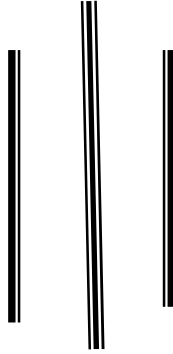


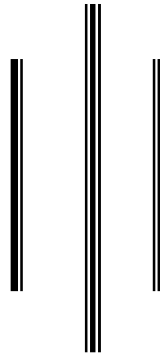
**AN ANALYSIS ON DIVIDEND PAYMENT PATTERN
OF
NEPALESE COMMERCIAL BANK**



BY

Pratikshya Karki
Roll No. 132

Post Graduate Campus
BIRATNAGAR
T.U. Registration No. 7-2-3-1191-2003



A Thesis Submitted to:

Office of the Dean
Faculty of Management
Tribhuvan University

***In partial fulfillment of the requirement of the degree of
Masters of Business Studies (MBS)***

**Biratnagar, Nepal
June, 2011**



TRIBHUVAN UNIVERSITY
POST GRADUATE CAMPUS
BIRATNAGAR
NEPAL

Tel No: 021-522204
021-526327

Ref No:.....

Date:.....

RECOMMENDATION

This is to certify that the thesis:

Submitted by
Pratikshya Karki

entitled

An Analysis on Dividend Payment Pattern of Nepalese Commercial Bank

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

Supervisor

Mr. Dev Raj Shrestha

Head of Department

Prof. Dr. Khagendra Acharya

Signature:

Signature:

Campus Chief

Dr. Harihar Bhandari

Signature:



TRIBHUVAN UNIVERSITY
POST GRADUATE CAMPUS
BIRATNAGAR
NEPAL

Tel No: 021-522204
021-526327

Ref No:.....

Date:.....

VIVA-VOCE SHEET

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

By
Pratikshya Karki

entitled
An Analysis on Dividend Payment Pattern of Nepalese Commercial Bank 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:

Master's Degree in Business Studies (M.B.S.),

Viva-Voce Committee

Chairperson, Research Committee
(Prof. Dr. Khagendra Acharya)

Member (Thesis Supervisor)
(Mr.Dev Raj Shrestha)

Member (External Expert)

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled "An Analysis on Dividend Payment Pattern of Nepalese Commercial Bank" Submitted to Post Graduate Campus, Biratnagar, Faculty of Management is my original work done in the form of partial fulfillment of the requirement for the Master's Degree of Business Studies (M.B.S.) under the supervision and guideline of Mr. Dev Raj Shrestha, Post Graduate Campus, Biratnagar.

Date.....

.....
Pratikshya Karki
Post Graduate Campus
Biratnagar
Roll No.: 132
T.U. Regd No.: 7-2-3-1191-2003

ACKNOWLEDGEMENT

It has been a matter of great pleasure for me to complete this thesis under the supervision of Mr. Dev Raj Shrestha, Post Graduate Campus, Biratnagar. I am highly indebted to him for his kind guidance, supervision and inspiration during the preparation of this thesis. This work would not have been materialized at the present form without his incisive observations and intellectual direction in the course of the thesis.

I would like to extend a special thank to Prof. Dr. Khagendra Acharya, Head of Department of Management, Post Graduate Campus, Biratnagar for providing me a chance to study on this topic. I owe my thanks to Mr. Harihar Bhandari (Campus Chief, P.G. Campus, Biratnagar) and all my respected teachers and staffs of Department of Management, whose suggestions have also been fruitful to me for the completion of this thesis. I also wish to express my appreciation to the Managers and Staffs of Himalayan Bank, Nabil Bank, Everest Bank and Bank of Kathmandu Ltd for providing me valuable information, Official data and their kind cooperation.

This work is not a sole attempt of mine alone. A large number of individuals have contributed to this research work. I am thankful to all of them for their help and encouragement in completing the work. I would also like to express debt of gratitude to my family.

Lastly, I should pay my warm full thanks to all the staffs of library of P.G. Campus for providing me important materials to complete my thesis work.

