010 Secondary data
and 2019. from the
financial
statements of
banks was
collected and
analyzed using
STATA.
- 8 Rohov et Factors The study To achieve this The results, derived
al./ (2020) affecting the aims to objective, from the
2020 dividend determine hypotheses classification tree
policy of factors regarding the and the importance

non-financial joint-stock companies in Ukraine. affecting dividend policy in the conditions of the Ukrainian underdeveloped stock market, legal insecurity of minority shareholders, high cost and concentration of capital. influence of a company's financial condition, size, business risk, and ownership structure on dividend disbursements were examined. This investigation utilized a sample comprising 58 non-financial public joint-stock companies in Ukraine and employed Interactive Tree Classification techniques (C&RT).

scale, confirm the theory suggesting that companies with dominant ownership by individuals and institutional investors are more inclined to distribute dividends compared to other non-state entities. Financial metrics effectively classify firms that do not distribute dividends, while business risk does not impact classification accuracy in any way.

- 9 Utomo, Machmud dah and Sumaryati / (2019) Factors affecting dividend policy: Evidence from manufacturi The goal of the current research was to prove the effect of profitability, liquidity, The sampling technique employed was purposive sampling, and data analysis was conducted The analysis revealed that profitability, company growth, and company size had a notable impact on dividend

- ng company leverage, using policy, while
in company Structural liquidity and
Indonesia. growth and Equation leverage did not
to the size Modeling exhibit a significant
dividend the (SEM) with influence. Future
policy. Warp PLS 4.0. research endeavors
should incorporate a synthesis of
additional factors affecting dividend
policy. For publicly traded companies,
recognizing that dividend policy is a
crucial consideration for
investors, it's imperative to
formulate an optimal dividend
policy to enhance investor attraction
and investment.
- 10 Ahmad, Factors This research To confirm the As per the results
Ansari and affecting is carried out association derived from
Shamsi dividend to find the between backward multiple
/(2019) payout: effect of dependent and regression analysis,
empirical financial independent profitability and
investigatio factors viz. variables, the liquidity emerged as
n from size, bivariate significant factors
cement profitability, correlation was positively affecting
sector of risk, leverage, employed, and the firm's dividend
Pakistan. and liquidity for payouts. However,

- over the DP of the firms listed on Pakistan Stock Exchange (PSX) in the cement sector. determining the most suitable regression model, backward multiple regressions were utilized. size, risk, and leverage did not demonstrate significant influence on dividend payments within the sector.
- 11 Masry, Sakr and Amer/ (2018) Factors Affecting Dividend Policy in an Emerging Capital Markets (ECM's) Country: Theoretical and Empirical Study. To full understanding of the factors that influence dividend policy and how these factors interact has not yet been established. The decision regarding dividends is made after thorough deliberation involving various factors, including legal and financial considerations. This complexity arises due to the impossibility of creating a universally applicable dividend policy set that suits all companies. The decision regarding dividends is made after thorough deliberation involving various factors, including legal and financial considerations. This complexity arises due to the impossibility of creating a universally applicable dividend policy set that suits all companies. The study demonstrated that profitability-related factors, such as return on equity, return on assets, and earnings per share (excluding dividend yield), exert the most significant influence on share price performance. Following closely behind are financial risk indicators, specifically financial leverage, without considering gains variation, which rank second. Size and investment opportunities, including net profit standard deviation

					without considering asset volume, occupy the third position. Finally, liquidity and signaling factors, as represented by the cash ratio without signals index, are positioned fourth in terms of impact.
12	Masum/ (2014)	Dividend Policy and Its Impact on Stock Price – A Study on Commercial Banks Listed in Dhaka Stock Exchange.	How do dividend policy decisions affect a firm's stock price?	The study do benefits from a large sample size, encompassing all the commercial banks listed on the Dhaka Stock Exchange, ensuring the reliability and validity of the results. Employing a panel data approach, the research delves into the correlation between	Earnings per Share, Return on Equity, and Retention Ratio are positively correlated with Stock Prices, playing a substantial role in elucidating the fluctuations in market share prices. Conversely, the Dividend Yield and Profit after Tax exhibit a negative and insignificant relationship with stock prices. In summary, the study underscores the significant positive impact of Dividend Policy on Stock

- dividends and Prices.
 stock prices,
 while
 meticulously
 controlling for
 variables such
 as Earnings per
 Share, Return
 on Equity, and
 Retention
 Ratio.
- 13 Baker and Corporate The purpose Companies Uniform or
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 (2014), policy is to provide adhere to a applicable theories
 revisited. an overview managed or explanations
 and synthesis dividend regarding why
 of some policy rather companies opt for
 important than a residual dividend payouts
 literature on dividend are overly
 dividend policy, wherein simplistic. The
 policy, dividends are practical
 chronicle distributed implications of this
 changing from earnings observation lie in
 perspectives remaining after the persisting
 and trends, fulfilling enigma surrounding
 provide investment dividend policies in
 stylized facts, requirements contemporary
 offer practical while finance. This paper
 implications, upholding the represents the
 and suggest desired capital inaugural attempt at
 avenues for structure. conducting a survey
 future Some key of literature reviews
 research. factors specifically focused

- consistently on cash dividends.
 influencing
 cash dividends
 include the
 stability of
 prior dividend
 distributions
 and the present
 and anticipated
 earnings.
- 14 Nnadi, Tanna and Kabel/
 (2013) Multivariate analyses of factors affecting dividend policy of acquired European banks.
 The paper evaluates various factors affecting dividend of both acquired and non-acquired banks.
 Analyzing data from 120 significant mergers and acquisitions across Europe, the research reveals that liquidity levels, risk factors, and the composition of financial structures are critical determinants in shaping banks' dividend policies.
 However, the price-earnings (PE) ratio emerges as
 The importance of this variable among non-acquired banks suggests that the expansion of bank investments and future projects has a more pronounced effect on banks that remain independent or are less inclined to merge. This discovery is groundbreaking since prior research on dividend policy did not differentiate between these scenarios.

- particularly crucial for non-acquired banks.
- 15 Komrattan Factors The aim of According to The outcomes of this
 apanya Influencing this paper is the Tobit research offer
 and Dividend to determine regression valuable insights for
 Suntrauk Payout in the factors analysis, it was investors in guiding
 /(2013) Thailand: A that influence found that their stock
 Tobit the dividend financial investment decisions
 Regression payout of all leverage, and portfolio
 Analysis. firms listed in investment management
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 Exchange of and sales Additionally,
 Thailand growth exerted financial managers
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 year 2006 to impact on the dividend policies
 2010 dividend aimed at maximizing
 payout. shareholders' wealth.
- 16 Al- Factors The The They evaluate the
 Malkawi influencing determinants examination factors influencing a
 /(2008) corporate of corporate relies on a firm's decision to
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 Evidence from quoted companies in 1137 years, using Probit
 Jordanian panel data. Jordan as a observations of specifications. The
 case study of firm-year data, affecting dividend
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formulates five For instance, factors research such as size, hypotheses and profitability, and employs a longevity enhance general-to- the probability of specific distributing modeling dividends. methodology Conversely, to select the financial leverage most suitable reduces the hypotheses likelihood of paying from among dividends. competing ones.

2.2.2 Reviews of Thesis

Kharel (2020) investigated the factors influencing dividend payout in commercial banks in Nepal. He utilized serial correlation tests and runs tests as statistical tools, along with a technical trading rule called the filter rule for data analysis. His findings revealed that the standard deviations of individual stock price changes exceeded the mean, resulting in a flatter empirical frequency distribution compared to the normal distribution. The serial correlation test results indicated substantial isolation from zero for most of the 30 stocks analyzed. Similarly, the runs test results were consistent with those of the serial correlation tests, revealing a lack of normal distribution in the actual numbers of runs. Consequently, a significant persistence in successive price changes series of the Nepalese stock market was observed. Furthermore, the results from the filter test demonstrated that a sophisticated mechanical trading rule could outperform the average market return, as most of the filter's trading returns exceeded those of the buy-and-hold strategy. Therefore, Kharel concluded that today's price changes are not an unbiased outcome of yesterday's price changes.

