

**IMPACT OF DIVIDEND POLICY ON STOCK PRICE IN
MANUFACTURING ENTERPRISES AND TRADING COMPANIES OF
NEPAL**

By

**Bhoj Bahadur Pandey
Tribhuvan Multiple Campus**

Tansen, Palpa

T.U. Regd. No: 7-3-49-734-2006

**A Thesis Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University**

**In partial fulfillment of the requirements for the Degree of
Master's of Business Studies (M.B.S.)**

**Tansen, Palpa
February, 2013**



त्रिभुवन विश्वद्यालय
Tribhuvan University
त्रिभुवन बहुमुखी क्याम्पस
Tribhuvan Multiple Campuse

तानसेन पाल्पा, नेपाल
Tansen, palpa ,Nepa
☎075-520030,520114,520116
Fax:075-520114
क्याम्पस प्रमुखको कार्यालय
Office of The Campuse Chief

प.सं. / Ref No.:-
च.न.:-

मिति/Date:-

RECOMMENDATION

This is to certify that Mr. Bhoj Bahadur Pandey has prepared the thesis entitled " **PACT OF DIVIDEND POLICY ON STOCK PRICE IN MANUFACTURING ENTERPRISES AND TRADING COMPANIES OF NEPAL** " under my supervision .It embodies has Original and independent work. I am fully satisfied with the work in times of its literature review, research methodology ,presentation and analysis of data and over all research work .

This thesis has been prepared in the from as required by the faculty of management for the partial fulfillment of the Master's Degree in Business Studies (M.B.S.)

It is forwarded for the examination . I recommend this Thesis for approval as acceptance.

.....
Sujay Pradhan
Thesis Supervisor



त्रिभुवन विश्वविद्यालय
Tribhuvan University
त्रिभुवन बहुमुखी क्याम्पस
Tribhuvan Multiple Campuse

तानसेन पाल्पा, नेपाल
Tansen, palpa ,Nepa
☎075-520030,520114,520116
Fax:075-520114
क्याम्पस प्रमुखको कार्यालय
Office of The Campuse Chief

प.सं./Ref No.:-
च.नं.:-

मिति/Date:-

Approval Sheet

This is to certify that the thesis

Submitted by :

Bhoj Bahadur Pandey

Entitled :

"IMPACT OF DIVIDEND POLICY ON STOCK PRICE IN MANUFACTURING ENTERPRISES AND TRADING COMPANIES OF NEPAL"

has been prepared and approved by this department in the prescribed format of the Faculty of Management. This thesis forwarded for examination.

.....
(Sujay Pradhan)
Thesis Supervisor

.....
(Santosh Lal Shrestha)
Head of the research Department

.....
(Keshav Raj Sharma)
Campus Chief



त्रिभुवन विश्वविद्यालय
Tribhuvan University
त्रिभुवन बहुमुखी क्याम्पस
Tribhuvan Multiple Campus

तानसेन पाल्पा, नेपाल
Tansen, palpa ,Nepa
☎075-520030,520114,520116
Fax:075-520114
क्याम्पस प्रमुखको कार्यालय

प.सं./ Ref No.:-
च.न.:-

मिति/Date:-

VIV-VOCE SHEET

We have conducted the viva -voce examination of the thesis presented

By:
Bhoj Bahadur Pandey

Entitled:

"IMPACT OF DIVIDEND POLICY ON STOCK PRICE IN MANUFACTURING ENTERPRISES AND TRADING COMPANIES OF NEPAL" is found to be the original work of the student and written according to the prescribed format .We recommend this thesis to be accepted as partial fulfillment of the requirement for Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Member (Thesis Supervisor)

.....

Chairman, Research Department

.....

Member (External Expert)

.....

Date :-

DECLARATION

I hereby declare that the work reported in this thesis entitled "**IMPACT OF DIVIDEND POLICY ON STOCK PRICE IN MANUFACTURING ENTERPRISES AND TRADING COMPANIES OF NEPAL**" submitted to **Tribhuvan Multiple Campus Tansen** ,Faculty of management ,Tribhuvan University , is my original work done in the form of partial fulfillment of the requirement for the Master's Degree of business Studies (M.B.S.) under the supervision of supervisor Mr.Sujay Pradhan, Tribhuvan Multiple Campus, Tansen Palpa.

.....

Bhoj Bahadur Pandey

(Researcher)

Tribhuvan Multiple Campus

Date :- February 2013

ACKNOWLEDGEMENT

This research has not been completed by my sole efforts many helping hands have made contributions in different ways to bring out in thesis shapes. I cannot remain without acknowledging their contributions.

Fist of all ,I would like to express my deep gratitude to my respected teacher Mr. Sujay Pradhan, Tribhuvan Multiple Campus, Palpa for his constructive suggestion, guidelines inspiration and encouragement to accomplish this thesis.

