

APPENDIX - I

QUESTIONNAIRE

Dear Sir/Madam,

This is to bring your kind information that this is an attempt to identify the relationship between dividend policy and market price per share of Nepalese Commercial Banks for the partial fulfillment of Thesis required for MBS degree, TU. You are kindly requested to fill up the following questionnaire with the best answer in your view. I would be grateful to you for the contribution of your valuable time and effort.

Respondents:

Name :

Sex: M [] F []

Bank:

Position (Optional):

Please tick the best answers.

1. Why does the bank pay dividend?
 - a) Retain Existing Investors
 - b) Attract Potential Investor
 - b) Capture the Market
 - d) All

2. To what extent does dividend policy affects the market price per share?
 - a) High
 - b) Medium
 - c) Low

3. What factors should be considered while adopting dividend practice?
 - a) Legal Restriction
 - b) Liquidity Position
 - c) Borrowing capacity of the firm
 - d) All of above

4. What is the major motive of cash dividend in your bank?
 - a) To convey information to shareholders that the company is doing well.
 - b) To draw attention from the investment community.
 - c) To increase the market value of the firm's stock.
 - d) To fulfill shareholders' expectation.

5. What are the dividend practices being followed by the banks in Nepal?
- a) Payment of dividend after financing in all investment opportunities.
 - b) Paying regular dividend
 - c) Both of above
 - d) None of above
6. Nepalese share holders are indifferent whether the company pays or does not pay different dividend. Do you agree?
- a) Yes
 - b) No
 - c) Don't know
7. What do you suggest if the company has no cash to pay dividends?
- a) Pay from reserve
 - b) Pay stock dividend
 - c) Pay Scrip Dividend
 - d) Pay Property Dividend
 - e) Pay no dividend at all
8. Payment of dividend has impact on the liquidity position of the firm. Do you agree?
- a) Yes
 - b) No
 - c) Don't know
9. What would you like to suggest with regard to dividend policy in Nepalese enterprises?
- a) Treatment of dividend as an obligation
 - b) Stability of dividend and unhaphazard pay out ratio.
 - c) Cash balance for dividend be adequately planned and maintained.
10. Why do people invest in share capital?
- a) To utilize the surplus money
 - b) This is the best method of investment.
 - c) To receive dividend
 - d) To get voting rights.

Thank You.

APPENDIX - II

A) Calculation of Correlation Coefficient and Regression line of DPS on EPS of KBL

Year	EPS X	DPS Y	$x = X - \bar{X}$	$y = Y - \bar{Y}$	x^2	y^2	xy
2000/01	-0.84	0	-14.044	-7.611	197.23	57.927321	106.888884
2001/02	0.38	0	-12.824	-7.611	164.45	57.927321	97.603464
2002/03	3.26	0	-9.944	-7.611	98.88	57.927321	75.683784
2003/04	9.74	0	-3.464	-7.611	12.00	57.927321	26.364504
2004/05	17.58	0	4.376	-7.611	19.15	57.927321	-33.305736
2005/06	16.59	21.5	3.386	13.889	11.46	192.904321	47.028154
2006/07	22.7	21.5	9.496	13.889	90.17	192.904321	131.889944
2007/08	16.35	10.53	3.146	2.919	9.90	8.520561	9.183174
2008/09	22.04	10.58	8.836	2.969	78.07	8.814961	26.234084
2009/10	24.24	12	11.036	4.389	121.79	19.263321	48.437004
Total	132.04	76.11			803.13	712	536.01

i) Calculation of Mean

$$\begin{array}{l} \text{For EPS} \\ \text{Mean } \bar{X} = \frac{\sum X}{10} = 13.20 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \bar{Y} = \frac{\sum Y}{10} = 7.61 \end{array}$$

ii) Calculation of Correlation Coefficient between EPS and DPS

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{536.00726}{\sqrt{756.21}} = 0.7088$$

iii) Calculation of Standard Deviation ()

$$\begin{array}{l} \text{For EPS} \\ s_x = \sqrt{\frac{\sum (x-\bar{x})^2}{N-1}} = \sqrt{\frac{803}{10}} \\ = 8.96 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ s_y = \sqrt{\frac{\sum (y-\bar{y})^2}{N-1}} = \sqrt{\frac{712}{10}} \\ = 8.44 \end{array}$$

iv) Simple Regression Equation of DPS on EPS

$$\begin{aligned} \bar{Y} - \bar{Y} &= \frac{r \cdot s_x \cdot s_y}{s_x} (\bar{X} - \bar{X}) \\ \text{or, } Y - 7.61 &= \frac{0.7088 \times 8.44}{8.96} (X - 13.20) \end{aligned}$$

$$\text{or, } Y = 0.667434406X - 1.201$$

v) Calculation of Probable Error (P.E.)