Mainali (2018) investigated the factors affecting dividend payout of listed commercial banks, aiming to analyze the behavior of independent variables of listed commercial banks and their relation to dividend payout. Parametric and non-parametric tests were employed to assess the randomness of stock returns. Mainali utilized standard deviation, coefficient of variation, and beta coefficient for individual stocks to examine the effects and impacts. The results revealed that the estimates of serial correlation significantly deviated from the expected value of zero, indicating serial correlation. The run tests' results were consistent with those of the serial correlation tests. Mainali found that past and present factors affecting dividend payout could provide valuable information for prediction, offering opportunities for sophisticated investors. Statistical analysis regarding the risk and return of sampled stocks showed that most stocks appeared riskier than the average stock. Despite this, most banks offered cash dividends annually, a practice not commonly seen in non-banking firms.

Ban (2014) conducted a study on the valuation of stocks in the NEPSE stock market, focusing on banking, finance, and insurance companies listed on NEPSE. Using statistical and financial tools, Ban aimed to predict trends and significant developments in the stock market, analyze the size and return of securities, and examine the relationship between market capitalization and other determinant variables. The study revealed that the banking sector accounted for the majority of transactions on the NEPSE, indicating that the stock market's performance depended on the banking sector's performance. Ban found encouraging participation in the stock market due to higher returns, with the financial and insurance sectors exhibiting higher risk compared to the banking sector. Additionally, EPS was found to have a significant relationship with market capitalization in the finance and insurance sectors.

Giri (2015) conducted a study on the factors influencing the dividend payout of listed commercial banks, selecting a sample of 10 commercial banks. Employing statistical and financial tools, Giri aimed to provide insight into the Nepalese stock market, analyze share price behavior of listed commercial banks, and examine the risks associated with common stock investment in these banks. The study suggested that the weakly efficient market hypothesis failed to explain speculative price series adequately. Past price changes were found to aid in predicting future changes, offering ample opportunities for institutional and individual investors to achieve higher expected profits. Most stocks were

deemed riskier than the average, with many banks offering cash dividends annually, a practice Giri believed was not applicable to non-banking industries.

Regmi (2015) conducted a study on the factors affecting dividend payout in Nepal, aiming to assess equity share price behavior and test the random walk or weak form efficient market hypothesis. Additionally, Regmi conducted an opinion survey of financial executives regarding various aspects of share price behavior in Nepal. The study found that both serial correlation and runs test analyses did not support the independence assumption of the random walk model, indicating that share price movements were influenced by various information flows in the market. While the existence of weak form efficient market hypothesis was partially accepted by financial executives in Nepal, there was a general acknowledgment that share price movements were driven by multiple factors.

2.3 Research Gap

This research focuses on understanding the factors influencing corporate dividend payout specifically within commercial banks operating as foreign investments in Nepal. Previous studies reviewed by the researcher predominantly centered on foreign contexts over a five-year period and encompassed various variables. However, this study specifically examines independent variables such as profitability, financial leverage, growth, and liquidity, with dividend payout as the dependent variable. Most previous research has been centered on commercial banks, but this study is uniquely tailored to commercial banks with foreign investment operations in Nepal.

In future research, the scope could be expanded to include more than three sample banks. Additionally, researchers may consider conducting studies based on size as an independent variable or using different profitability ratios.

CHAPTER-III

RESEARCH METHODOLOGY

The methodology section of a research paper outlines the particular methods or approaches employed to gather, assess, and interpret data pertaining to a given subject. It serves as a guide for readers to assess the credibility and dependability of the study. This chapter provides a comprehensive overview of the steps undertaken throughout the research process.

3.1 Research Design

This study has utilized descriptive and causal comparative research designs to address inquiries related to dividend policy determinants. Descriptive research design was employed to recognize factors influencing dividend policy and to gather comprehensive data on these determinants. Additionally, a combination of descriptive and analytical research design was utilized to explore the nature and strength of correlations between the dependent variable, dividend payout, and the independent variables.

3.2 Population and Sample

Sampling is done by random sampling. Sample is selected under random basis. Similarly, financial statements of three commercial banks for ten years research period i.e. FY 2013/14 to FY 2022/23 has been taken as sample for the same purpose.

S.N.	Commercial Banks	Sample	Owner status
1.	Everest Bank Limited	1	Joint venture with Punjab National Bank Of India
2.	Nabil Bank Limited	1	Joint venture with National Bank Ltd.; Bangladesh
3.	Himalayan Bank Limited	1	Joint venture with Habib Bank Ltd.; Pakistan

Sample(n)=3

In the mid July 2023 there is 20 commercial banks in Nepal. Out of 20 commercial banks, three banks are taken under studies. Everest bank limited is the bank which is joint

venture to the Punjab national bank of India, Nabil Bank is the bank which is Joint venture with National Bank Ltd.; Bangladesh owned by 50 % foreign investment. Himalayan Bank Limited is the bank which is Joint venture with Habib Bank Ltd.; Pakistan 20% foreign investment.

3.3 Nature and Sources of Data

This study will rely on secondary data for its analysis. The secondary data will be utilized to examine the relationship between dividend policy and its influencing factors, as well as to assess the predictive power of these factors. Firm-specific data, including dividend-related variables, will be gathered from the annual reports of sampled firms available in the 10 databases accessible through their respective websites. Additionally, data from databases such as NEPSE, SEBON, and NRB will be utilized to extract necessary information for the study. Data on dividend determinants for commercial banks will be collected for each fiscal year spanning from 2013/2014 to 2022/2023. Consequently, panel data analysis will be employed to investigate the association between dividend payout and its influencing factors.

3.4 Instrument of Data Collection

Instruments are the means through which data is gathered. Primary data collection employs various instruments such as questionnaires, observations, interviews, laboratory experiments, quasi experiments, and scales. Secondary data, on the other hand, are sourced from the websites of the respective banks, primarily from their annual reports. Additionally, data from sources such as NRB (Banking and Financial Statistics), economic reports, and other published statistical data are utilized. To supplement this information, informal discussions and procedures are also employed.

3.5 Methods of Analysis

For the achievement of the objectives of the study various financial and statistical tools / methods have been used. The analysis of data is done according to the pattern of available data.

3.5.1 Financial Analysis

- Total earning for equity to number of outstanding shares
- Total liabilities to total assets
- Market price per share to earnings per share

- Current asset to current liabilities
- Sum of equity dividend to sum of assets

Total Earning For Equity to Number of Outstanding Shares

This is the ratio called earning per share which is calculated by total earnings distributable for shareholder and number outstanding share holders. The formula is:

$$\text{Earnings per share} = \frac{\text{Earnings Available for Equity}}{\text{Number of Outstanding Shares}}$$

Total Liabilities to Total Assets

This is the ratio which measures the financial leverage of the bank which is calculated by total liabilities divided by the total assets. The formula is:

$$\text{Total liabilities to total assets} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Market Price per Share to Earnings per Share

This is the ratio called price earnings ratio and measured the growth of the organization and calculated by market price divided by earning per share. The formula is:

$$\text{Market price per share to earnings per share} = \frac{\text{market price per share}}{\text{Earnings per share}}$$

Current Assets to Current Liabilities

This is the ratio called liquidity ratio for financial analysis which measure the liquidity position of the organization. The formula is:

$$\text{Current assets to current liabilities} = \frac{\text{current assets}}{\text{current liabilities}}$$

Dividend per Share to Earnings per Share

This is the ratio called dividend payout ratio from earning which measure the proportion of amount dividend payout out of earning per share. The formula is:

$$\text{Dividend payout ratio} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

3.5.2 Statistical Analysis

Descriptive Statistics Analysis

Descriptive analysis involves examining the mean, standard deviation, minimum, and maximum values of the relevant data variables.

Arithmetic Mean

The arithmetic mean, often referred to as the average, is calculated by adding together all the values and then dividing the total by the number of observations in the sample. This metric serves as a representation of the entire dataset, positioned at the midpoint between the highest and lowest values. Therefore, the average is commonly considered a measure of central tendency. In the context of this research, the arithmetic mean is utilized to assess data concerning sample banks across a span of ten fiscal years, employing the following formula:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where, \bar{X} = Mean

$\sum X$ = Sum of all the variable X

n = Variable involved

Standard Deviation

The standard deviation is a statistical measure used to gauge the degree of variability or spread within a dataset. It is calculated as the square root of the variance, which involves determining the extent to which each data point differs from the mean. It is denoted by (σ).

