EFFECT OF DIVIDEND PRACTICES ON SHAREHOLDERS' WEALTH AND COMPANY PERFORMANCE

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

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "EFFECT OF DIVIDEND PRACTICES ON SHAREHOLDERS' WEALTH AND COMPANY PERFORMANCE". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirement for any academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all sources and literature used are cited in the reference section of the dissertation.

…….

Nisha Bartaula

REPORT OF RESEARCH COMMITTEE

Ms. Nisha Bartaula has defended research proposal entitled "EFFECT OF DIVIDEND PRACTICES ON SHAREHOLDERS' WEALTH AND COMPANY PERFORMANCE". 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. Asst. Prof. Asst. Prof. Keshar Singh Khati of Shanker Dev Campus, T.U. and submit the dissertation for evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled “EFFECT OF DIVIDEND PRACTICES ON SHAREHOLDERS’ WEALTH AND COMPANY PERFORMANCE”. presented by Ms. Nisha Bartaula for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Thank You…
Nisha Bartaula

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ABBREVIATION

AMPS	Adjusted Market Per Share
BNL	Bottlers Nepal Limited
BNTL	Bottlers Terai Nepal Limited
CIT	Citizen Investment Trust
CLBBL	Chimmekk Laghubitta Bikas Bank Limited
DPS	Dividend Per Share
DY	Dividend Yield
EPS	Earnings Per Share
FLEV	Financial Leverage
GSE	Ghana Stock Exchange
IRR	Internal Rate of Return
MNBBL	Muktinath Bank Limited
MPS	Market Per Share
NABIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange
NICA	Nica Asia Bank Limited
NTC	Nepal Telecom
PER	Price Earnings Ratio
REPS	Retained Earnings Per Stock
ROA	Return On Assets
ROE	Return On Equity
SBL	Siddhartha Bank Limited
SHL	Soaltee Hotel Limited
STC	Salt Trading Company
UNL	Unilever Nepal

ABSTRACT

Dividend practices is a significant part of financial management that influences company's growth, shareholders wealth, perception of market participants towards the company and reflects upon company performances. This study encompasses a comprehensive analysis and reflection upon the relationship between dividend practices, shareholders wealth and company performances. Impact of dividend practices on shareholders wealth is studied upon through the analysis of existing literature and empirical research. Various dividend policies and theories on dividends are explored and analyzed. Diverse dividend policies, payout ratios, impact of payout on company's growth, impact of dividend pay-out and earnings retention are scrutinized to understand dynamic interplay between dividend practices and shareholders wealth and company performances. The abstractness of the analysis of shareholders wealth and company performances on the basis of divided policy as the variable factor is also analyzed as different outcomes of data are based not only on dividend practices but various other factors at play.

The study has prioritized both quantitative and qualitative overview of dividend practices. For the quantitative approach, the data regarding correlation between dividend practices, stock prices and financial indicators such as Return on equity (ROE) and Earnings per share (EPS) is analyzed. Also, the impact of the distribution of dividend on performance of company is analyzed.

Various qualitative approach such as case studies is also presented. Investor's perception is analyzed on how the influence of dividend impact the stock price movement.

Key words: *Lagged DPS, ROE, Adjusted MPS, Dividend practices*

CHAPTER-I

INTRODUCTION

1.1 Background of the study

Dividend practices portray the choice of a company's board of directors regarding the determination and the way of distribution of the dividend to the company owners / shareholders. Dividend practices is the strategic approach of the company whether to distribute dividend or not, if distributed amount and timing to distribute dividends to its shareholders. The decision of the company regarding the profits retained and profits distributed to the shareholders impact both the shareholders return and its overall performance. The effect of the dividend practices on shareholders returns and the company's performance has been a matter of discussion and debate and research in financial literature, and rather than purely conclusive ideas various scenario-based studies have been conducted that varies in their own ways of interpretation of dividend practices.

Shareholder's wealth maximization is an overall maximization of the investment placed upon the company. Wealth maximization can be in the form of dividends received, stock price appreciation, and overall corporate performance. The ultimate objective of any company is the maximization of shareholder's wealth. Dividend distribution is seen as a tangible return by shareholders, providing a sense of stability in earnings from company, and provides a sense of certainty on return on investment and also boost confidence of shareholders on the company's future. Dividend distribution is seen as a positive reaction and signals future prospects and financial health. Also, reduction in dividends is seen first-hand as a sign of financial distress and raises doubt upon the company's performance by the shareholders.

Companies' views retained earnings as a source of internal financing. Various factors like market scenario and market factors, taxation, investors preferences and the firm's lifecycle stage play a significant role in determination of the dividend practices of the company. During growth phase of the companies and during expansion plans companies generally use retained earnings to capitalize them into equity to use as a source of fund and also to manage the overall capital structure decision of the company. Companies use retained earnings in times of financial distress to source the

fund requirement of the companies during that phase. Short term returns to shareholders are compromised in case there is a projected that can create long term value for the company by using retained earnings for reinvestment. Companies are assessed on the base of how they can be successful in balancing short-term shareholders return and long-term value creation addressing both short term and long-term needs of the shareholders and investors.

Theoretical and empirical evidences is analyzed and presented to make conclusions regarding the impact of dividend practices on shareholders wealth maximization and company's performance. Theoretical frameworks are presented based on various assumptions that guides on how the organization and investors overviews dividends and empirical studies produced mixed results reflecting on the dynamism within dividend and reinvestment shall be used. Some studies suggest constant dividend payout acts as a better option for long term shareholders wealth maximation whereas other studies focus on the compromises on short term distribution and reinvest earnings can lead to better performance especially in case of growing organizations.

This study seeks to explore the impact of such dividend policies and dividend histories of the companies in shareholders wealth maximization and company's performance analyzing how different dividend strategies impact stock prices, corporate earnings and long-term growth. Investors sensitivity to constant dividend and company's growth in case of dividend distribution or using retained earnings as part of the internal funding impact the overall shareholders wealth maximization objective. Various corporate decisions and factors deciding such dividend decisions and the impact of such decisions is analyzed. The findings of this research are expected to guide corporate managers, policymakers, and investors in making more informed decisions about capital distribution and investment strategies.

To explore the impact of dividend policies the study categorizes dividend policies based on the dividend payment history of the company as cash dividend which means the companies that majorly pays out cash in the form of dividend, bonus dividend where bonus shares are issued by capitalizing the dividend amount payable and converting to share capital by issuing extra shares to the shareholders and mixed

dividend which is composed by mixed both the cash dividend and bonus shares collectively as dividend payment model.

1.2 Problem statement

The relationship between dividend practices and its influence on both shareholders' wealth and company performance has been a topic of study and matter of concerns as there has not been any conclusive evidences regarding the certainty of way dividend practices impact company's performance and shareholder's wealth. The reason being that it's a very subjective matter of interpretation and also other variables are also at play that impacts on overall to the company. Various theoretical ideas and theory have been shared that focuses on the relevancy and irrelevancy of the dividend practices, but different market scenario have been assumed on the formation of the policy that raises doubt over the significance of the theories when looking at the empirical evidences of various studies conducted upon. To have a perspective on this dilemma various theoretical and empirical factors are discussed upon. On the one hand, the Dividend Irrelevance Theory, proposed by Modigliani and Miller, suggests that in an efficient market, dividend decisions do not impact a firm's overall value or shareholders' wealth. This theory reflects upon investors indifference to return or wealth creation in the form of capital gains or dividends. Even if dividends are not distributed shares can be liquidated into cash if investors require liquidity and assuming that the market is efficient the opportunity return on such funds will compensate on the opportunity loss due to sell of shares (Modigliani & Miller, 1961).

On the other hand, competing theories such as the Bird-in-the-Hand Theory (Gordon & Lintner, 1962) and the Signaling Theory (Ross, 1977) reflects upon the relevancy of the dividend policy and model and also reflects upon the perception of the investors towards dividend model and the subjective impact of the dividend policy on investors by consideration of the non-efficiency of the market and investors differential outlook upon short term and long-term return and risks. The Bird-in-the-Hand Theory, posits that investors prefer the certainty of dividends to the uncertain prospect of future capital gains, implying that firms with higher dividend payouts may be more attractive to risk-averse investors (Gordon & Lintner, 1962). The Signaling Theory, as applied by Stephen Ross, suggests that dividend announcements serve as signals to

the market regarding a firm's financial health and future prospects. Increases in dividends are often viewed as a signal of strong future earnings, while decreases or suspensions may signal financial trouble, leading to changes in stock price and investor confidence (Ross, 1977)

Despite the significant amount of theoretical debate, the empirical evidence somehow suggests on the non-conclusiveness and contextual output and outlook on the review of the impact of dividend practices. The results of the analysis of dividend practices are mixed and context dependent. Some studies find that dividend payouts and shareholders wealth analysis show positive correlation while on other cases dividend is irrelevant to the return investors earn and also negative consequences in certain cases. Various factors including the life cycle of the company, market and economic situations, time periods, business cycles impact the conclusions reached. Internal factors such as profitability, liquidity, and firm size, as well as external factors like market conditions, corporate governance, and regulatory frameworks, all play a role in shaping the effects of dividend practices.

Moreover, the retention and distribution of earnings is a one of the major components of study and utility of financial management. Companies face strategic dilemma regarding the matter. Should they return cash to shareholders in the form of dividends, or reinvest profits back into the business to fuel future growth? There need to be correct balance between the two factors creating a balance between investor's confidence in company and ability to earn and share return and in the other hand the company's ability to make capital investment in growth opportunities. Corporate management teams shall navigate the internal organizational requirement of funds and also the preferences of investors towards dividends and capital gains while making these decisions.

Adding to the complexity, market dynamics, investor sentiment, industry can significantly influence how dividend policies are perceived. While in certain cases high dividend payouts are seen as a signal of a mature, stable business with limited growth prospects, while in other cases consistent dividends may be viewed as evidence of strong cash flow management and also the confidence in business sustainability and also in other cases lack of retention of funds by the company may

raise doubt on the reinvestment opportunity of the company and also long-term growth opportunities for the companies. Thus, dividend practices decisions can have varied impacts depending on the company's market environment and industry characteristics.

Provided that the different perspectives of theoretical and literature review and mixed empirical theories indicating at different conclusions depending on different context and scenario, the situation highlights on the complexity of the decisions regarding dividend policy and psychological and sensitivity and behavioral factors of investors towards dividend policy the management shall navigate all different factors and scenario as per need and context. This study aims to fill the gap in existing research by conducting a detailed analysis of how different dividend policies influence shareholder wealth, analyzing various indicators of profitability and returns and shareholders wealth such as return on equity, return on assets and earning per shares, increase in net worth, rate of growth of shareholders and company's value.

The findings of this research are expected to reflect upon the ongoing debate and also offering new insights into how dividend practices shapes both short-term and long-term financial outcomes. It will also add value by offering practical insights for corporate managers, investors, and policymakers in making informed decisions regarding dividend strategies and their implications for firm performance and shareholder value. Reflecting upon the complex interactions between variables at hand involved in our matter of study, the study will help clarify the role that the dividend practices implemented has in maximizing value of company and also of the investors wealth maximization.

Thus, the aim of the study is to study empirically how the determining factors of how different dividend policies influence the shareholders wealth and also the firm's performance. The following research questions are raised by our study.

i. What is relationship between dividend per share and dividend yield on the company's performance?
ii. How does different dividend practice, cash dividend, bonus dividend and mix of cash and bonus dividends determine shareholder's wealth?

iii. How can investors and company's analyze dividend policies for better company's performance and better result in shareholder's wealth?

1.3 Objectives of the study

The primary objective of this study is to examine the impact of dividend practices on shareholders' wealth and company performance. Specifically, the study aims to:

i. To assess the dividend practices on shareholders wealth and company performance.
ii. To analyze the relationship between dividend practices and shareholders' wealth.
iii. To examine impact of dividend policies on shareholders' wealth and overall company performance.