.....
Pratikshya Karki

TABLE OF CONTENTS

RECOMMENDATION
VIVA VOCE SHEET
DECLARATION
ACKNOWLEDGEMENT
TABLE OF CONTENTS
LIST OF TABLES
LIST OF FIGURES
ABBREVIATION

CHAPTER-I

	Page No.
INTRODUCTION	1
1.1 Background of the Study	1
1.2 Focus of the Study	4
1.3 Statement of the Problem	5
1.4 Objectives of the Study	8
1.5 Importance of the Study	9
1.6 Review of Literature	10
1.7 Research Methodology	11
1.8 Limitations of the Study	14
1.9 Organization of the Study	15

CHAPTER-II

REVIEW OF LITERATURE	16
2.1 Conceptual Framework	16
2.2 Major Forms of Dividend	18
2.3 Theories of Dividend	21
2.3.1 Residual Theory of Dividend	21
2.3.2 Stability of Dividend	22
2.4 Procedural Aspect of Dividend Payment	24
2.5 Factors Affecting Dividend Policy	26
2.6 Stock Dividend and Stock Splits	29
2.7 Legal Provision Regarding Dividend Practices in Nepal	31

2.8 Review of Major Studies in General	32
2.8.1 Modigliani and Miller's Study	32
2.8.2 Walter's Study	36
2.8.3 Gordon's Study	38
2.8.4 Linter's Study	40
2.8.5 Friend and Puckett's study	41
2.8.6 Chawala and Shrinivasan's Study	45
2.8.7 H.K.Baker, G.E.Farrelley and Richard B.Edelman	47
2.9 Review of Journal and Article in Nepalese Perspective	48
2.9.1. Radhe Shyam Pradhan's Study	48
2.9.2. Manohar Krishna Shrestha's Study	49
2.10 Review of Previous Thesis	50
2.10.1 Bishnu Hari Bhattarai's Study	51
2.10.2. Dipen Sitaula's Study	52
2.10.3 Sadakar Timilsina's Study	53
2.10.4. Rabindra Paudel's Study	54

CHAPTER -III

RESEARCH METHODOLOGY	55
3.1 Research Design	55
3.2 Nature and Sources of Data	55
3.3 Population and Sample	56
3.4 Data Processing Procedure	56
3.5. Tools and Techniques for Analysis	56
3.5.1 Financial Indicators	57
3.5.2 Statistical Tools Used	60
3.6 Limitation of Methodology	65

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA	
4. A Descriptive Analysis	66

4.A.1. HIMALAYAN BANK LTD.	66
4.A.1.1 Analysis of EPS,MPS,DPS and REPS of HBL	67
4.A.1.2 Analysis of P/E Ratio, Dividend Cover, D/P Ratio, Dividend Yield, Earning Yield and Retention Ratio of HBL	68
4. A.1.3 Relationship Among EPS, DPS and REPS of HBL	69
4. A.1.4 Relationship Among P/E Ratio and D/P Ratio of HBL	70
4. A.1.5 Relationship Among Dividend Yield and Earning Yield of HBL	70
4.A.2 NABIL BANK LTD.	71
4. A.2.1 Analysis of EPS, MPS,DPS and REPS of Nabil Bank Ltd.	72
4. A.2.2 Analysis of P/E Ratio, Dividend Cover, D/P Ratio, Dividend Yield, Earning Yield and Retention Ratio of Nabil Bank Ltd.	73
4.A.2.3 Relationship Among EPS, DPS and REPS of Nabil Bank Ltd.	74
4.A.2.4 Relationship Among P/E Ratio and D/P Ratio of Nabil Bank Ltd.	75
4.A.2.5 Relationship between Dividend Yield and Earning Yield of Nabil Bank Ltd.	76
4.A.3 EVEREST BANK LTD.	76
4.A.3.1 Analysis of EPS,MPS,DPS and REPS of Everest Bank Ltd.	77
4.A.3.2 Analysis of P/E Ratio, Dividend Cover, D/P Ratio, Dividend Yield, Earning Yield and Retention Ratio of Everest Bank Ltd.	78
4.A.3.3. Relationship Among EPS, DPS and REPS of Everest Bank Ltd.	80
4.A.3.4 Relationship Among P/E Ratio and D/P Ratio of Everest Bank Ltd.	80
4.A.3.5 Relationship Among Dividend Yield and Earning Yield of Everest Bank Ltd.	81
4.A.4 BANK OF KATHMANDU	82
4.A.4.1 Analysis of EPS,MPS,DPS and REPS of Bank of Kathmandu	83
4.A.4.2 Analysis of P/E Ratio, Dividend Cover, D/P Ratio, Dividend Yield, Earning Yield and Retention Ratio of Bank of Kathmandu.	84
4.A.4.3. Relationship Between EPS, DPS and REPS of Bank of Kathmandu	85
4.A.4.4. Relationship between P/E Ratio and D/P Ratio of Bank of Kathmandu	86

