CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Dividend represents a distribution of earnings to the shareholders of a company that are usually declared at Annual General Meetings and paid to shareholders of record. Dividend or profit allocation decision is one of the four decision areas in finance. The other three are financing, investment, and working capital management decisions. As noted by Ross, Westerfield and Jaffe (2002) companies view the dividend decision as quite important because it determines what funds flow to investors and what funds are retained by the firm for investment. Dividend policy can also provide information to stakeholders concerning the company's performance.

In order to sustain in capital market earnings is essential for any corporate company. Those earnings are either in the form of dividend and capital gain. Division of profit is done and provided to the shareholders of the firm as dividend. However, they do not become the property of the shareholders and have no right to them until directors of the company have assessed a resolution declaring a dividend. The policy of company regarding division of profit between and retention is known as dividend policy. Decisions concerning dividend policies are next to investment and capital structure decisions. It is one of the most important issues company has to consider. Dividends as elements of divisions of net profit are part of the financial strategy of an enterprise. With that in mind, managers have to decide what structured payout policy should they follow considering the aspects of its existence on the market and long term growth. For investors, problem lies in the immediate earnings or possible future growth (Bhattarai; 2008).

Dividend policy has significant impact on the company's capital market, in particular the dynamics of the price of its shares. Dividend represents cash income of the shareholders and to some extent, signals them to about success of the firm they have invested. From that point of view dividend policy has its significance in investment decisions (Bhattarai, 2007).

Earnings are treated as the financing sources of the firm. The firm retains the earnings; its impact can be seen in many factors such as decreased leverage ratio, expansion of activities and increase in profit in succeeding years. Whereas if firm pays dividend, it may need to raise capital through capital market that may affect the risk characteristics of the firm. Therefore there are many dimensions to be considered on dividend policies, theories and practices.

A number of studies have been carried out to find out the effect of dividend policy in share price in different parts of the world particularly in developed countries. Most of the earlier studies indicate the importance of dividend policy in determining the share price. Corporate should follow appropriate dividend policy to maximize shareholders value. In the context of Nepal, limited studies have been carried out on this subject matter even though it holds enormous significance in our Nepali Market. So this study aims to mobilize the fund prevailing practice and policies, relevant factors of some Nepal's listed commercial bank regarding to the difference in policy adopted by them considering size of dividend and its impact in comparison with each other.

1.1.1 Profiles of Sample Banks

Everest Bank Limited (EBL)

Catering to more than 10 lacs customers, Everest Bank Limited (EBL) is a name you can depend on for professionalized & efficient banking services. Founded in 1994, the Bank has been one of the leading banks of the country and has been catering its services to various segments of the society. With clients from all walks of life, the Bank has helped develop the nation corporately, agriculturally & industrially.

Punjab National Bank (PNB), our joint venture partner (holding 20% equity) is one of the largest nationalized bank in India having presence virtually in all important centers. Owing to its performance during the year 2012-13, the Bank earned many laurels & accolades in recognition to its service & overall performance. Recently, PNB was awarded with “IDRBT Banking Technology Excellence Award” under Customer Management & Intelligence Initiatives. The Bank also bagged “Golden Peacock Business Excellence Award 2013” by Institute of Directors. Similarly, the Bank was recognized as ‘Best Public Sector Bank’ by CNBC TV 18. The bank has now more than 7,000 branches and 8,500 ATMs spread all across India. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement. Everest Bank Limited (EBL) provides customer-friendly services through its wide Network connected through ABBS system, which enables customers for operational transactions from any branches. The bank has 86 Branches, 115 ATM Counters, 3 extension counter & 28 Revenue Collection Counters across the country making it a very efficient and accessible bank for its customers, anytime, anywhere.

Vision

To be a Leading Commercial Bank with Pan Nepal presence and become a household name, providing wide range of financial products and services under one roof

Mission

Growth through Banking for ALL

NABIL Bank Limited (NABIL)

Nabil Bank Limited is the nation’s first private sector bank, commencing its business since July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 67 points of representation. In addition to this, Nabil has presence through over 1500 Nabil Remit agents throughout the nation.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes international standard banking software that supports the E-channels and E-transactions.

Nabil is moving forward with a Mission to be "1st Choice Provider of Complete Financial Solutions" for all its stakeholders; Customers, Shareholders, Regulators, Communities and Staff. Nabil is determined in delivering excellence to its stakeholders in an array of avenues, not just one parameter like profitability or market share. It is reflected in its Brand Promise "Together Ahead". The entire Nabil Team embraces a set of Values "C.R.I.S.P", representing the fact that Nabil consistently strives to be Customer Focused, Result Oriented, Innovative, Synergistic and Professional (Source: www.nabilbank.com).

Nepal Investment Bank

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, had acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

The Corporate Vision and Mission of the NIBL are as follows:

Vision

To be the most preferred provider of Financial Services in Nepal

Mission

To be the leading Nepali bank, delivering world class service through the blending of state-of-the-art technology and visionary management in partnership with competent and committed staff, to achieve sound financial health with sustainable value addition to all our stakeholders. We are committed to do this mission while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

Standard Chartered Bank Nepal Limited (SCBNL)

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 70.21% in the company with 29.79% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1700 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs almost 87,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market.

With 15 points of representation, 23 ATMs across the country and with more than 450 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs.

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering shareholder value in a socially, ethically an environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those communities in which its customers and staff live. It concentrates on projects that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered. It supports non-governmental organisations involving charitable community activities The

Group launched two major initiatives in 2003 under its 'Believing in Life' campaign- 'Living with HIV/AIDS' and 'Seeing is Believing'.

1.2 Statement of the Problems

Dividend policy being one of the major decisions to be taken by firm has not become a well known phenomenon or a matter or practice to a larger number of financial communities even today. Since, long time back there has been heated controversy regarding relevancy and irrelevancy of dividend policy. Scholars have not been able to define simple and conclusive relationship between dividend policy and market price of the stock. Some experts stand with a belief that there is positive relationship between dividend distribution by a firm and its price of share where as at the same there are others who put upon their view against this.

Dividend decision is crucial as well as controversial area of financial management. Besides it is not clearly understood by a larger segment of the financial community. No matter how many studies have been conducted in this regard the effect of dividend policy on a corporation’s market value has remained a subject of long standing controversy. The main focus of the study is to deal with the following problems;

1. What are the returns of EBL, NABIL, NIBL and SCBNL to its investors?
2. What is the relationship between DPS and MPS, DPS and EPS and MPS and EPS of EBL, NABIL, NIBL and SCBNL?
3. What is the trend of EPS DPS and MPS of sample banks?
4. Is there any consistency in EPS, DPS, MPS and DPR of the sample banks?

1.3 Objectives of the Study

The major objective of the study is to obtain the depth knowledge about the impact of dividend policy adopted by the banks to its market price of share as well as the overall valuation of the bank. The following are the specific objectives of this study.

1. To examine the returns of EBL, NABIL, NIBL and SCBNL to its investors.
2. To analyze and interpret the relationship between DPS and MPS, DPS and EPS and MPS and EPS of EBL, NABIL, NIBL and SCBNL.
3. To examine the trend of EPS, DPS and MPS of EBL, NABIL, NIBL and SCBNL.
4. To examine the consistency among EPS and DPS, EPS and MPS and DPS and MPS of EBL, NABIL, NIBL and SCBNL.

1.4 Significance of the Study

The people are attracted to invest in shares for the purpose of getting more return as well as to maximize their wealth, so the dividend policy has become as effective way to attract new investors, to keep present investors happy and to maintain goodwill of the company. The important aspect of the dividend policy is to determine the amount of earnings to distribute to the shareholders and the amount to be retained in the bank. The financial manager must very carefully decide the allocation of earnings between dividends and retain earnings as this decision affects the value of firm. The objective in choosing dividend policy should be to maximize the value of the firm to its shareholders.

The dividend is most sensitive element in the area of investment in the common stock. If the market doesn’t receive its expected dosage, stock price will suffer. Dividend payout of course reduce the amount of earning retain in the firm and affect the total amount of internal financing. The study may deliver crucial information for those respective commercial banks are made. The main significance of study is as follows;

1. The study aims to provide important and useful information to the investor.
2. It will be useful for the management.

3. It will useful for stock broker, financial agencies, policy makers and various stakeholders.
4. This study helps to formulate dividend policy to the policy maker while making their dividend policy.
5. This study will beneficial also to those parties who are directly or indirectly related to the financial institution.
6. This study covers the partial fulfillment of the requirement of MBS, T.U.

1.5 Limitations of the Study

Dividend policy is the vital aspect of the financial management. For a corporate manager it is the most challenging and crucial part of the decision making process because it has the signaling effect towards market price of stock. This study has been carried out within certain limitations which are as follows.

1. Data taken for analysis covers only seven years from year 2011/12 to 2017/18.
2. The study covers only four selected commercial banks.
3. The study only concentrates on impact of dividend policy on market price of selected banks.
4. The data of samples banks analyze with the use of limited tools and technique.

1.6 Organization of Study

The study has been organized into five chapters each chapter deals some important factors of dividend behavior. The titles of each of these chapters are organized in the following ways:

Chapter- I: Introduction

This chapter deals with the general idea about the study consisting background of the study, Statement of problem, Objective of the study, significance of the study, Limitation of the study and organization of the study.

Chapter- II: Review of Literature

This chapter deals with review of the different literate of the study field, therefore it includes conceptual framework along with the review of major books, journals, research works and thesis etc.

Chapter- III: Research Methodology

This chapter describes the research methodology with the matter and source of data population and sample of the model analysis, meaning and definition of statistical tools.

Chapter- IV: Data Presentation and Analysis

Analytical framework starts from this chapter. It contains presentation and analysis of the data using financial and statistical tools. Similarly this chapter also includes the major finding of the study so it is main part study.

Chapter- V: Summary, Conclusion, Recommendation and Implication

This chapter deals with suggestive framework, which is evocated to summary conclusion, recommendations and Implications.

At the end of the research, bibliography and annex are also included.

CHAPTER-II
REVIEW OF LITERATURE

The present research aims to analyze the dividend policy of Commercial Banks in Nepal. In this chapter conceptual framework given by different authors and intellectuals of this area, magazine, books, journals, research works, previous thesis etc related to dividend and dividend policy are reviewed. Moreover, rules and regulation regarding to dividend policy are reviewed and an attempt has been made to present them properly.

2.1 Conceptual Framework
2.1.1 Meaning of Dividend
Dividend policy involves the decision to payout verses retaining them for reinvestment in the firm. Any change in dividend policy has both favorable and unfavorable effects on the firm’s stock price. Higher the dividends means higher the immediate cash flows to investors, which is good, but lower future growth which is bad. The dividend policy should be optimal which balances the opposing forces and maximizes stock price. Management should try to maintain regular dividend. For regular dividend, the firm will have sufficient earnings. Management will set a lower regular dividend rate than firms with the same average earnings but less volatility. Management may also declared extra dividends in years when earnings are high and funds are available (Gautam and Thapa, 2008).

The existing literature states that the dividend policy has both relevancy and irrelevancy toward the market price fluctuation. The optimum dividend policy depends on the relation between the firm’s internal rate of return ‘r’ and the cost of capital ‘k’ *(Walter; 1966).* M-M has argued that the dividend decision will have no impact on market price; rather market price is determined by the earning power of the firm’s assets (Miller and Modiglini, 1961).

If the company pays the earning as a dividend, they are beneficial directly and if company retains in the business to finance the business opportunities they are benefited indirectly through the investment of market price of share i.e. capital gain. In both of the case, shareholders get benefit. But, how much should be retained in business in not a simple question. Since dividends would be more attractive to shareholder, one might not hesitate to say that dividends weight more than retention in the perception of the shareholders. But one might equally pressure that gross dividend would be reduced somewhat with an increase in net after tax dividend. Because tax dividend still a major decision of financial manager available to shareholders so it would be wise, policy to maintain balance between shareholders interest with that of corporate growth from initially generated fund. Therefore, in conclusion it can be said that dividend decision is a major decision of financial management.

2.1.2 Forms of Dividend

Dividends can be distributed different forms regarding the corporate dividend policy and attitude to the directors. The types of dividend that corporations follow is partly a matter of attitude of directors and partly a matter of shareholder's preferences, and also depending on the various circumstance and financial constraints that bound corporate plan and policy. Dividend may be distributed in different forms as enumerated below:

i) Cash Dividend

Distribution of dividend in cash out of the earnings generated is called cash dividend. Cash dividend reduces the retained earning. Such dividend enhances liquidity problem in corporation. The market price of the share drops in most cases by the amount of cash dividend distributed *(Hasting: 1996).*

Generally, stockholders have strong preference for cash dividend. Both the total assets and net worth of the company are reduced by same amount, when the cash dividend is announced or distributed. Moreover, the share price will fall (or may not) after the cash dividend. Therefore, the need is that, the firm should have sufficient fund for the distribution of the cash dividend among shareholders or if the firm does not have sufficient fund for the distribution: it should borrow from any source. Cash dividend has the psychological value for stockholders. Each and everyone like to collect their return in cash rather than non-cash means. So cash dividend is not only a way of perception improvement in the capital market.

ii) Stock Dividend

Stock dividend is the payment of additional shares to the existing shareholders often used in place of or in addition to cash dividend (Van Horne: 2000).

Stock dividend is known as bonus shares too. An issue of bonus share represents a distribution of shares in addition to the cash dividend (known as Stock dividend in U.S.A) the existing shareholders (Pandey, 1995).

Stock dividend becomes supplement to cash dividend. A stock dividend simply is the payment of additional stock to shareholders nothing more than a recapitalization of the company; a stockholder's proportional ownership remains unchanged. (Van Horne, 2000). "A stock dividend is paid in additional shares of the stock instead of in cash and simply involves a book keeping transfer from retained earning to stock accounts" (Weston and Copeland; 1991). In any case, the concern of the management is the positive effect on the stock price. The stock dividend must not be issued if it causes the stock price decline. The effect of the stock dividend cans be outlined into the following points:

1. The issue of the stock dividend increases the number of the outstanding shares.
2. The issues of stock dividend transfer retained earnings to the capital amount.

3. The net worth and the par value of the company do not change with the issue of stock dividend.
4. The issue of the stock dividend does not affect the stockholders proportional ownership.
5. The earning per share (EPS) will decrease if the total profit does not increase.

iii) Bond Dividend

It is the bond distributed to the stockholders in the form of bond. The main policy and objective of such dividend is to postpone the payment of cash. It has fixed maturity period. Therefore the intention and purpose of bond dividend is also the postponement of dividend payment for sometime. The only difference between bond and scrip dividend and scrip dividend is that bond carries relatively longer maturity period than scrip dividend.

iv) Scrip Dividend

Scrip dividend is the payment of dividend in scrip or promissory notes. Because of temporary cash shortage, sometimes the firm needs cash generated by business earnings to meet the different requirements. For those requisites, scrip dividend is issued promising the payment will be made in future. The scrip has the definite maturity period and may be of either interest bearing or not. But in financial practice it is relatively scare.

v) Property Dividend

If the company pays the dividend in the form of assets to its stockholders other than the cash is known as property dividend. In this practice, assets, which are superfluous for the company, are distributed as dividend to the stockholders, and in some cases the company pays (as dividend) the subsidiary company's shares. But the shares have to be owned by the company. Property dividends are also least used practice and used when extra ordinary circumstances exist.