1.4 Rationale of the study

As the dividend practice has a critical role in shaping both the investors behavior and corporate financial strategy, our study aims analyze the impact of dividend on the same variables. Investors have investment preferences based on dividend policies of company, while some investor prefer constant dividends and regular dividends for immediate and regular income and influence on liquidity while others favor the company that focuses on long term growth and long-term massive growth with reinvestment of the earnings that the company regularly makes. Ensuring that there is a synergy and alignment between investor's expectation and divined policies, understanding the impact of different dividend strategies on shareholders wealth is crucial for the company thereby attracting and even retaining a diverse and sustainable investor base.

Moreover, dividends points to the company's financial health and its ability to earn and create resource for the shareholder and also points to the company's future prospectus. The changes in dividend payouts can lead to changes on how the investors views the company and also impact on investors' confidence towards the company. Our study aims to provide critical insights into the signaling impact of dividend, providing perspective to the company on how to maintain their public image and also

on how to manage investors relations more effectively by examining the influence of various dividend policies on stock prices movements and investor's sentiment.

The relationship between dividend practice and company performance is multifaceted. High dividend payouts may restrict a company's ability to reinvest in growth opportunities, potentially affecting long-term performance. Conversely, low or absent dividends could influence shareholder returns and overall market valuation. By examining the effects of various dividend strategies on important financial metrics like profitability, return on equity (ROE), return on assets (ROA), and earnings per share (EPS), and considering the financial implications of dividend policies, this research aims to shed light on these trade-offs between short-term returns and long-term growth.

Significant and substantial research is made on this topic, and the empirical research points out often mixed and context specific findings on the matter. Impact of other factors, overall market conditions, variations in investors type, industry factors, has created an inconsistency and no absolute conclusions on the impact of dividend practice in company's performance and shareholders wealth. This study aims to add new empirical evidence, trying to give a clearer insight into how the dividend practice impacts company's performance and shareholders wealth.

Finally, the study seeks to aid the corporate managers in designing and implementing a more effective dividend strategies that optimize the financial outcome and create an alignment with investors preference. This study aims to provide a practical guidance for better decision regarding dividend practice formulation and execution, ultimately supporting in organizational proper financial planning and have better market positioning for the company.

1.5 Limitations of the study

i. The study primarily relies on secondary data collected from the annual reports of the selected companies.
ii. The research uses limited statistical tools and variables, which may not fully explain stock market price fluctuations.
iii. The study covers the period from fiscal year 2015/16 to 2022/23.
iv. The focus is limited to the market price per share of the selected companies, leaving
v. out other financial aspects.
vi. As of 2024, there are 245 companies listed on the Nepal Stock Exchange (NEPSE), but only 12 enterprises are selected for this research.

CHAPTER-II

LITERATURE REVIEW

2.1 Theoretical Review

Various theoretical ideas and concept have been developed and presented to address the dividend practice and its impact on shareholders wealth and company's performance. Different theoretical concepts are based on various assumptions upon which the theories are based.

2.1.1 Dividend Irrelevance Theory

Franco Modigliani and Merton Miller introduced the dividend irrelevance theory (Modigliani & Miller, 1961). They gave a theoretical perspective on how dividend is both irrelevant from both the company's value perspective and also from the shareholders wealth. Based on the assumption of efficient market, rationality of investors, no taxes, no transaction costs, M&M theory is presented that presents that dividend is irrelevant for both the company and the investors.

M&M argues that the value of the firm is based on the present value of its expected future value and distribution of dividend is irrelevant to the firm's value as the market price will be just reduced by the dividends distributed and the value of the firm remains the same as the dividend distributed is converted to cash in shareholders hand and also leads to no change in shareholder's wealth also from the perspective of the investor. Cash dividends will be compensated by capital appreciation if cash is not distributed and if earnings are distributed it will be in the form of cash in the investors hand and remaining in the value of the company leading to no any impact in overall shareholders value perception of the firm. In both scenario whether divided is distributed or earnings are retained the value of the shareholder's wealth is the same. Investor's wanting liquidity can create their own dividend by selling a part of their investment.

2.1.2 Bird in Hand Theory

Bird in hand theory, directly challenges the dividend irrelevance theory proposing that dividends distributed is a form of realized return from the investment made by shareholder and there is an uncertainty and risk factor with investment held. Whatever return is received is seen as a certain realization of capital investment made rather

than carrying the risk related to the investment and holding in the firm in the form of increasing retained earnings.

The metaphor “bird in hand” implied a guaranteed return rather than the potential risk associated with capital appreciation that the company will achieve. Firms with higher dividend payout are perceived with less risky leading to increase in demand of the stocks and thus rising to high market value due to demand push. While investors create doubt over the company that pay no dividend and chances of price appreciation by demand push is difficult to achieve. So, this theory focuses on how investors perception to dividend distribution finally influences demand for the stock and capital appreciation.

2.1.3 Tax Preference Theory

The investors have different tax liability on dividend income and income in the form of capital appreciation generally termed as capital gains. For investors whose tax liability is lower in dividend income rather than capital appreciation will want dividends to be distributed in the form of cash. Investors whose tax liability is lower on capital appreciation than dividend income will prefer capital appreciation than distribution of dividend. So based on the tax sensitivity of the investors they will prefer the company they have invested upon to reciprocate to the tax sensitivity of the investors. If investors want dividends, the companies shall manage liquidity accordingly and if investors want capital appreciations companies shall constantly venture for new investment opportunities that the be funded through retained earnings for growth in value of the investors or shareholder’s wealth.

2.1.4 Signaling Theory

In the context of corporate finance, signaling theory has been proposed and presented by Stephen Ross (Ross, 1977) through the accommodation of the idea of Michael Spence (Spencer, 1973), on labor markets. The theory is based on the idea of information asymmetry i.e., management looking and aware about the company are more well aware and knowledgeable about the company’s present and future outlook rather than the outsiders in this case investors who observe the company from the outside based on public information available. So, as the investors have no clear picture about the internality of the company, they perceive dividend declaration and payouts as an observable action that reflects upon the position of the company.

Dividend payment is linked to how the company actually is positioned and performing. A company that is paying an increasing divided is perceived as the management having positive outlook and confidence on the future earning of the company. Investor perceive the dividend paying company as a company having good financial health and the confidence of the investor also raises the market price of the company due to increasing interest of the investor to purchase and hold such stocks whereas a company decreasing or eliminating dividend is perceived to be in some sort of financial crisis in terms of revenue, profitability or cash flows, due to which management is limiting dividend payout and finally such perception creates supply pressure in the market rather than demand pressure due to which there is a decline in the price of the stocks in them market.

2.1.5 Agency Theory

Agency theory developed by Jensen and Meckling (Jensen & Meckling, 1976), reflects upon the conflict of interest arising between managers and shareholders or investors due to agency relationship where managers may be focused on their self-interested rather than focusing on the responsibilities they have as agents to the shareholders. The theory addresses that if dividend is paid to the shareholders it acts as a factor that resolves doubt of the investor that the managers are not working for the interest of shareholders and working for their own self interests. Distribution of earnings to the shareholders in the form of dividends limits the amount of fund they have in their control due to which mismanagement of funds and misuse of organizational assets is limited and controlled. This curtails the likelihood of managers investing in unprofitable ventures and use the fund to buy assets that adds no real value to the business growth. Thus, dividend plays as a factor that controls the managers behavior by limiting the fund and resources available at their hand and aligns their actions in line with the interest and prosperity of shareholders and investors.

Various theoretical propositions point out various perception on the impact of dividend practices on shareholders wealth and company's performance. In practicality, various theories play out at once and impact different factors at once rather than the implication of one idea. The theoretical review further explored by empirical review presented afterwards where different theories play out at once in

accumulation due to which there is no certainty of what happens in the market to adhere to different theories.

2.2 Empirical Review

In the empirical review section of this study, previous research on the impact of dividend practices on shareholder wealth and company performance are reviewed.

Kanakriyah (2020) studied the nature of the association between dividend practice and a corporation's financial performance in emerging countries, as well as the main variables that may have an effect on financial performance. The study included 92 industrial and service sector companies listed on the Amman Stock Exchange (ASE) during the period from 2015 to 2019. The study used Panel Data Analysis and cross-sectional time-series data and simple and multiple linear regression models. A multiple regression model was also developed in order to test whether guess factors may have a possible impact on financial performance (such as Dividend Yield, Dividend Pay-out Ratio, Firm Size, Leverage Ratio, Current Ratio). The data was collected from the annual reports and information that was available on the ASE website covering the period from 2015 to 2019.

Nambukara & Perries (2020) examined the impact of dividend practice on shareholder wealth. It was grounded on a sample of 13 companies in the Australian retailing industry, listed on the Australian Stock Exchange (ASX) for the period 2012-2017. Dividend payout ratio was used as the proxy variable to measure dividend policy, whereas the market value of a share was the proxy variable for measuring shareholder wealth. The study covered secondary data, employing regression analysis for the purpose of analyzing the data. Previous literature had discussed this association between dividend policy and its impact on shareholder wealth. Studies have proven strong relationships, whereas some criticized the theories and findings. The results of this study established that dividend policy had a positive, moderate relationship with shareholder wealth. This was found to be consistent with the dividend relevance, bird-in-the-hand and signaling theories.

Osakwe, Ezeabasili, & Chukwunulu (2019) examined the effect of dividend practice on stock prices with empirical evidence from Nigeria. The study employed dividend yield (DY), dividend pay-out ratio (DPO), earnings per share (EPS) as the dividend policy variables and net asset per share (NAPS) as control variable of firm size. The dependent variables and proxy for stock prices was the market price share (MPS). Data were obtained from financial statements of 10 consumer goods firms quoted in Nigerian stock exchange. The panel data covering a period of five years from 2011 to 2015 were used. A panel least square regressions technique was employed. The results showed that DY had an insignificant negative effect on MPS, DPO had a significant positive effect on MPS, EPS had a significant positive effect on MPS while NAPS had an insignificant positive effect on MPS. The study thus concludes that dividend policy was capable of influencing the stock prices in consumer goods sector of the Nigerian stock market indicating that the theory of irrelevancy of dividends do not hold in the case of Nigeria.

Sutomo & Budiharjo (2019) analyzed the effect of dividend practice which was proxied by the Dividend Payout Ratio on firm value and return equity on firm value. Secondary data were collected in samples from Manufacturing companies listed on the Indonesia Stock Exchange in the period 2014 - 2017. Sampling in this study uses a purposive sampling method with criteria as (1) listed on the Indonesia Stock Exchange in 2014 - 2017. (2) Publish audited financial statements for the 2014-2017 period in Rupiah. (3) Always had an advantage. Statistical test was done by t test and multiple linear regression analysis, before this test was done first classic assumption test. The results of the study show that: 1) Dividend Payout Ratio had a positive and not significant effect on the value of the company proxy by Price Book Value. 2) Based on the results of the study it can be seen that return on equity had a positive and significant effect on the value of the company proxy by Price Book Value.

Chauhan, Ansari, Taqi, & Ajmal (2019) evaluated the impact of dividend policy on profitability of Indian Information Technology (IT) companies listed on Bombay Stock Exchange. Companies were selected for the study based on market capitalization. Correlation matrix and panel regression model were used for testing of hypotheses. The major findings of the study reveal that the selected companies do not follow consistent pattern of dividend payments and the association between Price

Earnings Ratio (PER) and Dividend Payout Ratio (DPR) was low positive. However, there was a strong relation between ROE-ROA. Hausman Test reveals that random affect model was appropriate thereby indicating that performance of selected companies have significant impact on dividend policy of selected companies. Divided policy still regarded as one of the complicated areas in corporate finance. Thus, the study would help all the stakeholders to develop further understanding on dividend policy.

Khan, Shah, & Baber (2018) analyzed the nature of the association between dividend policy and a corporation's financial performance in emerging countries, as well as the main variables that may have an effect on financial performance. The study included 92 industrial and service sector companies listed on the Amman Stock Exchange (ASE) during the period from 2015 to 2019. The study used Panel Data Analysis and cross-sectional time-series data and simple and multiple linear regression models. A multiple regression model was also developed in order to test whether guess factors may have a possible impact on financial performance (such as Dividend Yield, Dividend Pay-out Ratio, Firm Size, Leverage Ratio, Current Ratio). The data was collected from the annual reports and information that was available on the ASE website covering the period from 2015 to 2019. The results detect a strong relation between DY, DPR, and FSIZE variables that explain firm performance. Also leverage ratio was negatively and significantly associated with ROA and AOE. Moreover, no relations were detected between current ratio and financial performance. The study's conclusion was that dividend policy explains a lot of a company's financial performance, meaning that the dividend policy had a statistically significant impact on company financial performance.