4.A.4.5. Relationship between Dividend Yield and Earning Yield of Bank of Kathmandu	86
4.B. INFERENTIAL ANALYSIS	87
4.B.1. Bank Wise Testing of Hypothesis	88
4.B.1.1. Testing of Hypothesis on the Basis of P/E Ratio	88
4.B.1.2. Testing of Hypothesis on the Basis of Dividend Yield	89
4.B.1.3. Testing of Hypothesis on the Basis of Dividend Cover	90
4.B.2.1. Testing of Hypothesis has been tested by applying F-Test on the basis of EPS of different Commercial Bank's.	91
4.B.2.2. Testing of Hypothesis on the Basis of DPS	93
4.B.2.3. Testing of Hypothesis on the basis of DPR	94
4.C Major Findings of the Study	96

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION	98
5.1 Summary	98
5.2. Conclusions	100
5.3. Recommendation	102

BIBLIOGRAPHY

APPENDICES

LIST OF TABLES

TABLE NO.	PAGE NO.
2.1 Regression of Stock Prices on Dividend	43
4.1 EPS, MPS, DPS and REPS of HBL	67
4.2 P/E Ratio, Dividend Cover, D/P Ratio, D.Y., E.Y. and Retention Ratio of HBL	68
4.3 EPS, MPS, DPS and REPS of NABIL Bank Ltd.	72
4.4 P/E Ratio, Dividend Cover, D/P Ratio, D.Y., E.Y. and Retention Ratio of NABIL Bank Ltd.	73
4.5 EPS, MPS, DPS and REPS of EBL	78
4.6 P/E Ratio, Dividend Cover, D/P Ratio, D.Y., E.Y. and Retention Ratio of EBL	79
4.7 EPS, MPS, DPS and REPS of BOKL	83
4.8 P/E Ratio, Dividend Cover, D/P Ratio, D.Y., E.Y. and Retention Ratio of BOKL	84
4.9 Correlation between EPS and MPS of Sample Banks	89
4.10 Correlation between MPS and DPS of Sample Banks	90
4.11 Correlation between EPS and DPS of Sample Banks	91
4.12 EPS of respective banks	92
4.13 DPS of respective banks	93
4.14 DPR of respective bank	95

LIST OF FIGURES

Figure No.		Page No.
4.1	Relationship among EPS, DPS and REPS of HBL	69
4.2	Relationship among P/E Ratio and D/P Ratio of HBL	70
4.3	Relationship among D.Y and E.Y of HBL	71
4.4	Relationship among EPS, DPS and REPS of NABIL Bank Ltd.	74
4.5	Relationship among P/E Ratio and D/P Ratio of NABIL Bank Ltd.	75
4.6	Relationship among D.Y and E.Y of NABIL Bank Ltd.	76
4.7	Relationship among EPS, DPS and REPS of EBL	80
4.8	Relationship among P/E Ratio and D/P Ratio of EBL	81
4.9	Relationship among D.Y and E.Y of EBL	82
4.10	Relationship among EPS, DPS and REPS of BOKL	85
4.11	Relationship among P/E Ratio and D/P Ratio of BOKL	86
4.12	Relationship among D.Y and E.Y of BOKL	87

ABBREVIATIONS

A.D.	:	Anno Domini
AGM	:	Annual General Meeting
ANOVA	:	Analysis of Variation
BOKL	:	Bank of Kathmandu Limited
B.S.	:	Bikram Sambat
C.V.	:	Coefficient of Variation
DC	:	Dividend Cover
d.f	:	Degree of Freedom
D/P Ratio	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
D.Y	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
etc	:	et-cetra
E.Y	:	Earning Yield
F	:	Fisher-Test
F/Y	:	Fiscal Year
g	:	Growth Rate
HBL	:	Himalayan Bank Limited
i.e.	:	that is
Ltd.	:	Limited
MPS	:	Market Price Per Share
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
No.	:	Number
P/E Ratio	:	Price Earnings Ratio
R	:	Coefficient of Correlation
R ²	:	Coefficient of Determination
REPS	:	Retained Earnings Per Share
S.D.	:	Standard Deviation
TU	:	Tribhuvan University
Viz	:	Namely
WWW	:	World Wide Web