Even though this type of dividend is paid in the extra ordinary situation, it is less attractive in the point of view of the investors in any cases. Similarly the payment of the subsidiary company's shares in place of cash dividend could result the negative impact of 'this is not better than that'. The shareholder may feel the shares that are paid to them as of less value therefore they are paid. (Weston and Copeland; 1991)

2.1.3 Theories of Dividend

Residual Theory of Dividend

Residual dividend policy is based on the premise that investors prefer to have a firm retain and reinvest earnings rather than pay them out in dividends if the rate of return the firm can earn on reinvested earnings exceeds the rate of return investors can obtain for themselves on the other investments of comparable risk. This theory states that profit should be used first in all profitable investment plans which reflect equal or higher rate of return. Further it is less expensive for the firm to use retained earnings than is to issue new common stock (Gautam and Thapa, 2011).

A firm using residual dividend policy would follow these four steps:

1. Determine the optimal capital budget.
2. Determine the amount of equity required to finance the optimal capital budget given its target capital structure, recognizing that funds used will consist of both equity and debt to preserve the optimal capital structure.
3. To the extent possible, use retained earnings to the supply the equity required.
4. Pay dividends only if more earnings are available than are needed to support the optimal capital budget.

Stability of Dividend

Stability or regularity of dividend is considered as a desirable policy by the management of most companies in practice. Stability of dividend refers to the amount paid out regularly. Though amount of dividend may fluctuate from year to year and may not be related with earning. Shareholders also generally favor this policy and value stable dividends higher than fluctuating ones. All other things being the same, stable dividends have a positive impact on the market price of the share (Pandey, 1995).

There are some reasons to believe that a stable dividend policy does lead to higher stock prices. First investors can be expected to value more highly dividends that they are surer of receiving since fluctuating dividends are riskier than stable ones. Accordingly, the same average amount of dividend received under a fluctuating dividend policy is likely to have a higher discount factor applied to it than is applied to dividends under a stable dividend policy. This means that a company with a stable dividend will behave a lower required rate of return or cost of equity capital than one whose dividend fluctuated.

Second many stockholders live on income received in the form of dividends. These stockholders are greatly inconvenienced by fluctuating dividends and they will likely to pay a premium for a stock with a relatively assured minimum dollar dividend. These stock holders are greatly inconvenienced by fluctuating dividends and they will likely to pay a premium for a stock with a relatively assured minimum dollar dividend. Third from the stand point of both the corporation and its stockholder is the requirement of legal listing.

Even though most firms seem to have a policy of paying stable cash dividends, this is not the only policy. The three distinct forms of such stability of dividend payments are as follows:

1) Constant Payout Ratio

The ratio of dividend to earnings is known as payout ratio. Paying a fixed percentage of net earning every year is called constant payout ratio. With this policy the amount of dividend will fluctuate in direct proportion to earning. It ensures that dividends are paid when profits are earned and avoided when it incurs losses. Management generally adopts this type of policy since it is directly related to the company's ability to pay dividend.

2) Stable Cash Amount per Share

This payout scheme is called constant dividend per share or dividend rate. According to this policy, a company pays a fixed a rupee dividend in each period. This policy is generally preferred by those persons and institutions that depend upon the dividend income to meet their living and operating expenses. This policy doesn't imply that the dividend per share will never increase. When the company reaches new level of earnings and expects to maintain it, the annual dividends per share may be increased. It is easy to follow when earning is stable. If the earning pattern of a company shows wide fluctuations it is difficult to maintain such policy.

3) Low Regular Dividend plus Extras Dividend

Low regular dividend per share plus extra dividend is a compromise between the first two. According to this policy the low regular dividend can usually be maintained even when earnings decline and extra dividend can be paid when excess funds are available. It gives the firm flexibility but it leaves investors somewhat uncertain about what their dividend income will be. This policy may be the best policy, if the firm's earning is quite volatile.

2.1.4 Factors Affecting Dividend Policy

Many considerations may effect a firm's decision about its dividends, some of them are unique to that company and some of the more general considerations are given subsequently. They are as follows:

i) Size of the Earnings

A firm that has high level of earning will generally pay a larger portion of its earnings in dividends. If the size of earnings is small, a smaller amount of the profits may be distributed to shareholders. Thus, size of earnings affects the dividend policy of the firm.

ii) Liquidity Position

Cash or liquidity position of the firm influences its ability to pay dividend. Greater the cash position and over all liquidity of a company shows its ability to pay dividend.

iii) Legal Rules

The dividend policy of the firm has to evolve with the legal framework and restrictions. Certain legal rules may limit amount of dividends that a firm may pay. First statutory restrictions may prevent a company from paying dividends while specific limitations vary by state, generally a company may not pay dividend.

1. If the firm's liabilities exceeds its assets.
2. If the amount of dividend exceeds the accumulated profits (retained earnings) and
3. If dividend is being paid from capital invested in the firm. Legal rules are significant in what they provide the framework within which dividend policies can be formulated.

(iv) Desire of Shareholders

Shareholder may be interested either in dividend incomes or in capital gains. Wealthy shareholder in a high income tax bracket may be interested in capital gains as against current dividends. A retired and old person, whose source of income is dividend, would like to get regular dividend. In closely held company, management usually knows the desires of shareholders. Therefore, they can easily adopt a dividend policy that satisfies all shareholders. But in a widely held company, number of shareholders is very large and they have diverse desires regarding dividends and capital gains. Some shareholders want cash dividends, while other prefer bonus share.

v) Need to Repay Debt

The need to repay debt also influences ability of cash flow to pay dividend. When a firm issues debt capital, it must be refunded in maturity in order to retire debt, retention of earning is essential. So the dividend policy is affected by retained earnings.

vi) Restriction on Loan Agreement

Restriction on loan agreement directly affects on dividend policy of a firm. Such restrictions are designed to protect the position of lender and preference shareholders. Restrictions on debt contracts may specify that dividend may be paid out of earning generated after signing the loan amount agreement and only when net working capital is above a specified amount certain amount of earning to reinvest as well.

vii) Rate of Assets Expansion

The more rapidly a firm is growing greater its need for financing assets. The greater the future need for fund, there is more likely to retain earnings rather than pay them out consequently shareholders will get minimum dividend.

viii) Profit Rate

The rate of return on assets determines the relative attractiveness of paying out earning in the form of dividend to stockholder. If other things remain same high profit rates is the indicator of high dividend payout.

ix) Stability in Earning

A firm that has a stable earnings trend will generally pay larger portion of its earnings as dividend. The unstable firm is not certain that in subsequent years the hoped for earning will be resized. So it is likely to retain a high proportion of current earnings.

x) Tax Position of Stock Holder

Because of difference among investor's tax rate, certain investor preference for dividend versus capital gain have been observed in the market. Corporations owned by large tax payers in high income tax brackets tend toward lower dividend payout where as corporations owned by small investors tend toward higher dividend payout.

xi) Control

For many small firms and certain large ones, maintain the controlling vote is very important. These owners would prefer the use of debt and retained profit to finance new investments rather than issue new stock. As a result dividend payout will be reduced.

xii) Access to the Capital Market

All firms do not have equal access to the capital market. A large well established firm with record of profitability and stability of earning has easy access to capital markets and other forms of external financing. Easy accessibility to the capital market provides flexibility to the management in paying dividend as well as in meeting the corporate obligation. Thus a fast growing firm having tight liquidity position will not face any difficulty in paying dividends if it has access to the capital market. (Bhattarai, 2009)

2.1.4 Dividend Payment Procedures

The process of distributing the dividend is called dividend payment procedure. Dividend payment includes a systematic steps and every company should follow it. The major steps of dividend payment procedure are as follows:

Declaration Date

The date on which directors meet and declare the dividend is called declaration date. On this date, board of directors declares dividend what the company is going to distribute for example, Board of directors of NABIL Bank Limited met on March 1 and declare to pay 20% cash dividend from April 10, those who record their name until April 15.

Holder of Record Date

A date until which a person who has bought shares before ex-dividend date mush registers his/her name in the company is called holder of record date. It is a final date to transfer the title meaning that the seller's name should be replaced by the buyer's name in the company's register till this date. In the above example, April 10 is a record date. Any investor who buys shares before April 11 must record his name in the company until April 15 to receive dividend.

Ex-dividend Date

The date when one right to the dividend leaves the stock is called ex-dividend date. The ex-dividend date may vary country to country and may also determine by the companies themselves. This date normally is the four days before the holder of record date. In the above example, April 11 is the ex-dividend date.

Payment Date

The date on which actually a company starts to pay dividend is called payment date (Pradhan, 1998).

2.2 Review of Related Studies

2.2.1 Review of Journals and Articles

Bhandari and Pokhrel (2012) had conducted study on "*Corporate Dividend Policy: A Study of Commercial Banks of Nepal"* and this study attempts to elucidate the dividend practices of commercial banks of Nepal. Abound by controversies and unpredictability, this study concludes that commercial banks of Nepal do not show uniform trend of dividend policy. Dividend policy practiced by commercial banks of Nepal is neither fully explained by residual theory nor stable theory. With the development of financial institutions in Nepal, they need to follow a robust method of dividend policy so that investors can predict stock market and make a rationale investment decision.

Corporate dividend policy is an important factor to determine the stock market. However, there is no universal dividend policy that all commercial banks follow unconditionally. The worldwide studies conclude a varying dividend policy even in financially and economically high growth and stable countries. In countries like Nepal where financial sector is still in infancy and growing slowly, predicting dividend policy of banks is difficult and uncertain. However, the growing financial sector in recent years with the increasing number of financial institutions has increased the scope of examining dividend policy and contributing to recommend policy agenda that can help to improve the financial sectors.

Adhikari (2015) had conducted a research on "*Determinants of Corporate Dividend Payout in Nepal*". This paper examines whether enterprises' characteristics affect dividend payouts of the enterprises listed on Nepal Stock Exchange Ltd. A priori hypothesis between relationship of the dividends paid by the enterprises and enterprises' characteristics- net profits, size, lagged dividends, liquidity, risk, investment opportunity set, and number of shareholders are set based on theoretical framework and other empirical studies, and tested on 22 listed enterprises covering a 5-year period, 2009 to 2013 by employing regression model. The results of empirical tests for total sample reveal that net profits, total assets, and liquidity are the major determinants of corporate dividend payout in Nepal. The result is partly consistent with the proposition set in this study that the dividend policy of an enterprise tends to depend on net profits, total assets, lagged dividends, liquidity, risk, investment opportunity set, and number of shareholders, and also with the determinants of corporate dividend payout of developed stock markets and emerging stock markets including Indian stock market.

Pradhan and Gautam (2017) had conducted a research on "*Dividend policy and share price volatility: a case of Nepalese Commercial Banks*". This study examines the impact of dividend policy on share price volatility of Nepalese commercial banks. The share price volatility, change in market price per share and stock return change are dependent variables. Dividend yield, dividend payout, debt ratio, size, growth and earning volatility are independent variables. The study is based on 18 commercial banks of Nepal from 2009-2014, leading to a total of 108 observations. The data are collected from various issues of Banking and Financial Statistics and Bank Supervision Report published by Nepal Rastra Bank, annual Report of Nepal Stock Exchange and the annual reports of the selected banks. The regression models are estimated to test the significance and impact of dividend policy on share price volatility of Nepalese commercial banks.

The study reveals that dividend payout is negatively related to share price volatility (price volatility, change in MPS and stock return volatility). It indicates that increase in dividend payout leads to decrease in share price volatility. However, earning volatility is positively related to share price volatility indicating that higher the earning volatility, higher would be share price volatility. The regression result shows that dividend yield and size have significant positive impact on share price volatility. The beta coefficients for growth and dividend yield are significant at 5 percent level of significance.

Baral and Pradhan (2018) conducted a research on "*Impact of Dividend Policy on Share Price of Commercial Bank in Nepal*". The purpose of this study is to examine the impact of dividend policy on the share price of commercial bank in Nepal. The study is based on pooled cross sectional data of 10 commercial banks. Banks were selected on the basis of their performance on stock market of Nepal, i.e. top gainers and top losers and data are collected from Nepalese commercial banks listed in NEPSE from the F/Y 2012/13 to F/Y 2016/17. The paper investigates the relationship between dividend announcement, EPS, P/E ratio, DPR, on stock price by using Descriptive Statistics, Correlation and Regression. The articles conclude that except DPR, the other factors like EPS, P/E ratio have positive relationship with stock price among them P/E is the strongest factor that affects the share price in case of top gainer commercial banks whereas EPS, P/E ratio and DPR have positive influence on stock price among them DPR is the strongest factor that affects the share price in case of top loser bank.

Idewele and Murad (2019) had conducted a study on "*Dividend policy and financial performance: a study of selected deposit money banks in Nigeria*". This study investigates the relationship between financial performance and dividend policy for a sample of fifteen Deposit Money Banks quoted on the Nigeria Stock Exchange 2009 to 2014. Panel data regression analysis was used as the method of analysis, and the model was estimated using the Pooled Least Squares estimation technique. The study revealed that there is a positive and significant relationship between dividend payout ratio and financial performance. On the contrary, there is a negative and insignificant relationship between dividend yield and financial performance. The study recommends that since there is a positive and significant relationship between dividend payout ratio and financial performance, firms should strive to maintain healthy and a stable dividend policies. This could be attained by investing in projects that give positive Net Present Values, thereby generating huge earnings, which can be partly used to pay dividends to their equity shareholders. It is also recommended that since dividend yield is not affected by financial performance, investigations should be made to ascertain other factors that affect dividend yield.

2.2.2 Review of Thesis

Bista (2013), conducted master's research on "*Dividend Policy and Its Impact on Market Price of Stock*" analysed the data of five years (2007/08 to 2012/13) using various statistical and financial tools and has following objectives.

1. To examine the prevailing dividend policy adopted by sample banks.
2. To analyze the impact of dividend on Market price of Stock.
3. To analyze the relationship of financial indicators such as EPS, DPS, DPR, PE ratio, Liquidity ratio, Profitability ratio and market price value per market price.
4. To examine the uniformity among DPS, EPS and DPR of two sample banks.

The Major Findings of the Study

1. Dividend per Market price of all concerned banks are satisfactory, SCBNL paid the highest average DPS to its market price
2. Average EPS for the period concern by the study is satisfactory.
3. SCBNL followed agressive dividend payout ratio, NABIL applied moderate payout ratio followed by conservative payout ratio.
4. Correlation between DPS and MVPS of NABIL bank is positive but DPS and MVPS of SCBNL is negative.
5. From coefficient of variance, the market price is fluctuating in all sample banks.

Rajbhandari (2014), conducted research on "*Dividend Policy Comparative Study between Banks and Insurance Companies*".

The Main Objective of the Study:

1. To examine the relationship between dividend policy and Market price of stock.
2. To identify the appropriate dividend policy followed by banks and insurance companies.
3. To analyze the relationship between dividend policy decision of banks and insurance companies.

Major Findings of this Study

1. Average EPS seems satisfactory of all sample companies.

2. There is positive correlation between DPS and EPS.
3. The coefficient of correlation between MPS and EPS is negative.
4. The relationship between MPS and Dividend is positive.
5. Dividend payment is not consistency of all six companies.

Chalise (2015), conducted research on " *A comparative study of Dividend policy of Everest Bank Ltd. and NABIL Bank Ltd.*" for five years period (2010/11 to 2014/15).

The Main Objectives of the Study

1. To analyze and evaluate the application of dividend decision in the selected commercial bank.
2. To explore the relationship of dividend policy with various financial indicators like EPS, DPS, MPS, DPR, DY, PE ratio and Net profit of the selected financial institutions.
3. To compare finding of the dividend and financial indicators of NABIL and EBL Bank.