Farrukh, Irshad, Khakwani, Ishaque, & Ansari (2017) examined the impact of dividend policy on shareholders' wealth and firm performance in Pakistan. The conduct of dividend policy had been one of the most debatable issues in literature of corporate finance. Numerous researchers have attempted to reveal issues with respect to the dividend policy, however, we still don't have a worthy explanation regarding the behavior of dividend policy. The variables used in this research are dividend policy, shareholders wealth, and firm performance. Dividend per share and dividend yield are used to measure dividend policy. For shareholders wealth, earning per share

and share price are used as proxies. Return on equity was used to measure firm performance. From the regression result, it was found out that dividend policy had positively significant impact on shareholders' wealth and firm performance. This study supported dividend relevance theory, signaling effect theory, bird in hand theory and clientele-effect theory. The study commends the implementation of stable, effective, managed and target-oriented dividend policy by firm's financial managers along with effective supervisory framework governed by capital market regulatory bodies to uplift firms' performance and shareholders wealth in Pakistan.

Turakpe & Legaaga (2017) adopted multiple regression models to examine the selected companies namely Nigerian Breweries Plc, Zenith Bank Nigeria Plc and Guaranty Trust Bank Plc from 2011-2015. The result of the analyses showed that for Nigerian Breweries, profit after tax and return on asset are positively related to dividend while earnings per share had negative relationship with dividend. The result for Zenith Bank shows that earnings per share and return on asset are positively related to dividend while profit after tax had negative relationship with dividend. The result for Guaranty Trust Bank shows that profit after tax had positive relationship with dividend while earnings per share and return on asset are negatively related to dividend. From the findings, the study concludes by agreeing with most of the dividend relevant proponents that dividend matters to corporate performance even though with varying results that tends to support other theories such as dividend residual theory. It therefore recommends that managers must review the opinion of their core investors in deciding dividend policy that meets with their expectations.

Nkuah & Yusif (2016) examined the impact of dividend policy on the wealth of stockholders of selected registered companies on the Ghana Stock Exchange (GSE). Secondary data were collected on 25 listed firms using annual reports from 2005 to 2011. The dependent variable was wealth of stockholders proxied by market price per stock. The explanatory variables included dividend per stock (DPS), retained earnings per stock (REPS), financial leverage (FLEV), and price earnings ratio (PER). Fixed-effect model was fitted to the data. The regression results showed that dividend payment, retained earnings, and price earnings ratio have significant positive impact on the stock market price. It was also found that the impact of dividend was more pronounced than that of retained earnings in the context of companies registered on

the Ghana Stock Exchange. It was therefore recommended that optimal trade-off between dividend payment and retained earnings be established by corporate management to maximize the wealth of stockholders.

Sharif, Ali, & Jan (2015) investigated the effect of dividend policy on stock prices. Objective of the study was to see if there exists any relationship between dividend policy and stock prices. Analyzed 45 non-financial companies listed on KSE-100 index that have earned profits and paid dividend for a period of twelve-year w.e.f. 2001. Technique adopted for sampling adopted was convenience sampling. As the nature of data was panel therefore, pooled regression, fixed and random effect tests were run. Random effect results were focused after applying Hausman's test. Regression Results witness that Dividend per Share and Retention Ratio havean insignificant relationship with Share Market Prices, Dividend Payout Ratio had a significant positive relationship with Share Prices as supported by the Bird in hand theory suggested that owners give preference to a dollar of estimated dividends over a likely dollar of capital gains. Profit after tax, earning per share and Return on Equity were the three control variables. Profit after Tax had insignificant relation to Stock Prices. Earnings per Share had positive significant relation to Stock Prices. There was negative significant relation between Return on Equity and Share Prices. It was recommended that firms in the sample should regularly pay dividend as it would cause an upward movement in the stock market prices. Whereas profit retention by firms would result in a decrease in the value of the stock market prices

Ojeme, Mamidu, & Ojo (2015) examined empirically, the implications of adopted dividend policies on the value of shareholders' wealth and the extent to which dividend policy affects the market value of shares in quoted banks in Nigeria. The paper focuses on the situation before and after the financial meltdown. Correlation results of dividend paid in 2007-2010 and their corresponding market value showed that payment of dividend by quoted banks was relevant to their market value and the amount paid as dividend affects the value of their share. The paper also provides insight into the implications and effects of policy decisions as it affects dividend payout and dividend retained for further growth on shareholders' wealth

Agnes, Lim, Lim, Ow, & Tan (2014) determined the impact of dividend policy on shareholders' wealth in Malaysia's food producer sector. The variables used in this research are dividend payout ratio, earning volatility, long term debt ratio, growth in assets, liquidity and profitability (ROE). Secondary data was used in this research and panel data was used to carry out the regression model. The total of observation of 295 companies was taking into account in this research started from the period of year 2008 to year 2012. The model was employed by random effect method. From the regression result, it found out that earnings volatility and profitability (ROE) are positively significant with shareholders' wealth. However, dividend payout ratio and long-term debt ratio are negatively significant with earnings per share. On other hand, growth in assets and liquidity are positively insignificant with earnings per share.

Adhikari (2015) investigated the dividend policy, performance, and the stock price in the pre-emerging capital market of Nepal employing descriptive cum analytical research. A priori hypothesis between relationship of the variables indicating dividend policy, performance and stock prices is set based on empirical studies, and tested on the data from 22 listed enterprises covering a 5-year period, 2009 to 2013. All regular dividend paying enterprises are selected and data obtained are analyzed using portfolio analysis and cross-section regression approach. The findings reveal that higher the dividend payout, better the performance and that a dividend is a major factor affecting the stock price and current year dividend per share affects negatively while dividend paid in the past year and return on equity influence positively the stock price

Zafar, Chaubey, & Khalid (2012) explored the impact of dividend on shareholders wealth of eleven selected Indian banks listed and actively traded in National Stock Exchange (NSE) during the period 2006 to 2010 using multiple regression technique, in addition t-values, the coefficient of determination (R2) had been calculated and its significance also been tested with the help of F-Value. The first part of paper gives an insight about the dividend and its legal implications. The second part consists of data and their analysis which revealed the fact that there was significant impact of dividend policy on the shareholder's wealth in Indian banking companies. At the end, concluding remarks and suggestions are given. Gilt schemes are seen to have been

positive. However, the observed positive performances of the selected schemes are not statistically significant.

Kapoor, (2009) analyzed information asymmetry, agent conflicts, signaling effect and corporate dividend policy determinants. This section on literature review was focused on various models and theories that are relevant to our study. The review of the literature was organized into various schools of thoughts on dividend policy

Azhagaiah & Priya (2008) analyzed the impact of dividend policy of shareholders' wealth in Organic and Inorganic Chemical Companies in India during 1996 – 1997 to 2005-2006. To measure the impact of dividend policy on shareholders' wealth multiple regression method and step-wise regression models are used by taking DPSit (Dividend per Share), RE it (Retained Earnings per Share), Pet-1 (Lagged Price Earnings Ratio) and MPSit-1 (Lagged Market Price) (MVit-1) as independent variable, and MPSit (Market Price Per Share) as dependent variables. To determine the proportion of explained variation in the dependent variable, the co-efficient of determination (R2) had been tested with the help of F value. The study proves that the wealth of the shareholders was greatly influenced mainly by five variables viz., Growth in sales, Improvement of Profit Margin, Capital Investment Decisions (both working capital and fixed capital), Capital Structure Decisions, Cost of Capital (Dividend on Equity, Interest on Debt) etc. There was a significant impact of dividend policy on shareholders' wealth in Organic Chemical Companies while the shareholders' wealth was not influenced by dividend payout as far as Inorganic Chemical Companies are concerned.

Table 1:

Summary of Empirical Review

SN	Name Of the Article	Author	Objective	Methodology	Finding
1	Dividend Policy and Companies' Financial Performance	Raed Kanakriyah (Kanakriyah, 2020)	This study aims to determine the nature of the association between dividend	Secondary data are used for analysis. Tools used for Data	The results detect a strong relation between DY, DPR, and FSIZE variables that explain firm performance. Also

			policy and a corporation's financial performance in emerging countries, as well as the main variables that may have an effect on financial performance	Analysis -Simple And Multiple Linear Regression Methods	leverage ratio is negatively and significantly associated with ROA and AOE. Moreover, no relations were detected between current ratio and financial performance.
2	The Impact of Dividend Policy on Shareholder Wealth: A Study on The Retailing Industry of Australia	Bandula Nambukara-Gamage* (Nambukara & Perries, 2020)	The principal objective of this research is to examine the impact of dividend policy on shareholder wealth.	Grounded on secondary data Tools Used for Data Analysis: -Co-efficient of variance -Standard Error -P-Value	The results of this study established that dividend policy has a positive, moderate relationship with shareholder wealth.
3	Effect Of Dividend Policy on Stock Prices: Evidence from Nigeria	Alfred C. Osakwe, Vincent N. Ezeabasili, and Jessie I. Chukwunulu (Osakwe, Ezeabasili, & Chukwunulu, 2019)	Investigate the effect of dividend yield, dividend pay-out ratio, earnings per share, and net asset per share on stock prices in Nigeria.	Secondary data are used for analysis. Tools used for Data Analysis: -A panel least square -Regression technique	The results showed that Dividend Yield had an insignificant negative effect on Market Price per Share, Dividend Payout Ratio had a significant positive effect on Market Price per Share, Earning Per Share had a significant positive effect on Market Price per Share while Net Asset Per Share had an insignificant positive effect on Market Price per Share.
4	The Effect of Dividend Policy and Return on	Hadi Sutomo, Roy Budiharjo	To determine the effect of dividend policy which is proxied by the	Secondary data are used for analysis. Tools used	The results of the study show that: 1) Dividend Payout Ratio had a positive and not

	Equity on Firm Value	(Sutomo & Budiharjo, 2019)	Dividend Payout Ratio on firm value and return equity on firm value	for Data Analysis: -Statistical test is done by t test –Multiple linear regression analysis	significant effect on the value of the company proxy by Price Book Value. 2) Based on the results of the study it can be seen that return on equity had a positive and significant effect on the value of the company proxy by Price Book Value
5	"Dividend Policy and Its Impact on Performance of Indian Information Technology Companiess"	"Jahangir Chauhan, Shamim Ansari, Mohd Taqi, and Mohd Ajmal (Chauhan, Ansari, Taqi, & Ajmal, 2019)	a. Check how dividend policy of a firm and its profitability is associated" b. Analyze the impact of dividend policy on firm's Return on Equity (ROE)." c. Evaluate impact of dividend policy on firm's Return on Assets (ROA)."	Secondary data are used for analysis. Tools Used for Data Analysis: -Correlation Matrix and Panel -Regression Model (Fixed & Random Effect)"	The major findings of the study revealed that the selected companies did not follow consistent pattern of dividend payments and the association between Price Earnings Ratio (PER) and Dividend Payout Ratio (DPR) was low positive. However, there was a strong relation between ROE-ROA
6	Impact Of Dividend Policy on Shareholders' Wealth: An Empirical Analysis of Listed Insurance Companies In Pakistan	Muhammad Shabeer Khan (Khan, Shah, & Baber, 2018)	a. To discover the link of dividend policy with shareholders' wealth in Pakistan listed insurance industry b. To scrutinize the influence on shareholders'	Secondary data are used for analysis Tools Used for Data Analysis: -Mean, median -Standard Deviation -Correlation	The results detect a strong relation between Dividend Yield, Dividend Payout Ratio, and Firme size variables that explain firm performance. Also leverage ratio is negatively and significantly associated with ROA and AOE. Moreover, no relations were detected

			wealth by dividend policy in Pakistan listed insurance industry	analysis -Regression analysis	between current ratio and financial performance.
7	Impact Of Dividend Policy on Shareholders Wealth and Firm Performance in Pakistan	Khadija Farrukh, Sadia Irshad, Maria Shams Khakwani, Sadia Ishaque & Nabeel Younus Ansari (Farrukh, Irshad, Khakwani, Ishaque, & Ansari, 2017)	To explore the extent of association between dividend policy and share market price (shareholders wealth); between dividend policy and earning per share (shareholder wealth); and between dividend policy and firm performance (profitability).	Analytical research design based on secondary data. Tools used for Data Analysis -Mean -Median -Standard Deviation -Correlation Analysis	It is found out that dividend policy has positively significant impact on shareholders' wealth and firm performance
8	Dividend Policy and Corporate Performance: A Multiple Model Analysis	Morrison Turakpe and Fiiwe James Legaaga (Turakpe & Legaaga, 2017)	a. To investigate the relationship between profit after tax and dividend policy of corporate organizations. b. To analyse the relationship between returns on assets and dividend policy of corporate organizations	Secondary data are used for analysis. Tools used for Data Analysis -linear regression.	The study concludes by agreeing with most of the dividend relevant proponents that dividend matters to corporate performance even though with varying results that tends to support other theories such as dividend residual theory.
9	Investigating The Effect of Dividend Policy on	Evans Fayol Nkuah & Hadrat Yusif	The major objective of the research was to examine the	Secondary data are used for analysis. Tools used	The results showed that dividend payment, retained earnings, and price earnings ratio have