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

Where,

X=variables

\bar{X} = mean

N= No. of Period

Minimum

The minimum value in a dataset is the smallest numerical observation within the variable being examined. When the data is arranged in ascending order, the minimum value is the first entry in the sorted list. While there may be duplicate minimum values in the dataset, by definition, there can only be one minimum value, as it represents the smallest value in the set.

Maximum

The maximum value in a dataset is the largest numerical observation within the variable being studied. When the data is arranged in ascending order, the maximum value is the last entry in the sorted list. While there may be duplicate maximum values in the dataset, there is only one unique maximum for a given set of data. Unlike the minimum, which can be duplicated, there cannot be two maximum values because one must be greater than the other.

- Standard Deviation (σ):

Standard deviation is a measure of the amount of variation or dispersion of a set of values. The standard deviation is calculated as the square root of variance by determining each data point's deviation relative to the mean. It is denoted by (σ).

$$\text{Standard Deviation } (\sigma): \text{S.D} = \sqrt{\frac{\sum(X - \bar{X})^2}{N}}$$

Where,

X=variables

\bar{X} = mean

N= No. of Period

Correlation Analysis

This approach has been primarily adopted to ascertain the strength and direction of the relationship between different pairs of variables. To achieve this objective, correlation analysis has been utilized, which is a statistical method for assessing the direction and

strength of the relationship between two sets of variables. It elucidates how two variables co-vary and quantifies the degree of association between them. The association is elucidated using the Pearson correlation coefficient, which can range from -1 to +1. A correlation coefficient of exactly -1 signifies a perfect negative correlation, indicating that the variables move precisely in opposite directions. Conversely, a correlation coefficient of +1 indicates a perfect positive correlation, signifying that the variables move precisely in the same direction.

Multiple Regression Model

The regression models will be employing in this study intend to analyze the relationship between corporate dividend payout determinants i.e., explanatory variables. The relationship between the dependent and independent variables will be stated in the following form:

Model 1

$$\text{DPR} = \beta_0 + \beta_1 \times \text{EPS} + \beta_2 \times \text{TLTA} + \beta_3 \times \text{PER} + \beta_4 \times \text{CACL} + e$$

Where,

DPR = Dividend payout ratio

EPS = Earnings per Share

TLTA = Total Liabilities to Total Assets

PER = Price Earnings ratio

CACL = current assets to current liabilities

3.6 Variable Specification

For the convenient presentation of the research, the variables are abbreviated as follows.

This can be shown in the following table.

Table 2

Variable, Measures and Abbreviations

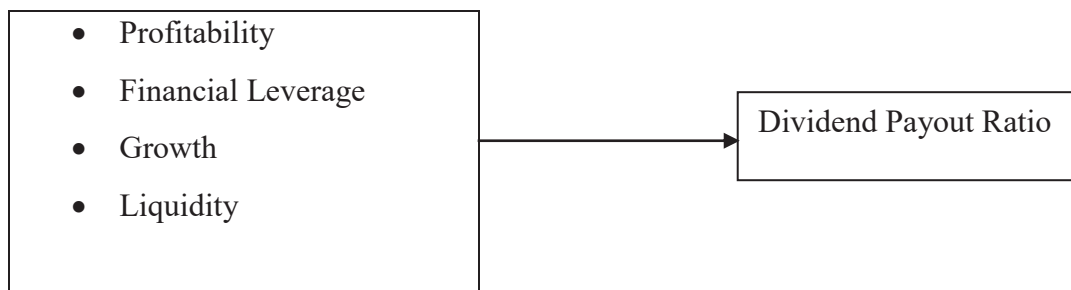
Variables	Measures	Abbreviations
Dividend payout ratio	Dividend per share to Earnings per share (DPS/EPS)	DPR
profitability	Total earning for equity to number of outstanding shares	EPS
Financial Leverage	Total Liabilities to Total Assets	TLTA
Growth	Market price per share to earnings per share	PER
Liquidity	Current assets to current liabilities	CACL

Figure 1: Conceptual frame works

3.7 Research Framework

Independent Variable

Dependent Variable

**3.8 Definition of Variables**

Profitability:

The decision-making process regarding dividend payments typically begins with assessing profitability. Consequently, profitability stands out as a crucial factor influencing dividend decisions and consequently stock prices. The prevailing theory suggests that dividends are typically distributed based on annual profits, serving as an indicator of a company's capacity to pay dividends. It's improbable for companies experiencing losses to pay dividends. According to the pecking order hypothesis proposed by Myers (1984), companies typically prioritize internal financing for investments, resorting to external financing only if necessary, with a preference for debt financing over

equity financing to mitigate costs associated with information asymmetry and transaction expenses.

Financial Leverage:

A company's financial structure encompasses both debt and equity financing. The proportion of debt financing utilized by a company, known as financial leverage, is a significant aspect of its capital structure. Debt financing can enhance return on equity, besides offering tax benefits such as interest deductions. However, leveraging also entails risks; acquiring debt financing obliges companies to fulfill fixed financial obligations in the form of interest payments and capital, failure of which could lead to bankruptcy. The associated risks of high financial leverage may result in lower dividend payments, as companies prioritize maintaining internal cash flow to meet obligations rather than distributing dividends. Moreover, high leverage often corresponds with reduced dividend payouts to mitigate transaction costs linked with external financing. Many studies have documented a negative correlation between debt and dividends (Jensen et al., 1992; Gugler & Yurtoglu, 2003).

Growth

Growth, represented by the Price-to-Earnings Ratio (P/E ratio), serves as a measure for valuing companies based on their current share price relative to per-share earnings. Stocks with lower P/E ratios have been shown to outperform those with higher P/E ratios (Nicholson, 1960). Fama and French (1992) identified a positive association between stocks and earnings price ratio.

Liquidity

Excessive dividends may reflect inflationary effects and historical profit impact, potentially leading to liquidity issues (Theobald, 1978). Dalton and Pointon (1997) observed that dividend reductions tend to indicate low liquidity. Conversely, increasing dividends may reduce liquidity (Kania & Bacon, 2005). According to Miller and Modigliani (1961), dividends serve as a signaling tool in uncertain environments, conveying information from company directors to shareholders.

Dividend Payout:

Extensive empirical research has explored dividend payout (DP), yet the determinants of DP remain ambiguous (Patra, 2012). Retaining profits increases funds available for

financing projects with positive returns, enhancing firm value and share value (Miller & Modigliani, 1961).

CHAPTER – IV

RESULTS AND DISCUSSION

Chapter four encompasses two main sections: results and discussions. The results section presents data through graphs, various financial analyses, and statistical calculations such as descriptive statistics, standard deviation, regression, and more. Meanwhile, the discussion section delves into the interpretation of the outputs obtained from the results section. The analysis focuses on three selected commercial banks as sample banks, providing insights based on the analytical findings derived from them.

4.1 Results

4.1.1 Financial Analysis

Financial analysis serves to identify the primary strengths and weaknesses of a company, evaluating its ability to fulfill financial obligations and efficiently utilize available resources. It aims to uncover the relationships between various variables within the company's operations.

Dividend payout ratio (DPR)

This ratio, calculated as dividend per share divided by earnings per share, illustrates the portion of total earnings for the year allocated to each shareholder per share owned. The following table presents the dividend payout ratios for three banks.

Table 4

Dividend payout ratio

Bank/ F.Y	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EBL	0.65	0.78	0.52	0.35	0.66	0.61	0.79	1.12	0.46	0.72
Nabil	0.92	2.19	1.13	0.97	0.67	0.65	0.82	0.76	0.63	0.85
HBL	0	1.65	0.92	0.72	0.67	0.67	0.78	0.73	1.26	0.63

Source: *Appendix-1*

Table 4 show the dividend payout ratio which is calculated by dividing the dividend per share by earning per share. Where the highest dividend payout ratio is 2.19 in the year of 2022 in Nabil bank and lowest dividend payout is 0 for the year 2023 of Himalayan bank limited.

Earnings per share (EPS)

Earnings per share (EPS) signifies the profitability ratio, determined by dividing the earnings available for equity by the total number of outstanding shares. The table below displays the earnings per share for the three banks.