The Major Findings of the Study

1. The simple regression analysis of DPS on MPS, it has been found that there is positive correlation between DPS and MPS, of both sample bank NABIL and Everest Bank Ltd.
2. Net Profit of sample bank in average shows that it is increasing where the average Net profit of NABIL and EBL NRs. 148.6 million and NRs. 99.21 million respectively. Regarding consistency in Net Profit, the EBL has more consistency as compared to NABIL.
3. DPS of sample banks in average shows that there are no regularity in dividend payment. NABIL has average DPS i.e. Rs.62 and EBL has DPS i.e, Rs.52.32 as compared to sample banks.
4. The average P/E ratio is 24.93% of Nabil and 16.59% of EBL. The analysis among the sample banks, CV of P/E ratio indicates that EBL

has least fluctuation 6.03% and NABIL has most fluctuation i.e 45.21%.

Poudel (2016), had conducted research work on "*Dividend Policy and its Impact on Market price of Share*".

The Main Objectives of the Study are:

1. To find out impact of dividend policy on market price of share.
2. To evaluate the relationship of dividend decision with market price per share of selected commercial banks.
3. To analyze the relationship of dividend with EPS, MPS and DPR.

The Major Findings of the Study are:

1. The market price per share is affected by dividend related financial variables i.e. DPS, DP, DY and DPR either positively or negatively. The nature of effect is different that might be positive or negative. Therefore, the Market price per share is highly dependent upon the dividend, which has been shown by coefficient of multiple determinations.
2. After the study importance of cash dividend on the market price per share revealed that generally dividend per share has positive impact on market price per share in all banks.
3. Dividend policy practices of sample banks are neither stable nor consistently growing. Dividends are distributed as an adhoc or situational basis.

Acharya (2018) had conducted a research on "*An Analysis of Dividend Policy of Nepalese Commercial Banks (with Reference to NABIL, NIBL, HBL & EBL)*".

The Main Objectives of the Study were:

1. To examine the DPS and EPS of the sample banks.
2. To compare EPS, DPS, DPR of the sample banks.

3. To analyze the relationship between earning, dividends retained earning and market price of share.
4. To analyze the trend of dividend pattern of the sample banks.

The Major Findings of the Study were:

1. Here the highest average price among the sample commercial banks is of Everest bank ltd i.e. Rs. 54.4 and the lowest is of Himalayan bank ltd i.e. Rs. 28.68. It shows the performance of the Everest bank ltd is good due to highest dividend distribution.
2. Stock of Himalayan bank has lowest maximum dividend during the fiscal year i.e. 42.11% and Nabil bank has highest maximum dividend of 65% during the fiscal year. From the maximum dividend tag Himalayan bank has poor performance whereas Nabil bank has good performance as it has the maximum dividend of 65% which is quite more than others maximum dividend at that time.
3. The sum shows that the total of yearly dividend of the sample commercial banks during the fiscal year. Here From the sum criteria Himalayan bank has poor performance whereas Everest bank has good performance as it has the maximum sum of dividend of 272 which is quite more than others maximum dividend at that time.
4. The overall transactions and the stock price increased before payment of dividend and right share. Then overall transactions and the stock price slowly falls after the payment of dividend and the right share. Then finally it begins to increase after the publishment of the third quarter financial report.
5. EPS, performance of the company, net profit % and many other factors influence the DPS. Thus we can conclude that higher the factors (EPS, performance of the company, net profit % and other factors), higher the DPS.
6. The correlation between EPS and dividend of EBL is 0.10 which shows that DPS is significantly highly positively correlated with EPS. It

indicates that when EPS increases DPS also increases and vice–versa. The coefficient of determination is 0.01, which indicates that nearly 1% of the total change in DPS is due to the effect of EPS and rest 99% change in DPS is due to other factors

7. EPS is not only factor to determine the dividend of the company. There are many other factor which determine the dividend distribution ratio of the company.
8. The correlation between DPS and EPS of NIBL is 0.44 which shows that DPS is significantly positively correlated with EPS. It indicates that when EPS increases DPS also increases and vice–versa. The coefficient of determination is 0. 19, which indicates that nearly 19% of the total change in DPS is due to the effect of EPS and rest 81% change in DPS is due to other factors.

Saud (2018) had conducted a thesis on *"Impact of Dividend Policy on Market Price of Commercial Banks (With Reference to Nabil Bank Limited and Everest Bank Limited)".*

The Main Objectives of the Study were:

1. To analyze the impact of dividend on market price of stock.
2. To examine the impact of EPS on DPS, the effect of DPS on the MPS, and the effect of DPR on MPS.
3. To evaluate the relationship of dividend yield on DPS, EPS and MPS of the corresponding bank.
4. To analyze the value of DPS, MPS and DPR for the forth coming two fiscal year.

The Major Findings of the Study were:

1. The EPS of NABIL has ranged from Rs. 57.24 to Rs. 91.05, and the EPS of EBL has ranged from Rs. 65.97 to Rs. 91.88 in the observed periods. Whereas the EPS of NABIL has fluctuated during the observed periods, and the EPS of EBL has also oscillated during the entire

periods. In 2016/17, the EPS of all the observed banks have decreased comparatively to that of the corresponding fiscal year. The EPS is measured to be Rs. 59.27 in NABIL and Rs. 65.97 in EBL.

2. The DPS of NABIL is highest, Rs. 65, in each fiscal year 2014/15and 2014/15, and of EBL is highest, Rs. 70, in the fiscal year 2016/17. Likewise, the average dividend payment of NABIL is Rs. 54.37 and of EBL is Rs. 51.40. Also, the uniformity of the dividend payment of NABIL is higher than that of other banks, as the variation in DPS of NABIL, 21.02%, and of EBL, 30.88%.
3. The cash dividend payment of NABIL is least, Rs. 6.85 in each fiscal year 2015/16and highest, Rs. 45 in the fiscal year 2014/15. Likewise, EBL has paid no cash dividend in the fiscal year 2012/13, and Rs. 50 in each fiscal year 2013/14 and 2014/15, and paid Rs 5 in the fiscal year 2015/16. The average cash dividend per share of NABIL is Rs. 29.37 and of EBL is Rs. 21. Moreover, as the coefficient of variance of comparison to that of NABIL, 52.39%, and of EBL, 113.09%.
4. Similarly, the bonus dividend per share of EBL has ranged from Rs. 10 in the fiscal year 2013/14 to Rs. 70 in the fiscal year 2016/17. The ascertained average bonus dividend per share of NABIL is Rs. 25 and of EBL is Rs. 30.4. Among two banks, NABIL is more interested in paying bonus dividend per share with high monetary value, although the variation in such bonus dividend per share is comparatively higher in EBL, 70.92%, than that in NABIL, 17.88%.
5. The study has observed that whatever the trend of MPS in these three banks, the MPS has increased in the last fiscal years, signaling positive prospect of stock market in the coming periods, if all other things remain uniform. Also, regardless the trend of MPS, it can be said that the charm to acquire share of NABIL is Rs. 1991.80, and of EBL is Rs. 2152. Also, the variation in the MPS of NABIL is 20.85% and of EBL is 37.85%.

6. The study, moreover, finds that the dividend payout ratio of all two banks has fluctuated during the periods, showing irrelevancy with the DPS and EPS. The DPR of NABIL has ranged from 64.36% in the fiscal year 2015/16 to 85.39% in the fiscal year 2014/15, and of EBL has ranged from 33.88% in the fiscal year 2012/13 to 106.11% in the fiscal year 2016/17. In average, the average DPR of NABIL is 73.83%, with variation of 7.31%, and of EBL is 64.44%, with variation of 38.72%.

Research Gap

There have been several researches done in the past regarding dividend policy and its impact of various banks and financial institutions taking considerations of various financial and statistical tools. In this thesis, only four sample banks i.e. EBL, NABIL, NIBL and SCBNL were considered out of the total population of 28 commercial banks operating presently in the market. Similarly, only secondary data were considered in mainstream. The study has covered the data of fiscal year 2011/12 to 2017/18. Similarly, the trend of DPS, MPS and EPS over the study period and forecast of these financial indicators for next five years were predicted which might be one of the differences from the other studies thesis. Other studies referred were found to apply various financial and statistical tools such as: regression analysis, simple trend analysis, correlation analysis were used in this thesis. Despite of its limitations mentioned above, the study would be able to provide a general overview of the dividend practices and the relationship of dividend with earnings and market price of the sample banks. This study shall be a new study in this field as no study has been made so far in the dividend policy and this study has done on the basis of recent data published of EBL, NABIL, NIBL and SCBNL. It finally helps to various stakeholders to be acquainted with the major financial indicators of the sample banks in the country.

CHAPTER -III
RESEARCH METHODOLOGY

Research Methodology can be defined as a systematic process that is adopted by the researcher for the study to fulfill certain objectives. In other words, research methodology describes the methods, techniques and process applied in the entire aspect of the study thus an appropriate research in order to clearing the objectives of the study.

3.1 Research Design

In this study, descriptive research design has been applied to achieve the research objectives. For analytical purpose, the annual reports published by the related banks. After tabulation, they will analyze by applying both financial and statically tools. Descriptive research is the systematic collection and presentation of data to give a clear picture of particular situation. It is a type of study, which is generally conducted to assess the opinions, behavior or characteristics of given population.

3.2 Nature and Sources of Data

This study based on secondary data. To collect the secondary data, published materials are viewed in various books by different authors, unpublished thesis report, internet websites, campus library, and central library, annual report of selected banks, newspaper and magazine.

3.3 Population and Sample Method

There are 28 commercial banks are operating in Nepal. They are taken as population in this study. It is difficult to study all of them regarding the study topic because of limited time and resources factors too. In this study, only four commercial banks selected by using random sampling method. They are as follows:

- Everest Bank Limited

- NABIL Bank Limited
- Nepal Investment Bank Limited
- Standard Chartered Bank Limited

3.4 Method of Data Analysis

To achieve our objective various financial as well as statistical tool have been used. For the data of seven years were taken as sample from 2011/12 to 2017/18. Firstly, the collected data are presented in proper forms, grouped in various table and charts according to their nature. Then financial and statistical tools have been applied. And interpretations and explanations are made wherever necessary with the help of various statistical analysis mainly, the analysis been done using following method:

3.4.1Financial Tools

Financial tools help to study the financial position of the firm. The following financial tools are used in this study:

- **Return on Total Assets Ratio (ROA)**

Return on total assets explains the contribution of assets to generating net profit. This ratio indicates efficiency towards of assets mobilization. In other words return on total assets ratio is an overall profitability rate, which measures earning power and overall operation efficiency of a firm. This ratio helps the management in identifying the factors that have a bearing on overall performance of the firm

This ratio can be calculated as:

$$\text{Return on Total Assets} = \frac{\text{NPAT}}{\text{Total Assets}}$$

It is shows that the relationship of company is net profit and assets. This ratio indicated that of the bank ROA is higher bank could well manage their operations.

- **Return on Net worth Ratio (ROE)**

Return on net worth reflects how well the firm has used the recourse of the owner's. The earning of satisfactory return is the most desirable objective of business as common or ordinary shareholders are entitled to the residual profits. It is calculated by dividing profit after tax by net worth. The ratio can be calculated in this way:

$$\text{Return on Equity} = \frac{\text{NPAT}}{\text{Net Worth}}$$

- **Interest Income to Loan and Advances**

The bank grants loan and advances for the sole reason to gain interest income. Thus, to examine how far the bank has been able to manage the loan and advances in earning interest income, the ratio of interest income to loan and advances has been determined.

$$\text{Interest Income to Loan and Advances} = \frac{\text{Interest Income}}{\text{Total Loan and Advances}}$$

- **Return on Total Investment Ratio**

This ratio actually measures the total interest income from total investment. A high ratio of interest income from investment indicates high mobilization of collected deposits in investment and vice versa. The ratio is calculated as;

$$\text{Return on Investment} = \frac{\text{Net Profit}}{\text{Total Investment}}$$

- **Return On Loan and Advance**

The ratio expresses one of the key measurements in management discretion in the primary function of commercial banks. The main source of income of commercial banks is lending. Interest earned from loan and advance is more important income base than interests earned from other investment and inter bank borrowing. The ratio is calculated as;

$$\text{Return on Loan and Advance} = \frac{\text{Net Profit}}{\text{Total Loan and Advance}}$$

- **Earning Per Share (EPS)**

EPS refers the rupee amount earned per share of Common Stock outstanding. The EPS shows the profitability of the banks on a per share basis. The EPS indicates the strength and weakness of the banks. Higher EPS shows a better achievement and strength and lower EPS shows a weakness of the banks. EPS can be calculated by using following equations.

$$\text{EPS} = \frac{EAT}{N}$$

Where,

EPS = Earning per share

EAT = Earning after tax

N = No. of share outstanding

- **Dividend Per Share (DPS)**

DPS indicates the rupee earnings actually distributed to common stock holders per share held by them. Only financially strong companies can distribute dividend. The DPS simply shows the portion of earning distribution to the shareholders on per share basis. Generally, the higher DPS creates positive attitude of the shares. DPS can be calculated by using following equations.

$$\text{DPS} = \frac{DIV}{N}$$

Where,

DPS = Dividend per share

Div= Total amount of dividend paid to common stock holders

N = No. of shares outstanding

- **Dividend Payout Ratio**

DPR is the percentage of profits distributed as dividend to shareholders form earnings and remaining percentage is retained as reserve and surplus for the growth of the banks. There is a reciprocal relationship between dividend and retain earning, the higher the DPR, the lower will be the retained earning. This ratio can be calculated by using following equations.

$$DPR = \frac{DPS}{EPS} OR \frac{\text{Total Dividend Paid}}{Total\ earning}$$

Where,

DPR = Dividend payout ratio

DPS = Dividend per share

EPS = Earnings per share

- **P/E Ratio**

P/E ratio is also known as earnings multiplier. P/E ratio is simply the ratio between market price per share and earning per share. In other words, this represents the amount which inventors are willing to pay for each rupee of the firm's earnings. The higher P/E ratio implies the high market share price of a stock given the earning per share and the greater confidence of investor in the firm's future/ this ratio can be calculated by using following equation.

$$P/_{E}\ Ratio = \frac{MPS}{EPS}$$

Where,

MPS = Market price per share

EPS = Earning per share

- **Market Price per Share (MPS)**

It is the value of the stock which is traded in the secondary market of the EPS and DPS are high, the market value of the share (MPS) will also be high.

Market value of share is one of the variables which are affected by the dividend per share and earnings per share of the firm it can be calculated by using following formula.

$$P_0 = \frac{D_1}{(K_{s-g})} = \frac{D_{0(1+g)}}{(K_{s-g})}$$

Where,

Po = Current market price per share

D_o= Current dividend per share

D_o= Expected dividend per share at the end of year

g_1= Dividend growth rate

K_s= Investor's required rate of return.

