DIVIDEND PRACTICES IN COMMERCIAL BANKS (WITH REFERENCE TO SCBNL, NABIL, EBL, BOK & HBL)

By

PRADEEP BHATTA Shanker Dev Campus T.U. Regd. No.: 7-1-25-99-99 Campus Roll No: 152/063

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

In partial fulfillment of the requirement for the degree of Master of Business Studies (MBS)

> Kathmandu, Nepal August 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by:

PRADEEP BHATTA

Entitled:

DIVIDEND PRACTICES IN COMMERCIAL BANKS (WITH REFERENCE TO SCBNL, NABIL, EBL, BOK & HBL)

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

Asso. Prof. Ruchila Pandey (Thesis Supervisor)

Prof. Bishweshor Man Shrestha

Prof. Dr. Kamal Deep Dhakal (Campus Chief)

(Head, Research Department)

VIVA-VOCE SHEET

We have conducted the viva -voce of the thesis presented

By

PRADEEP BHATTA

Entitled:

DIVIDEND PRACTICES IN COMMERCIAL BANKS (WITH REFERENCE TO SCBNL, NABIL, EBL, BOK & HBL)

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department	
Member (Thesis Supervisor)	
Member (External Expert)	

DECLARATION

I hereby declare that the work reported in this thesis entitled "DIVIDEND PRACTICES IN COMMERCIAL BANKS (WITH REFERENCE TO SCBNL, NABIL, EBL, BOK & HBL)" submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Asso. Prof. Ruchila Pandey of Shanker Dev Campus, T.U.

Pradeep Bhatta Researcher Campus Roll No: 152/063 T.U. Regd. No. : 7-1-25-99-99

ACKNOWLEDGEMENT

First and foremost, I would like to thank to my supervisor of this thesis, Associate Professor Ruchila Pandey for her valuable guidance and advice. She inspired me greatly to work in this thesis. Her willingness to motivate me contributed tremendously to my thesis.

Besides, I would like to thank Head of Research Department, Professor Bishweshor Man Shrestha, for providing with a good environment to complete this study. Moreover, I must also acknowledge to the personnel of the SCBNL, NABIL, BOK, HBL and EBL for providing me valuable data, without which the study could be impossible.

Further, I heartily thank all the library members of Shanker Dev Campus, Central Library, TU, who helped me by providing required books and thesis.

Finally, an honorable mention goes to my family and friends for their understandings and supports on me in completing this thesis. Without helps of the particular that mentioned above, I would have faced many difficulties while doing this thesis.

> Pradeep Bhatta Researcher

TABLE OF CONTENTS

Recommendation

Viva-Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

Page No.

CHAPTER – I: INTRODUCTION

1.1 Background of the Study	1
1.1.1 Profile of the Selected Banks	4
1.2 Statements of the Problem	7
1.3 Objective of the Study	8
1.4 Significance of the Study	8
1.5 Limitations of the Study	9

1.1.1 1.6 Chapter Scheme

10

CHAPTER – II: REVIEW OF LITERATURE

2.1 Conceptual Framework112.1.1 Concept of Dividend122.1.2 Types of Dividend142.1.3 Residual Theory of Dividends162.1.4 Stability of Dividends172.1.5 Factors affecting Dividend Policy18

2.2 Review of Major International Studies	21
2.3 Review of Journals and Articles	31
2.4 Review of Thesis	34
2.5 Research Gap	38
CHAPTER III: RESEARCH METHODOLOGY	
3.1 Research Design	39
3.2 Population and Sample	39
3.3 Sources of Data	39
3.4 Period of the Study	40
3.5 Research Tools	40
3.5.1 Financial Tools	40
3.5.2 Statistical Tools	42

CHAPTER – IV: DATA PRESENTATION AND ANALYSIS

4.1 Data Analysis	45
4.1.1 Earning Per Share	45
4.1.2 Dividend Per Share	47
4.1.3 Market Price Per Share	50
4.1.4 Dividend Payout Ratio	52
4.1.5 Price Earning Ratio	54
4.1.6 Earning Yield Ratio	57
4.1.7 Dividend Yield Ratio	59
4.1.8 Correlation and Regression Analysis	60
4.1.8.1 Dividend per Share and Earning Per Share	
60	
4.1.8.1.1 Correlation between DPS and EPS	60
4.1.8.1.2 Regression Analysis: DPS on EPS	62
4.1.8.2 Market Price per Share and Dividend per Share	
63	
4.1.8.2.1 Correlation between MPS and DPS	63
4.1.8.2.2 Regression Analysis: MPS on DPS	64

