

**A COMPARATIVE STUDY  
ON  
DIVIDEND POLICY OF COMMERCIAL BANKS**

**A  
Project Report (Assignment- II)**

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# RECOMMENDATION

This is certify that the Project Report (Assignment- II):

**Submitted by  
Amina Joshi**

**Entitled  
“A Comparative Study on Dividend Policy  
of Commercial Banks”**

has been prepared as approved by this department in prescribed format of faculty of management. This project report is forwarded for examination.

Prof. Dr. Subarna Lal Bajracharya  
(Supervisor)

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Date:

## ACKNOWLEDGEMENT

This study has been completed with the help of various people. I am fortunate to acknowledge my respected supervisor Prof. Dr. Subarna Lal Bajracharya, Public Youth Campus, Tribhuvan University whose guidance have proved me with an insight in the field of banking sector.

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The help of my family member is unforgettable to me. There are other friends who have similarly been supportive, directly or indirectly. I thank them all.

Lastly, I have tried my labor best to accomplish and make this report as far as error free. Any error in this report is my own responsibility and sincere suggestions from the readers are highly appreciated.

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## **DECLARATION**

I hereby declare that this project report entitled “A Comparative Study on Dividend Policy of Commercial Banks” submitted to Public Youth Campus, Faculty of Management, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirement of the ‘Master of Business Studies (M.B.S.) under the supervision of Prof. Dr. Subarna Lal Bajracharya Faculty member of Public Youth Campus.

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## EXECUTIVE SUMMARY

The dividend policy and investors activities move in similar directions. They influence each other. The development of the former is reflected in the later. The dividend policy raises and mobilizes the invisible resources to finance the long term larger projects in the economy. The dividend policy therefore can be regards as a heart of the investor. It has even a great role for the capital formation of the capital deficient economy like Nepal.

The study mainly focuses on the dividend policy of commercial banks. How the shareholders can benefit from cash dividend as well as stock dividend. A project work entitles "Comparative Study on dividend policy of commercial banks" is based on primary and secondary data collected from the shareholders and commercial banks. In this study, it tries to find the actual dividend policy applied by commercial banks in present situation.

The basic objective of the study is to examine the practice and effectiveness of dividend policy of commercial banks. The specific objectives of this study are: i) to examine the impact of dividend on share price, ii) to analyze if there is any unity among DPS, DY, MPS and DPR in the sample banks, iii) to analysis the relationship of financial indicator such as DPS, DPR, DY, MVPS, CR, RE and iv) to identify the factor affecting dividend policy and corporate dividend practice.

To find these objectives, this study is prepared as systematic ways. This study is divided in the three chapters. Chapter I includes introductory framework of the study. Chapter II includes data presentation analysis and major findings. Chapter III presents the conclusion and recommendation based on analysis. Bibliography and appendixes are also enclosed at the end of this study.

In introduction chapter, this study presents subject matter of the study consisting background of the study, objectives of the study and significant of the study, Research methodology also includes in this chapter. In research methodology including research design, data sources, population and sample, data collection techniques, data analysis tools and limitation of the methodology.

Nepal is stepping over the development of financial sectors. Due to lack of sufficient rules and regulation it is very hard to control the financial institution. So that Banks to Banks are adopting different dividend policy. No commercial banks have satisfactory results about the dividend decision. In practice, every firm has followed own types of dividend policy and policy is being made in their favor. The relationship between dividend and market price per share should be like the nail and meat. But the relation is not found good because of under developed capital market like Nepal.

Dividend distribution is not matching with earning of commercial banks. Similarly, no proper relationship found between dividend and market price of share. Companies with lower return rigid price, Whereas Company making sound return does not become rigid in price of share.

In Nepal, only few companies are paying dividend to the shareholders. Commercial banks with sound profit have been distributed dividend but they are not following appropriate policy and not paying the dividend in equal proportion. They have not followed the consistency in dividend distribution policy and we could not see a uniformity of dividend pay out ratio in these sample banks.

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## LIST OF ABBREVIATION

a	=	Constant of regression
b	=	Coefficient of Regression
C.V.	=	Coefficient of Variation
DPR	=	Dividend Pay out Ratio
DPS	=	Dividend Per Share
DY	=	Dividend Yield
EY	=	Earning Yield
EPS	=	Earning Per Share
MVPs/ MPS	=	Market value per share
NIBL	=	Nepal Investment Bank Ltd.
EBL	=	Everest Bank Ltd.
LBL	=	Laxmi Bank Ltd.
r	=	Coefficient of correlation
R <sup>2</sup>	=	Coefficient of determination
S.D.	=	Standard Deviation
SEE	=	Standard Error of Deviation
Sig.	=	Significant
Insig	=	insignificant