

Dividend Practices Analysis of commercial bank in Nepal

(Comparative study of SCBNL and NABIL)

A Thesis

Submitted By:

Niran K.C

St. Xavier's College

T.U. Reg No.7-2-488-48-2005

Roll No:2820030

Submitted to:

Office of the Dean

Faculty of management

Tribhuvan University

In partial fulfillment of the Requirement of the

Degree of Master of Business Studies (MBS)

Date:12/09/2012

Maitighar , Kathmandu , Nepal

DECLARATION

I hereby declare that the work reported in this thesis entitled **Dividend Practices Analysis of commercial bank in Nepal : “A Comparative study of SCBNL and NABIL”** submitted to the Central Department of Management , Tribhuvan university is my original work . It is done in the form of partial fulfillment of the requirement for the Master of Business Studies (MBS) under the supervision and guidance of Mr. Shanker Thapa of St. Xavier College.

.....

Niran K.c

(Researcher)

St. Xavier College

T.U. Reg No.7-2-488-48-2005

Roll No: 2820030

Date:

ACKNOWLEDGEMENTS

This study entitled **Dividend Practices Analysis of commercial bank in Nepal: “A Comparative study of SCBNL and NABIL”** is essentially an output of partial requirement for the degree of master in business studies, Tribhuvan University prepared under supervision of **Mr. Shanker Thapa** St. Xavier’s College.

I want to express my deep sense of gratitude to **Mr. Shanker Thapa**, research supervisor and lecturer of St. Xavier’s College, for his valuable suggestions, kind supervision, consistent encouragement and generous cooperation to complete this thesis without any problem.

I am grateful to the officers of the Standard Chartered Bank Limited and NABIL Bank Limited who provide me the annual reports, brochure and related data for the study.

I am thankful all the staff member of Library of St. Xavier’s for their manifold helps and providing good environment for the study.

Finally, yet importantly, I am really indebted to my friend Mr. Subash K.C, who continuously supported and assisted me to complete this study.

.....

Niran K.c

(Researcher)

St. Xavier College

T.U. Reg No.7-2-488-48-2005

Roll No: 2820030

Date:

TABLE OF CONTENTS
CONTENTS

PAGE NO.

Acknowledgement

Table of Contents

List of Tables

List of Figures

Acronyms

CHAPTER 1; INTRODUCTION

1.1 Background of the Study	1
1.2 Statement of the Problem	4
1.3 Objectives of the Study	5
1.4 Research Question	5
1.5 Significant of the study	5
1.6 Limitation of the Study	6
1.7 Organization of the Study	6

CHAPTER 2; REVIEW OF LITERATURE

2.1 Historical Review	8
2.2 Empirical review	9
2.2.1 Payment Procedure	11
2.2.2 Types of Dividend	12
2.3 Theoretical Review	15
2.4 Policy Review	22
2.5 Types of dividend policies	24
2.6 Conflicting Theories on Dividend	25
2.7 Factor affecting Dividend Policy	26
2.8 Review of Related studies	28
2.9 Review of Past research	29
2.9.1 Review of Articles and Journals	30
2.9.2 Review of Master Degree Thesis	32
2.10 Research Gap	33

CHAPTER 3; RESEARCH METHODOLOGY

3.1 Research Design	34
3.2 Population and Sample	34
3.3 Sources of Data	36
3.4 Data Analysis Tools	36
3.4.1 Financial Tools	36
3.4.2 Statistical Tools	38
3.5 Socio Ethical Considerations	39
3.6 Chapter summary	40

CHAPTER 4 ; DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation and Analysis	41
4.1.1 Major Financial indicator of NABIL	41
4.1.2 Major Financial indicators of SCBNL	44
4.1.3 Comparative Analysis of NABIL and SCBNL	46
4.1.4 Analysis of EPS and DPS(cash) with respect of Times Series	56
4.2 Major Findings	61

CHAPTER 5; SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary	64
5.2 Conclusion	65
5.3 Recommendations	66

BIBLIOGRAPGY

APPENDICES

LIST OF TABLES

TABLE NO.	TITLE	PAGE NO.
4.1	Major Financial Indicators of NABIL	41
4.2	Major Financial indicators of SCBNL	44
4.3	EPS of NABIL and SCBNL	47
4.4	DPS of NABIL and SCBNL	48
4.5	Retained Earnings per Share of NABIL and SCBNL	49
4.6	Dividend Payout and Retention Ratios of NABIL and SCBNL	51
4.7	Dividend Yield of NABIL and SCBNL	52
4.8	Earning Yield of NABIL and SCBNL	53
4.9	Actual Values and Trend Values of EPS NABIL	56
4.10	Actual value and trend values of DPS (cash)	57
4.11	Actual values and Trend values of EPS SCBNL	59
4.12	Actual Value and Trend Values of DPS (Cash)	60

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	MPS of NABIL in Graph	42
4.2	Cash Dividend per Share of NABIL	42
4.3	Earning Per Share of NABIL	43
4.4	Market Price per Share of SCBNL	44
4.5	Cash Dividend of SCBNL	45
4.6	Earning Per Share of SCBNL	46
4.7	Comparative Chart of EPS	47
4.8	DPS of NABIL and SCBNL	48
4.9	RPS of NIBL & SCBNL	50
4.10	Retentions Ratio of the Two Banks in Comparison	52
4.11	Dividend Yield of NABIL and SCBNL	53
4.12	Earning Yield of NABIL and SCBNL	54
4.13	Trend Line of Estimated Value of EPS of NABIL	57
4.14	Trend Line of Estimated Values of DPS of NABIL	58
4.15	Trend Line of Estimated Values of EPS of SCBNL	60
4.16	Trend Line of DPS of SCBNL	61

LIST OF ACRONYMS

A.D.	Anno Domini
C.V.	Coefficient of Variation
D/P	Dividend Payout
DPR	Dividend Payout Ratio
DPS	Dividend Per Share
DY	Dividend Yield
e.g.	For Example
EPS	Earning Per Share
EY	Earning Yield
FY	Fiscal Year
i.e.	That is
JVP's	Joint Venture Banks
MM	Modigliani and Miller
MPS	Market Price per Share
NEPSE	Nepal Stock Exchange
NIBL	Nepal Investment Bank Limited
PER	Price Earning Ratio
RPS	Retained Earning per Share
SCBNL	Standard Chartered Bank Nepal Limited
S.D.	Standard Deviation
T.U.	Tribhuvan University