4.1.8.4 Market Price Per Share and Dividend Payout Ratio684.1.8.4.1 Correlation between MPS and DPR684.1.8.4.2 Regression Analysis: MPS on DPR694.1.8.5 Market Price Per Share, Dividend Per Share and Earning Per Share704.1.8.5.1 Multiple Correlations between MPS, DPS and EPS 1704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS 71714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS74	4.1.8.3 Earning Yield and Dividend Yield	65
4.1.8.3.2 Regression Analysis: DY on EY674.1.8.3.2 Regression Analysis: DY on EY674.1.8.4 Market Price Per Share and Dividend Payout Ratio684.1.8.4.1 Correlation between MPS and DPR684.1.8.4.2 Regression Analysis: MPS on DPR694.1.8.5 Market Price Per Share, Dividend Per Share70and Earning Per Share704.1.8.5.1 Multiple Correlations between MPS, DPS and EPS704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.3.1 Correlation between EY and DY	
4.1.8.4 Market Price Per Share and Dividend Payout Ratio684.1.8.4.1 Correlation between MPS and DPR684.1.8.4.2 Regression Analysis: MPS on DPR694.1.8.5 Market Price Per Share, Dividend Per Share704.1.8.5 Market Price Per Share704.1.8.5.1 Multiple Correlations between MPS, DPS and EPS704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS70714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	65	
4.1.8.4.1 Correlation between MPS and DPR684.1.8.4.2 Regression Analysis: MPS on DPR694.1.8.5 Market Price Per Share, Dividend Per Share70and Earning Per Share704.1.8.5.1 Multiple Correlations between MPS, DPS and EPS704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS7071714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.3.2 Regression Analysis: DY on EY	67
4.1.8.4.2 Regression Analysis: MPS on DPR694.1.8.5 Market Price Per Share, Dividend Per Share and Earning Per Share704.1.8.5 Multiple Correlations between MPS, DPS and EPS704.1.8.5.1 Multiple Regression Equation: MPS on DPS and EPS704.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.4 Market Price Per Share and Dividend Payout Ratio	68
4.1.8.5 Market Price Per Share, Dividend Per Share70and Earning Per Share704.1.8.5.1 Multiple Correlations between MPS, DPS and EPS704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.4.1 Correlation between MPS and DPR	68
and Earning Per Share704.1.8.5.1 Multiple Correlations between MPS, DPS and EPS704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS717171734.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.4.2 Regression Analysis: MPS on DPR	69
4.1.8.5.1 Multiple Correlations between MPS, DPS and EPS704.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS70714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.5 Market Price Per Share, Dividend Per Share	
4.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis4.1.9.1 Trend Analysis of DPS4.1.9.2 Trend Analysis of MPS4.1.9.3 Trend Analysis of DPR	and Earning Per Share	70
714.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.5.1 Multiple Correlations between MPS, DPS and EPS	70
4.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS734.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.5.2 Multiple Regression Equation: MPS on DPS and EPS	
4.1.9 Trend Analysis744.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	71	
4.1.9.1 Trend Analysis of DPS744.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.8.6 Relationship of Dividend Yield on DPS, EPS and MPS	73
4.1.9.2 Trend Analysis of MPS764.1.9.3 Trend Analysis of DPR77	4.1.9 Trend Analysis	74
4.1.9.3 Trend Analysis of DPR 77	4.1.9.1 Trend Analysis of DPS	74
-	4.1.9.2 Trend Analysis of MPS	76
4.2 Major Findings of the Study 78	4 1 9 3 Trend Analysis of DPR	
		11

CHAPTER – V: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary	
82	
5.2 Conclusion	84
5.3 Recommendations	85

BIBLIOGRAPHY APPENDICES

LIST OF TABLES

No.	Title	Page
4.1	Earning Per Share	45
4.2	Dividend Per Share	48
4.3	Market Price Per Share	51
4.4	DPR Analysis	53
4.5	Price Earning Ratio	
		55
4.6	EY Analysis	57
4.7	DY Analysis	59
4.8	Correlation Coefficient between DPS and EPS	
		61
4.9	Regression Analysis of DPS on EPS	62
4.10	Correlation Coefficient between DPS and MPS	
		63
4.11	Regression Analysis of MPS on DPS	65
4.12	Correlation between EY and DY	
	66	
4.13	Regression Analysis of DY on EY	
	67	
4.14	Correlation between MPS and DPR	68
4.15	Regression Analysis of MPS on DPR	69
4.16	Multiple Correlations between MPS, EPS and DPS	70
4.17	Multiple Regression Line of MPS on DPS and EPS	72
4.18	Relationship of Dividend Yield on DPS, EPS and MPS	73
4.19	Trend Analysis of DPS	75
4.20	Trend Analysis of MPS	76
4.21	Trend Analysis of DPR	77

LIST OF FIGURES

Title	Page No.	
Earning Per Share	47	
2 Dividend Per Share	50	
Market Price per Share	52	
Dividend Payout Ratio	54	
Price Earning Ratio	57	
Earning Yield	58	
Dividend Yield	60	
Trend Value of DPS	75	
Trend Value of MPS	77	
Trend Value of DPR	78	
	Earning Per Share Dividend Per Share Market Price per Share Dividend Payout Ratio Price Earning Ratio Earning Yield Dividend Yield Trend Value of DPS Trend Value of MPS	

ABBREVIATIONS

BOK	:	Bank of Kathmandu
C.V.	:	Coefficient of Variation
DPR	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
EY	:	Earning Yield
HBL	:	Himalayan Bank Limited
MPS	:	Market Price Per Share
NABIL	:	Nabil Bank Limited
P.E.	:	Probable Error
P/E	:	Price Earning Ratio
r	:	Coefficient of Correlation
S.D.	:	Standard Deviation
SCBNL	:	Standard Chartered Bank Nepal Limited