	The Wealth Of Stockholders Of Listed Companies on The Ghana Stock Exchange	(Nkuah & Yusif, 2016)	impact of dividend policy on the wealth of stockholders of companies enlisted on the Ghana Stock Exchange.	for Data Analysis: Descriptive Statistics -Multi-Collinearity Test	significant positive impact on the stock market price. It was also found that the impact of dividend is more pronounced than that of retained earnings in the context of companies registered on the Ghana Stock Exchange.
10	Effect Of Dividend Policy on Stock Prices	Ilyas Sharif,Adnan Ali & Farzand Ali Jan (Sharif, Ali, & Jan, 2015)	To study if there is any relation between dividend policy factors and stock prices.	Secondary data are used for analysis. Tools Used for Data Analysis: -Multiple regression analysis	Dividend per Share and Retention Ratio had an insignificant relationship with Share Market Prices. Dividend Payout Ratio had a significant positive relationship with Share Prices as supported by the Bird in hand theory suggested that owners give preference to a dollar of estimated dividends over a likely dollar of capital gains. Profit after tax, earning per share and Return on Equity were the three control variables. Profit after Tax had insignificant relation to Stock Prices. Earnings per Share had positive significant relation to Stock Prices. There was negative significant relation between Return on Equity and Share Prices.
11	Dividend Policy and Shareholders' Wealth in Nigerian	S. Ojeme, A. I. Mamidu, J. A. Ojo (Ojeme, Mamidu, &	"The implications and effect's of policy decisions as it affects dividend	Secondary data are used for analysis. Tools Used for Data	The results of the study show that: (a) Payment of dividend by quoted banks is relevant to their market

	Quoted Banks	Ojo, 2015)	payout and dividend retained for further growth on shareholders' wealth."	Analysis: -Correlation analysis	value. (b) The amount paid as dividend affects the value of their shares. (c) Payment of dividend by quoted banks is not the only factor that affects the value of their shares
12	The Impact of Dividend Policy on Shareholders Wealth Evidence on Malaysia's Listed Food Producer Sector	"Agnes Ong Shi Kai, Lim Ai Shyuan, Lim Mian Yer, Ow Yong Pui Yee, Tan Lai Lly (Agnes, Lim, Lim, Ow, & Tan, 2014)	To evaluate the effect of dividend policy on shareholder wealth with a focus on food producer companies listed in Malaysia stock market.	Secondary data are used for analysis. Tools used for Data Analysis -Mean, -Median, -Maximum, -Minimum -Standard Deviation,	It found out that earning volatility and profitability (ROE) were positively significant with shareholders' wealth. However, dividend payout ratio and long-term debt ratio were negatively significant with earnings per share. On other hand, growth in assets and liquidity were positively insignificant with earnings per share.
13	Dividend Policy, Performance, And The Stock Price in Nepal	Nabaraj Adhikari (Adhikari, 2015)	Aims at investigating the dividend policy, performance, and the stock price in the pre-emerging capital market of Nepal employing descriptive cum analytical research	Secondary data are used for analysis. Tools Used for Data Analysis: - Basic Regression Model	The findings reveal that higher the dividend payout, better the performance and that a dividend is a major factor affecting the stock price and current year dividend per share affects negatively while dividend paid in the past year and return on equity influence positively the stock price.
14	A Study on Dividend Policy and its Impact on the Shareholders	"S.M. Tariq Zafar, D.S. Chaubey and S.M. Khalid"	a. To examine the relationship between dividend payout and	Analytical research design based on secondary data.	The study found that by analyzing revealed data through T-Test of Market Value to Book Value 'there is no significance

	Wealth in Selected Banking Companies in India	(Zafar, Chaubey, & Khalid, July, 2012)	shareholders' wealth. b. To analyze the extent of improvisation in shareholder wealth with increased dividend c. To analyze the impact of valuation in dividend policy of Indian banking companies on shareholder 's wealth.	Tools used for Data Analysis -Standard Deviation -Multiple Regression Technique -Stepwise Regression Method. -T-test	difference been found in the Market Value to Book Value' and thus the hypothesis which was assumed in this study is accepted after analyzing the data.
15	"Impact of Dividend Policy on Shareholders Value: A Study of Indian Firms	Sujata Kapoor (Kapoor, 2009)	"To empirically examine the determinants of dividend smoothing by firms and find out its linkage with information content of dividends"	Secondary data are used for analysis. Tools Used for Data Analysis: -Lintner Model -Quadratic Polynomial Regression Analysis Using Panel Data	The results highlight that there is Low dividend smoothing in this sector as it is characterized by high target payout ratio and high speed of adjustment coefficient.
16	The Impact of Dividend Policy on Shareholders' Wealth	R.Azhagaiah, Sabari Priya .N (Azhagaiah & Priya, 2008)	To study the relationship between dividend payout and shareholders' wealth.	Secondary data are used for analysis. Tools used for Data Analysis -Mean, -Standard	The study proves that the wealth of the shareholders is greatly influenced mainly by five variables viz., Growth in sales, Improvement of Profit Margin, Capital Investment Decisions

	Deviation, -Multiple Regression Technique - Stepwise Regression Method"	(both working capital and fixed capital), Capital Structure Decisions, Cost of Capital (Dividend on Equity, Interest on Debt) etc. There is a significant impact of dividend policy on shareholders' wealth in Organic Chemical Companies while the shareholders' wealth is not influenced by dividend payout as far as Inorganic Chemical Companies are concerned.

2.3 Research Gap

Dividend policy and retention policies have always been a central focus and concern of both corporate financial management and also of the investors perception of their investment. Numerous studies are done on establishing the impact of dividend policy on shareholder's wealth and also on the overall performance of firms, there is no rigid understanding on how this relationship varies across industries, region, and economic condition. Although, theoretical framework has their own perception regarding the relationships, but as the dividend policy is not the only factor impacting the company's performance and shareholder's wealth, there is no conclusive establishment of the relationship when also looking at the empirical data regarding the study as significant variations in theoretical factors are observed while analyzing empirical data and gaps still remain in understanding how this relationship varies across different industries, regions, and economic conditions. Financial metrics have been the primarily associated with specific financial metrics such as dividend payout ratio, earning per share, return on equity and the focus has been on individual factors rather than the collective study of the impact of these variables on firm's performance and shareholder's wealth. Moreover, these studies have been limited to companies in well-developed economies, leaving a gap in the understanding of this subject of study in emerging and developing economy where the awareness of economic, regulatory and corporate factors may differ significantly.

In addition, while positive correlation has been observed on the study of the relationship between dividend policy and firms value, while negative correlation has been found on other studies. This implies dividend policy is not the only factor affecting the firms value, but the inconsistency is observed due to other external factors, such as economic conditions, stock market cycles, corporate strategies, investors preferences playing significant roles than previously studied. Also, the need for up-to-date studies is also required to incorporate the impact of evolving and highly dynamics and the changing financial landscape and also to examine the long-term effects of dividend policy across diverse contexts.

The study aims at conducting a comprehensive analysis of comparative analysis of different sectors and regions providing a comprehensive view of how dividend practice impacts shareholder's wealth and firms' performance under varying conditions. A much fresh insights will be presented accommodating various theoretical and empirical conclusions and also the conclusions reached from the analysis of data taken in context of this study. Majorly, impact of dividend practice in Nepalese companies will be presented which will reflect the impact of dividend practice in emerging and developing countries like Nepal. Also, the perception of the investors will also be reflected as majority of the participants in capital markets of Nepal are new participants to the market.

CHAPTER- III
RESEARCH METHODOLOGY

This chapter deals research design, population and sample and sampling design, nature and source of data and the instrument of data collection, methods of analysis and research framework and definition of variables used in this study.

3.1 Research Design

To achieve the study's objectives, a combination of descriptive and causal comparative research designs has been employed. The descriptive research design is utilized to analyze the factors affecting the market price per share of the selected enterprises listed on the Nepal Stock Exchange (NEPSE) and to compare these results. The causal comparative research design is applied to examine the relationship between the adjusted market price per share, lagged dividends per share (Lagg DPS), dividend yield (DY) and return on equity (ROE). This analysis is conducted using correlation and regression techniques.

3.2 Population and Sample and Sampling Design

For the purpose of this study all the companies listed on the Nepal Stock Exchange (NEPSE) is treated as the entire population which is as of December 2024, lists total of 245 firms and companies. Now we have studied the companies that represents the dividend model based on past given dividend history and targeted sample of 12 companies is selected for in-depth analysis out of which 5 companies pay cash dividends, 3 bonus dividend and 4 mix dividend stocks and the scripts selected are mentioned below as per dividend practices wise.

Specifically, based on the dividend models that is cash, bonus and mixed policies the following samples are selected. the companies chosen include those that:

i. Companies that primarily pays cash in the forms of dividends to the shareholders out of earnings.
ii. Issue **bonus dividends**, where the shareholders are not issued cash but the dividends are capitalized out of reserves of the company and shareholders are issued additional equivalent units of equity.

iii. Utilize a **mixed approach**, where both above mentioned dividend payout policies are mixed up with both cash and bonus shares part.

The study considers the data of the variables from the year 2015 to 2023. The subject of study focuses on the impact of dividend policies. Based on the dividend payment history the dividend practices are bifurcated into bonus dividend where main focus in on bonus shares, cash dividend where major focus is on cash dividend payable and mixed dividend practices where is a combination of bonus and cash dividends.

Using purposive sampling technique, a total sample of 12 companies is selected which includes the mix of companies with different dividend practices. The sample includes:

- Nepal Telecom (NTC), Bottlers Nepal Limited (BNL), Bottlers Nepal (Terai) Limited (BNL) and Unilever Nepal Limited represents companies with cash dividend practices.
- Citizen Investment Trust (CIT), Muktinath Bikas Bank Limited (MNBBL), and NIC Asia Bank (NICA) represents companies with bonus dividend practices.
- Salt Trading Corporation (STC), Nabil Bank (NABIL), Chhimek Laghubitta Bikas Bank Limited (CBBL), Soaltee Hotel Limited (SHL), and Siddhartha Bank Limited (SBL) represents companies with mixed dividend practices.

3.3 Nature and Sources of Data and the Instruments of Data Collection.

The secondary data used in this study was obtained from the publicly available annual reports of sample firms and also from financial websites like nepsestock.com, merolagani.com, share sansar. The information came from Nepalese financial and non- financial firms that were listed on the Nepal Stock Exchange (NEPSE). The study includes information from balance sheet, income statements and cashflow statement of the sample firms.

3.4 Methods of Analysis

The statistical tools are used for data analysis in order to increase the study's specificity and reliability. Excel is used to analyze the data for this research.

