

**DIVIDEND POLICY OF THE SELECTED  
COMMERCIAL BANKS**

By:

**DIPAK KHANAL**

**BIRENDRA MULTIPLE CAMPUS**

T. U. Registration No. 5-1-37-204-2002

Roll No: 148/064

Symbol No: 190054/2066 (Second Year)

Office of the Dean  
Faculty of Management  
Tribhuvan University

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

Bharatpur, Nepal

August, 2011

# RECOMMENDATION

This is to certify that the Thesis

Submitted by:  
**DIPAK KHANAL**

Entitled:

**DIVIDEND POLICY  
OF  
THE SELECTED COMMERCIAL BANKS**

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

.....  
(Thesis Supervisor)

.....  
(Campus Chief)

.....  
Chairperson (Research Committee)

Date:.....

# VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

presented by:  
**DIPAK KHANAL**

Entitled:  
**“DIVIDEND POLICY OF THE SELECTED  
COMMERCIAL BANKS”**

and found the thesis to be 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

**Masters Degree of Business Studies  
(M. B. S.)**

## Viva-Voce Committee

Chairperson (Research Committee) .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

Date: .....

## **DECLARATION**

**I hereby declare that the work reported in this thesis entitled “DIVIDEND POLICY OF THE SELECTED COMMERCIAL BANKS” 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 Master’s Degree of Business Studies (M.B.S.) under the supervision of Birendra Multiple Campus, Bharatpur, Chitwan.**

.....  
**DIPAK KHANAL**  
**T.U. Regd. No. 5-1-37-204-2002**  
**Roll No. 148/064**

## **ACKNOWLEDGEMENT**

**It is really a great opportunity to the students to experience thesis writing. It is a part of the curriculum for MBS of Tribhuvan University due to which we got a chance for the practical experience of the works to be done in future.**

**In course of preparing this thesis, many guidance and instructions have been received from various dignities. I want to thank all of them from the core of my heart. I am especially grateful to my thesis supervisor, Mr. Sushil Dahal and research committee head, Mr. Baikuntha Bhusal and Mr. Bijay Lal Pradhan, lecturers of Birendra Multiple Campus for their valuable suggestions, guidance and continuous co-operation throughout the period of this study.**

**I am also very much thankful to all the teachers and staffs of Birendra Multiple Campus for their suggestions and continuous support during the study period.**

**I am also very much thankful to supervisory staffs of different commercial banks for providing their annual reports and other related information and also for their positive response.**

**At last but not least I cannot remain without thanking to my family members whose regular inspirations and valuable help are the secrets of my success.**

**Dipak Khanal**

# TABLE OF CONTENTS

Recommendation
Viva-voice Sheet
Declaration
Acknowledgement
Abbreviations

	Page No.
<b>CHAPTER I : INTRODUCTION</b>	
1.1 Background of the study	1
1.2 Focus of the study	5
1.3 Statement of the problem	9
1.4 Objectives of the study	10
1.5 Rationale of the study	11
1.6 Limitations of the study	12
1.7 Organization of the study	12
<b>CHAPTER II : REVIEW OF LITERATURE</b>	
2.1 Conceptual Framework	14
2.1.1 Objectives/motives of dividend declaration	16
2.1.2 Types of dividends	17
2.1.3 Dividend policy	20
2.1.4 Types of dividend policy	21
2.1.5 Factors affection dividend policy	22
2.2 Review of Related International Studies	26
2.3 Review of Journals and Articles	37
2.4 Review of previous thesis	41
2.5 Research Gap	49

## CHAPTER III : RESEARCH METHODOLOGY

3.1 Introduction	50
3.2 Research Design	50
3.3 Population and Sample selection	51
3.4 Nature and source of data	51
3.5 Data processing Techniques	52
3.6 Tools of analysis	52
3.6.1 Financial Tools	52
3.6.2 Statistical Tools	56

## CHAPTER IV : DATA PRESENTATION AND ANALYSIS

4.1 Earning Price Per Share (EPS)	62
4.2 Dividend Per Share (DPS)	64
4.3 Dividend Payout Ratio (DPR)	66
4.4 Market Price Per Share (MPS)	68
4.5 Dividend Yield (DY)	70
4.6 Earning Yield (EY)	72
4.7 Price Earning Ratio (P/E)	74
4.8 Correlation Analysis	76
4.8.1 Correlation between EPS and MPS	77
4.8.2 Correlation between MPS and DPS	78
4.8.3 Correlation between EPS and DPS	79
4.9 Simple Linear Regression Analysis	79
4.9.1 Regression analysis between EPS and MPS	80
4.9.2 Regression analysis between DPS and EPS	81
4.9.3 Regression analysis between DPS and MPS	82

4.10 Trend Analysis	83
4.10.1 Trend analysis of EPS	83
4.10.2 Trend analysis of DPS	84
4.10.3 Trend analysis of DPR	86
4.10.4 Trend analysis of MPS	87
4.11 Major findings of the study	89

## CHAPTER V : SUMMARY, CONCLUSION AND SUGGESTION

5.1 Summary	91
5.2 Conclusion	93
5.3 Suggestion	95

### References

Appendix I (a)

Appendix I (b)

Appendix I (c)

Appendix II (a)

Appendix II (b)

Appendix II (c)

Appendix III



## **LIST OF TABLES**

Table No.	Name of Table	Page No.
4.1	Analysis of Earning Per Share	62
4.2	Analysis of Dividend Per Share	64
4.3	Analysis of Dividend Payout Ratio	66
4.4	Analysis of Market Price Per Share	69
4.5	Analysis of Dividend Yield	70
4.6	Analysis of Earning Yield	73
4.7	Analysis of Price Earning Ratio	75
4.8	Correlation Coefficient between EPS and MPS	77
4.9	Correlation Coefficient between MPS and DPS	78
4.10	Correlation Coefficient between EPS and DPS	79
4.11	Regression Analysis between EPS and MPS	80
4.12	Regression Analysis between DPS and EPS	81
4.13	Regression Analysis between DPS and MPS	82
4.14	Trend Analysis of EPS	83
4.15	Trend Analysis of DPS	85
4.16	Trend Analysis of DPR	86
4.17	Trend Analysis of MPS	88

## **LIST OF FIGRUES**

Figure No.	Name of Figure	Page No.
4.1	Analysis of Earning Per Share	63
4.2	Analysis of Dividend Per Share	65
4.3	Analysis of Dividend Payout Ratio	67
4.4	Analysis of Market Price Per Share	69
4.5	Analysis of Dividend Yield	70
4.6	Analysis of Earning Yield	73
4.7	Analysis of Price Earning Ratio	75
4.8	Trend Analysis of EPS	84
4.9	Trend Analysis of DPS	85
4.10	Trend Analysis of DPR	87
4.11	Trend Analysis of MPS	88

## **LIST OF ABBREVIATIONS**

**SCBNL- Standard Chartered Bank Nepal Limited**

**EBL -Everest Bank Limited**

**HBL -Himalayan Bank Limited**

**NIBL -Nepal Investment Bank Limited**

**NSBL -Nepal SBI Bank Limited**

**MPS -Market Price per Share**

**EPS -Earning Per Share**

**DPS -Dividend per Share**

**DPR -Dividend Payout Ratio**

**DY -Dividend Yield**

**P/E -Price Earning Ratio**

**EY – Earning Yield**

**CV -Coefficient of Variation**

**SD -Standard Deviation**

**r – Coefficient of Correlation**

**r<sup>2</sup> – Coefficient of Determination**

**PE – Probable Error**

**SEE – Standard Error of Estimates**

**S<sub>b</sub> – SE of Regression Coefficient**