- **Earning Yield (EY)**

Earning yield is the percentage of earning per share to market price per share in the stock market. It measures the earning in relation to market value of share. It gives some idea of how much an investor might get for his money. It can be calculated by using following equations.

$$\text{EY} = \frac{\text{EPS}}{\text{MPS}}$$

Where,

EY= Earning Yield

EPS= Earning per share

MPS= Market price per share

- **Dividend Yields (DY)**

Dividend yield is a percentage of dividends per share on market price per share. It shows that how much is the dividend per share on market price per share. It measures the dividend in relation to market value of share. Hence, dividend yield is the dividend received by the investors as a percentage of market prices per share in the stock market. This ratio can be calculated by using following equations.

$$\text{DY Ratio} = \frac{\text{DPS}}{\text{MPS}}$$

Where,

DY= Dividend yield

DPS= Dividend per share

MPS = Market price per share

3.4.2 Statistical Tools

3.4.2.1 Arithmetic Mean ($\bar{X}$)

It is simply average return during on investment period when there is no probability of return/ Arithmetic mean of a given set of observation is their sum dividend by the number of observations. It can be calculated by using following equation.

$$\bar{X} = \frac{x_1+x_2+x_3+\cdots+x_n}{n}$$

Or,

$$\bar{X} = \frac{\sum x}{n}$$

Where,

$\bar{X}$= Arithmetic mean

$\sum x$= sum of all the values of the variable x

n= no. of observation

3.4.2.2 Standard Deviation (σ)

Standard deviation is an average or weight average difference between expected return and actual return. It is an absolute measure, which can be applied when the projects involve the same out lay. It is tells us about the variability associated with the expected cash flows interim of the degree of risk. It measures total risk. It can be calculated by using following formula.

$$\sigma=\sqrt{\frac{\sum(X-\bar{X})^2}{N}}$$

Where,

σ = Standard deviation

X = Return at give period

$\bar{X}$ = expected return

3.4.2.3 Coefficient of Variation (C.V)

Coefficient of variance is ratio or proportion between total risk and expected return of individual investment alternatives, normally use when there are different standard deviation and different expected mean returns. It measures per unit risk.

$$C.V.=\frac{\sigma}{\bar{X}}$$

Where,

C.V. = Coefficient of Variation

σ = Standard Deviation

$\bar{X}$=Arithmetic Mean

3.4.2.4 Correlation Coefficient (r)

Correlation is the degree of relationship between the return of two securities involve in port ratio. It is a statistical measures of the extent to which the returns on any two securities are related, however, it denotes only association not causation if there is high degree of correlation between two variables we can not say which is the cause and which is the effect. It gives the magnitude and direction of two set of figures. In this study simple coefficient of correlation is used to determine the relationship of different variables and dividend. Correlation coefficient can be calculated by using following formula.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2}\ \sqrt{n\sum y^2 - (\sum y)^2}}$$

Where,

r = Correlation Coefficient

Interpretation of Correlation Coefficient

3.4.2.5 Probable Error (P.E.)

P.E. is an old measure of certaining the reliability of the value Persian coefficient of correlation. It is can be calculated by using following formula.

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

Where,

r= Correlation Coefficient

n = No. of Observation

P.E. may be used to test if calculated value of sample correlation coefficient is significant. A few rules for the interpretation of the significance of correlation coefficient are as follows:

- If r < P.E. (r), then the value of P.E. is not at all significant.
- If r > 6 P.E. (r), then r is definitely significant.
- In other situations, nothing can be fallacious conclusions particularly when n, then number of pair observations, is small.

Also the probable error of correlation coefficient may be used to determine the limits within which the population correlation coefficient may be expected to lie (Panta, 2003).

3.4 Trend Analysis

This type of statistical analysis interprets the trend of earning per share, dividend per share, market price per share of sample banks. The projections are based on the following assumptions.

1. The main assumption is that other thing will remain unchanged.
2. The bank will run in this present position.
3. The economy will remain in this present stage.
4. The forecast will be true only when the limitation of least square method is carried out.
5. Central government will not change its guidelines to the commercial banks.

The trend of related variable can be calculated as Y = a + bx.

Where,

Y = Dependent Variable

X = Independent Variable

a = Intercept

b = slope of the trend line

The following trend value analysis has been used in this study.

- Trend analysis of EPS
- Trend analysis of DPS
- Trend analysis of MPS

CHAPTER- IV
DATA PRESENTATION AND ANALYSIS

Various analytical and statistical tools and techniques have been already mentioned in the research methodology chapter before. These tools assist in obtaining the objectives of the research carried out through. All the research methodological tools also give an insight view of thesis and ease all the process went on during the operation. Basic objective of the study is to find out about the dividend policy that have its effect in the market price and dividend decision taking place in the banking sector of Nepal.

4.1 Analysis of Financial Indicators and Variables

4.1.1 Return on Equity Ratio

One of the most important profitability metrics is return on equity. Return on equity reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. If you think back to lesson three, you will remember that shareholder equity is equal to total assets minus total liabilities.

Table 4.1

Return on Equity

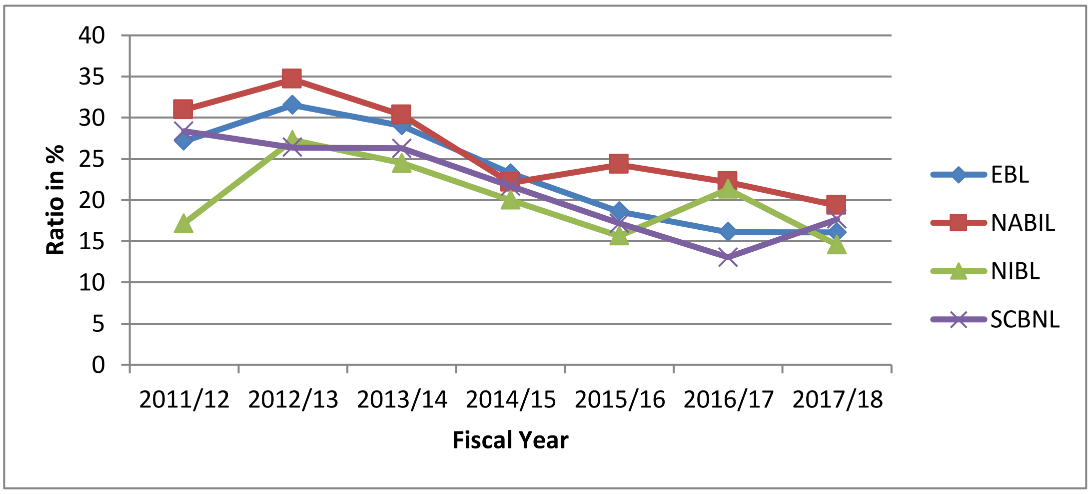
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	27.15	30.94	17.18	28.36
2012/13	31.52	34.63	27.28	26.38
2013/14	29.04	30.33	24.47	26.27
2014/15	23.25	22.10	20.00	21.69
2015/16	18.60	24.29	15.66	17.18
2016/17	16.13	22.17	21.34	13.06
2017/18	16.08	19.34	14.56	17.69
Mean	23.11	26.26	20.07	21.52
SD	5.86	5.27	4.33	5.32
CV	25.36	20.06	21.57	24.71

Sources: Appendix-I

Figure 4.1

Return on Equity Ratio



The table 4.1 and figure 4.1 shows the return on equity of EBL, NABIL, NIBL and SCBNL over the study period 2011/12 to 2017/18. The return on equity ratios of EBL are in decreasing trends except in the fiscal year 2011/12 and ranged from 16.08% in the fiscal year 2017/18 to 31.52% in the fiscal year 2012/13. The average return on equity of EBL is 23.11% with the coefficient of variation 25.36%.

The return on shareholders' equity ratios of NABIL are in fluctuating trends during the study periods. The return on shareholders' equity ratio is lowest in the fiscal year 2017/18 i.e. 19.34% and highest in the fiscal year 2012/13 i.e. 34.63%. NABIL generated 26.26% of shareholders' equity as net profit in average. Similarly, the return on shareholders' equity ratio in NIBL fluctuated during the period and ranged from 15.66% in the fiscal year 2015/16 to 27.28% in the fiscal year 2012/13. In average, the shareholders' of NIBL got 20.07% return from their investment.

Similarly, the return on equity ratio of the SCBNL is in decreasing trends except in the fiscal year 2017/15. The return on equity of SCBNL is ranged from 13.06% in the fiscal year 2016/17 to 28.36% in the fiscal year 2011/12.

The average return on equity ratio of SCBNL is 21.52% with the coefficient of variation 24.71%.

The average return on equity of EBL, NABIL, NIBL and SCBNL is 23.11%, 26.26%, 20.07% and 21.52% respectively. NABIL has the higher mean return on equity ratio than that of EBL, NIBL and SCBNL which indicates that they got a better achievement on increasing net profit by mobilizing resources of shareholder's equity. NABIL has a lower coefficient than that of EBL, NIBL and SCBNL which indicates that NABIL has been successful in maintaining consistency in mobilizing shareholders equity to earn net profit.

4.1.2 Return on Total Assets Ratio

Return on total assets explains the contribution of assets to generating net profit. This ratio indicates efficiency towards of assets mobilization. In other words return on total assets ratio is an overall profitability rate, which measures earning power and overall operation efficiency of a firm. This ratio helps the management in identifying the factors that have a bearing on overall performance of the firm.

Table 4.2

Return on Total Assets Ratio

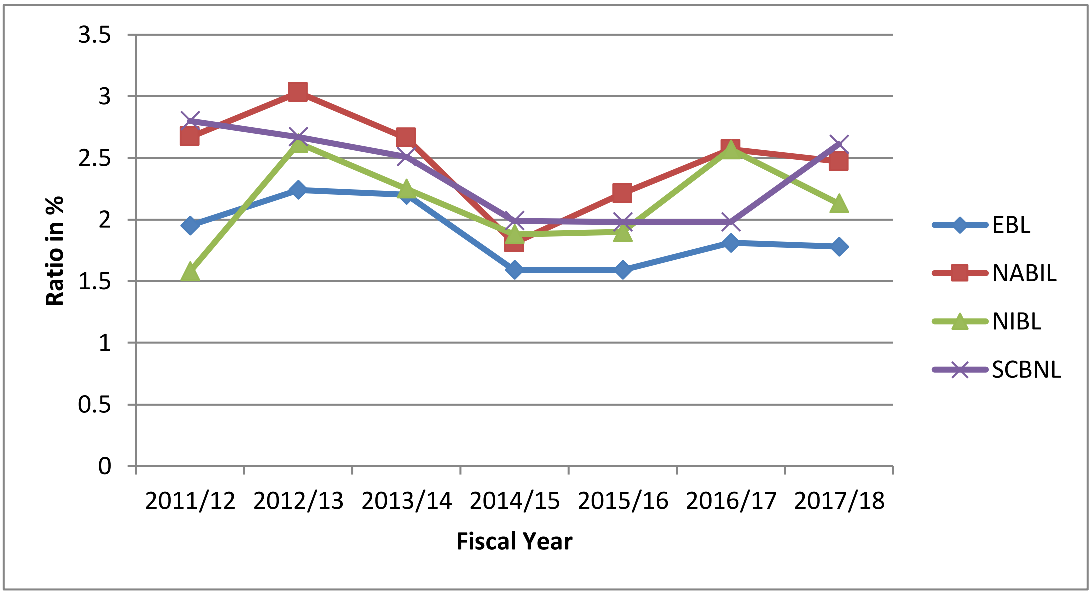
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	1.95	2.67	1.58	2.80
2012/13	2.24	3.03	2.62	2.67
2013/14	2.20	2.66	2.25	2.51
2014/15	1.59	1.81	1.88	1.99
2015/16	1.59	2.21	1.90	1.98
2016/17	1.81	2.57	2.57	1.98
2017/18	1.78	2.47	2.13	2.61
Mean	1.88	2.49	2.13	2.36
SD	0.25	0.36	0.35	0.34
CV	13.05	14.44	16.49	14.34

Sources: Appendix-I

Figure 4.2

Return on Total Assets Ratio



The table 4.2 and figure 4.2 shows the return on assets ratio of EBL, NABIL, NIBL and SCBNL during the fiscal year 2011/12 to 2017/18. The return on assets ratio of EBL is ranged from 1.59% in the fiscal year 2015/16 to 2.24% in the fiscal year 2012/13. The average return on assets of EBL is 1.88% and the coefficient of variation is 13.05%. The return on assets ratio of NABIL has ranged from 1.81% in the fiscal year 2014/15 to 3.03% in the fiscal year 2012/13. The average return on assets ratio of NABIL is 2.49% with the 14.44% of coefficient of variation.

Similarly, NIBL return on assets ratios are also in fluctuating trends and ranged from 1.58% in the fiscal year 2011/12 to 2.62% in fiscal year 2011/12 and 2012/13 respectively. The average returns on assets ratio of NIBL is 2.13%. On the other side the ratio of SCBNL is ranged from 1.98% in the fiscal year 2015/16 to 2.80% in the fiscal year 2011/12. The average return on assets ratio and coefficient of variation of the SCBNL are 2.36% and 15.34% respectively.

The average return on assets ratios of EBL, NABIL, NIBL and SCBNL are 1.88%, 2.49%, 2.13% and 2.36% respectively. NABIL has a higher mean return on assets ratio than EBL, NIBL and SCBNL which indicates that NABIL is successful in earning the net profit with efficient utilization of total assets and it was also successful to maintain the consistency in profit comparison to EBL, NIBL and SCBNL.

4.1.3 Interest Income to Loan and Advances Ratio

The bank grants loan and advances for the sole reason to gain interest income. Thus, to examine how far the bank has been able to manage the loan and advances in earning interest income, the ratio of interest income to loan and advances has been determined.

Table 4.3

Interest Income to Loan and Advances Ratio

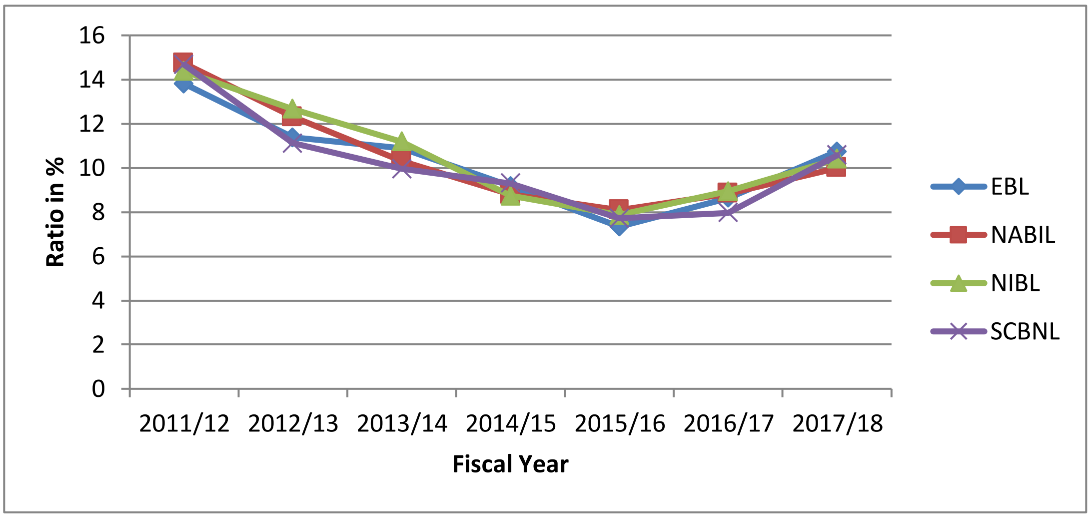
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	13.81	14.73	14.37	14.67
2012/13	11.38	12.30	12.67	11.11
2013/14	10.88	10.31	11.18	9.95
2014/15	9.17	8.80	8.74	9.30
2015/16	7.34	8.09	7.87	7.72
2016/17	8.63	8.83	8.94	7.97
2017/18	10.73	9.99	10.41	10.58
Mean	10.28	10.43	10.60	10.18
SD	1.96	2.17	2.16	2.17
CV	19.05	20.76	20.34	21.29

Sources: Appendix-I

Figure 4.3

Interest Income to Loan and Advances Ratio



The table 4.3 and figure 4.3 shows the efficiency of the sampled banks in loan mobilization in terms of interest income earned during fiscal year 2011/12 to 2017/18. The interest income to total loan and advances ratio of sample banks are in decreasing trends up to 2015/16 and then in increasing trend in last two fiscal year. The interest income to total loan and advances ratio of EBL is ranged from 7.34% in the fiscal year 2015/16 to 13.81% in the fiscal year 2011/12. In average, EBL gained 10.28% of the total loan and advances disbursed as the interest income and the coefficient of variation in the ratio is 19.05%. The interest income to total loan and advances ratio of NABIL is ranged from 8.09% in the fiscal year 2015/16 to 14.73% in the fiscal year 2011/12 and the average interest income to total loan and advances ratio of NABIL is 10.43%.