3.4.1 Descriptive Analysis

Descriptive statistics provide a summary of the key features of a dataset, offering insights into its central tendency, dispersion, and overall distribution. The main components include:

Arithmetic Mean

The arithmetic mean, or average, is a measure of central tendency that calculates the sum of all values in a dataset divided by the number of values. It provides a central value around which the data points are distributed. For example, if you are analyzing stock prices, the arithmetic mean gives you the average price over a specified period, helping to understand the typical value of the stock during that time. It is calculated as under:

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

where,

- X = each individual value in the dataset
- $\sum X$ = the sum of all values in the dataset
- n = the total number of values in the dataset

Standard Deviation

Standard deviation measures the dispersion or spread of data points around the arithmetic mean. It quantifies how much the individual values in a dataset deviate from the average value. A high standard deviation indicates that the data points are spread out over a wide range, while a low standard deviation suggests that they are clustered closely around the mean. In financial analysis, standard deviation is often used to assess the volatility of stock returns. It is calculated as under:

$$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{n}}$$

Where,

σ = Standard Deviation

X = each individual value

$\overline{X}$ = mean of the sample

n = total number of values in the sample

3.4.2 Correlation Analysis

Correlation analysis examines the strength and direction of the relationship between two or more variables. It helps in understanding how variables move in relation to each other. This statistic measures the degree to which two variables are linearly related. The value of the correlation coefficient ranges from -1 to 1, where -1 indicates a perfect negative correlation, 1 indicates a perfect positive correlation, and 0 indicates no correlation. For example, in a study of stock performance, correlation analysis might reveal how changes in dividends per share (DPS) are related to changes in stock prices. It is calculated as under:

$$r = \frac{n\sum XY - (\sum X) * (\sum Y)}{\sqrt{n\sum X2 - (\sum X)^2} * \sqrt{n\sum Y2 - (\sum Y)^2}}$$

Where,

r is the correlation coefficient.

n is the number of data points (sample size).

$\sum XY$ is the sum of the product of X and Y values.

$\sum X$ is the sum of the X values.

$\sum Y$ is the sum of the Y values.

$\sum X^2$ is the sum of the squares of X values.

$\sum Y^2$ is the sum of the squares of Y values.

The correlation coefficient r will range between -1 and 1, where:

r = 1 indicates a perfect positive linear relationship.

r = −1 indicates a perfect negative linear relationship.

r = 0 indicates no linear relationship between the variables.

3.4.3 Regression Analysis

Regression analysis is used to understand the relationship between a dependent variable and one or more independent variables. In this study we use the multiple regression analysis where a single independent variable is based on multiple dependent variables. It helps in predicting the value of the dependent variable based on the values of the independent variables. The regression model provides an equation that describes the relationship between the dependent variable and the independent

variables. This model estimates how lagged dividends per share (Lagg DPS) and dividend yield (DY) impact the adjusted market price of the stock (AMPS) representing shareholders return and return on equity (ROE) representing firm's performance, the regression equation would show how changes in Lagged DPS and DY are associated with changes in AMPS and ROE.

Therefore, the following model has been employed for the study of relationship and effect of the study variables:

Model 1

Regression Equation For ROE

$ROE=\beta0+\beta1\cdot DPS+\beta2\cdot DY+\epsilon$

Where:

ROE: Return on Equity (dependent variable).

Lagg DPS: Lagged Dividend Per Share (independent variable).

DY: Dividend Yield (independent variable).

$\beta0$: Intercept, representing the baseline ROE when both Lagg DPS and DY are zero.

$\beta1$: Coefficient for Lagg DPS, indicating the change in ROE for a one-unit increase in DPS, holding DY constant.

$\beta2$: Coefficient for DY, indicating the change in ROE for a one-unit increase in DY, holding Lagg DPS constant.

ϵ: Error term, capturing variability in ROE not explained by Lagg DPS and DY.

Model 2

Regression Equation for adjusted MPS

$AMPS=\beta0+\beta1\cdot DPS+\beta2\cdot DY+\epsilon$

Where:

AMPS: Adjusted Market Price per Share (adjusted for bonus).

Lagged DPS: Lagged Dividend Per Share.

DY: Dividend Yield.

$\beta0$: Intercept term, representing the value of AMPS when Lagg DPS and DY are zero.

$\beta1$: Coefficient for Lagg DPS, indicating the change in AMPS for a one-unit increase in DPS, keeping DY constant.

β2: Coefficient for DY, indicating the change in AMPS for a one-unit increase in DY, keeping DPS constant.

ϵ: Error term, capturing the variability in AMPS not explained by Lagg DPS and DY

3.4.4 IRR Analysis

Internal rate of return is the measure of return that the shareholders get on the money invested and the year till which the money is held. It reflects upon the returns earned by the investors. In our research for overall long-term return comparisons of shareholders wealth for different dividend policies, we have compared to the money investment at the beginning of year of our sample dates i.e., 2015 to end of sample date that is 2023. It measures the return earned by the shareholder's provided that they have invested at the end of FY 2015 and held till year end 2023.

3.5 Research Framework and Definition of the Variables

The empirical review done in chapter II provides a guidance for the conceptual framework of this study. Many researchers had used various types of variables for their study. Taking as a reference from their studies, for the sake of this study following variables are applied:

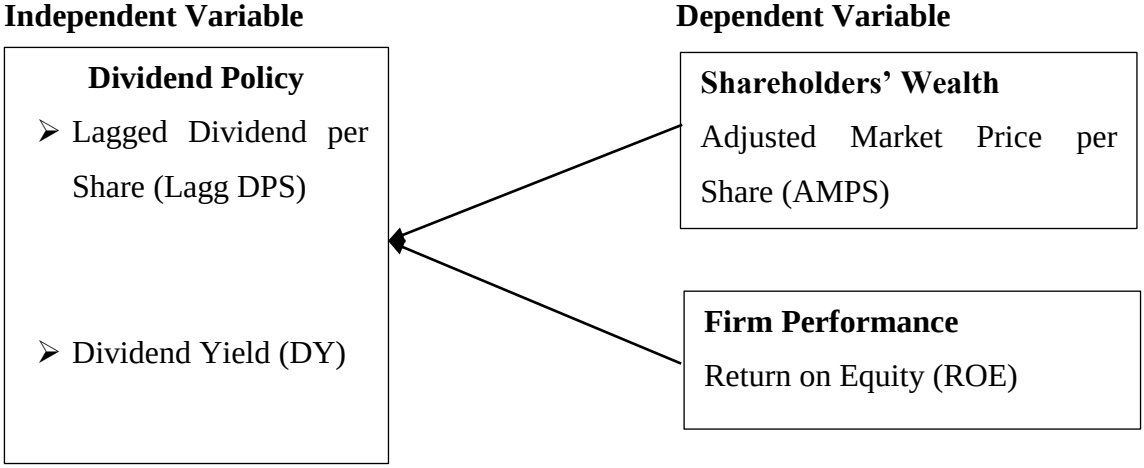

Figure 1: Research Framework

Source: (Farrukh, Irshad, Khakwani, Ishaque, & Ansari, 2017)

Definition of Variables

Lagged Dividend Per Share (Lagg DPS):

Lagged dividend is used based on the assumption that the bonus of the last year that is announced on current year will influence the price that is kept at the end of the relevant year. So, price of closing of 20X1 is based on dividend for the year 20X0. It can be calculated as:

$$\text{Lagg DPS}_t = \frac{\text{Total Dividends for the Year (t-1)}}{\text{Number of Shares Outstanding in Year (t-1)}}$$

where,

- Lagged DPS_t refers to the dividends per share for the relevant previous financial year, which is assumed to influence the stock price at the end of the current year t meaning the dividend paid for year (t-1) will be announced and realized in the year t that finally impact the price at the end of year t.
- Total Dividends Paid in Year (t-1) is the total amount of dividends declared and paid out by the company in the previous year (year t−1).
- Number of Shares Outstanding in Year (t-1) is the number of shares outstanding in the previous year, as the dividend is paid on the shares outstanding at the time the dividend is declared.

For analysis purposes, Lagg DPS is categorized into three distinct forms based on the type of dividend payout:

- **Cash dividends**: Direct payments made to shareholders in the form of cash.
- **Bonus dividends**: Dividends distributed in the form of additional shares, increasing the number of shares held by shareholders.
- **Mixed dividends**: A combination of both cash dividends and bonus shares, where the company uses a hybrid approach to payout dividends.

In lagged DPS all forms of dividend per share that is cash and bonus is included.

Return on Equity (ROE):

Return on Equity (ROE) is a financial ratio that measures a company's profitability in relation to shareholders' equity. It indicates how effectively the company is using the shareholders' capital to generate profits. A higher ROE suggests that the company is efficient in generating returns from the equity it has.

Formula:

$$\text{ROE} = \frac{\text{Net Income/ Earning available for equity}}{\text{Shareholders' Equity}}$$

Adjusted Market Price per Share (AMPS):

MPS is the current price at which a single share of a company's stock can be bought or sold in the market. Adjusted market price is the price that would have been if all the dividend factors were adjusted. The time range of 2015-23 is taken, to show the impact of dividend on long term return, we have considered what the value of one particular share would have been if the investor has held the share for that time frame meaning adjusted MPS will give the value that shareholder would have if they have bought the share at the end of 2015 and held till the date till which the adjusted market price is calculated. Every adjusted MPS give the value a single share would have been on the year end if it has been invested on and hold on from 2015 to the respective year. It is influenced by a range of factors, including the company's earnings, growth prospects, and dividend practices. MPS is often seen as a proxy for the shareholders' wealth, as it directly affects the capital gains investors can realize from their equity holdings.

It can be calculated as:

Adjusted $MPS_t = MPS_t \times \Pi (1 + \text{Bonus Ratio}_i)$ for i = 1 to (t - 1)

Where:

- **MPS_t:** The market price at the end of year t_1, reflecting adjustments up to year t−1.
- **Bonus Ratio_i** : The bonus ratio declared for year i, applicable to adjustments for year i+1.
- **Π (1+Bonus Ratio_i)**: The product of (1+Bonus Ratio) for all years up to t−1.

Dividend Yield

The dividend that is earned if the investment has been invested on the beginning of the year is the dividend yield for that current year.

$$\text{DY} = \frac{\text{Annual dividend per share}}{\text{Market Price}}$$

If bonus share is issued, the market price is divided by bonus share factor and overall cash dividend is then earned on the adjusted price.

CHAPTER-IV
RESULT AND DISCUSSION

4.1 Results

In this section, AMPS, ROE, DPS, DY of all the companies mentioned in the sample section is presented as part of the study.

4.1.1 Descriptive Analysis

In this section based on the data presented on Table 2 it represents the summarized descriptive statistics where mean, median, maximum, min and standard deviation of all the variables AMPS, ROE, Lagg DPS, DY is calculated and presented based on the main major data presented in Appendix 1.

Table 2:

Descriptive statistics

Variables	*Mean*	*Median*	*Maximum*	*Min*	*Standard deviation*
AMPS	4911.85	1722.69	35021	220	7292.43
ROE	18.66	16.66	57.64	-2	12.12
Lagg DPS	92.93	25.26	1270	0	247.33
DY	1.96	0.61	11.05	0	2.43

Source: Calculation from excel sheet based on data on Appendix 1.

As presented on the table the mean AMPS of all data is 4911.85, median AMPS is 1722.69 maximum AMPS is 35021.00, minimum AMPS is 220 and standard deviation of 7292.43 and in case of ROE the mean is 18.66, median is 16.66, maximum is 57.64, standard deviation is 12.12 and in case of DPS mean is 92.93, median is 25.26, maximum is 1270, minimum is 0.00 and standard deviation observed is 247.33; similarly in case of DY mean is 1.96, median is 0.61, maximum is 11.05, minimum is 0.00 and standard deviation in DY is 2.43.

4.1.2 Correlation Analysis

In the correlation analysis degree of relationship between different variables is presented.