Table 5

Earnings per shares ratio

Bank/ F.Y	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EBL	31.43	26.3	19.82	29.57	37.67	32.45	43.78	65.69	78.04	86.04
Nabil	23.67	18.64	33.57	36.16	50.57	51.84	58.41	59.2	57.2	76.12
HBL	9.18	18.26	28.07	27.6	32.44	23.37	33.55	43.03	33.37	33.1

Source: *Appendix-1*

Table 5 is the earning per share is provided. Earnings per share are the profitability related ratio. Here maximum among the bank is Rs, 86.04 of earning per share in Everest bank limited for the year 2014. Lowest earning per share in the Himalayan bank limited and which is Rs 18.26 per share in the year 2022.

Total Liabilities to Total Assets Ratio

This is the ratio which is calculated dividing the total liabilities by total assets. This ratio is called financial leverage. Below is the table showing the financial leverage.

Table 6

Total liabilities to total assets in (%)

Bank/ F.Y	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EBL	89	89	90	87	28	32	90	94	93	92
Nabil	88	87	88	89	88	87	89	90	89	88
HBL	89	89	88	88	87	88	91	91	91	91

Source: *Appendix-1*

Table 6 show the ratio of total liabilities to total assets. This ratio is financial leverage ratio and where highest financial leverage ratio is in Everest bank and which is 94% in the year 2016 and lowest is the 28% in the same bank year 2019.

Price earnings ratio (PER)

The price-earnings ratio (P/E ratio) is derived by dividing the market price by the earnings per share. This metric serves as an indicator of the organization's growth. The table below illustrates the P/E ratio for various banks.

Table 7

Price earnings ratio

Bank/ F.Y	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EBL	17.91	16.69	35.9	21.67	17.67	21.12	30.9	51.31	27.17	30.58
Nabil	25.31	44.21	40.69	21.15	15.81	18.27	26.02	39.45	33.22	30.14
HBL	23.18	16.39	17.25	19.91	17.01	18.07	26.43	34.86	24.36	24.73

Source: *Appendix-1*

Table 7 show the price earnings ratio. This ratio represents the growth of the organization. Here is the highest 51.31 in EBL bank for the year 2016. And lowest 15.81 times in Nabil bank limited in the year 2019.

Current Assets to Current Liabilities

This is the ratio which calculated by dividing the current asset by current liabilities. The better ratio is 2. The ratio represents the liquidity position of the organization.

Table 8

Current assets to current liabilities

Bank/ F.Y	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EBL	1.1	1.09	1.25	1.23	1.25	1.21	0.2	0.21	0.26	0.39
Nabil	1.11	1.13	1.11	1.11	1.13	1.4	0.1	0.09	0.15	0.13
HBL	1.2	1.8	1.13	1.14	1.13	1.13	0.09	0.1	0.12	0.08

Source: *Appendix-1*

Table 8 shows the liquidity measuring ratio called current assets current liabilities. The highest ratio is 1.8 in Himalayan bank in the year 2022. And lowest ratio is 0.08 in NABIL bank limited in the year 2014 respectively.

4.1.2 Descriptive Statistic Analysis

Descriptive statistics encompass various measurements used in statistical analysis, including mean, standard deviation, minimum, and maximum values. In this context, the researcher computes these metrics to provide insights into the data set.

Table 9

Descriptive Statistics of Everest Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	10	.35	1.12	.66	.21
profitability	10	19.82	86.04	45.07	23.1
financial leverage	10	28.00	94.00	78.4	25.6
Growth	10	16.69	51.31	27.09	10.73
liquidity	10	.20	1.25	.81	.48
Valid N (list wise)	10				

a. Name of the Banks = EBL

Source: *Appendix -2*

Table 9 shows the descriptive statistics of Everest bank limited. The total 10 observations. This minimum, maximum, mean and stander deviation is calculated. The dividend payout ratio of Everest bank limited of minimum, maximum, mean and stander deviation are .35, 1.12, .66 and .21 respectively. The profitability of Everest bank limited of minimum, maximum, mean and stander deviation are 19.82, 86.04, 45.07 and 23.1 respectively. The financial leverage of Everest bank limited of minimum, maximum, mean and stander deviation are 28.00, 94.00, 78.4 and 25.6 respectively. The Growth of Everest bank limited of minimum, maximum, mean and stander deviation are 16.69, 51.31, 27.09 and 10.73 respectively. The liquidity of Everest bank limited of minimum, maximum, mean and stander deviation are .20, 1.25, .81 and .48 respectively. The different between minimum and maximum, maximum and mean, minimum and mean is highest. The standard deviation also higher. The ratios in the bank of all the variables are fluctuating nature.

Table 10

Descriptive Statistics of NABIL Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	10	.63	2.19	.95	.45
profitability	10	18.64	76.12	46.5	17.98
financial leverage	10	87.00	90.00	88.3	.94
Growth	10	15.81	44.21	29.4	9.81
liquidity	10	.09	1.40	.74	.54
Valid N (list wise)	10				

a. Name of the Banks = Nabil

Source: *Appendix -2*

Table 10 shows the descriptive statistics of NABIL bank limited. The total 10 observations. This minimum, maximum, mean and stander deviation is calculated. The dividend payout ratio of NABIL bank limited of minimum, maximum, mean and stander deviation are .63, 2.19, .95 and .45 respectively. The profitability of NABIL bank limited of minimum, maximum, mean and stander deviation are 18.64, 76.12, 46.5 and 17.98 respectively. The financial leverage of NABIL bank limited of minimum, maximum, mean and stander deviation are 87.00, 90.00, 88.3 and .94 respectively. The Growth of NABIL bank limited of minimum, maximum, mean and stander deviation are 15.81, 44.21, 29.4 and 9.81 respectively. The liquidity of NABIL bank limited of minimum, maximum, mean and stander deviation are .09, 1.40, .74 and .54 respectively. The different between minimum and maximum, maximum and mean, minimum and mean is highest. The standard deviation also higher. The ratios in the bank of all the variables are fluctuating nature.

Table 11

Descriptive Statistics of HBL Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	10	.00	1.65	.80	.42
profitability	10	9.18	43.03	28.19	9.43
financial leverage	10	87.00	91.00	89.3	1.56
Growth	10	16.39	34.86	22.21	5.7
liquidity	10	.08	1.80	.79	.63
Valid N (list wise)	10				

a. Name of the Banks = HBL

Source: *Appendix -2*

Table 11 shows the descriptive statistics of HBL bank limited. The total 10 observations. This minimum, maximum, mean and standard deviation is calculated. The dividend payout ratio of HBL bank limited of minimum, maximum, mean and standard deviation are .00, 1.65, .80 and .42 respectively. The profitability of HBL bank limited of minimum, maximum, mean and standard deviation are 9.18, 43.03, 28.19 and 9.43 respectively. The financial leverage of HBL bank limited of minimum, maximum, mean and standard deviation are 87.00, 91.00, 89.3 and 1.56 respectively. The Growth of HBL bank limited of minimum, maximum, mean and standard deviation are 16.39, 34.86, 22.21 and 5.7 respectively. The liquidity of HBL bank limited of minimum, maximum, mean and standard deviation are .08, 1.80, .79 and .63 respectively. The difference between minimum and maximum, maximum and mean, minimum and mean is highest. The standard deviation also higher. The ratios in the bank of all the variables are fluctuating nature.

4.1.3 Correlation Analysis

Correlation analysis has been employed to ascertain the relationship between variables, serving as a statistical tool to determine the direction and strength of association between two sets of variables. It illustrates how these variables co-vary and quantifies the degree of their correlation using the Pearson correlation coefficient. This coefficient ranges from -1 to +1, where a value of -1 indicates a perfect negative correlation, signifying that the variables move precisely in opposite directions. Conversely, a coefficient of +1 suggests a perfect positive correlation, implying that the variables move together in the same direction.

