

## CHAPTER-I

### INTRODUCTION

#### 1.1 Background of the study

Dividend policy has been among the very important topics in financial management since the coming into existence of Corporation form of business. In 1613, the East India Company issued its first ever shares, and in 1661, it declared its first dividend (Davis 1917). Later, dividend payments began, and guidelines for the dividend policy were created.

Traditionally, company managers make three fundamental decisions to positively impact their market value. These choices include investments, financing, and dividends. An investment decision is concerned with allocating a company's financial resources among various investment opportunities that will yield future benefits to the company to maximize shareholder wealth. Managers make investment decisions by evaluating investment opportunities concerning expected returns and risk, to maximize shareholder wealth (Uwuigbe, Jimoh and Ajayi, 2012). The best financing mix or capital structure must be determined when making a financing decision. As a result, the financial manager decides whether to obtain additional funds internally (retained earnings) or externally (debt), taking into account the associated cost and the impact on the share value. Dividend decisions, on the other hand, entail determining the appropriate percentage of the company's earnings to set aside for dividend payments to investors and the amount to keep within the company for future growth. These decisions were conceptualized and worked out to maximize shareholder wealth. The decision to pay a certain percentage of earnings as dividend is expected to be favourable when compared to the opportunity cost of retained earnings (Pandey, 2005).

Dividend policy is important for both management and stockholders because one group must decide and make arrangements for dividend payment, while the other must receive it as a reward for their investment. Dividends are a source of income for investors as well as a reflection of the company's performance. Choosing an appropriate dividend policy becomes a critical decision for managers and investors. Shareholders value both dividend payments and increases in earnings per share, which are only possible through the reinvestment of earnings profits in the company.

If a significant portion of profits are reinvested, it will be impossible to pay a satisfactory level of dividend. However, if a significant portion of a firm's profits is distributed in the form of dividends, reasonable profit reinvestment will be impossible. A trade-off exists between the amount of dividends paid out and reinvestments made from a company's profits. A balanced policy approach is thus critical for this goal.

Shareholders value both dividend payments and increases in earnings per share, which are only possible through the reinvestment of earnings profits in the company. A satisfactory level of dividend cannot be paid if a significant portion of profits is reinvested. However, if a substantial portion of a company's profits is distributed as dividends, reasonable profit reinvestment is impossible. There is a trade-off between the number of dividends paid and the number of profits reinvested by a company. For this reason, a balanced policy approach is essential.

According to Miller and Modigliani (1961), a company's business value is determined by its earnings or financing decisions. They claimed that the revenue distribution, that also contains dividends and retained earnings, has no effect on the firm's value. Selecting a suitable dividend policy is a key decision for the firm because the amount of dividends paid to shareholders heavily influences the firm's ability to make investments in new projects (Khan, 2012). Many shareholders prefer regular dividends to anomalous payments made, according to Gupta and colleagues (2011), whereas others prefer that their reward be reinvested in new projects to increase capital gains.

The market price of shares is a regular occurrence that is determined by several factors. In general, the interaction of supply and demand determines it. Negotiation between the seller and the buyer determines the market price of shares. However, the market value may differ from the true value, which is known as intrinsic value or book value. The dividend policy influences both the market and intrinsic value. A company with higher dividends has a higher market value, and vice versa.

As a result, dividend policy and share price have a constant correlation, and the dividend policy's effect can be seen in the market value. Dividend policy remains a source of contention, despite theoretical and empirical research demonstrating that it is relevant to valuing the firm and stock price on one hand and irrelevant to valuing

the firm on the other. As a result, the study of a generally accepted simple and conclusive relationship or linkage between dividend policy and stock price continues. Though dividend policy does not affect the stock price solely, it does have a significant impact on it. Other influencing factors include the duration effect, rate of return effect, arbitrage pricing effect, and information effect. However, the major purpose of this research is to explain share price and dividend relationships in our Nepalese context. It attempts to ascertain the effect of dividend payment on the market price of shares.

## **1.2 Problem statement**

Dividend policy is still a fundamental and controversial area of managerial finance. The argument is over whether the positive relationship between common stock returns and dividend yields reported in several empirical studies can be attributed entirely to information effects (Litzenberger and Ramaswami, 1982). Due to the complexity of the problem, corporate dividend policy has received considerable attention, particularly since the publication of MM's classic works on irrelevancy theory.

Several empirical studies in developed and developing capital markets have been conducted in order to establish a justifiable relationship between dividend and stock price. However, no conclusive relationship has yet been established. As a major financial policy, it is still a source of contention, and no consistent result or conclusion from previous research exists today. Similarly, a small capital market in its early stages lacks clear rules and regulations, as well as an organizational corporate culture. People have a misunderstanding about dividends, and companies only pay them on an as-needed basis.

The question of whether dividend policy affects shareholder wealth remains unanswered. Its results vary significantly across countries, so researchers have a lot of room to investigate this issue in different countries. Previous studies have been conducted in specific sectors, and less developed countries such as Nepal have typically been under looked by researchers. Shareholder wealth and firm performance are important considerations for potential investors, so it is critical to investigate the impact of dividend policy on market price per share. In the context of Nepal, the study intends to address the following issues.