$$P.E. = \frac{0.6745 \times (1 - r^2)}{\sqrt{N}}$$

Here,

r^2	$1-r^2$	$0.6745 \times (1-r^2)$	$\sqrt{10}$	P.E.	6 P.E.
0.5024	0.4976	0.3356	3.1622	0.1061	0.6368

vi) Calculation of t-value

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{(n-2)} = \frac{0.7088 \times \sqrt{(10-2)}}{\sqrt{1-0.5024}} = 2.8420$$

B) Calculation of Correlation Coefficient and Regression line of DPS on EPS of NABIL

Year	EPS X	DPS Y	$x = X - \bar{X}$	$y = Y - \bar{Y}$	x^2	y^2	xy
2000/01	59.26	40	-34.46	-33.50	1187.77	1122	1154.54
2001/02	84.66	30	-9.06	-43.50	82.16	1892	394.28
2002/03	55.25	50	-38.47	-23.50	1480.25	552	904.14
2003/04	92.61	65	-1.11	-8.50	1.24	72	9.47
2004/05	105.49	70	11.77	-3.50	138.44	12	-41.18
2005/06	137.08	85	43.36	11.50	1879.74	132	498.59
2006/07	109.21	140	15.49	66.50	239.82	4422	1029.82
2007/08	108.31	100	14.59	26.50	212.75	702	386.53
2008/09	106.76	85	13.04	11.50	169.94	132	149.91
2009/10	78.61	70	-15.11	-3.50	228.43	12	52.90
Total	937.24	735.00			5620.53	9053	4539.01

i) Calculation of Mean

$$\begin{array}{l} \text{For EPS} \\ \text{Mean } \bar{X} = \frac{X}{10} = 93.72 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \bar{Y} = \frac{Y}{10} = 73.50 \end{array}$$

ii) Calculation of Correlation Coefficient between EPS and DPS

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{4539.01}{\sqrt{5620.53 \times 9053}} = 0.6363$$

iii) Calculation of Standard Deviation ()

$$\begin{array}{l} \text{For EPS} \\ \sigma_x = \sqrt{\frac{\sum (x-\bar{x})^2}{N-1}} = \sqrt{\frac{5621}{10}} \\ = 23.71 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \sigma_y = \sqrt{\frac{\sum (y-\bar{y})^2}{N-1}} = \sqrt{\frac{9053}{10}} \\ = 30.09 \end{array}$$

iv) Simple Regression Equation of DPS on EPS

$$\begin{aligned} \bar{Y} - \bar{Y} &= \frac{r \times \sigma_y (\bar{X} - \bar{X})}{\sigma_x} \\ \text{or, } Y - 73.50 &= \frac{0.6363 \times 30.09 (X - 93.72)}{23.71} \end{aligned}$$

$$\text{or, } Y = 0.8078X - 2.21580$$

v) Calculation of Probable Error (P.E.)

$$P.E. = \frac{0.6745 \times (1 - r^2)}{\sqrt{N}}$$

Here,

r^2	$1-r^2$	$0.6745 \times (1-r^2)$	$\sqrt{10}$	P.E.	6 P.E.
0.4049	0.5951	0.4014	3.1622	0.1269	0.7616

vi) Calculation of t-value

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{(n-2)} = \frac{0.6363 \times \sqrt{(10-2)}}{\sqrt{1-0.4049}} = 2.3332$$

C) Calculation of Correlation Coefficient and Regression line of DPS on EPS of STANDARD