Table 12

Correlation of EBL

		Dividend Payout Ratio	profitabilit y	financial leverage	Growt h	liquidit y
Dividend Payout Ratio	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	10				
profitability	Pearson Correlation	.273	1			
	Sig. (2-tailed)	.446				
	N	10	10			
financial leverage	Pearson Correlation	.118	.288	1		
	Sig. (2-tailed)	.745	.420			
	N	10	10	10		
Growth	Pearson Correlation	.558	.432	.433	1	
	Sig. (2-tailed)	.094	.212	.212		
	N	10	10	10	10	
liquidity	Pearson Correlation	-.491	-.816**	-.505	-.619	1
	Sig. (2-tailed)	.150	.004	.137	.056	
	N	10	10	10	10	10

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

a. Name of the Banks = EBL

Source: *Appendix -2*

Table 12 shows the correlation between the variables of Everest bank limited. Here correlation between the Dividend payout and profitability is positive correlated i.e. 0.273 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and financial leverage is positive correlated i.e. 0.118 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and Growth is positive correlated i.e. 0.558 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and liquidity is negative correlated i.e. 0.491 and which is not significant because the significant value is more than 0.05.

Table 13

Correlation of NABIL

		Dividend Payout Ratio	profitability	financial leverage	Growth	liquidity
Dividend Payout Ratio	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	10				
profitability	Pearson Correlation	-.665*	1			
	Sig. (2-tailed)	.036				
	N	10	10			
financial leverage	Pearson Correlation	-.452	.391	1		
	Sig. (2-tailed)	.189	.264			
	N	10	10	10		
Growth	Pearson Correlation	.608	-.217	.102	1	
	Sig. (2-tailed)	.062	.548	.780		
	N	10	10	10	10	
liquidity	Pearson Correlation	.306	-.711*	-.690*	-.296	1
	Sig. (2-tailed)	.389	.021	.027	.406	
	N	10	10	10	10	10

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

a. Name of the Banks = Nabil

Source: *Appendix -2*

Table 13 shows the correlation between the variables of NABIL bank limited. Here correlation between the Dividend payout and profitability is negative correlated i.e. 0.665 and which is significant because the significant value is less than 0.05. The correlation between the Dividend payout and financial leverage is negative correlated i.e. 0.452 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and Growth is positive correlated i.e. 0.608 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and liquidity is positive correlated i.e. 0.306 and which is not significant because the significant value is more than 0.05.

Table 14

Correlation of HBL

		Dividend Payout Ratio	profitability	financial leverage	Growth	liquidity
Dividend Payout Ratio	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	10				
profitability	Pearson Correlation	.199	1			
	Sig. (2-tailed)	.581				
	N	10	10			
financial leverage	Pearson Correlation	.122	.433	1		
	Sig. (2-tailed)	.737	.212			
	N	10	10	10		
Growth	Pearson Correlation	-.240	.559	.800**	1	
	Sig. (2-tailed)	.505	.093	.006		
	N	10	10	10	10	
liquidity	Pearson Correlation	.135	-.732*	-.816**	-.799**	1
	Sig. (2-tailed)	.710	.016	.004	.006	
	N	10	10	10	10	10

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

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

a. Name of the Banks = HBL

Source: *Appendix -2*

Table 14 shows the correlation between the variables of Himalayan bank limited. Here correlation between the Dividend payout and profitability is positive correlated i.e. 0.199 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and financial leverage is positive correlated i.e. 0.122 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and Growth is negative correlated i.e. 0.24 and which is not significant because the significant value is more than 0.05. The correlation between the Dividend payout and liquidity is positive correlated i.e. 0.135 and which is not significant because the significant value is more than 0.05.

4.1.3 Multiple Regressions

In this study, regression models will be utilized to explore the connection between the determinants of corporate dividend payouts, known as explanatory variables. These

models aim to express the relationship between the dependent variable and the independent variables through regression equations. Through these equations, various calculations and analyses will be conducted to understand the relationships between the variables.

Table 15

Model summery of EBL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.664 ^b	.441	-.006	.213

a. Name of the Banks = EBL

b. Predictors: (Constant), liquidity, financial leverage, Growth, profitability

Source: *Appendix -2*

Table 15 shows the model summery of Everest Bank Limited. Here R square is 0.441, which explain that the dependent variable Dividend payout ratio cumulatively of independent variables are variation made 44.1%.

Table 16

Model summery of NABIL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889 ^b	.791	.623	.282

a. Name of the Banks = Nabil

b. Predictors: (Constant), liquidity, Growth, financial leverage, profitability

Source: *Appendix -2*

Table 16 shows the model summery of NABIL Bank Limited. Here R square is 0.791, which explain that the dependent variable Dividend payout ratio cumulatively of independent variables are variation made 79.1%.

Table 17

Model summary of Himalayan

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952 ^b	.907	.833	.175

a. Name of the Banks = HBL

b. Predictors: (Constant), liquidity, profitability, Growth, financial leverage

Source: *Appendix -2*

Table 17 shows the model summary of Himalayan Bank Limited. Here R square is 0.907, which explain that the dependent variable Dividend payout ratio cumulatively of independent variables are variation made 90.7%.

Table 18

ANOVA table of EBL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.178	4	.045	.986	.491 ^c
	Residual	.226	5	.045		
	Total	.404	9			

a. Name of the Banks = EBL

b. Dependent Variable: Dividend Payout Ratio

c. Predictors: (Constant), liquidity, financial leverage, Growth, profitability

Source: *Appendix -2*

Table 18 shows the ANOVA of Everest bank limited. Here F value which represent the hypothesis of the related independent variable to the dependent variable cumulatively significant or not. The significant of F is 0.491 which means 4.91%, which mean the value is more than 5%. So it's called not significant and hypothesis is not true.

Table 19

ANOVA table OF NABIL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.505	4	.376	4.718	.060 ^c
	Residual	.399	5	.080		
	Total	1.904	9			

a. Name of the Banks = Nabil

b. Dependent Variable: Dividend Payout Ratio

c. Predictors: (Constant), liquidity, Growth, financial leverage, profitability

Source: *Appendix -2*

Table 19 shows the ANOVA of NABIL bank limited. Here F value which represent the hypothesis of the related independent variable to the dependent variable cumulatively significant or not. The significant of F is 0.06 which means 6%, which mean the value is more than 5%. So it's called not significant and hypothesis is not true.

Table 20

ANOVA table OF HBL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.508	4	.377	12.197	.009 ^c
	Residual	.155	5	.031		
	Total	1.663	9			

a. Name of the Banks = HBL

b. Dependent Variable: Dividend Payout Ratio

c. Predictors: (Constant), liquidity, profitability, Growth, financial leverage

Source: *Appendix -2*

Table 20 shows the ANOVA of Himalayan bank limited. Here F value which represent the hypothesis of the related independent variable to the dependent variable cumulatively significant or not. The significant of F is 0.009 which means 0.9 %, which mean the value is less than 5%. So it's called significant and hypothesis is true.

Table 21

Coefficient of EBL

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1.067	.700		1.526	.188
	profitability	-.004	.006	-.407	-.676	.529
	financial leverage	-.003	.003	-.310	-.768	.477
	Growth	.008	.009	.423	.971	.376
	liquidity	-.315	.320	-.718	-.986	.369

a. Name of the Banks = EBL

b. Dependent Variable: Dividend Payout Ratio

Source: *Appendix -2*

Table 21 shows the coefficient of each independent variable which has variation to the dependent variable of Everest bank limited. Here dependent Variable is dividend payout ratio and independent variable profitability, financial leverage, Growth and liquidity. Here unstandardized coefficients beta represents the individual independent variable impacted to the dependent variable. The impact of profitability to the dividend payout ratio is negative 0.004 which means the impact is negative to the dividend payout by profitability and which is not significant. The impact of financial leverage to the dividend payout ratio is negative 0.003 which means the impact is negative to the dividend payout by financial leverage and which is not significant. The impact of Growth to the dividend payout ratio is positive 0.008 which means the impact is positive to the dividend payout by Growth and which is not significant. The impact of liquidity to the dividend payout ratio is negative 0.315 which means the impact is negative to the dividend payout by liquidity and which is not significant.

