

**A COMPARATIVE ANALYSIS OF DIVIDEND POLICY  
OF  
KUMARI BANK LTD. AND EVEREST BANK LTD.**

**By:**

**Pabitra Baral**  
Prithivi Narayan Campus  
T.U. Registration Number: 7-1-297-136-96

A Thesis Submitted to:

Office of the Dean  
Faculty of Management  
Tribhuvan University

In partial fulfillment of the requirements of the degree of  
**Master of Business Studies (M.B.S.)**

**Pokhara**  
**August, 2009**

# RECOMMENDATION

This is to certify that the thesis:

*Submitted by:*

**Pabitra Baral**

*Entitled*

## **A COMPARATIVE ANALYSIS OF DIVIDEND POLICY OF KUMARI BANK LTD. AND EVEREST BANK LTD.**

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

Supervisor

**Name:**

**Hari Prasad Pathak**

**Signature:**

Head of Department

**Signature:**

Campus

Chief

**Signature:**

**Date:**

**VIVA-VOCE SHEET**

We have conducted the viva-voce examination of the thesis

Submitted by:

**Pabitra Baral**

Entitled

**A COMPARATIVE ANALYSIS OF DIVIDEND POLICTY  
OF  
KUMARI BANK LTD. AND EVEREST BANK LTD.**

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 requirements for degree of

**Master of Business Studies (M.B.S.)**

Viva-Voce Committee

Chairperson, Research Committee:

.....

Member (Thesis supervisor):

.....

Member (External expert):

.....

Member:

.....

Date:

## **Acknowledgements**

Before entering into the thick of things, I would like to remember a few persons who helped me throughout the period of the preparation of this thesis report. I would like to appreciate the endeavor of the Faculty of Management, Tribhuvan University for including thesis writing in syllabus of MBS to develop students' skill on doing independent research work in their specialization field. At first, I would like to extend my sincere gratitude to all those helping hands whose names do not appear in this list.

In particular I would like to express my deep sense of gratitude to respected supervisor Mr. Hari Pathak for providing necessary guidelines and a continuum of encouragement for completing this project. I am also indebted to lecturer Puspa Raj Sharma for his invaluable guidance and support. Also worth mentioning here are the names of Lecturer Mr. Resham Lal and Mr. Rajendra Upadhyya, who helped to shape this thesis work in this short time.

I would also like to express my gratefulness to HOD and all the faculty members of Department of Management, Phrithvi Narayan Campus. My special thanks go to all the staff of the Central Library, TU who were very supportive and helpful to me. I am also obliged to all the staff of Everest Bank and Kumari Bank for providing me the necessary data and information.

Sincere gratitude is extended to my parents and family members who always encouraged and inspired me in my work. Hearty thanks also go to all my friends, especially Mr. Umesh Rijal, Mr. Raju Baral, and Mr. Rudra Jung Gurung for their sincere assistance and support.

Last but not the least; I would like to extend deep sense of gratitude to all the people involved directly or indirectly in the accomplishment of this thesis work. Finally, I am alone responsible for any errors present in this thesis and extend warm welcome to any comments or suggestions.

Pabitra Baral

# TABLE OF CONTENTS

Acknowledgements

<b>Chapters</b>	<b>Page</b>
<b>I. INTRODUCTION</b>	<b>1-9</b>
Background of the Study	1
Focus of the Study	5
Statement of Problem	5
Objectives of the Study	7
Significance of the Study	7
Limitation of the Study	8
Organization of the Study	8
<b>II. REVIEW OF LITERATURE</b>	<b>10-41</b>
Theoretical Review	10
Review of Financial Journals	15
Factors Affecting Dividend Policy	24
Legal Provisions Affecting Dividend Policy in Nepal	29
Rules Regarding Dividend Policy	31
Review of Related Studies	34
<b>III. RESEARCH METHODOLOGY</b>	<b>42-52</b>
Introduction	42
Research Design	42
Source of Data	43
Population and Sample	43
Method of Analysis	45
Tools Defined about Certain Financial Indicators	47
Statistical Tools Used	49

<b>IV. PRESENTATION AND ANALYSIS OF DATA</b>	<b>53-54</b>
Background of the Banks	53
Analysis of Financial Indicators/ Variables	55
Analysis of Mean, Standard Deviation and Correlation Matrix	65
Bivariate Regression Analysis	67
Major Findings	73
<b>V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b>	<b>75-81</b>
Summary	75
Conclusions	78
Recommendations	79

*BIBLIOGRAPHY*

*APPENDICES*

## LIST OF TABLES

<b>Table</b>	<b>Page</b>
4.1 Earning, Number of Share and Earning per Share for Kumari Bank	55
4.2 Earning, Number of Share and Earning per Share for Everest Bank	57
4.3 Dividend Per Share	58
4.4 Dividend based on growth rate and actual amount of dividend paid for Kumari Bank	60
4.5 Dividend based on growth rate and actual amount of dividend paid for Everest Bank	61
4.6 Dividend Payout Ratio	62
4.7 Price earning ratio	63
4.8 Dividend Yield Ratio	64
4.9 Market Value Per Share to Book Value Per Share Ratio	65
4.10 Means, Standard Deviations and Correlation Matrix	66
4.11 Simple Regression Results of Dividend Per Share on Earning Per Share	68
4.12 Simple Regression Results of Dividend Per Share on Net Profits	69
4.13 Simple Regression Results of Average Stock Price on Dividend Per Share	70
4.14 Simple Regression Results of Net Worth on Dividend Per Share	71

## LIST OF ACRONYMS

<b>ATM</b>	:	Automatic Teller Machine
<b>CR</b>	:	Current Ratio
<b>DPR</b>	:	Dividend Payout Ratio
<b>DPS</b>	:	Dividend Per Share
<b>DYR</b>	:	Dividend Yield Ratio
<b>EBL</b>	:	Everest Bank Limited
<b>EPS</b>	:	Earning Per Share
<b>F/Y</b>	:	Fiscal Year
<b>JVB</b>	:	Joint Venture Bank
<b>KBL</b>	:	Kumari Bank Limited
<b>MM</b>	:	Modigliani Miller
<b>MPPS</b>	:	Market Price Per Share
<b>NEPSE</b>	:	Nepal Stock Exchange
<b>NG</b>	:	Nepal Government
<b>NP</b>	:	Net Price
<b>NPAT</b>	:	Net Profit After Taxes
<b>NW</b>	:	Net Worth
<b>NYSE</b>	:	New York Stock Exchange
<b>P/E</b>	:	Price/ Earning
<b>SEE</b>	:	Standard Error of Estimation