Correlation Analysis of overall data

Table 3:

Overall Correlation Analysis

	Adjusted MPS	*ROE*	*Lagged Dividend*	*DY*
Adjusted MPS	1			
ROE	0.48	1.00		
Lagged Dividend	0.77	0.63	1.00	
DY	0.00	0.07	0.23	1.00

Source: Calculation from excel sheet based on data on Appendix 1.

The correlation between various variables is reflected in the table above. The degree of correlation of AMPS is 0.48 with ROE, 0.77 with lagged dividend, and 0.00 with DY indicating highest degree of correlation with lagged dividend. Also, the correlation of ROE with adjusted dividend is 0.48, with lagged dividend is 0.63 and with DY is 0.07 indicating highest degree of correlation with lagged dividend. Also, correlation of lagged dividend with ROE is 0.63 with DY is 0.23 and with AMPS is 0.77 indicating highest correlation with AMPS and correlation of DY is reflected with all variables in the description as already mentioned.

Correlation Analysis of Companies with mixed dividend practices

Table 4:

Correlation Analysis (Companies with mixed dividend policy)

	Adjusted MPS	*ROE*	*Lagged Dividend*	*DY*
Adjusted MPS	1			
ROE	-0.207	1		
Lagged Dividend	-0.068	0.634	1	
DY	-0.365	-0.118	-0.098	1

Source: Calculation from excel sheet based on data on Appendix 1.

On analysis of the correlation between the given variables in case of companies with mixed dividend policies the above observation is observed which is significantly different than correlation analysis done with overall data. Negative correlation of AMPS is observed with all variables where roe is positively correlated with lagged dividend and lagged dividend and DY are negatively correlated.

Correlation Analysis of Companies with cash dividend practices

Table 5:

Correlation analysis (Companies with cash dividend policy)

	Adjusted MPS	*ROE*	*Lagged Dividend*	*DY*
Adjusted MPS	1.00			
ROE	0.71	1.00		
Lagged Dividend	0.86	0.72	1.00	
DY	0.07	0.17	0.27	1.00

Source: Calculation from excel sheet based on data on Appendix 1.

Strong correlation between MPS with lagged divine and roe where-as very weak correlation of all variables with DY.

Correlation Analysis of Companies with bonus dividend policy

Table 6:

Correlation analysis (Companies with bonus dividend policy)

	Adjusted MPS	ROE	Lagged Dividend	DY
Adjusted MPS	1			
ROE	-0.230	1		
Lagged Dividend	0.161	0.077	1	
DY	-0.282	0.070	-0.242	1

Source: Calculation from excel sheet based on data on Appendix 1.

Negative weak correlation of AMPS with ROE and weak correlation between all factors. All the presented shows that the dependent and independent variables show high degree of correlation with each other where in most case DY has a very weak positive and negative correlation with other factors. In case of companies with cash

dividend strategy high degree of correlation with dependent and independent factors as compared to other dividend policies.

4.1.3 Regression Analysis

A multi variable regression model shows the relationship with one independent variable and two dependent variables.

Model 1

Firstly, we will analyze the regression model for all our sample data and establish how lagg DPS and DY impacts ROE.

Based on the regression run on excel, the following outputs are generated on given data.

Regression Analysis for Overall Impact of Lagg DPS and DY On ROE

Table 7:

Regression Analysis for overall impact of Lagg DPS and DY on ROE

Regression Statistics	
Multiple R	0.630
R Square	0.397
Adjusted R Square	0.384
Standard Error	9.55
Observations	96

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 96 observations. Multiple R shows a moderate positive correlation among the variables that is Lagged DPS and DY with ROE. R^2 shows that the 39% of the variation in the ROE can be explained by the variation between DPS and DY. Square value is lower than R^2 indicates that some independent variables may not strongly contribute to explaining the variability. Standard error is 9.553 and given the variability in our data among various variables it can be considered realistic.

Table 8:

ANOVA (Overall Impact of Lagg DPS and DY On ROE)

	df	*SS*	*MS*	*F*	*Significance F*
Regression	2	5605.234	2802.617	30.70	0.0000
Residual	93	8487.428	91.262		
Total	95	14092.662			

Source: Calculation from excel sheet based on data on Appendix 1

Here the significance f - value is 0.0000. It indicates that the collective impact of independent variable (lagged dividend per share and dividend yield) on dependent variable (ROE) is significant.

Table 9:

COEFFICIENT TABLE (overall impact of Lagg DPS and DY on ROE)

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	16.51	1.267	13.030	0.00	13.996	19.029	13.996	19.029
Lagged Dividend	0.031	0.004	7.793	0.00	0.023	0.039	0.023	0.039
DY	-0.402	0.412	-0.976	0.331	-1.220	0.415	-1.220	0.415

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 0.031 and p-value is 0.00, it indicates that there is a positive significant impact of lagged dividend on ROE. The coefficient of DY is -0.402 with a p value of 0.331, it indicates that there is a negative insignificant impact of dividend yield DY on ROE.

Based on the data the generated regression equation is:

ROE = 16.51 + 0.0316*DPS-0.4024*DY

Regression equation shows intercept and degree of coefficient with DPS and DY where DPS shows positive relation and DY inverse relationship.

Regression Analysis of Lagged DPS And DY On ROE For Cash Dividend Paying Stock

Table 10:

Regression analysis of Lagged DPS and DY on ROE for cash dividend paying stock

Regression Statistics	
Multiple R	0.715
R Square	0.512
Adjusted R Square	0.478
Standard Error	11.512
Observations	32.000

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 32 observations. R value of 0.715 shows a very significant degree of correlation between the variables. About 51.2 % of the of the variation in ROE can be explained by the impact of independent variables DPS and DY. Square value is lower than R^2 indicates that some independent variables may not strongly contribute to explaining the variability. Standard error is 11.513 and given the variability in our data among various variables it can be considered realistic.

Table 11:

ANOVA (Lagged DPS and DY on ROE for cash dividend paying stock)

	df	SS	MS	F	Significance F
Regression	2	4029.65	2014.83	15.20	0.0000
Residual	29	3843.09	132.52		
Total	31	7872.74			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance F-value is 0.0000. It indicates that the overall significance of the cumulative impact of both the independent variable on dependent variable is significant.

Table 12:

COEFFICIENT TABLE (Lagged DPS and DY on ROE for cash dividend paying stock)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	17.921	2.870	6.245	0.00	12.052	23.791	12.052	23.791
Lagged Dividend	0.029	0.005	5.359	0.00	0.018	0.040	0.018	0.040
DY	-0.136	0.771	-0.177	0.86	-1.714	1.441	-1.714	1.441

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 0.029 and p-value is 0.00, it indicates there is positive significant impact of lagged dividend on ROE whereas the coefficient of DY is -0.136 with a p value 0.86, it indicates that there is a negative insignificant impact of dividend yield on ROE.

Based on the data the generated regression equation is:

ROE = 17.921+0.029DPS-0.136DY

In case of companies issuing cash dividends, the lagged dividend has a positive relationship with ROE whereas there is an inverse negative relationship of ROE with DY.

Regression Analysis of Lagged DPS and DY on ROE for Bonus Shares Paying Stocks

Table 13:

Regression analysis of Lagged DPS and DY on ROE for bonus shares paying stocks

Regression Statistics	
Multiple R	0.12
R Square	0.01
Adjusted R Square	-0.08
Standard Error	4.11
Observations	24.00

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 24 observations. R value of 0.12 shows that the correlation of ROE with DPS and DY is very insignificant. Coefficient of determination shows that 1% of the variability in ROE can be explained by variation in DPS and DY.

Table 14:

ANOVA (Lagged DPS and DY on ROE for Bonus Shares Paying Stocks)

	df	SS	MS	F	Significance F
Regression	2	5.24	2.62	0.15	0.86
Residual	21	355.56	16.93		
Total	23	360.80			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance f value is 0.86 which is greater than 0.05. it indicates that the overall significance of DY and lagg DPS in determining ROE is insignificant. There must be some other factor influencing the ROE meaning dividend policy factors taken in to consideration DY and DPS has no significant cumulative power to influence variation in ROE as the significance level determined by the regression equation shows a value greater than 0.86.

Table 15:

COEFFICIENT TABLE (Lagged DPS and DY on ROE for Bonus Shares Paying Stocks)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	16.49	2.31	7.14	0.00	11.69	21.29	11.69	21.29
Lagged Dividend	0.04	0.09	0.45	0.66	-0.15	0.24	-0.15	0.24
DY	0.63	1.48	0.43	0.67	-2.45	3.72	-2.45	3.72

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 0.04 and p-value is 0.66, it indicates there is positive insignificant impact of lagged dividend on ROE and the coefficient of DY is 0.63 with a p 0f 0.67, it indicates that there is a negative insignificant impact of dividend yield on ROE.

Based on the data the generated regression equation is:

Y = 16.49 + 0.04 Lagged Dividend + 0.63 DY.

In case of companies issuing bonus shares both the variables do not have influencing power over ROE. The return on equity cannot be based primarily on DPS and DY indicating that there must be other factors into consideration that plays the role concluding the DPS and DY are not significant in determining ROE of a company distributing bonus shares.

Regression Analysis of DPS and DY On ROE For Mixed Dividend Paying Stocks

Table 16:

Regression analysis of Lagg DPS and DY on ROE for mixed dividend paying stocks

Regression Statistics	
Multiple R	0.637
R Square	0.406
Adjusted R Square	0.373
Standard Error	8.345
Observations	40

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 40 observations. Multiple R value of 0.637 shows a positive moderate correlation between the variables. R square value of 0.406 indicates 40% of the variation in ROE can be explained due to the variability in DPS and DY.

Table 17:

ANOVA (Lagg DPS and DY on ROE for mixed dividend paying stocks)

	df	SS	MS	F	Significance F
Regression	2	1761.828	880.914	12.648	0.000
Residual	37	2576.924	69.646		
Total	39	4338.753			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance F- value is 0.000. It indicates that the overall cumulative impact of the DY and lagg DPS on ROE is significant.

Table 18:

COEFFICIENT TABLE (Lagg DPS and DY on ROE for mixed dividend paying stocks)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.878	3.637	0.241	0.810	-6.491	8.247	-6.491	8.247
Lagged Dividend	0.517	0.104	4.942	0.00	0.305	0.730	0.305	0.730
DY	-0.241	0.551	0.437	0.664	-1.359	0.876	-1.359	0.876

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 0.517 and p-value is 0.00, it indicates there is positive significant impact of lagged dividend on ROE whereas the coefficient of DY is -0.241 with a p value of 0.664, it indicates that there is a negative insignificant impact of dividend yield on ROE.

Based on the data the generated regression equation is:

Y = 0.878 + 0.517 Lagged Dividend – 0.241 DY

Lagged dividend has a positive correlation with ROE and DY has a negative correlation with ROE although not significant.

Model 2

Regression Analysis

Secondly, the analysis of the Lagg DPS and DY on Adjusted MPS is reflected below:

Regression Analysis Of Impact of Lagg DPS And DY On Adjusted MPS (Overall Sample)

Table 19: *Impact of Lagg DPS and DY on Adjusted MPS (overall sample)*

Regression Statistics	
Multiple R	0.793
R Square	0.630
Adjusted R Square	0.622
Standard Error	4505.655
Observations	96

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 96 observations. R value of 0.79 shows significant correlation between DPS and DY and AMPS and R square value of 0.63 indicates that 63% of the variation in AMPS can be explained by the variation in lagged DPS and DY.

Table 20:

ANOVA (Lagg DPS and DY on Adjusted MPS (overall sample))

	df	SS	MS	F	Significance F
Regression	2	3217254588	1608627294	79.23910298	0.0000
Residual	93	1887986268	20300927.62		
Total	95	5105240856			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance f-value is 0.000. It indicates the cumulative impact of the DPS and DY on AMPS is significant.

Table 21:

COEFFICIENT TABLE Lagg DPS and DY on Adjusted MPS (overall sample)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	3784.40	597.68	6.33	0.00	2597.51	4971.28	2597.51	4971.28
Lagged dividend	24.04	1.91	12.59	0.00	20.25	27.83	20.25	27.83
DY	-564.49	194.33	-2.90	0.00	-950.39	-178.58	-950.39	-178.58

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 24.04 and p-value is 0.00, it indicates there is positive significant impact of lagged dividend on AMPS whereas the coefficient of DY is -564.49 with a p value of 0.00, it indicates the negative significant impact of DY on AMPS.