Table 22

Coefficient of NABIL

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	23.125	13.818		1.673	.155
	profitability	-.017	.010	-.659	-1.616	.167
	financial leverage	-.246	.150	-.507	-1.639	.162
	Growth	.019	.014	.401	1.346	.236
	liquidity	-.330	.440	-.393	-.750	.487

a. Name of the Banks = Nabil

b. Dependent Variable: Dividend Payout Ratio

Source: *Appendix -2*

Table 22 shows the coefficient of each independent variable which has variation to the dependent variable of NABIL bank limited. Here dependent Variable is dividend payout ratio and independent variable profitability, financial leverage, Growth and liquidity. Here unstandardized coefficients beta represents the individual independent variable impacted to the dependent variable. The impact of profitability to the dividend payout ratio is negative 0.017 which means the impact is negative to the dividend payout by profitability and which is not significant. The impact of financial leverage to the dividend payout ratio is negative 0.0246 which means the impact is negative to the dividend payout by financial leverage and which is not significant. The impact of Growth to the dividend payout ratio is positive 0.019 which means the impact is positive to the dividend payout by Growth and which is not significant. The impact of liquidity to the dividend payout ratio is negative 0.33 which means the impact is negative to the dividend payout by financial leverage and which is not significant.

Table 23

Coefficient of HBL

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-42.243	7.172		-5.890	.002
	profitability	.055	.010	1.202	5.397	.003
	financial leverage	.473	.079	1.725	5.959	.002
	Growth	-.073	.019	-.981	-3.880	.012
	liquidity	1.118	.240	1.640	4.655	.006

a. Name of the Banks = HBL

b. Dependent Variable: Dividend Payout Ratio

Source: *Appendix -2*

Table 23 shows the coefficient of each independent variable which has variation to the dependent variable of Himalayan bank limited. Here dependent Variable is dividend payout ratio and independent variable profitability, financial leverage, Growth and liquidity. Here unstandardized coefficients beta represents the individual independent variable impacted to the dependent variable. The impact of profitability to the dividend payout ratio is positive 0.055 which means the impact is positive to the dividend payout by profitability and which is significant. The impact of financial leverage to the dividend payout ratio is positive 0.473 which means the impact is positive to the dividend payout by financial leverage and which is significant. The impact of Growth to the dividend payout ratio is negative 0.073 which means the impact is negative to the dividend payout by Growth and which is significant. The impact of liquidity to the dividend payout ratio is positive 0.1.118 which means the impact is positive to the dividend payout by financial leverage and which is significant.

4.2 Discussion

The first objective of the research to know the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable. It is found that the dividend payout ratio which is calculated by dividing the dividend per share by earning per share is highest dividend payout ratio in Nabil bank and lowest dividend payout is Himalayan bank limited. The result is consistence with the result of Yustisia et al. (2023). The earning per share the profitability related ratio is maximum in Everest bank limited and Lowest earning per share in the Himalayan bank limited. The result is consistence with

the result of Vetarany et al., (2024). The ratio of total liabilities to total assets is financial leverage ratio and where highest financial leverage ratio is in Everest bank and lowest in the same bank year. The result is consistence with the result of Purba et al., (2024). The price earnings ratio is the growth of the organization is the highest in EBL bank and lowest in Nabil bank limited. The result is consistence with the result of Yustisia et al., (2023). The liquidity measuring ratio called current assets to current liabilities and liquidity ratio in Himalayan bank and lowest ratio in NABIL bank limited. The result is consistence with the result of Stephen, (2023).

The second objective of the research is to examine the relationship between dividend payout and its determinants to the independent variable of the sample commercial Banks. It is found that of Everest bank limited the Dividend payout and profitability is positive relationship and which is not significant. The result is consistence with the result of Komrattanapanya and Suntrauk, (2013). The relationship between the Dividend payout and financial leverage is positive relationship and which is not significant. The result is consistence with the result of Baker and Weigand, (2014). The relationship between the Dividend payout and Growth is positive relationship and which is not significant. The result is consistence with the result of Masum, (2014). The relationship between the Dividend payout and liquidity is negative relationship and which is not significant. The result is consistence with the result of Masry, Sakr and Amer, (2018). The NABIL bank limited relationship between the Dividend payout and profitability is negative relationship and which is significant. The result is consistence with the result of Rohov et al., (2020). The relationship between the Dividend payout and financial leverage is negative relationship and which is not significant. The result is consistence with the result of Dang et al., (2021). The relationship between the Dividend payout and Growth is positive relationship and which is not significant. The result is consistence with the result of Prsa et al., (2022). The relationship between the Dividend payout and liquidity is positive relationship and which is not significant. The result is consistence with the result of Stephen, (2023). The Himalayan bank limited relationship between the Dividend payout and profitability is positive relationship and which is not significant. The result is consistence with the result of Yustisia et al., (2023). The relationship between the Dividend payout and financial leverage is positive relationship and which is not significant. The result is consistence with the result of Yustisia et al. (2023). The relationship between the Dividend payout and Growth is negative relationship and which

is not significant. The result is consistent with the result of Purba et al., (2024). The relationship between the Dividend payout and liquidity is positive relationship and which is not significant. The result is consistent with the result of Prsa et al., (2022).

The third objective of the research is to analyze the impact of with profitability, Financial Leverage, price earnings Ratio and liquidity to the dividend payout of sample commercial banks. It is found that the impact of profitability to the dividend payout ratio is negative and which is not significant. The result is consistent with the result of Vetarany et al., (2024). The impact of financial leverage to the dividend payout ratio is negative and which is not significant. The result is consistent with the result of Purba et al., (2024). The impact of Growth to the dividend payout ratio is positive and which is not significant. The result is consistent with the result of Stephen, (2023). The impact of liquidity to the dividend payout ratio is negative and which is not significant. The result is consistent with the result of Prsa et al., (2022). The impact of profitability to the dividend payout ratio is and which is not significant. The result is consistent with the result of Dang et al., (2021). The impact of financial leverage to the dividend payout ratio is negative and which is not significant. The result is consistent with the result of Rohov et al., (2020). The impact of Growth to the dividend payout ratio is positive and which is not significant. The result is consistent with the result of Masry, Sakr and Amer, (2018). The impact of liquidity to the dividend payout ratio is negative and which is not significant. The result is consistent with the result of Masum, (2014). The impact of profitability to the dividend payout ratio is positive and which is significant. The result is consistent with the result of Komrattanapanya and Suntrauk, (2013). The impact of financial leverage to the dividend payout ratio is positive and which is significant. The result is consistent with the result of Vetarany et al., (2024). The impact of Growth to the dividend payout ratio is negative and which is significant. The result is consistent with the result of Purba et al., (2024). The impact of liquidity to the dividend payout ratio is positive and which is significant. The result is consistent with the result of Prsa et al., (2022).

CHAPTER-V

SUMMARY AND CONCLUSION

In this chapter, the researcher provides a summary, conclusion, and implications related to the research topic, which focuses on factors influencing corporate dividend payout, specifically within commercial banks with foreign investment operating in Nepal. The study examines various independent variables in relation to dividend payout, which serves as the dependent variable.

5.1 Summary

A dividend represents a portion of a company's profits distributed to its shareholders based on their shareholding. It can be disbursed either in cash or in the form of additional shares, known as script dividend. Essentially, dividends are the distributable earnings of a company, with any remaining profits constituting retained earnings. The decision to declare dividends lies with the company's board of directors and is a key aspect of its dividend policy. While numerous studies have investigated the determinants of dividend payout in developed capital markets, much of the existing empirical evidence is derived from data in both developed and developing nations. However, the applicability and reliability of these findings in the context of developing countries like Nepal have not been thoroughly examined. Hence, this study aims to address this gap by assessing the consistency and validity of these findings within Nepal's developing capital market. On the basis of the given background the research is conducted on “factors affecting corporate dividend payout: a case of commercial banks with foreign investment operating in Nepal”.

The objective of research is to know the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable. To examine the relationship between dividend payout and its determinants to the independent variable of the sample commercial Banks. To analyze the impact of with profitability, Financial Leverage, price earnings Ratio and liquidity to the dividend payout of sample commercial banks. The objectives are set on the basis of the given problem of the statement they are what is the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable ratio? Whether there is any relationship between dividend payout and its determinants of the sample commercial banks? What are the impact with profitability,

Financial Leverage, growth and liquidity to the dividend payout of sample commercial banks? The research is done by using descriptive and explanatory research design. Out of 20 commercial banks having foreign direct investment 3 bank are select randomly and all the data are secondary collected from annual report of the bank, Nepal stock exchange website and Merolagani website. Financial and statistical instrument are used for the analysis such are different ratio, descriptive statistic, correlation and multiple regression analysis are done for find out the objectives of the research. For data presentation and analysis is don using MS EXCEL and SPSS 23 version.