Similarly, the interest income to total loan and advances ratio of NIBL ranged from 7.87% in the fiscal year 2015/16 to 14.37% in the fiscal year 2011/12. The average interest income to total loan and advances ratio of NIBL is 10.60% with the coefficient of variation 22.29%. Likewise, the interest income to total loan and advances ratios of SCBNL are ranged from 7.72% in the fiscal year 2015/16 to 14.67% in the fiscal year 2011/12. In average, SCBNL earned

10.18% of the total credit granted as interest income. The coefficient of variation of the ratio SCBNL is 21.29%.

The average interest income to total loan and advances ratio of EBL, NABIL, NIBL and SCBNL is 10.28%, 10.43%. Comparing the sampled banks, it can be concluded that NIBL is slightly more efficient in mobilizing the funds in loan and advances, since the interest yielded to total loan and advance ratio is higher in comparison with that of EBL, NABIL and SCBNL.

4.1.4 Return on Total Investment Ratio

This ratio actually measures the total interest income from total investment. A high ratio of interest income from investment indicates high mobilization of collected deposits in investment and vice versa.

Table 4.4

Return on Total Investment Ratio

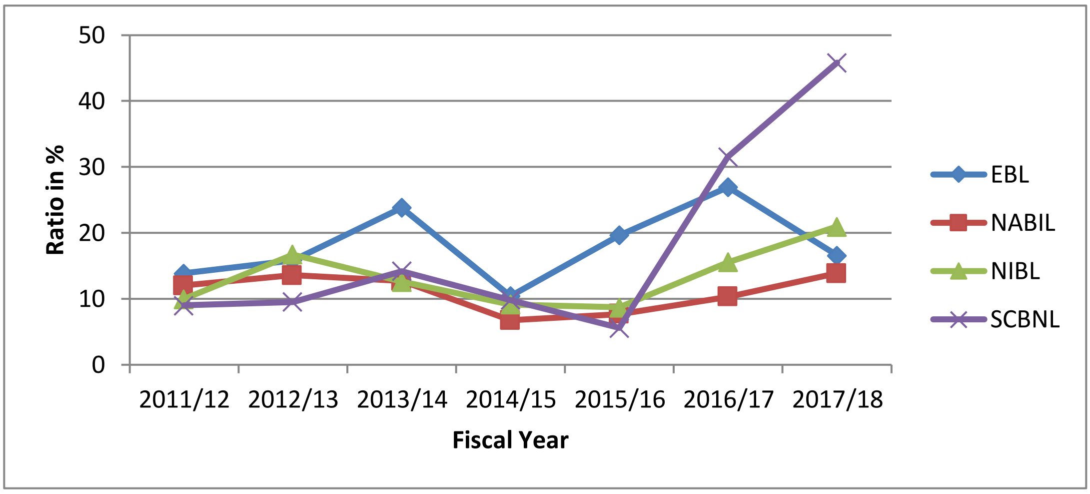
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	13.87	12.03	9.96	9.02
2012/13	15.88	13.59	16.75	9.55
2013/14	23.83	12.69	12.61	14.23
2014/15	10.42	6.76	9.14	9.83
2015/16	19.65	7.72	8.73	5.60
2016/17	26.95	10.30	15.59	31.54
2017/18	16.60	13.89	20.98	45.84
Mean	18.17	11.00	13.39	17.94
SD	5.31	2.62	4.24	13.86
CV	29.23	23.86	31.67	77.26

Sources: Appendix-I

Figure 4.4

Return on Total Investment Ratio



The table 4.4 and figure 4.4 shows the total profit to total investment ratios of EBL, NABIL, NIBL and SCBNL from the fiscal year 2011/12 to 2017/18. The return on investment ratios of EBL are in fluctuating trends and ranged from 10.42% in the fiscal year 2014/15 to 26.95% in the fiscal year 2016/17. The average return on investment of EBL is 18.17% with the coefficient of variation 29.23%. The returns on investment ratios in NABIL are in fluctuating trends and the return on investment ratio is ranged from 6.76% in the fiscal year 2014/15 to 13.89% in the fiscal year 2017/18. In an average NABIL earns 11.00% return from its investment with the coefficient of variation 23.86%.

Similarly, the return on investment of NIBL is also in fluctuating trends and ranged from 8.73% in the fiscal year 2015/16 to 16.75% in the fiscal year 2012/13. The average return on investment ratio of NIBL is 13.39% with the coefficient of variation 31.67%. Likewise, the net profit to total investment ratios of SCBNL are in fluctuating and ranged from 5.60% in the fiscal year 2015/16 to 45.84% in the fiscal year 2017/18. The average net profit to total investment of SCBNL is 17.94% with 77.26% of variation.

The average return on investment ratios of EBL, NABIL, NIBL and SCBNL are 18.17%, 11.00%, 13.39% and 17.94% respectively. The average net profit to total investment ratio of EBL is higher than that of NABIL, NIBL and SCBNL so it can be conclude that EBL invest in more profitable area than NABIL, NIBL and SCBNL.

4.1.5 Return on Loan and Advance Ratio

The ratio expresses one of the key measurements in management discretion in the primary function of commercial banks. The main source of income of commercial banks is lending. Interest earned from loan and advance is more important income base than interests earned from other investment and inter bank borrowing.

Table 4.5

Return on Total Loan and Advance Ratio

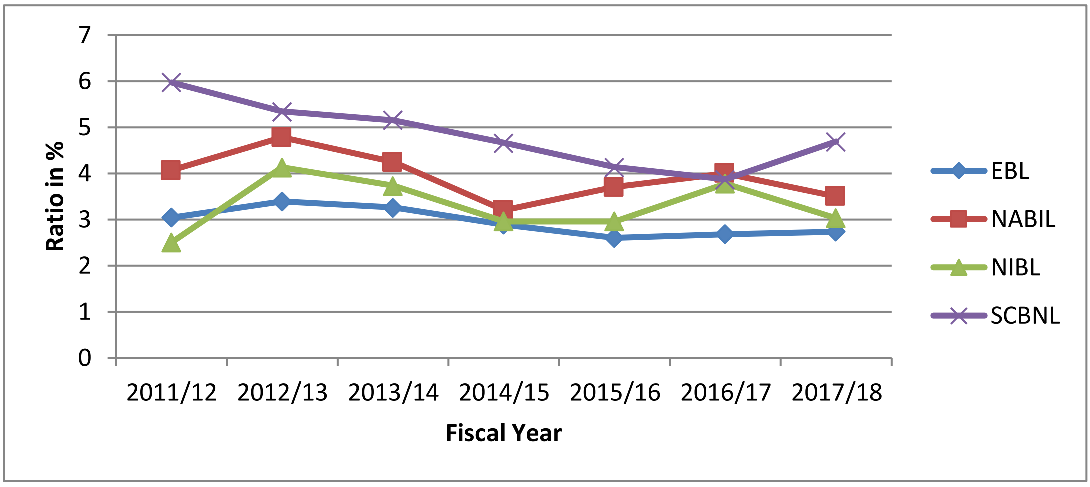
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	3.04	4.06	2.50	5.97
2012/13	3.39	4.78	4.13	5.34
2013/14	3.26	4.24	3.73	5.15
2014/15	2.89	3.20	2.96	4.66
2015/16	2.60	3.70	2.96	4.13
2016/17	2.68	4.00	3.78	3.87
2017/18	2.74	3.50	3.03	4.69
Mean	2.94	3.93	3.30	4.83
SD	0.28	0.48	0.54	0.67
CV	9.40	12.25	16.40	13.82

Sources: Appendix-I

Figure 4.5

Return on Total Loan and Advance Ratio



The table 4.5 and figure 4.5 shows the return on loan and advance ratios of EBL, NABIL, NIBL and SCBNL during the study period 2011/12 to 2017/18. The returns on loan and advance ratios of EBL are in fluctuating trends and ranged from 2.60% in the fiscal year 2015/16 to 3.39% in the fiscal year 2012/13. The average return on loan and advance ratio of EBL is 2.94% with the coefficient of variation 9.40%. The returns on loan and advance ratios of NABIL are in fluctuating trends over the study period. The ratio is ranged from 3.20% in the fiscal year 2014/15 to 4.78% in the fiscal year 2012/13. The average ratio of NABIL is 3.93% with 12.25% of variation.

Likewise, the returns on loan and advance ratios NIBL are in fluctuating trends and ranged from 2.50% in the fiscal year 2011/12 to 4.13% in the fiscal year 2012/13. The average return on loan and advance ratio of NIBL is 3.30%. Similarly, the returns on loan and advance ratios of SCBNL are in decreasing trends except in the fiscal year 2017/18 and ranged from 3.87% in the fiscal year 2016/17 to 5.97% in the fiscal year 2011/12. The mean return on loan and advance ratio of SCBNL is 4.83% with 13.82% of variation.

The average return on loan and advance ratios of EBL, NABIL, NIBL and SCBNL are 2.94%, 3.93%, 3.30% and 4.83 % respectively. As compare to average loan and advance of EBL, NABIL, NIBL and SCBNL, SCBNL has higher return than EBL, NABIL and NIBL.

4.1.6 Dividend Per Share Analysis

Dividend implies that portion of net profit, which is allocated to shareholders as their return in terms of cash. DPS is the portion of earning after tax that cash amount is allocated to shareholders dividend by total numbers of ordinary shares outstanding. The ratio of all of the banks is presented in the following table;

Table 4.6

Dividend Per Share

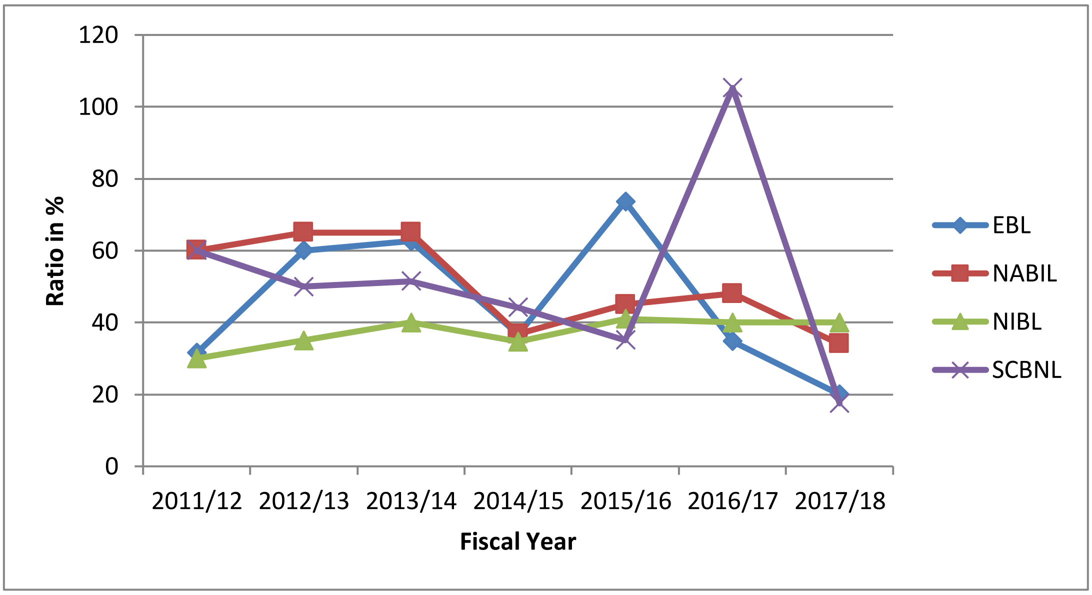
(Ration in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	31.58	60.00	30.00	60.00
2012/13	60.00	65.00	35.00	50.00
2013/14	62.63	65.00	40.00	51.50
2014/15	36.58	36.84	34.70	44.21
2015/16	73.68	45.00	41.00	35.09
2016/17	34.74	48.00	40.00	105.26
2017/18	20.00	34.00	40.00	17.50
Mean	45.60	50.55	37.24	51.94
SD	18.27	11.99	3.80	25.19
CV	40.07	23.72	10.19	48.50

Sources: Appendix-I

Figure 4.6

Dividend Per Share



The table 4.6 and figure 4.6 shows the dividends per share paid by EBL, NABIL, NIBL and SCBNL for the period fiscal year starting 2011/12 to 2017/18. The dividend per share of EBL is in fluctuating trends and ranged from 31.58% in the fiscal year 2011/12 and 73.68% in the fiscal year 2015/16. The dividend per share of NABIL has followed the fluctuating trend from the year 2011/12 to 2017/18 and the dividends per share of NABIL during the period of study are ranged from 36.84% in the fiscal year 2014/15 to 65% in the fiscal year 2012/13. The average dividend per share of NABIL is 50.55%, and coefficient of variation is 23.72%.

Similarly, the dividend per share of NIBL has also followed the fluctuating trend from the base year 2011/12 to 2017/18. The highest dividend per share of NIBL is 41% in the fiscal year i.e. 2015/16 and lowest dividend per share is 30% in the fiscal year 2011/12. The average dividend per share of NIBL is 37.24 and coefficient of variation is 10.19%. Likewise, the dividend per share of SCBNL is in fluctuating trends and ranged from 17.50% in the fiscal year 2017/18 to 105.26% in the fiscal year 2016/17. The average dividend per share of SCBNL is 51.94% with the coefficient of variation 48.50%.

The average dividend per share of EBL, NABIL, NIBL and SCBNL is 45.60%, 50.55%, 37.24% and 51.94% respectively. In conclusion, the average dividend per share paid by SCBNL is higher than the average dividend per share of EBL, NABIL and NIBL. So SCBNL is comparatively more successful to create the positive attitudes of shareholders towards the bank.

4.1.7 Earning per Share Analysis

Earning per Share is one of the principal indicators of organizations economic performance. It is the tools to measure the organizational performance economically. Generally, success and failure hinges of the earning capacity of the firm. Earning helps in stability and growth of the firm. Thus, higher the earning higher is the strength of the firm. And following table presents a clear view about earning made by the four banks in different period.