Based on the data the generated regression equation is:
AMPS = 3784 + 24.04 Lagg DPS-564.49 DY

Lagg DPS has direct relationship with determining AMPS and DY has inverse relationship in case of all sample inclusive of companies with all dividend policies.

Regression Analysis Of Impact Of Lagg DPS And DY On Adjusted Market Price On The Stock Paying Cash Dividend

Table 22:

Regression analysis of impact of DPS and DY on adjusted market price on the stock paying cash dividend

Regression Statistics	
Multiple R	0.88
R Square	0.77
Adjusted R Square	0.76
Standard Error	4951.33
Observations	32.00

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 32 observations. The multiple R value of 0.88 indicates a significant correlation between DPS an DY on AMPS. R square value of 0.77 indicates 77% of variation in AMPS can be explained by the change in lagg DPS and DY.

Table 23:

ANOVA (DPS and DY on adjusted market price on the stock paying cash dividend)

	df	*SS*	*MS*	*F*	*Significance F*
Regression	2	2419570218.09	1209785109.04	49.35	0.0000
Residual	29	710955539.89	24515708.27		
Total	31	3130525757.98			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance f value is 0.000. It indicates that the collective impact of lagg DPS and DY on AMPS is significant.

Table 24:

COEFFICIENT TABLE (DPS and DY on adjusted market price on the stock paying cash dividend)

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	5292.70	1234.27	4.29	0.00	2768.33	7817.07	2768.33	7817.07
Lagged dividend	22.76	2.30	9.90	0.00	18.06	27.46	18.06	27.46
DY	-612.62	331.81	-1.85	0.08	-1291.25	66.01	-1291.25	66.01

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 22.76 and p-value is 0.00, in indicates there is positive significant impact of lagged dividend on ROE whereas the coefficient of DY is -612.62 with a p value of 0.08, it indicates that there is a negative insignificant impact of dividend yield on AMPS.

Based on the data the generated regression equation is:
AMPS = 5292.70+22.76 DPS -612.62DY

Lagged dividend has a significant positive effect on dependent variable with high confidence. DY has less conclusive evidence despite correlation.

Regression Analysis of Impact Lagg DPS and DY On Adjusted Market Price On The Stock Paying Bonus Dividend

Table 25:

Regression analysis of impact Lagg DPS and DY on adjusted market price on the stock paying bonus dividend

Regression Statistics	
Multiple R	0.3
R Square	0.09
Adjusted R Square	0
Standard Error	2629.28
Observations	24

Source: Calculation from excel sheet based on data on Appendix 1.

The data is based on 32 observations. The multiple R value of 0.3 indicates that the correlation is not significant. Also, R square value of 0.09 indicates only 9% of the variation in AMPS can be determined by the change and variation DPS and DY meaning highly significant part of AMPS are determined by factor other than lagg DPS and DY.

Table 26:

ANOVA (Lagg DPS and DY on adjusted market price on the stock paying bonus dividend)

	df	*SS*	*MS*	*F*	*Significance F*
Regression	2	14215808.23	7107904.11	1.03	0.37
Residual	21	145174870.4	6913089.07		
Total	23	159390678.7			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance F-value is 0.37. It indicates the cumulative impact of lagg DPS and DY on AMPS is insignificant.

Table 27:

COEFFICIENT TABLE (Lagg DPS and DY on adjusted market price on the stock paying bonus dividend)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2503.28	1475.3	1.7	0.1	-564.78	5571.35	-564.78	5571.35
Lagged dividend	27.86	60.54	0.46	0.65	-98.03	153.75	-98.03	153.75
DY	-1143.4	947.83	-1.21	0.24	-3114.57	827.69	-3114.57	827.69

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 27.86 and p-value of 0.65, it indicates there is positive insignificant impact of lagged dividend on AMPS and the coefficient of DY is -1143.4 with a p value of 0.24, it indicates that there is a negative insignificant impact of dividend yield on AMPS.

Based on the data the generated regression equation is:
AMPS =2503.28 + 27.86 (Lagg Dividend)-1143.44(DY)

Looking at the data the interrelationship is in itself questionable, as the correlation, p value and f value indicates that the impact of lagg DPS and DY on adjusted market price is negligible and insignificant. We will calculate the IRR for the investment made at the beginning of the period to the latest data date to have an overall look into the investment returns as a financial model.

Regression Analysis of Impact Lagg DPS and DY On Adjusted Market Price on The Stock Paying Mixed Dividend

Table 28:

Regression analysis of impact of lagg DPS and DY on adjusted market price on the stock paying mixed dividend

Regression Statistics	
Multiple R	0.379
R Square	0.144
Adjusted R Square	0.098
Standard Error	4925.710
Observations	40

Source: Calculation from excel sheet based on data on Appendix 1.

The result is based on 40 observations. Multiple R value of 0.379 shows a weak correlation between lagg DPS and DY on AMPS. R square 0.144 indicates only 4.4% of variation on AMPS can be described due to variation on lagg DPS and DY.

Table 29:

ANOVA (Lagg DPS and DY on adjusted market price on the stock paying mixed dividend)

	df	SS	MS	F	Significance F
Regression	2	151407865.7	75703932.8	3.120	0.055
Residual	37	897717057.5	24262623.2		
Total	39	1049124923			

Source: Calculation from excel sheet based on data on Appendix 1.

The significance F value is 0.055. It indicates the cumulative impact of lagg DPS and DY on AMPS is insignificant.

Table 30:

COEFFICIENT TABLE (DPS and DY on adjusted market price on the stock paying mixed dividend)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	6209.363	2146.794	2.892	0.006	1859.543	10559.182	1859.543	10559.182
Lagged dividend	-42.667	61.828	-0.690	0.494	-167.944	82.610	-167.944	82.610
DY	-800.228	325.644	-2.457	0.018	-1460.046	-140.410	-1460.046	-140.410

Source: Calculation from excel sheet based on data on Appendix 1.

The coefficient of lagged dividend is 42.667 and p-value is 0.494, it indicates that there is positive insignificant impact of lagged dividend on ROE and the coefficient of DY is 800.228 with a p value of 0.018, it indicates that there is a negative significant impact of dividend yield on AMPS.

Based on the data the generated regression equation is:

AMPS =6209.36−42.67(Lagg DPS) −800.23(DY)

In this context also, there is a very less degree of determination that is $R^{2.}$ The significance is also greater than 0.03 due to which the model is questionable which implies there is no parallel movement between the variables but we will analyze the overall returns due to bonus shares and mixed shares by the calculation of IRR if investment was made on the year from which the data is presented and held till the date up to which the data is presented.

4.1.4 IRR Analysis to Have an Overview on Overall Shareholders Return

IRR is used as a financial indicator to measure the internal rate of return. IRR reflects upon the return at which the shareholders have earned on invested capital. We

calculate the IRR of all companies listed in sample assuming that the investment made at first year of the given data set is hold till the end of the year up to which the data is presented. We look at the IRR overall and also at the IRR as per the dividend model and draw a comparative.

Overall IRR

Table 31:

IRR of overall sample

Stock	Dividend practices	Initial investment at end of 15-16	Amount at end of 2022-23	IRR
CIT	Bonus	-3722	8201.08	12%
NICA	Bonus	-617	1726.46	16%
MNBBL	Bonus	-564	1349.99	13%
NTC	Cash	-636	1087.2	8%
BNTL	Cash	-5936	13800	13%
BNL	Cash	-1660	2312	5%
UNL	Cash	-21561	32998	6%
STC	Mix	-220	16671.91	86%
NABIL	Mix	-1910	2683.83	5%
CBBL	Mix	-2290	5460.9	13%
SHL	Mix	-375	814.91	12%
SBL	Mix	-869	666.57	-4%
			Average IRR	15%
			Standard deviation	22%

In the overall sample, the average IRR of the companies is 15% with a standard deviation of 22%.

IRR of only bonus paying stocks

Table 32:

IRR of only bonus paying stocks

Stock	Dividend practices	Initial investment at end of 15-16	Amount at end of 2022-23	IRR
CIT	Bonus	-3722	8201.08	12%
NICA	Bonus	-617	1726.46	16%
MNBBL	Bonus	-564	1349.99	13%
			Mean IRR	14%
			Standard Deviation	2%

The mean IRR is 14% with a standard deviation of 2%.

IRR of mix dividend paying stocks

Table 33:

IRR of mix dividend paying stocks

Stock	Dividend practices	Initial investment at end of 15-16	Amount at end of 2022-23	IRR
STC	Mix	-220	16671.91	86%
NABIL	Mix	-1910	2683.83	5%
CBBL	Mix	-2290	5460.9	13%
SHL	Mix	-375	814.91	12%
SBL	Mix	-869	666.57	-4%
			Mean IRR	22%
			Standard Deviation	36%

The mean IRR is 22% with a standard deviation of 36%.

IRR of cash paying stocks

Table 34:

IRR of cash paying stocks

Stock	Dividend practices	Initial investment at end of 15-16	Amount at end of 2022-23	IRR
NTC	Cash	-636	1087.2	8%
BNTL	Cash	-5936	13800	13%
BNL	Cash	-1660	2312	5%
UNL	Cash	-21561	32998	6%
			Mean IRR	8%
			Standard Deviation	4%

The mean IRR is 8% with a standard deviation of 4%.

Comparatively, based on the assumption of investment made and held till date we can say that the IRR of dividend paying stock is the highest but with the highest volatility. IRR of bonus paying stocks is close to overall sample IRR but with the lowest volatility. IRR of cash paying stocks is average but with reasonable standard deviation. IRR also reflects upon the shareholders wealth.

4.2 Discussion

Based on all the descriptive, correlation and regression analysis presented, provide impact of various dividend practices like cash dividend, mixed dividends, and bonus dividends into the return on shareholders wealth measured by adjusted Market price and firm's performance measured by ROE the following findings have been observed. Based on descriptive analysis, cash dividend companies reflect stability and shareholders return due to high average AMPS and ROE. Bonus paying resulted in moderate AMPS with relatively low lagg DPS values emphasizing reinvestment over immediate output. Average AMPS and ROE found in case of mixed dividend policies balancing cash and reinvestment strategies. Based on regression analysis, in overall data in case of adjusted market price lagg DPS has significant positive effect showing critical role in determination of adjusted MPS. DY's impact is negatively significant, indicating a critical contribution in determination of AMPS. Also, lagg DPS showed a

significant positive impact on ROE, and DY has a significant negative impact in ROE. Companies with cash dividend policies has the strongest impact on shareholders wealth and company's performance due to certainty in cash payout consistently. It shows that investors are aligned to companies that has stability in its payout. This outcome shows theoretical parallel with the bird in hand theory as investor trust in the overall consistent payout being made by the companies. Companies with bonus payments shows limited impact of both lagg DPS and DY on ROE and adjusted MPS showing with weak correlations and regression coefficient indicating that the long-term success of the company will determine the actual return on equity and also the actual shareholder's wealth. This has a theoretical parallel with the signaling theory which shows that dividend give the signal that company has potential but if bonus is being paid the long-term success of the entity is more crucial in determining the shareholders wealth and company's performance. Companies with mixed dividend policies shows an average and mixed impact of both cash and bonus paying companies. Also, balanced impact on shareholders wealth and firm's performance noted due to dividend payouts shows a mixed sense of perception by the shareholders showing that cash dividends maintain the short-term investor's confidence but due to bons elements require success in long term to materialize the impact of compounding due to bonus elements. In over-all interpretation of the findings, it can be concluded that the dividend irrelevance theory cannot be valid in real world scenario due to the behavioral and non-perfect market situations. The impact of lagg DPS and DY on firms, performance and shareholders wealth varies in relation to the dividend policies being adopted by the companies. Liquidity is the preference of the investors and short term and consistent dividend payout contribute heavily to the investors markets and company's performance and potential and the impact of bonus elements shall be proven in a longer time frame provided that the company can achieve financial success and the compounding impact are materialized. As seen from the data analysis, dividend relevance theory, Bird in hand theory and Signaling theory plays a major indicating towards perception in Nepalese dividend policies market.