It is found that the dividend payout ratio which is calculated by dividing the dividend per share by earning per share is highest dividend payout ratio in Nabil bank and lowest dividend payout is Himalayan bank limited. The profitability ratio is maximum in Everest bank limited and Lowest earning per share in the Himalayan bank limited. The ratio financial leverage ratio and where highest financial leverage ratio is in Everest bank and lowest in the same bank year. The price earnings ratio is the growth of the organization is the highest in EBL bank and lowest in Nabil bank limited. The liquidity measuring ratio called current assets to current liabilities and liquidity ratio in Himalayan bank and lowest ratio in NABIL bank limited. The Everest bank limited the profitability, financial leverage and Growth is positive relationship with Dividend payout and which is not significant. The relationship between the Dividend payout and liquidity is negative relationship and which is not significant. The NABIL bank limited relationship between the profitability, financial leverage to the dividend payout is negative relationship and which is not significant. The relationship between the Growth and liquidity is positive and dividend payout and which is not significant. The Himalayan bank limited relationship between the profitability, financial leverage and liquidity are positive relationship with dividend payout and which is not significant. The relationship between Growth and the Dividend payout is negative relationship and which is not significant. The impact of profitability, financial leverage and liquidity to the dividend payout ratio is negative and which is not significant in EBL. The impact of Growth to the dividend payout ratio is positive and which is not significant in EBL. The impact of profitability, financial leverage and liquidity to the dividend payout ratio is negative and which is not significant in NABIL. The impact of Growth to the dividend payout ratio is positive and which is not significant In NABIL. The impact of profitability, financial leverage and liquidity to the

dividend payout ratio is positive and which is significant in HBL. The impact of Growth to the dividend payout ratio is negative and which is significant in HBL.

5.2 Conclusion

The first objective of research is to know the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable. It is found that the dividend payout ratio which is calculated by dividing the dividend per share by earning per share is highest dividend payout ratio in Nabil bank and lowest dividend payout is Himalayan bank limited. The profitability ratio is maximum in Everest bank limited and Lowest earning per share in the Himalayan bank limited. The ratio financial leverage ratio and where highest financial leverage ratio is in Everest bank and lowest in the same bank year. The price earnings ratio is the growth of the organization is the highest in EBL bank and lowest in Nabil bank limited. The liquidity measuring ratio called current assets to current liabilities and liquidity ratio in Himalayan bank and lowest ratio in NABIL bank limited.

The second objective of research is to examine the relationship between dividend payout and its determinants to the independent variable of the sample commercial Banks. It is found that the Everest bank limited the profitability, financial leverage and Growth is positive relationship with Dividend payout and which is not significant. The relationship between the Dividend payout and liquidity is negative relationship and which is not significant. The NABIL bank limited relationship between the profitability, financial leverage to the dividend payout is negative relationship and which is not significant. The relationship between the Growth and liquidity is positive and dividend payout and which is not significant. The Himalayan bank limited relationship between the profitability, financial leverage and liquidity are positive relationship with dividend payout and which is not significant. The relationship between Growth and the Dividend payout is negative relationship and which is not significant. In conclusion the relationship between profitability, financial leverage, Growth and liquidity to the dividend payout is not significant in all the bank.

The third objective of research is to analyze the impact of with profitability, Financial Leverage, price earnings Ratio and liquidity to the dividend payout of sample commercial banks. It is found that the impact of profitability, financial leverage and liquidity to the dividend payout ratio is negative and which is not significant in EBL. The impact of

Growth to the dividend payout ratio is positive and which is not significant in EBL. The impact of profitability, financial leverage and liquidity to the dividend payout ratio is negative and which is not significant in NABIL. The impact of Growth to the dividend payout ratio is positive and which is not significant In NABIL. The impact of profitability, financial leverage and liquidity to the dividend payout ratio is positive and which is significant in HBL. The impact of Growth to the dividend payout ratio is negative and which is significant in HBL. In conclusion the impact of profitability, financial leverage, growth and liquidity to the dividend payout ratio are significant in the Himalayan bank limited.

5.3 Implication

The researcher acknowledges the critical significance of dividends for shareholders, as they represent a primary source of income from the company. Shareholders typically prioritize receiving favorable dividends. However, it is essential to consider the earnings per share (EPS) as well, as it directly influences the company's ability to distribute dividends effectively. If dividends exceed the earnings per share, it could impact the company's reserve allocation. Therefore, both management and the Board of Directors (BOD) must meticulously evaluate the earnings per share before deciding on dividend payments. This underscores the importance of exploring topics related to earnings per share in this context.

This research is useful for the investor who was already investment made in the bank and those who have been going to be invest in the banks. The better dividend payout ratio is importance for better outcome to the investor. This research is helpful to the investor for decision making. The board of director and management also get advantage of this research for their decision making. It is useful to the researcher for this sector based study as a previous research.

It is recommended that the company should take maintain a good liquidity ratio, financial leverage for goodness of the company. Company should focus on making better price earnings ratio.

It's helpful to the student of the different academic and nonacademic scholar for their researcher reference.

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APPENDIX

Everest bank Limited

Rs in million

Year	Profit Available for Equity	Total Assets	Total, Liabilities	Current assets	Current Liabilities
2023	3362	250090	224718	243567	221115
2022	2429	225211	202649	219818	201324
2021	1770	211650	190,966	206219	163915
2020	2516	191,162	166,385	180865	145954
2019	3,054	170077	47,730	166612	132829
2018	2,581	144818	47,730	141784	116460
2017	2,118	116510	104962	21382	103894
2016	2,006	113885	107866	23116	106798
2015	1,730	99152	92263	24510	91195
2014	1,574	70445	64989	25312	64521

Nabil bank limited

Rs in million

Year	Profit Available for Equity	Total assets	Total, Liabilities	Current Assets	Current Liabilities
2023	6404	481203	424290	465541	417804
2022	4256	419203	366836	407992	360352
2021	4527	291066	257208	285607	255112
2020	3463	237680	211824	233692	209789
2019	4238	201138	177950	197285	173648
2018	3981	169076	148489	206175	145173
2017	3702	140697	126522	13225	123022
2016	2819	127619	115977	10881	113665
2015	2093	118695	106275	16328	105925
2014	2331	90292	79634	10731	79334

Himalayan Bank Limited

Rs in million

Year	Profit available for equity	Total assets	Total, liabilities	Current assets	Current liabilities
2023	1562	332392	298762	349611	290378
2022	2367	216286	194276	226272	191578
2021	2998	178490	158358	173265	152460
2020	2586	155884	138295	151416	132091
2019	2,763	133151	117156	129078	113655
2018	1,875	116462	102323	112862	99751
2017	2,281	108063	95548	8914	94948
2016	1,935	99863	91041	9355	89441
2015	1,112	82801	75843	9449	75,243
2014	959	73589	67,504	5,737	66,404

Related ratio

Year	EBL				Nabil bank				HBL			
	EPS	DPS	PER	DPR	EPS	DPS	PER	DPR	EPS	DPS	PER	DPR
2023	31.43	20.53	17.91	0.65	23.67	22	25.31	0.92	9.18	0	23.18	0
2022	26.3	20.68	16.69	0.78	18.64	41	44.21	2.19	18.26	30.22	16.39	1.65
2021	19.82	10.32	35.9	0.52	33.57	38	40.69	1.13	28.07	26	17.25	0.92
2020	29.57	10.53	21.67	0.35	36.16	35.26	21.15	0.97	27.6	20	19.91	0.72
2019	37.67	25	17.67	0.66	50.57	34	15.81	0.67	32.44	22	17.01	0.67
2018	32.45	20	21.12	0.61	51.84	34	18.27	0.65	23.37	15.79	18.07	0.67
2017	43.78	34.74	30.9	0.79	58.41	48	26.02	0.82	33.55	26.32	26.43	0.78
2016	65.69	73.68	51.31	1.12	59.2	45	39.45	0.76	43.03	31.58	34.86	0.73
2015	78.04	36.58	27.17	0.46	57.2	36.48	33.22	0.63	33.37	42.11	24.36	1.26

2014	86.04	62.63	30.58	0.72	76.12	65	30.14	0.85	33.1	21.05	24.73	0.63
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Source: *annual report of Banks, Nepal stock exchange Limited and calculated*