Table 4.7

Earning per Share

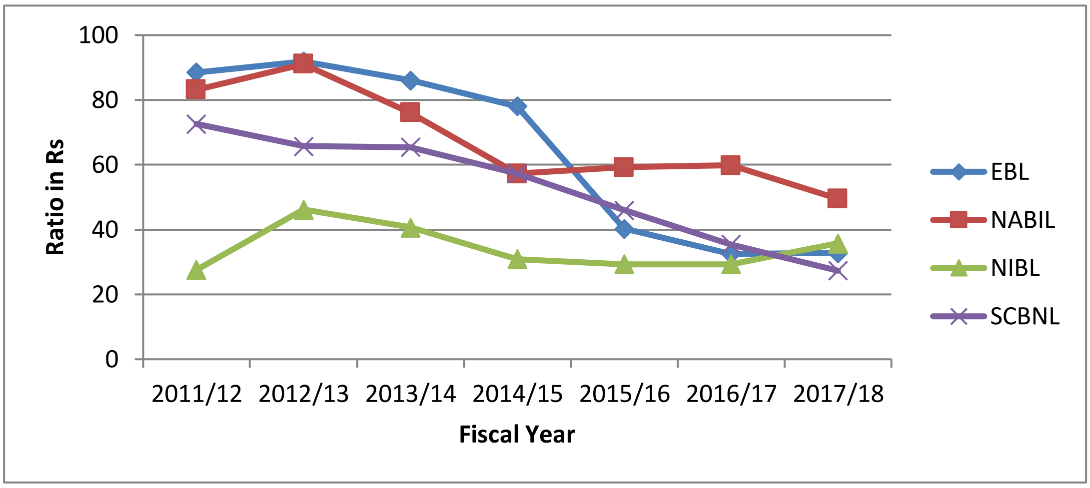
(Ratio in Rs.)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	88.55	83.23	27.60	72.60
2012/13	91.88	91.05	46.20	65.70
2013/14	86.04	76.12	40.70	65.47
2014/15	78.04	57.24	30.90	57.38
2015/16	40.33	59.27	29.30	45.96
2016/17	32.48	59.86	29.30	35.49
2017/18	32.78	49.51	35.70	27.33
Mean	64.30	68.04	34.24	52.85
SD	25.61	14.29	6.45	15.74
CV	39.83	21.00	18.83	29.79

Sources: Appendix-I

Figure 4.7

Earning per Share



The table 4.7 and table 4.7 present the earning per share of the four sample banks for the period fiscal year starting 2011/12 to 2017/18. The earnings per share of EBL are almost in fluctuating trends and ranged from Rs.32.48 in the fiscal year 2016/17 to Rs.91.88 in the fiscal year 2012/13. The average earning per share of EBL is Rs.64.30 with the coefficient of variation 39.83%. The earning per share of NABIL has also followed the decreasing trend from the fiscal year 2011/12 to 2017/18. The earning per share is ranged from Rs.49.51 in the fiscal year 2017/18 to Rs.91.05 in the fiscal year 2012/13. The average earning per share of NABIL is Rs.68.04 and coefficient of variation is 21.00%.

Similarly, the earning per share of NIBL has also followed the decreasing trend the fiscal year 2011/12 to 2017/18. The highest and lowest earning per share of NIBL during the period of study is Rs.46.20 and Rs.27.60 in the fiscal year 2012/13 and 2011/12 respectively. The average earning per share of NIBL is Rs.34.24, and coefficient of variation is 18.83%.

Likewise, the earning per share of SCBNL is in decreasing and ranged from Rs.27.33 to Rs.72.60 in the fiscal year 2011/12. The average earning per share of SCBNL is Rs.52.85 with the 29.79% of coefficient of variation. The average earning per share of EBL, NABIL, NIBL and SCBNL is Rs.64.30, Rs.68.04, Rs.34.24 and Rs.52.85% respectively. In conclusion the average earning per share of NABIL is higher compared to earnings per share of EBL, NIBL and SCBNL. So, concluded that NABIL is better than EBL, NIBL and SCBNL in terms of earning per share, because average earning per share of NABIL is higher than EBL, NIBL and SCBNL. It helps to indicate the better performance of the bank's management. The performance and the achievement of business organization are measured in terms of its capital to general earnings, higher earnings shows higher strength while lower earning shows weaker strength of banks.

4.1.8 Dividend Payout Ratio Analysis

Dividend payout ratio is another important factor determining the financial performance of the firm. It also affects the market price of the share of the firm and gives an insight view of an organization. DPR shows what percentage of profit is distributed as dividend and what percentage is retain as reserve and surplus for the growth of the companies. DPR depends on the EPS of the banks. There is no any rule in Nepal to restrict the bank that how much amount should be paid or retained as reserve and surplus. It depends on the investment opportunity of the banks.

Table 4.8

Dividend Payout Ratio

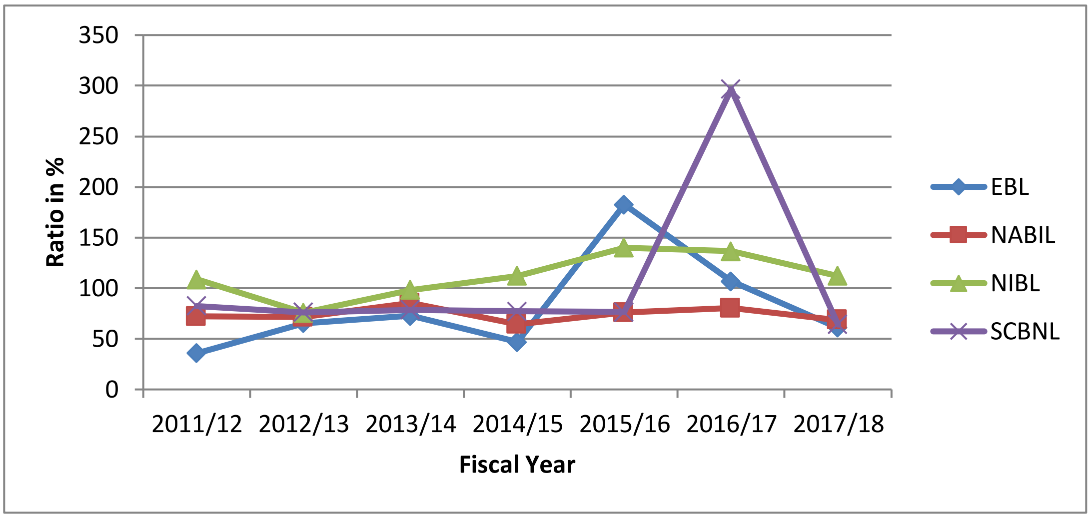
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	35.66	72.09	108.70	82.64
2012/13	65.30	71.39	75.76	76.10
2013/14	72.79	85.39	98.28	78.66
2014/15	46.87	64.36	112.30	77.05
2015/16	182.69	75.92	139.93	76.35
2016/17	106.96	80.19	136.52	296.59
2017/18	61.01	68.67	112.04	64.03
Mean	81.61	74.00	111.93	107.35
SD	46.21	6.58	20.33	77.44
CV	56.62	8.90	18.17	72.14

Sources: Appendix-I

Figure 4.8

Dividend Payout Ratio



The table 4.8 and figure 4.8 presents the dividend payout ratio EBL, NABIL, NIBL and SCBNL for the period fiscal year starting 2011/12 to 2017/18. The dividend payout ratios of EBL are in fluctuating trends and ranged from 35.66% in the fiscal year 2011/12 to 182.69% in the fiscal year 2015/16. The dividend payout ratio of NABIL has followed the fluctuating trends during the study period. The lowest and highest dividend payout ratio of NABIL during the period of study is 64.36% and 85.39% in year 2014/15 and 2013/14 respectively. The average dividend payout ratio of NABIL is 74.00% and coefficient of variation is 8.90%.

Similarly, the dividend payout ratio of NIBL has also followed the fluctuating trend. The dividend payout ratio of NIBL has ranged during the period of study from 75.76% to 139.93% in year 2012/13 and 2015/16 respectively. The average dividend payout ratio of NIBL is 111.93% and coefficient of variation is 18.17%. Likewise, the dividend payout ratios of SCBNL are in fluctuating trends. The dividend payout ratios are ranged from 76.10% in the fiscal year 2012/13 to 296.59% in the fiscal year 2016/17. The average dividend payout ratio of SCBNL is 107.35% with the coefficient of variation 72.14%.

The average dividend payout ratios of EBL, NABIL, NIBL and SCBNL are 81.61%, 74.00%, 111.93% and 107.35% respectively. In conclusion, the four sampled banks did not seem to adopt fixed dividend payout ratio. SCBNL has high average dividend payout ratio than EBL, NABIL and NIBL. Higher dividend payout ratio is good for the investor. It indicates that good banking performance.

4.1.9 Dividend Yield Ratio

Dividend highly influences the market value per share because a change in dividend per share can bring effective change in market value of share. Therefore before allocation of dividend to shareholders the impact on market scenario and price fluctuation is to be studied and evaluated for the long run survival of the bank. Dividend yield is the percentage of dividend per share on market price per share. It measures the dividend in relation to market value of share. It is the dividend received by the investors as a percentage of market prices per share in the market. The ratio highly influences the market price per share because a small change in dividend per share can bring effective change in the market value of the share.

Table 4.9

Dividend Yield

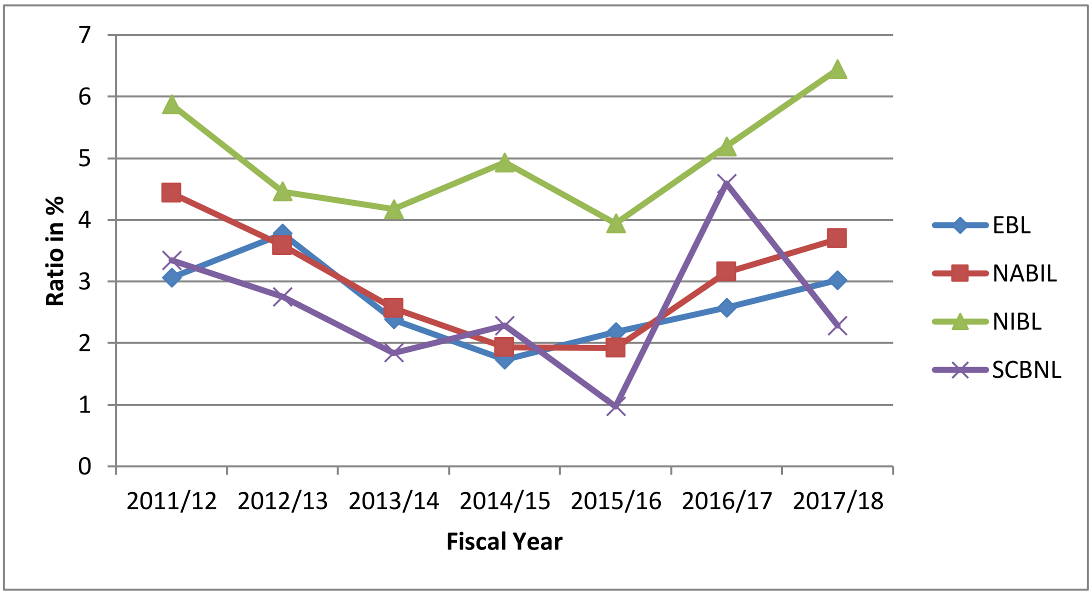
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	3.06	4.43	5.87	3.34
2012/13	3.77	3.58	4.46	2.75
2013/14	2.38	2.56	4.17	1.84
2014/15	1.73	1.93	4.93	2.28
2015/16	2.18	1.92	3.94	0.97
2016/17	2.57	3.15	5.19	4.59
2017/18	3.02	3.69	6.44	2.28
Mean	2.67	3.04	5.00	2.58
SD	0.62	0.88	0.84	1.06
CV	23.31	28.84	16.86	41.29

Sources: Appendix-I

Figure 4.9

Dividend Yield



The table 4.9 and figure 4.9 presents the dividend yield ratios of EBL, NABIL, NIBL and SCBNL for the fiscal year starting 2011/12 to 2017/18. The dividend yield ratios of EBL are in fluctuating trends and ranged from 1.73% in the fiscal year 2014/15 to 3.77% in the fiscal year 2012/13. The average dividend yield of EBL is 2.67% with the coefficient of variation 23.31%. The dividend yield ratio of NABIL has followed fluctuating trend. The highest and lowest dividend yields of NABIL during the period of study are 4.43% and 1.92% in year 2011/12 and 2015/16 respectively. The average dividend yield of NABIL is 3.04% and coefficient of variation is 28.84%.

Likewise, the dividend yield ratio of NIBL has also followed fluctuating trend during the study period. The highest and lowest dividend yields of NIBL during the period of study are 6.44% and 3.94% in the fiscal year 2017/18 and 2015/16 respectively. The average dividend yield of NIBL is 5.00% and coefficient of variation is 16.86%. Similarly, the dividend yield ratios of SCBNL are in fluctuating trends and ranged from 0.97% in the fiscal year 2015/16 to 4.59% in the fiscal year 2016/17. The average dividend yield ratio of SCBNL is 2.58% with the coefficient of variation 41.29%.

The average dividend yield ratios of EBL, NABIL, NIBL and SCBNL are 2.58 respectively. In conclusion, average dividend yield of NIBL is higher than EBL, NABIL and SCBNL. A high dividend yield can be considered to be evidence that a stock is underpriced or that the company has fallen on hard times and future dividends will not be as high as previous ones. Similarly a low dividend yield can be considered evidence that the stock is overpriced or that future dividends might be higher.

4.1.10 Earning Yield Analysis

Earning yield is the percentage of earning per share to market price per share in stock market. In other words, it is a financial ratio relating EPS to the MPS at a particular time.

Table 4.10

Earning Yield

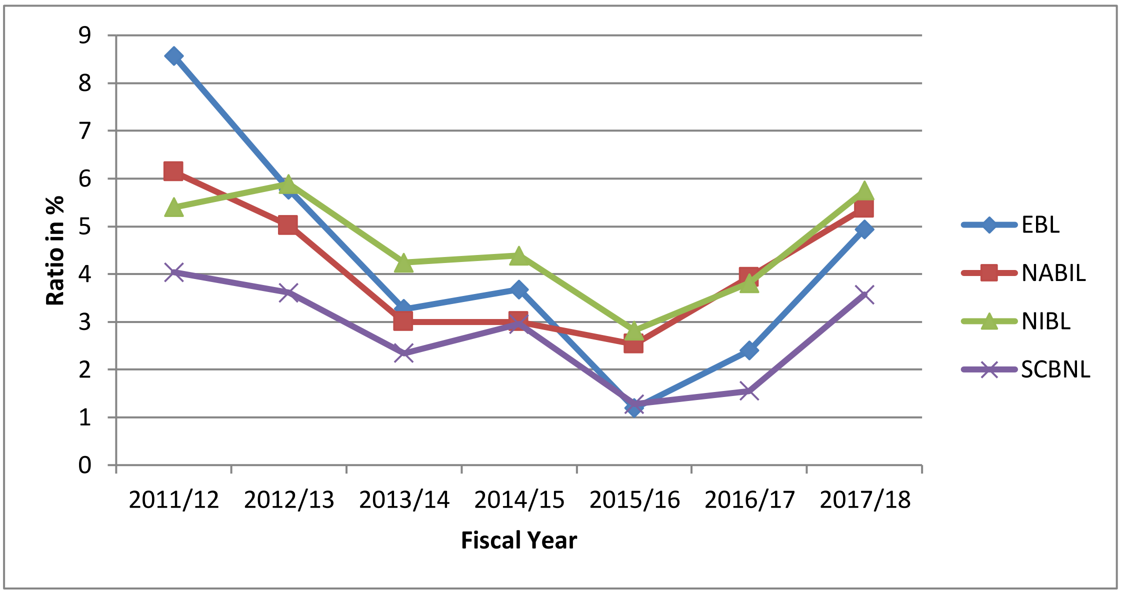
(Ratio in %)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	8.57	6.14	5.40	4.04
2012/13	5.77	5.02	5.89	3.61
2013/14	3.27	3.00	4.24	2.34
2014/15	3.68	3.00	4.39	2.95
2015/16	1.19	2.53	2.82	1.28
2016/17	2.40	3.93	3.81	1.55
2017/18	4.94	5.38	5.75	3.57
Mean	4.26	4.14	4.61	2.76
SD	2.25	1.28	1.04	0.99
CV	52.87	31.01	22.61	35.93

Sources: Appendix-I

Figure 4.10

Earning Yield



The table 4.10 and figure 4.10 presents the earning yield ratios of the EBL, NABIL, NIBL and SCBNL for the period fiscal year starting 2011/12 to 2017/18. The earning yield ratios of EBL are in fluctuating trends and ranged from 1.19% in the fiscal year 2015/16 to 8.57% in the fiscal year 2011/12. The average earning yield ratio of EBL is 4.26% with the coefficient of variation 52.87%. The earning yield ratios of NABIL also followed a fluctuating trend in the five years period. The earning yield of NABIL is ranged from 2.53% the fiscal year 2015/16 to 6.14% in the fiscal year 2011/12. NABIL maintained an average 4.14% earning yield in the five years period. The standard deviation of NABIL is 1.28 and coefficient of variation is 31.01%.