Effect of Dividend Policy on Stock Price: Evidences from Nigeria (Osakwe, Ezeabasili, & Chukwunulu, 2019) shows that DY had an insignificant negative effect on Market price per share which is also reflected in our study.

Also as addressed by Impact of Dividend Policy on Shareholders Wealth and Firm Performance in Pakistan, (Farrukh, Irshad, Khakwani, Ishaque, & Ansari, 2017) it is found that dividend policy has positive significant impact on shareholder's wealth and firm's performance which in our study also it is observed in our study that the variables have significant impact on the shareholders wealth.

The findings of the study has in major ways concluded that lagged DPS has a significant relationship with market price which contradicts with the research Effect of dividend policy on stock price (Sharif, Ali, & Jan, 2015) which proposes that DPS had an insignificant relationship with stock market price. The study was based on the Pakistan market and also major samples were based on non-financial organizations whereas our sample is inclusive of both financial and non-financial organizations and the economic context is also different.

As compared with Dividend Policy and Company's Financial Performance, (Kanakriyah, 2020) there is a strong significant relationship of DY with company's performance but in our study, it is observed that there is no significant relationship of DY with company's performance metric that is ROE in overall sample. The study was based on Jordanian economy whereas our companies are all existing in Nepalese economy system.

This study finds DPS has a positive significant impact as also highlighted in the empirical review of The Impact of Dividend Policy on Shareholder's Wealth: A study on the Retailing Industry of Australia, (Nambukara & Perries, 2020) which highlighted the positive impact of dividend policy on shareholder's wealth.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

This study focuses on the impact of dividend policy on shareholders wealth and company's performance. Adjusted market price per share is seen as a factor representing shareholder's wealth and return on equity indicates firm's performance. The two independent variables have representing dividend policies is lagged dividend per share (lagg DPS) and dividend yield (DY). By the analysis of the data through descriptive, correlation, and regression analysis, the research shed light on the dynamics of dividend policy and the financial outcomes it impacts and materializes. Dividend polices impact both return on equity and shareholder's wealth. In comparison to Dividend Yield (DY) which does not show stronger determining factor capacity in connection to shareholders wealth and firm's performance, but lagg DPS and DY combinedly determine the variations in ROE and adjusted MPS. Cash dividends are more conclusive factors to determine both shareholders return and return on equity. In case of bonus shares the long-term successes, factor is the most deciding critical factor as in the time frame of data and company selected by us show not a very strong correlation and regression factors to justify the variations in company's performance and firm's performance is driven by dividend policy factors.
Mixed policy incorporates the elements of both cash and bonus dividends sustaining a better relationship than bonus shares but also the overall performance and growth depends on long term success of the company as the investors have received reasonable cash and for the impact of bonus to materialize the value of the company shall grow as the representation is not realized gains but linked to the equity value of the company.

5.2 Conclusion

This study demonstrates that dividend practices, particularly dividend yield (DY) and lagged dividend per share (lagged DPS), significantly influence both company performance and shareholder wealth. While DY alone does not affect shareholders' wealth or firm performance, the combination of lagged DPS and DY provides a clearer understanding of variations in return on equity (ROE) and adjusted market price per share (MPS). The study concludes that cash dividends have a more

immediate and significant impact on shareholder returns and company performance, while bonus shares show a weaker connection, highlighting their reliance on the long-term success of the firm. Additionally, the mixed dividend policy, which combines cash and bonus dividends, demonstrates a stronger relationship with business performance, although its long-term effectiveness depends on the company's ongoing growth.

5.3 Implications

The outcomes completely challenge's the dividend irrelevance theory and associate more closely with signaling theory, bird in hand theory. Investors shall be aware of how dividend policy impacts their overall returns from the company and how much of role dividend policies have on the overall shareholders return and also company's performance.

Corporate manager shall put focus on the dividend policy they are adopting and ensure that the investors have boost and confidence in their company and constant cash payout is seen as a major indicator that determines the investors' confidence and company's issuing bonus elements shall make sure the long-term success of the business and firm is ensured.

As the impact of dividend policy is very relevant in the context, policy makers shall make sure that the companies are transparent and disclose properly their dividend policies which are parallel with their financial indicators which will eventually help investors to make informed and calculated decisions regarding their investments.

Conclusively, the relevance of dividend policies is very reflective on our analysis part. All stakeholders of the company including shareholders, investors, policy makers shall all be aware of the implication of dividend policies and make informed decisions and effects on the importance of dividend polices for overall shareholders wealth maximization and company's performance.

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APPENDIX

Appendix I

Presentation of all dependent and independent variables data

Companies with cash dividend policy

Company	Year	Adjusted MPS	Lagged dividend	DY	ROE
NTC	2015-16	636.00	50.00	8.02	16.26
NTC	2016-17	689.00	51.00	7.98	16.83
NTC	2017-18	721.00	55.00	7.63	17.74
NTC	2018-19	693.00	55.00	6.49	10.62
NTC	2019-20	655.00	45.00	6.11	10.61
NTC	2020-21	1314.00	40.00	1.83	7.95
NTC	2021-22	1053.60	40.00	4.56	8.89
NTC	2022-23	1087.20	40.00	4.42	8.43
BNTL	2015-16	5936.00	0.00	0.42	32.00
BNTL	2016-17	6085.00	25.00	0.41	38.00
BNTL	2017-18	5872.00	25.00	0.68	37.00
BNTL	2018-19	6890.00	40.00	0.00	19.00
BNTL	2019-20	6200.00	0.00	0.00	0.20
BNTL	2020-21	12178.00	0.00	0.00	15.70
BNTL	2021-22	15371.00	0.00	0.39	18.90
BNTL	2022-23	13800.00	60.00	0.43	16.30
BNL	2015-16	1660.00	0.00	0.00	24.00
BNL	2016-17	1660.00	0.00	0.00	29.00
BNL	2017-18	1693.00	0.00	1.18	30.00
BNL	2018-19	1760.00	20.00	0.00	18.00
BNL	2019-20	1830.00	0.00	0.00	-2.00
BNL	2020-21	1830.00	0.00	0.00	11.00
BNL	2021-22	1942.00	0.00	1.03	16.00
BNL	2022-23	2312.00	20.00	0.00	16.00
UNL	2015-16	21561.00	990.00	4.73	57.64
UNL	2016-17	35021.00	1020.00	3.63	46.82
UNL	2017-18	24698.00	1270.00	2.83	50.25

UNL	2018-19	20236.00	700.00	3.81	50.40
UNL	2019-20	18800.00	770.00	0.53	16.66
UNL	2020-21	19395.00	100.00	3.35	37.61
UNL	2021-22	18360.00	650.00	6.62	49.29
UNL	2022-23	32998.00	1215.00	4.79	45.78

Companies with bonus dividend policy

Company	Year	Adjusted MPS	Lagged dividend	DY	ROE
CIT	2015-16	3722.00	23.00	0.04	22.10
CIT	2016-17	6276.90	23.16	0.03	22.23
CIT	2017-18	3722.83	23.22	0.06	21.77
CIT	2018-19	4412.86	23.16	0.06	16.67
CIT	2019-20	5381.48	23.16	0.40	17.41
CIT	2020-21	8433.91	17.89	0.06	14.16
CIT	2021-22	7898.79	31.58	0.07	9.33
CIT	2022-23	8201.08	26.32	0.04	15.34
NICA	2015-16	617.00	41.05	0.28	16.50
NICA	2016-17	1005.48	27.37	0.16	16.84
NICA	2017-18	477.79	21.05	0.18	12.09
NICA	2018-19	745.11	10.53	2.71	22.73
NICA	2019-20	1011.72	21.05	0.22	19.26
NICA	2020-21	2164.07	20.00	0.00	17.01
NICA	2021-22	1515.28	0.00	0.00	18.43
NICA	2022-23	1726.46	0.00	0.25	16.39
MNBBL	2015-16	564.00	32.63	0.00	26.88
MNBBL	2016-17	1751.38	34.00	0.10	21.27
MNBBL	2017-18	607.82	21.05	0.30	17.21
MNBBL	2018-19	703.54	19.21	0.30	19.24
MNBBL	2019-20	697.08	18.53	1.52	12.16
MNBBL	2020-21	1633.02	15.51	0.17	16.94
MNBBL	2021-22	1282.93	18.50	0.18	16.61
MNBBL	2022-23	1349.99	14.21	0.14	13.33

Companies with mixed dividend policy

Company	Year	Adjusted MPS	Lagged dividend	DY	ROE
STC	2015-16	220.00	25.00	2.73	1.59
STC	2016-17	258.00	25.00	5.81	5.29
STC	2017-18	390.00	35.00	4.81	5.75
STC	2018-19	907.50	35.00	2.58	4.21
STC	2019-20	6597.66	35.00	0.21	7.04
STC	2020-21	27700.31	25.00	0.01	3.49
STC	2021-22	12220.31	10.50	0.14	3.20
STC	2022-23	16671.91	15.00	0.02	3.20
NABIL	2015-16	1910.00	36.84	1.92	22.73
NABIL	2016-17	3047.20	45.00	3.15	25.61
NABIL	2017-18	1556.49	48.00	3.69	22.41
NABIL	2018-19	1514.24	34.00	4.25	20.94
NABIL	2019-20	1621.75	34.00	4.61	17.76
NABIL	2020-21	3846.13	35.26	2.80	13.60
NABIL	2021-22	3115.57	38.00	3.64	15.20
NABIL	2022-23	2683.83	30.00	1.84	9.80
CBBL	2015-16	2290.00	52.70	0.78	47.23
CBBL	2016-17	2135.00	52.70	2.31	38.00
CBBL	2017-18	1718.92	45.00	3.01	35.11
CBBL	2018-19	2232.35	40.00	2.14	19.49
CBBL	2019-20	3022.37	44.32	0.82	16.34
CBBL	2020-21	6125.63	29.00	0.21	25.91
CBBL	2021-22	4729.91	30.00	0.38	16.29
CBBL	2022-23	5460.90	25.26	1.22	15.19
SHL	2015-16	375.00	31.57	3.24	9.00
SHL	2016-17	397.10	21.05	1.93	12.00
SHL	2017-18	307.40	21.05	7.38	19.00
SHL	2018-19	339.53	26.31	5.33	18.00
SHL	2019-20	246.43	26.31	0.00	7.00

SHL	2020-21	419.26	0.00	0.00	-0.16
SHL	2021-22	324.05	0.00	11.05	0.17
SHL	2022-23	814.91	26.32	5.75	0.26
SBL	2015-16	869.00	21.05	0.00	17.19
SBL	2016-17	674.15	39.00	0.00	25.13
SBL	2017-18	475.38	14.00	2.86	22.74
SBL	2018-19	529.10	13.16	5.28	15.71
SBL	2019-20	541.74	25.26	1.14	13.81
SBL	2020-21	1033.12	15.00	0.17	15.68
SBL	2021-22	709.61	15.00	0.25	13.82
SBL	2022-23	666.57	13.16	1.66	13.50

Appendix II

S. N	**Full name of the Companies**	**Dividend policy**	**Year of sample**	**No of Observation**
1	Salt trading company	Mix	2015-2023	8
2	Citizen Investment Trust	Bonus	2015-2023	8
3	Nepal Telecom	Cash	2015-2023	8
4	Bottlers Terai Nepal Limited	Cash	2015-2023	8
5	Bottlers Nepal Limited	Cash	2015-2023	8
6	Unilever Nepal	Cash	2015-2023	8
7	NICA Asia Bank Limited	Bonus	2015-2023	8
8	Nabil Bank Limited	Mix	2015-2023	8
9	Muktinath Bank Limited	Bonus	2015-2023	8
10	Chimmekk Laghubitta Bikas Bank Limited	Mix	2015-2023	8
11	Soaltee Hotel Limited	Mix	2015-2023	8
12	Siddhartha Bank Limited	Mix	2015-2023	8
	Total			96

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