Ratio calculated

Year	EBL		NABIL		HBL	
	TLTA %	CACL	TLTA %	CACL	TLTA %	CACL
2023	89	1.1	88	1.11	89	1.2
2022	89	1.09	87	1.13	89	1.8
2021	90	1.25	88	1.11	88	1.13
2020	87	1.23	89	1.11	88	1.14
2019	28	1.25	88	1.13	87	1.13
2018	32	1.21	87	1.4	88	1.13
2017	90	0.2	89	0.1	91	0.09
2016	94	0.21	90	0.09	91	0.1
2015	93	0.26	89	0.15	91	0.12
2014	92	0.39	88	0.13	91	0.08

Appendix 2: SPSS Calculations

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	10	.35	1.12	.6660	.21199
profitability	10	19.82	86.04	45.0790	23.14834
financial leverage	10	28.00	94.00	78.4000	25.60903
Growth	10	16.69	51.31	27.0920	10.73475
liquidity	10	.20	1.25	.8190	.48262
Valid N (listwise)	10				

a. Name of the Banks = EBL

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	10	.63	2.19	.9590	.45999
profitability	10	18.64	76.12	46.5380	17.98619
financial leverage	10	87.00	90.00	88.3000	.94868
Growth	10	15.81	44.21	29.4270	9.81900

liquidity	10	.09	1.40	.7460	.54797
Valid N (listwise)	10				

a. Name of the Banks = Nabil

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	10	.00	1.65	.8030	.42983
profitability	10	9.18	43.03	28.1970	9.43715
financial leverage	10	87.00	91.00	89.3000	1.56702
Growth	10	16.39	34.86	22.2190	5.75121
liquidity	10	.08	1.80	.7920	.63039
Valid N (listwise)	10				

a. Name of the Banks = HBL

Correlations^a

		Dividend Payout Ratio	profitability	financial leverage	Growth	liquidity
Dividend Payout Ratio	Pearson Correlation	1	.273	.118	.558	-.491
	Sig. (2-tailed)		.446	.745	.094	.150
	N	10	10	10	10	10
profitability	Pearson Correlation	.273	1	.288	.432	-.816**
	Sig. (2-tailed)	.446		.420	.212	.004
	N	10	10	10	10	10
financial leverage	Pearson Correlation	.118	.288	1	.433	-.505
	Sig. (2-tailed)	.745	.420		.212	.137
	N	10	10	10	10	10
Growth	Pearson Correlation	.558	.432	.433	1	-.619
	Sig. (2-tailed)	.094	.212	.212		.056
	N	10	10	10	10	10
liquidity	Pearson Correlation	-.491	-.816**	-.505	-.619	1

Sig. (2-tailed)	.150	.004	.137	.056	
N	10	10	10	10	10

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

a. Name of the Banks = EBL

Correlations^a

		Dividend Payout Ratio	profitability	financial leverage	Growth	liquidity
Dividend Payout Ratio	Pearson Correlation	1	-.665*	-.452	.608	.306
	Sig. (2-tailed)		.036	.189	.062	.389
	N	10	10	10	10	10
profitability	Pearson Correlation	-.665*	1	.391	-.217	-.711*
	Sig. (2-tailed)	.036		.264	.548	.021
	N	10	10	10	10	10
financial leverage	Pearson Correlation	-.452	.391	1	.102	-.690*
	Sig. (2-tailed)	.189	.264		.780	.027
	N	10	10	10	10	10
Growth	Pearson Correlation	.608	-.217	.102	1	-.296
	Sig. (2-tailed)	.062	.548	.780		.406
	N	10	10	10	10	10
liquidity	Pearson Correlation	.306	-.711*	-.690*	-.296	1
	Sig. (2-tailed)	.389	.021	.027	.406	
	N	10	10	10	10	10

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

a. Name of the Banks = Nabil

Correlations^a

		Dividend Payout Ratio	profitability	financial leverage	Growth	liquidity
Dividend Payout Ratio	Pearson Correlation	1	.199	.122	-.240	.135
	Sig. (2-tailed)		.581	.737	.505	.710
	N	10	10	10	10	10

profitability	Pearson Correlation	.199	1	.433	.559	-.732*
	Sig. (2-tailed)	.581		.212	.093	.016
	N	10	10	10	10	10
financial leverage	Pearson Correlation	.122	.433	1	.800**	-.816**
	Sig. (2-tailed)	.737	.212		.006	.004
	N	10	10	10	10	10
Growth	Pearson Correlation	-.240	.559	.800**	1	-.799**
	Sig. (2-tailed)	.505	.093	.006		.006
	N	10	10	10	10	10
liquidity	Pearson Correlation	.135	-.732*	-.816**	-.799**	1
	Sig. (2-tailed)	.710	.016	.004	.006	
	N	10	10	10	10	10

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

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

a. Name of the Banks = HBL

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.664 ^b	.441	-.006	.21266

a. Name of the Banks = EBL

b. Predictors: (Constant), liquidity, financial leverage, Growth, profitability

ANOVA^{a,b}

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.178	4	.045	.986	.491 ^c
Residual	.226	5	.045		
Total	.404	9			

a. Name of the Banks = EBL

b. Dependent Variable: Dividend Payout Ratio

c. Predictors: (Constant), liquidity, financial leverage, Growth, profitability

Coefficients^{a,b}

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.067	.700		1.526	.188
	profitability	-.004	.006	-.407	-.676	.529
	financial leverage	-.003	.003	-.310	-.768	.477
	Growth	.008	.009	.423	.971	.376
	liquidity	-.315	.320	-.718	-.986	.369

a. Name of the Banks = EBL

b. Dependent Variable: Dividend Payout Ratio

Model Summary^a

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889 ^b	.791	.623	.28244

a. Name of the Banks = Nabil

b. Predictors: (Constant), liquidity, Growth, financial leverage, profitability

ANOVA^{a,b}

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.505	4	.376	4.718	.060 ^c
	Residual	.399	5	.080		
	Total	1.904	9			

a. Name of the Banks = Nabil

b. Dependent Variable: Dividend Payout Ratio

c. Predictors: (Constant), liquidity, Groth, financial leverage, profitability

Coefficients^{a,b}

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.125	13.818		1.673	.155
	profitability	-.017	.010	-.659	-1.616	.167
	financial leverage	-.246	.150	-.507	-1.639	.162
	Growth	.019	.014	.401	1.346	.236
	liquidity	-.330	.440	-.393	-.750	.487

a. Name of the Banks = Nabil

b. Dependent Variable: Dividend Payout Ratio

Model Summary^a

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952 ^b	.907	.833	.17582

a. Name of the Banks = HBL

b. Predictors: (Constant), liquidity, profitability, Growth, financial leverage

ANOVA^{a,b}

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.508	4	.377	12.197	.009 ^c
	Residual	.155	5	.031		
	Total	1.663	9			

a. Name of the Banks = HBL

b. Dependent Variable: Dividend Payout Ratio

c. Predictors: (Constant), liquidity, profitability, Growth, financial leverage

Coefficients^{a,b}

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-42.243	7.172		-5.890	.002
	profitability	.055	.010	1.202	5.397	.003
	financial leverage	.473	.079	1.725	5.959	.002
	Growth	-.073	.019	-.981	-3.880	.012
	liquidity	1.118	.240	1.640	4.655	.006

a. Name of the Banks = HBL

b. Dependent Variable: Dividend Payout Ratio

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i Abstract The objective of research is to know the ratio of profitability, financial leverage, growth, liquidity and Dividend payout measuring variable. To examine the relationship between dividend payout and its determinants to the independent variable of the sample commercial Banks. To analyze the impact of with profitability, Financial Leverage, price earnings Ratio and liquidity to the dividend payout of sample commercial banks. The research is done by using descriptive and explanatory research design. Out of 20 commercial banks heaving foreign direct investment 3 bank are select randomly and all the data are secondary collected from annual report of the bank, Nepal stock exchange website and Merolagani website. Financial and statistical instrument are used for the analysis such are different ratio, descriptive statistic, correlation and multiple regression analysis are done for find out the objectives of the research. For data presentation and analysis is don using MS EXCEL and SPSS 23 version. It is found that

the dividend payout ratio which is calculated by dividing the dividend per share by earning per share