Similarly, the earning yield ratio of NIBL has followed fluctuating trend from 2011/12 to 2017/18. The highest and lowest earning yields of NIBL during the period of study are 5.89% and 2.82% in year 2012/13 and 2015/16 respectively. The average earning yield of NIBL is 4.61%, standard deviation is 1.04 and coefficient of variation is 22.61%. Likewise, the earning yield ratios of SCBNL are in fluctuating trends. The earning yield ratios of SCBNL are ranged from 1.28% in the fiscal year 2015/16 to 4.04% in the fiscal year 2011/12. The average earning yield ratio of SCBNL is 2.76% with the coefficient of variation 35.93%.

The average earning yield ratios of EBL, NABIL, NIBL and SCBNL are 4.26%, 4.14%, 4.61% and 2.76% respectively. In conclusion, the average earning yield of NIBL is higher than EBL, NABIL and SCBNL. So NIBL is efficient in earning than EBL, NABIL and SCBNL.

4.1.11 Market Price per Share (MPS)

The market price per share or fair market value of a stock is the price that a stock can be readily bought or sold in the current market place. In other words, the market price per share is the going price of a share of stock. The stock market and economy changes every day and with it comes fluctuations in company stock prices.

Table 4.11

Market Price per Share

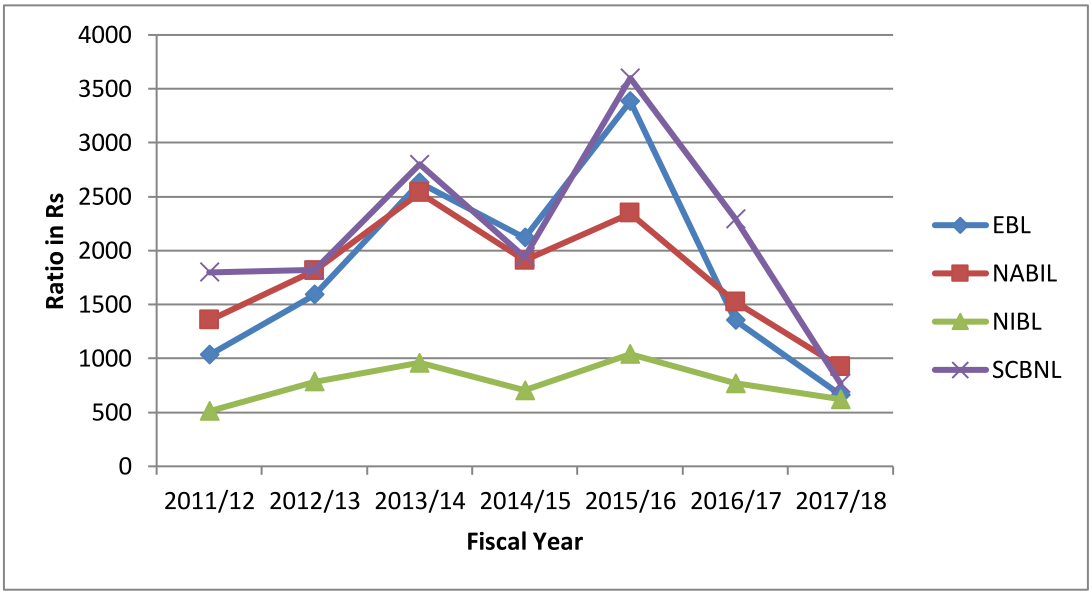
(Ratio in Rs.)

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2011/12	1033	1355	511	1799
2012/13	1591	1815	784	1820
2013/14	2631	2535	960	2799
2014/15	2120	1910	704	1943
2015/16	3385	2344	1040	3600
2016/17	1353	1523	770	2295
2017/18	663	921	621	766
Mean	1825.14	1771.86	770.00	2146.00
SD	880.37	519.66	170.22	822.45
CV	48.24	29.33	22.11	38.33

Sources: Appendix-I

Figure 4.11

Market Price per Share



The table 4.11 and figure 4.11 presents the market price per share of EBL, NABIL, NIBL and SCBNL for the period of fiscal year starting 2011/12 to 2017/18. The market price per share of EBL is in fluctuating trends and ranged from Rs.1033 in the fiscal year 2011/12 to Rs.3385 in the fiscal year 2015/16. The average market price per share of EBL is Rs.1825.14 with the coefficient of variation 48.24%. The market price per share of NABIL is in fluctuating trend from fiscal year 2011/12 to 2017/18. The maximum market price per share of NABIL is Rs.2523 in fiscal year 2013/14 and minimum market price per share is Rs.921 in year 2017/18. The average market price per share is Rs.1771.86 and coefficient of variation is 29.33%.

Similarly, the market price per share of NIBL is in fluctuating trend. The maximum market price per share of NIBL is Rs.1040 in fiscal year 2015/16 and minimum market price per share is Rs.511 in year 2011/12.The average market price per share is Rs.770.00 and coefficient of variation is 22.11%. Likewise, the market per share of SCBNL is in fluctuating trends and ranged from Rs.766 in the fiscal year 2017/18 to Rs.3600 in the fiscal year 2015/16.

The average market price per share of SCBNL is 2146.00 with the coefficient of variation 38.33%.

The average market price per share of EBL, NABIL, NIBL and SCBNL are Rs.1825.14, Rs.1771.86, Rs.770 and Rs. 2146 respectively. In conclusion, average market price per share of SCBNL is higher than EBL, NABIL and NIBL.

4.2 Statistical Analysis

4.2.1 Correlation Coefficient and Regression Analysis

There are various ways of measuring the relationship existing between variable of an economic and social phenomenon. The simple is correlation and regression analysis. Correlation analysis is a technique used to measure the closeness of the relationship between the variables. In this study following relationship has been shown,

- Correlation coefficient and Regression between EPS and MPS
- Correlation coefficient Regression between DPS and MPS
- Correlation coefficient Regression between EPS and DPS

4.2.1.1 Correlation Coefficient between EPS and MPS

The Correlation between EPS and MPS and P.E. calculated in Appendix II. This is summarized in the following table.

Table 4.12

Correlation Coefficient between EPS and MPS

Particulars	EBL	NABIL	NIBL	SCBNL
r	0.0644	0.2332	0.2322	0.2084
r^2	0.0041	0.0544	0.0539	0.0434
P.E.	0.3004	0.2852	0.2854	0.2885
6 × P. E.	1.8024	1.7114	1.7123	1.7313
Remarks	Insignificant	Insignificant	Insignificant	Insignificant

Source: Appendix II

The table 4.12 describes the relationship between EPS and MPS of EBL, NABIL, NIBL and SCBNL. The coefficient of correlation between EPS and MPS of EBL, NABIL, NIBL and SCBNL are 0.0644, 0.2332, 0.2322 and 0.2084 respectively. The coefficient of correlation between EPS and MPS of EBL, NABIL, NIBL and SCBNL are correlated negatively. The relationship between EPS and MPS is insignificant, since the r is lower than the 6P.E.

4.2.1.3 Correlation between DPS and MPS

The Correlation between DPS and MPS and P.E calculated in Appendix II. This is summarized in the following table.

Table 4.13

Correlation between DPS and MPS

Particulars	EBL	NABIL	NIBL	SCBNL
R	0.8657	0.398	0.6941	0.2075
r^2	0.7494	0.1584	0.4818	0.0431
P.E.	0.0756	0.2539	0.1563	0.2887
6 × P. E.	0.4535	1.5232	0.9379	1.7319
Remarks	Significant	Insignificant	Insignificant	Insignificant

Source: Appendix II

The table 4.13 describes the relationship between DPS and MPS of EBL, NABIL, NIBL and SCBNL. The coefficient of correlation between DPS and MPS of EBL, NABIL, NIBL and SCBNL are 0.8657, 0.398, 0.6941 and 0.2075 respectively.

The coefficient of correlation between DPS and MPS of EBL, NABIL, NIBL and SCBNL are correlated positively. The 6*PE of EBL shows that the relationship between DPS and MPS is statistically significant, since the r is higher than the 6P.E. Similarly, the probable error of NABIL, NIBL and SCBNL shows that the relationship between DPS and MPS is insignificant, since the r is lower than the 6P.E.

4.2.1.5 Correlation between EPS and DPS

The Correlation between EPS and DPS and P.E. calculated in Appendix II. This is summarized in the following table.

Table 4.14

Correlation between EPS and DPS

Particulars	EBL	NABIL	NIBL	SCBNL
R	0.239	0.9315	0.1133	0.0587
r^2	0.0571	0.8677	0.0128	0.0034
P.E.	0.2844	0.0399	0.2978	0.3006
6 × P. E.	1.7065	0.2395	1.7866	1.8036
Remarks	Insignificant	Significant	Insignificant	Insignificant

Source: Appendix II

The table 4.14 describes the relationship between EPS and DPS of EBL, NABIL, NIBL and SCBNL. The coefficient of correlation between EPS and DPS of EBL, NABIL, NIBL and SCBNL are 0.239, 0.9315, 0.1122 and 0.0587 respectively.

The coefficient of correlation between EPS and DPS of EBL, NABIL, NIBL and SCBNL are correlated positively. The probable error of EBL, NIBL and SCBNL also shows that the relationship between EPS and DPS is insignificant, since the value of r is lower than the 6P.E. Similarly, the coefficient of correlation between EPS and DPS of NABIL is correlated also positively but the probable error of NABIL shows that the relationship between EPS and DPS is insignificant, since the r is lower than the 6P.E.

4.3 Trend Analysis

The trend analysis adds to the future value on the basis of the past year. For this purpose, trend line is computed and estimated the trend values of EPS, DPS and MPS of four banks for five years from fiscal year 2018/19 to 2022/23.

4.3.1 Trend Analysis of EPS

The trend line of EPS of EBL, NABIL, NIBL and SCBNL are as follows;

EBL Yc = 64.30 - 11.85 x
NABIL Yc = 68.04 - 6.44 x
NIBL Yc = 34.24 - 0.75 x
SCBNL Yc = 52.85 - 7.71 x

Table 4.15

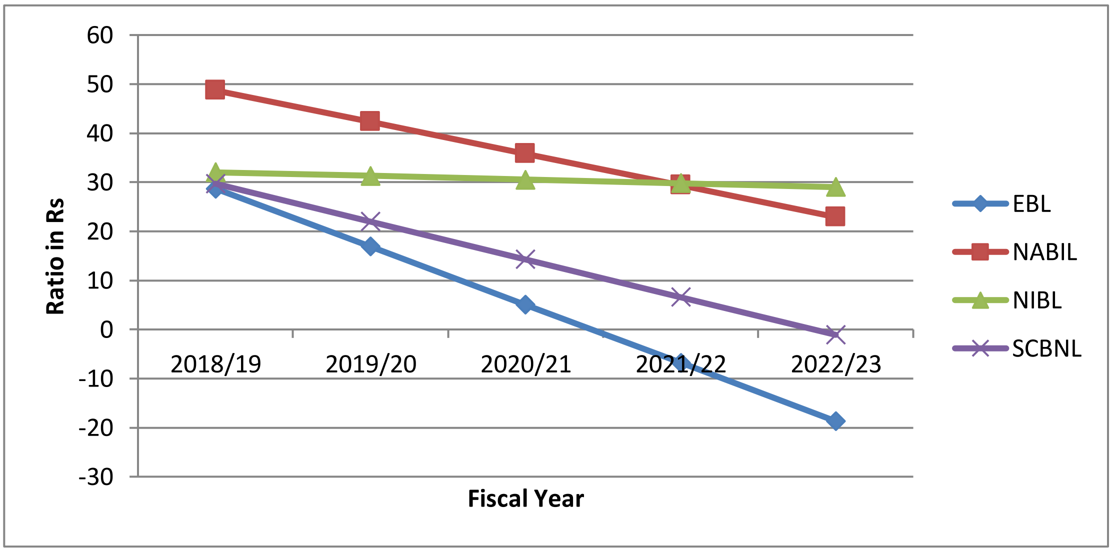
Trend Analysis of Earning Per Share

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2018/19	28.7	48.7	32.0	29.7
2019/20	16.9	42.3	31.3	22.0
2020/21	5.0	35.8	30.5	14.3
2021/22	-6.8	29.4	29.8	6.6
2022/23	-18.7	22.9	29.0	-1.1

Sources: Appendix-III

Figure 4.12

Trend Value of Earning Per Share



The table 4.15 and figure 4.12 shows the earning per share movement till 2022/23. The table 4.15 shows that EBL, NABIL, NIBL and SCBNL have negative value of b so it is decreasing in future value. If b is negative value, it helps to future price movement on negative impact. The earning per share EBL, NABIL, NIBL and SCBNL are in decreasing trend for next five year.

4.3.2 Analysis of Dividend Per Share

The trend line of DPS of EBL, NABIL, NIBL and SCBNL are as follows;

EBL Yc = 45.60 - 2.65 x
NABIL Yc = 50.55 - 4.71 x
NIBL Yc = 37.24 + 1.46 x
SCBNL Yc = 51.94 - 1.19 x

Table 4.16

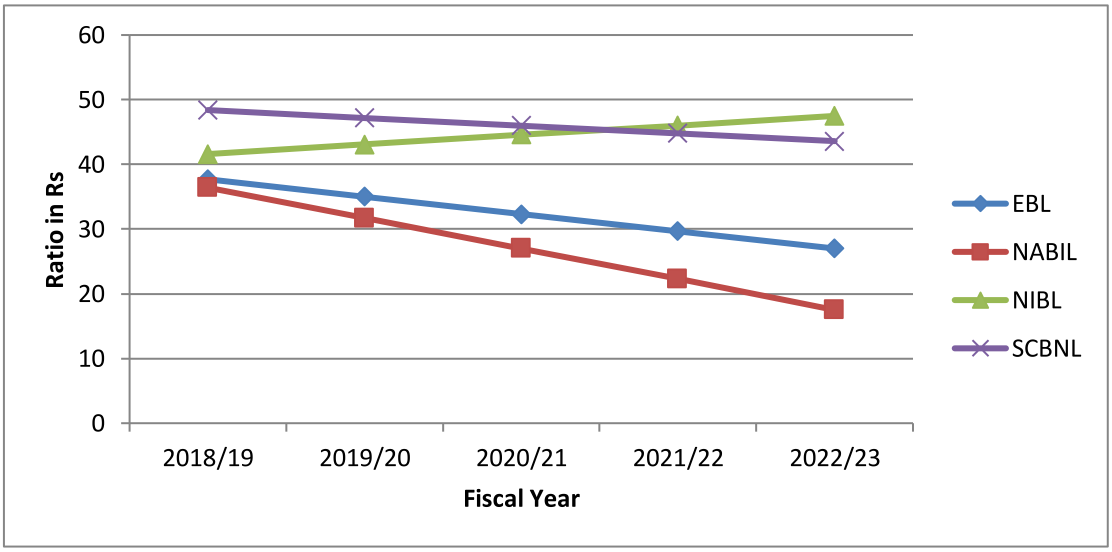
Trend analysis of Dividend Per Share

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2018/19	37.7	36.4	41.6	48.4
2019/20	35.0	31.7	43.1	47.2
2020/21	32.3	27.0	44.6	46.0
2021/22	29.7	22.3	46.0	44.8
2022/23	27.0	17.5	47.5	43.6

Sources: Appendix-III

Figure 4.13

Trend Value of Dividend Per Share



The table 4.15 and figure 4.13 shows the trend value dividend per share till the fiscal year 2022/23. EBL, NABIL and SCBNL have negative value of b so it is decreasing in future value but NIBL has positive value of b so dividend per share will be in increasing trend in future. The table and figure describes that the dividend per share of NABIL in the fiscal year 2022/23 will be 27%, 17.5%, 47.5% and 43.6% respectively if other things remain same.