I would like to extend my sincere gratitude to Mr. Keshav Raj Sharma, the campus chief of Tribhuvan Multiple Campus, Palpa for his regular inspiration, motivation and valued suggestions.

I am equally grateful to Mr. Yuba Raj Paudyal, Assistant Campus Chief, faculty of management, Tribhuvan Multiple Campus. Similarly, I am equally indented to all teaching and non-teaching staff of Tribhuvan Multiple Campus, Palpa.

Finally, I would like to express my thanks to spouse Sabita Pandey, and all my family members for their continuous and valuable support. Thanks are also due to Kiran Sharma for his support. I express to Abdul khan for his computer work.

Bhoj Bahadur Pandey
(Researcher)
Tribhuvan Multiple Campus
Tansen, Palpa

LIST OF CONTENTS

	Page
Recommendation	i
Approval Sheet	ii
Viva Voce Sheet	iii
Declaration	iv
Acknowledgement	v
List of Tables	ix
List of Contents	viii
List of Figure	ix
List of Abbreviations	x
CHAPTER ONE: INTRODUCTION	1-6
1.1 Background	1
1.2 Focus of the Study	2
1.3 Statement of the Problem	3
1.4 Objectives of the Study	4
1.5 Significance of the Study	5
1.6 Organization of the Study	5
CHAPTER TWO: REVIEW OF LITERATURE	7-34
2.1 Conceptual Framework	7
2.2 Review of Empirical Studies	28
2.3 Concluding Remarks	33
CHAPTER THREE: RESEARCH METHODOLOGY	35-45
3.1 Research Design	35
3.2 Nature and Sources of Data	35
3.3 Population and Sample	37
3.4 Methods of Analysis	38
3.5 Limitations of Study	45
CHAPTER FOUR: PRESENTATION AND ANALYSIS OF DATA	46-74
4.1 Analysis of Financial indicators	46
4.2 Analysis of Relationship of dividend policy with Stock Price	49
4.3. Role of Dividend Policy on Stock Price	51
4.4 Test of Hypothesis	57

4.5 Primary Data Analysis	67
4.6 Major Findings of the Study	73

**CHAPTER FIVE: SUMMARY, CONCLUSION AND
RECOMMENDATION** **75-76**

5.1 Summary	75
5.2 Conclusion	76
5.3 Recommendation	76
5.4 Future Avenues	77

BIBLIOGRAPHY **78-80**

APPENDICES

LIST OF TABLES

Table No	Title	Page
4.1:	Value of EPS of selected Enterprises	46
4.2:	DPS Value of Sample Enterprises	47
4.3:	Value of D/P Ratio of Sample Enterprises	48
4.4:	MPS of Sample Enterprises	49
4.5:	Correlation between DPS and MPS	50
4.6:	Correlation between EPS and MPS	50
4.7:	Correlation between D/P Ratio and MPS	51
4.8:	Regression line of dependent variable MPS on DPS	52
4.9:	Regression line of dependent variable MPS on D/P Ratio	53
4.10:	Standard Error of Estimates	54
4.11:	Coefficient of Determination	55
4.12:	T-test for the correlation between EPS ratio and MPS	56
4.13:	T-test for the correlation between D/P ratio and MPS	58
4.14:	T-test for the correlation between EPS and MPS	60
4.15:	T-test for the correlation between DPS and MPS	61
4.16:	Calculated Value of 'F from ANOVA one way table	62
4.17:	Calculated Value of 'F from ANOVA one way table	64
4.18:	Calculated Value of T from Pair mean value of D/P Ratio	66
4.19:	Questionnaires regarding Dividend policy	72

LIST OF FIGURES

Figure No.	Title	Page
1.	Effectiveness of dividend policy	67
2.	Impact of Earning in Stock price	68
3.	Role of various decisions in stock price	68
4.	Objectives of cash dividend	69
5.	Response towards dividend as a residual decision	69
6.	Shareholder are indifferent weather the company pays or not dividend	70
7.	Impact of company's announcement of earning to change market price of share	71
8.	Stock split and market transaction of shares	71

LIST OF ABBREVIATION

BOD	Board of Director
BN (T)	Bottlers Nepal (Terai)
BN (B)	Bottlers Nepal (Balaju)
BBC	Bishal Bazaar Company
Co.	Company
COR	Company Register Office
FY	Fiscal Year
Ltd.	Limited
Mfg.	Manufacturing
NCML	NIDC Capital Markets Limited
NEPSE	Nepal Stock Exchange
NIDC	Nepal Industrial and Development Corporation
No.	Number
NLO	Nepal Lube Oil
Pvt.	Private
REGD.	Registration
SEBO/N	Security Board of Nepal
SEC	Security Exchange Center
SMC	Securities Marketing Center
STC	Salt Trading Corporation
SEE	Standard Error of Estimates
T.U.	Tribhuvan University
ULN	Unilever Nepal