Year	EPS X	DPS Y	$x = X - \bar{X}$	$y = Y - \bar{Y}$	x^2	y^2	xy
2000/01	105.12	111	-26.83	-3.60	719.85	13	96.59
2001/02	115.62	115	-16.33	0.40	266.67	0	-6.53
2002/03	149.3	120	17.35	5.40	301.02	29	93.69
2003/04	143.55	110	11.60	-4.60	134.56	21	-53.36
2004/05	143.14	120	11.19	5.40	125.22	29	60.43
2005/06	175.84	140	43.89	25.40	1926.33	645	1114.81
2006/07	167.37	130	35.42	15.40	1254.58	237	545.47
2007/08	131.92	130	-0.03	15.40	0.00	237	-0.46
2008/09	109.99	100	-21.96	-14.60	482.24	213	320.62
2009/10	77.65	70	-54.30	-44.60	2948.49	1989	2421.78
Total	1319.5	1146.00			8158.96	3414	4593.02

i) Calculation of Mean

$$\begin{array}{l} \text{For EPS} \\ \text{Mean } \bar{X} = \frac{X}{10} = 131.95 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \bar{Y} = \frac{Y}{10} = 114.60 \end{array}$$

ii) Calculation of Correlation Coefficient between EPS and DPS

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{4593.02}{\sqrt{8158.96 \times 3414}} = 0.8702$$

iii) Calculation of Standard Deviation ()

$$\begin{array}{l} \text{For EPS} \\ \sigma_x = \sqrt{\frac{\sum (x-x)^2}{N-1}} = \sqrt{\frac{8159}{10}} \\ \qquad \qquad \qquad = 28.56 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \sigma_y = \sqrt{\frac{\sum (y-y)^2}{N-1}} = \sqrt{\frac{3414}{10}} \\ \qquad \qquad \qquad = 18.48 \end{array}$$

iv) Simple Regression Equation of DPS on EPS

$$\begin{aligned} \bar{Y} - \bar{Y} &= \frac{r \times \sigma_y (\bar{X} - \bar{X})}{\sigma_x} \\ \text{or, } Y - 114.60 &= \frac{0.8702 \times 18.48 (X - 131.95)}{28.56} \end{aligned}$$

$$\text{or, } Y = 0.8078X - 2.21580$$

v) Calculation of Probable Error (P.E.)

$$P.E. = \frac{0.6745 \times (1 - r^2)}{\sqrt{N}}$$

Here,

r^2	$1-r^2$	$0.6745 \times (1-r^2)$	$\sqrt{10}$	P.E.	6 P.E.
0.7573	0.2427	0.1637	3.1622	0.0518	0.3106

vi) Calculation of t-value

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{(n-2)} = \frac{0.8702 \times \sqrt{(10-2)}}{\sqrt{1-0.7573}} = 4.9958$$

D) Calculation of Correlation Coefficient and Regression line of DPS on EPS of NIBL

Year	EPS X	DPS Y	$x = X - \bar{X}$	$y = Y - \bar{Y}$	x^2	y^2	xy
2000/01	33.18	0	-13.55	-24.88	183.58	619	337.09
2001/02	33.59	30	-13.14	5.12	172.63	26	-67.28
2002/03	39.56	20	-7.17	-4.88	51.39	24	34.98
2003/04	51.7	15	4.97	-9.88	24.71	98	-49.11
2004/05	39.5	12.5	-7.23	-12.38	52.26	153	89.49
2005/06	59.35	55.46	12.62	30.58	159.29	935	385.96
2006/07	62.57	30	15.84	5.12	250.94	26	81.12
2007/08	57.87	40.83	11.14	15.95	124.12	254	177.71
2008/09	37.42	20	-9.31	-4.88	86.66	24	45.42
2009/10	52.55	25	5.82	0.12	33.88	0	0.70
Total	467.29	248.79			1139.46	2160	1036.08

i) Calculation of Mean

$$\begin{array}{l} \text{For EPS} \\ \text{Mean } \bar{X} = \frac{\sum X}{10} = 46.73 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \bar{Y} = \frac{\sum Y}{10} = 24.88 \end{array}$$

ii) Calculation of Correlation Coefficient between EPS and DPS

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{1036.07519}{\sqrt{1568.65}} = 0.6605$$

iii) Calculation of Standard Deviation ()