4.3.3 Analysis of Market Price Per share

The trend line of market price per share of EBL, NABIL, NIBL and SCBNL are as follows;

EBL Yc = 1825.14 - 29.71 x
NABIL Yc = 1771.86 - 74.18 x
NIBL Yc = 770.00 + 13.64 x
SCBNL Yc = 2149.00 - 48.14 x

Table 4.17

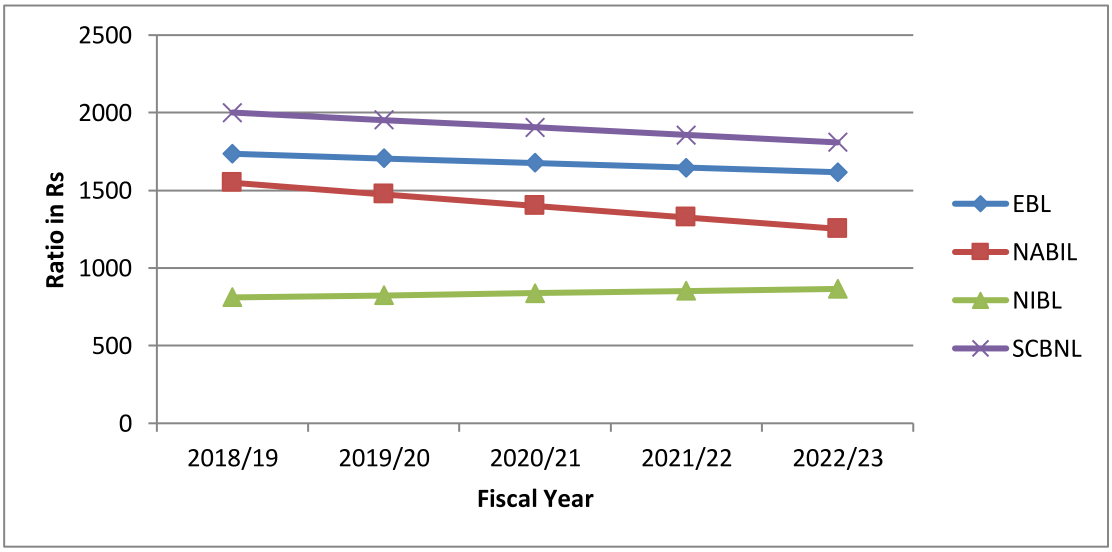
Trend Analysis of Market Price Per Share

Fiscal Year	EBL	NABIL	NIBL	SCBNL
2018/19	1736.0	1549.3	810.9	2001.6
2019/20	1706.3	1475.1	824.6	1953.4
2020/21	1676.6	1401.0	838.2	1905.3
2021/22	1646.9	1326.8	851.9	1857.1
2022/23	1617.1	1252.6	865.5	1809.0

Sources: Appendix-III

Figure 4.14

Trend Value of Market Price Per Share



The table 4.17 and figure 4.14 shows the market price per share of EBL, NABIL, NIBL and SCBNL during the fiscal year 2018/19 to 2022/23. The trend value of EBL, NABIL and SCBNL are decreasing trend for next five year but is in positive trends in NIBL. The table and figure describes that the market price per share of EBL, NABIL NIBL and SCBNL in the fiscal year 2022/23 will be Rs.1617.1, Rs.1252.6, Rs.865.5 and Rs.1809.0 respectively.

4.4 Major Findings

On the basis of the analysis of data, the following major findings have been found.

1. The average return on equity of EBL, NABIL, NIBL and SCBNL is 23.11%, 26.26%, 20.07% and 21.52% respectively. NABIL has the higher mean return on equity ratio than that of EBL, NIBL and SCBNL which indicates that they got a better achievement on increasing net profit by mobilizing resources of shareholder's equity. NABIL has a lower coefficient than that of EBL, NIBL and SCBNL which indicates that NABIL has been successful in maintaining consistency in mobilizing shareholders equity to earn net profit.
2. The average return on assets ratios of EBL, NABIL, NIBL and SCBNL are 1.88%, 2.49%, 2.13% and 2.36% respectively. NABIL has a higher mean return on assets ratio than EBL, NIBL and SCBNL which indicates that NABIL is successful in earning the net profit with efficient utilization of total assets and it was also successful to maintain the consistency in profit comparison to EBL, NIBL and SCBNL.
3. The average interest income to total loan and advances ratio of EBL, NABIL, NIBL and SCBNL is 10.28%, 10.43%. Comparing the sampled banks, it can be concluded that NIBL is slightly more efficient in mobilizing the funds in loan and advances, since the interest yielded to total loan and advance ratio is higher in comparison with that of EBL, NABIL and SCBNL.
4. The average return on investment ratios of EBL, NABIL, NIBL and SCBNL are 18.17%, 11.00%, 13.39% and 17.94% respectively. The average net profit to total investment ratio of EBL is higher than that of NABIL, NIBL and SCBNL so it can be conclude that EBL invest in more profitable area than NABIL, NIBL and SCBNL.
5. The average return on loan and advance ratios of EBL, NABIL, NIBL and SCBNL are 2.94%, 3.93%, 3.30% and 4.83 % respectively. As compare to average loan and advance of EBL, NABIL, NIBL and SCBNL, SCBNL has higher return than EBL, NABIL and NIBL.
6. The average dividend per share of EBL, NABIL, NIBL and SCBNL is 45.60%, 50.55%, 37.24% and 51.94% respectively. In conclusion, the average dividend per share paid by SCBNL is higher than the average

dividend per share of EBL, NABIL and NIBL. So SCBNL is comparatively more successful to create the positive attitudes of shareholders towards the bank.

7. The average earning per share of EBL, NABIL, NIBL and SCBNL is Rs.64.30, Rs.68.04, Rs.34.24 and Rs.52.85% respectively. In conclusion the average earning per share of NABIL is higher compared to earnings per share of EBL, NIBL and SCBNL. So, concluded that NABIL is better than EBL, NIBL and SCBNL in terms of earning per share, because average earning per share of NABIL is higher than EBL, NIBL and SCBNL. It helps to indicate the better performance of the bank's management. The performance and the achievement of business organization are measured in terms of its capital to general earnings, higher earnings shows higher strength while lower earning shows weaker strength of banks.

8. The average dividend payout ratios of EBL, NABIL, NIBL and SCBNL are 81.61%, 74.00%, 111.93% and 107.35% respectively. In conclusion, the four sampled banks did not seem to adopt fixed dividend payout ratio. NIBL has high average dividend payout ratio than EBL, NABIL and NIBL. Higher dividend payout ratio is good for the investor. It indicates that good banking performance.

9. The average dividend yield ratios of EBL, NABIL, NIBL and SCBNL are 2.58 respectively. In conclusion, average dividend yield of NIBL is higher than EBL, NABIL and SCBNL. A high dividend yield can be considered to be evidence that a stock is underpriced or that the company has fallen on hard times and future dividends will not be as high as previous ones. Similarly a low dividend yield can be considered evidence that the stock is overpriced or that future dividends might be higher.

10. The average earning yield ratios of EBL, NABIL, NIBL and SCBNL are 4.26%, 4.14%, 4.61% and 2.76% respectively. In conclusion, the average earning yield of NIBL is higher than EBL, NABIL and SCBNL. So NIBL is efficient in earning than EBL, NABIL and SCBNL.

11. The average market price per share of EBL, NABIL, NIBL and SCBNL are Rs.1825.14, Rs.1771.86, Rs.770 and Rs. 2146 respectively. In conclusion, average market price per share of SCBNL is higher than EBL, NABIL and NIBL.

12. The coefficient of correlation between EPS and MPS of EBL, NABIL, NIBL and SCBNL are 0.0644, 0.2332, 0.2322 and 0.2084 respectively.

13. The coefficient of correlation between DPS and MPS of EBL, NABIL, NIBL and SCBNL are 0.8657, 0.398, 0.6941 and 0.2075 respectively.
14. The coefficient of correlation between EPS and DPS of EBL, NABIL, NIBL and SCBNL are 0.239, 0.9315, 0.1122 and 0.0587 respectively.

CHAPTER - V
SUMMARY, CONCLUSION, RECOMMENDATIONS AND IMPLICATIONS

This chapter focuses on summarizing the study held with the conclusions, some recommendation on the basis of findings and implications of the study. For this purpose, the chapter has been divided into three parts as summary, conclusion, recommendations and implications.

Basic objective of the study is to find out about the dividend policy that have its effect in the market price and dividend decision taking place in the banking sector of Nepal.

5.1 Summary

Dividend services as simple, comprehensive signal of management's interpretation of the firm's recent performance and its future prospects. Dividend policy constitutes one of the most critical issues of the public limited companies. Dividend policy decision is one of the major decisions of financial management. The dividend policy decision affects on the operation and prosperity of the organization because it has the power to influence other two decision of the organization i.e. capital structure decision and investment decisions. The stockholders have a high desire and expectation that market price of share will be higher than net worth and getting high percent of dividend from earning. So distributing dividend to the share holder is effective way to achieve the trust of investors and encourage them to invest in shares. Besides this dividend paying ability reflects the financial position of the organization in the market. So the funds that could not be used due to the lack of investment opportunities would be better as dividend. Since share holders have investment opportunities elsewhere.

The study attempts to find out the prevailing dividend practices in commercial banks in Nepal. In order to carry out the research, four banks: Everest Bank

Limited, NABIL Bank Limited and Standard Chartered Bank Nepal Limited have been taken into consideration and secondary data are collected for seven years period starting from 2011/12 to 2017/18. These data are then put into different statistical tool and techniques as well as financial ratios to find out our objectives. The market price of share is affected by the financial position and the dividend paid by the firms. The lack of financial knowledge and the market inefficiency has affected the market price of the share in all the sample banks. Research shows that none of the bank have well defined and appropriate dividend policy. There is uncertainty within shareholders. Though shareholders are being more aware about the shares and its benefits than before, but still they don't possess sufficient knowledge about the ongoing stock market.

5.2 Conclusions

Different analyses show that there was no exact dividend policy followed by any of these banks during this period. Reasons behind this are put into investigation to the possible extent. NABIL has the higher mean return on equity ratio than that of EBL, NIBL and SCBNL which indicates that they got a better achievement on increasing net profit by mobilizing resources of shareholder’s equity. NABIL has a lower coefficient than that of EBL, NIBL and SCBNL which indicates that NABIL has been successful in maintaining consistency in mobilizing shareholders equity to earn net profit. The entire bank’s profit has been decreasing in comparison to previous year. NABIL has a higher return on assets than EBL, NIBL and SCBNL, which indicates that NABIL is successful in earning the net profit with efficient utilization of total assets and it was also successful to maintain the consistency in profit comparison to EBL, NIBL and SCBNL. NIBL is slightly more efficient in mobilizing the funds in credit and advances, since the interest yielded to total credit ratio is higher in comparison with that of EBL, NABIL and SCBNL. The net profit to total investment ratio of EBL is higher than that of NABIL, NIBL and SCBNL so it can be conclude that EBL invest in more profitable area than NABIL, NIBL and SCBNL.

The average dividend per share paid by NABIL is higher than the average dividend per share of EBL, NIBL and SCBNL. So NABIL is comparatively more successful to create the positive attitudes of shareholders towards the bank. EBL is better than NABIL, NIBL and SCBNL in terms of earning per share, because average earning per share of EBL is higher than NABIL, NIBL and SCBNL. It helps to indicate the better performance of the bank's management. In conclusion, the four sampled banks did not seem to adopt fixed dividend payout ratio. NIBL has high average dividend payout ratio. Higher dividend payout ratio is good for the investor. It indicates that good banking performance. The coefficient of correlation between EPS and MPS of EBL, NABIL, NIBL and SCBNL is positive. The probable error of EBL, NABIL, NIBL and SCBNL shows that the relationship between EPS and MPS is insignificant, since the r is lower than the 6P.E. The coefficient of correlation between DPS and MPS of EBL, NABIL, NIBL and SCBNL is positive.

5.3 Recommendations

Taking major finding and are issues into consideration, some recommendations have been made below:

1. Return on shareholder's equity of NIBL is lower return than that of EBL, NABIL and SCBNL. So, it is suggested to invest productive sector yielding high return on shareholder's equity.
2. EBL, NABIL. NIBL and SCBNL should focus on optimally utilizing the total assets to generate return and should concentrate on generating return from utilizing net worth.
3. The earning per share of NIBL is lower than that of EBL, NABIL and SCBNL. So, it is recommended that NIBL should increase the EPS by tracing out the fruitful and secured sector of investment and thus, increase DPS and dividend payout ratio to retain the existing shareholders as well as to fascinate the potential shareholders.
4. There is no any exact dividend policy followed by the selected sample banks. During such scenario it's difficult for investors to analyze all the ratios before making any investment decisions. Thus banks and financial institution needs to follow specific dividend policy to achieve its goals and government needs to establish rules and procedures regarding

dividend policy in order to protect the public and economy of the country.

5. Dividend depends up on the earning capacity of the banks. So higher the earning higher will be the return to the shareholders. All the banks should increase their net profit in order to maintain stable dividend policy.
6. The dividend payment is not consistent with earnings. It is fluctuating. It can be said that dividend payment has not adopted any particular trend.
7. Banks need to evaluate various factors: internal as well as external factors in order to fix dividend payout ratio. Inflation and price rise are major external factors to be taken into consideration.

5.4 Implications of the Study

This analysis responds to the study's research questions and helps to achieve its goals. The study provides important and useful information to the investor. It will be useful for the management, stock broker, financial agencies, policy makers and various stakeholders. It will be beneficial also to those parties who are directly or indirectly related to the financial institutions. This study helps to formulate dividend policy to the policy maker while making their dividend policy.

For the purpose of future research, researcher should study the relationship between prior year dividend policy and its effects on share price. The researcher also recommends that since dividend yield is affected by financial performance, investigations should be made to ascertain other factors that affect dividend yield. In addition, more banks should be included in subsequent study, other than 5 banks, and if possible, analysis should be done on all the 28 banks in Nepal. This work was limited to the Nepalese environment, further studies could adopt same number of banks, same number of years, same variable, same method of analysis, but examination should be extended beyond the geographical boundaries of Nepal.

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