$$\begin{array}{l} \text{For EPS} \\ s_x = \sqrt{\frac{\sum (x-\bar{x})^2}{N-1}} = \sqrt{\frac{1139}{10}} \\ = 10.67 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ s_y = \sqrt{\frac{\sum (y-\bar{y})^2}{N-1}} = \sqrt{\frac{2160}{10}} \\ = 14.70 \end{array}$$

iv) Simple Regression Equation of DPS on EPS

$$\begin{aligned} \bar{Y} - \bar{Y} &= \frac{r \cdot s_y}{s_x} (X - \bar{X}) \\ \text{or, } Y - 24.88 &= \frac{0.6605 \times 14.70}{10.67} (X - 46.73) \\ \text{or, } Y &= 0.9091x - 17.6046 \end{aligned}$$

v) Calculation of Probable Error (P.E.)

$$P.E. = \frac{0.6745 \times (1 - r^2)}{\sqrt{N}}$$

Here,

r^2	$1-r^2$	$0.6745 \times (1-r^2)$	$\sqrt{10}$	P.E.	6 P.E.
0.4362	0.5638	0.3803	3.1622	0.1202	0.7215

vi) Calculation of t-value

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{(n-2)} = \frac{0.6605 \times \sqrt{(10-2)}}{\sqrt{1-0.4362}} = 2.4881$$

E) Calculation of Correlation Coefficient and Regression line of DPS on EPS of HIMALAYAN

Year	EPS X	DPS Y	$x = X - \bar{X}$	$y = Y - \bar{Y}$	x^2	y^2	xy
2000/01	93.57	57.5	35.91	20.55	1289.67	422	738.06
2001/02	60.26	35	2.60	-1.95	6.77	4	-5.07
2002/03	49.45	25	-8.21	-11.95	67.37	143	98.07
2003/04	49.05	20	-8.61	-16.95	74.10	287	145.89
2004/05	47.91	31.58	-9.75	-5.37	95.02	29	52.33
2005/06	59.24	35	1.58	-1.95	2.50	4	-3.08
2006/07	60.66	40	3.00	3.05	9.01	9	9.16
2007/08	62.74	45	5.08	8.05	25.83	65	40.92
2008/09	61.9	43.56	4.24	6.61	17.99	44	28.05
2009/10	31.8	36.84	-25.86	-0.11	668.64	0	2.79
Total	576.58	369.48			2256.91	1007	1107.12

i) Calculation of Mean

$$\begin{array}{l} \text{For EPS} \\ \text{Mean } \bar{X} = \frac{\sum X}{10} = 57.66 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ \bar{Y} = \frac{\sum Y}{10} = 36.95 \end{array}$$

ii) Calculation of Correlation Coefficient between EPS and DPS

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{1107.12096}{\sqrt{2256.91 \times 1007}} = 0.7345$$

iii) Calculation of Standard Deviation ()

$$\begin{array}{l} \text{For EPS} \\ x = \sqrt{\frac{\sum (x-x)^2}{N-1}} = \sqrt{\frac{2257}{10}} \\ = 15.02 \end{array} \qquad \begin{array}{l} \text{For DPS} \\ y = \sqrt{\frac{\sum (y-y)^2}{N-1}} = \sqrt{\frac{1007}{10}} \\ = 10.03 \end{array}$$

iv) Simple Regression Equation of DPS on EPS

$$\begin{aligned} \bar{Y} - \bar{Y} &= \frac{r \times y (\bar{X} - \bar{X})}{x} \\ \text{or, } Y - 36.95 &= \frac{0.7345 \times 10.03 (X - 57.66)}{15.02} \end{aligned}$$

$$\text{or, } Y = 0.49054X + 8.663$$

v) Calculation of Probable Error (P.E.)

$$P.E. = \frac{0.6745 \times (1 - r^2)}{\sqrt{N}}$$

Here,

r^2	$1-r^2$	$0.6745 \times (1-r^2)$	$\sqrt{10}$	P.E.	6 P.E.
0.5395	0.4605	0.3106	3.1622	0.0982	0.5893

vi) Calculation of t-value

$$t = \frac{r}{\frac{1}{\sqrt{n-2}}} = \frac{0.7345 \times \sqrt{(10-2)}}{1} = 3.0615$$

$$\sqrt{1 - r^2}$$

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$$\sqrt{1 - 0.5395}$$

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