- a) What is the status of dividend policy of sample banks?
- b) What is the relationship between dividend policy and market price of stock of sample banks?
- c) What is the impact of dividend policy on market price of share of sample banks?

### **1.3 Objectives of the study**

This study aims to identify the dividend policy and stock prices of Nepalese commercial banks. The other specific objectives are:

- a) To identify the status of dividend policy of Nepalese commercial banks.
- b) To measure the relationship between dividend policy and market price of stock.
- c) To identify the impact of dividend policy on market price of stock.

### **1.4 Rationale of the study**

Dividends are a significant and sensitive component of finance and investment. Similarly, dividends are a company's external exposure. The dividend decision has an impact on the firm's value, share market price, and the organization's image, among other things. The significance of this study in particular can be summarized in the following points.

- a) Reporting the exact relationship between dividend and market price of shares empowers investors to make more rational investments in the secondary market in general.
- b) The banks under this study will be benefited in the sense that they can formulate the appropriate dividend policy to meet the shareholder's expectation and maximize value of the firm.
- c) From the sample companies, a general concept about the co-relation between dividend declaration and market price of share can be developed. Concerned bodies and policy maker may use this research as a reference to make the necessary provisions regarding dividends.

### **1.5 Limitations of the study**

Essentially, the purpose of this research is to partially fulfil MBS. However, the study has some limitations, which are listed below:

- a) This study was conducted primarily for academic purposes, and thus has no practical application. Because this study is based on secondary data, there may be

reporting errors, and the validity of the data determines the reliability of the results.

- b) Data for the last nine years from 2068/69 to 2076/77 has been used to make the study.
- c) The selection of less number of sample organizations is another limitation of this study.
- d) The results obtain from study can't be generalized for all similar organization due to varying nature of their operation and business.
- e) Several factors affect the market price of shares but the study of only an aspect i.e. dividend policy is the focus of the study.
- f) The outcome as well as the understandings is solely based on the concept perceived by the researcher.

## **CHAPTER-II**

### **LITERATURE REVIEW**

This chapter addresses multiple sources of dividend policy literature, including such books, journals, research papers, and unpublished research papers. Several research and study have been made in the field of dividend policy. The objectives, methodologies, and results they have reported are the contents of this chapter along with the related core concepts of dividend. Thus, review of related studies at national and international levels is the main contents of this chapter.

#### **2.1 Theoretical framework**

##### **a. Modigliani and Miller's study**

Modigliani and Miller (Modigliani and Miller, 1961) advocated for the first time in finance history that dividend policy does not affect the value of the firm, i.e. dividend policy does not effect on the firm's share price. They contended that the firm's value is determined by its earnings, which are determined by its investment policy. As a result, according to MM Theory, a firm's value is independent of dividend policy.

According to MM, dividend policy does not effect on share market value. They argue that the value of a firm is determined by the earning power of its assets or its investment policy, and that the manner in which earnings are distributed between dividends and retained earnings have no bearing on this value. The value of an equity share is unaffected by dividing earnings into packages of retentions and dividends. In other words, the division of earnings into dividends and retained earnings is irrelevant from the perspective of shareholders. In general, the argument for dividend valuation's irrelevance is that the firm's dividend policy is part of its financing decisions. The dividend policy of the firm is a residual decision as part of the firm's financing decision, and the payment of cash as dividends is a passive residual.

##### **b. Gordon's study (Gordon, 1962)**

Myron Gordon explained in 1963 that a company's dividend policy influences the value of its stock. According to him, the share price of a corporation is not independent of the dividend rate. The study's main point was that "investors value current dividends more than future capital gains." That is, the current dividend is considered certain and poses fewer risks. As a result, rational investors prefer this

theory to defer in the future because the future is uncertain and investors avoid uncertainty.

He emphasized his point that an increase in dividend payout ratio leads to an increase in share price because investors believe dividend yield ( $D_1/p_0$ ) is less risky than expected capital gain.

### **c. The signalling hypothesis theory**

The Signalling Hypothesis Theory was propounded by Michael Spencer in the year 1973 which centred on observed knowledge gaps between organizations, investors and employees. Such knowledge gap affects decision like a situation where current stock price is lower than the value signals that management will not issue new equities to the market. The theory revealed that information asymmetry between managers and outside shareholders allows managers to use dividends as a tool to signal private information about a firm's market performance to outsiders.

Signalling theory posits that dividend policy would be considered as a mechanism to transfer information about a company's future expectation to the investor. According to the theory, cash dividend announcements convey valuable information, which shareholders do not have, about management's assessment of a firm's future profitability thus reducing information asymmetry. Such information can be made use of by investors in assessing the firm's share price and making investment decisions. Therefore, investors can use this information to estimate the share value of a company. Dividend policy under this model is therefore considered relevant.

## **2.2 Empirical literature review**

There has been an extensive debate on dividend policy and its effects on the value of a firm. Since the middle of the last century, many studies have been conducted to examine the impact of dividend policy on the market price of stocks. Some researchers have argued that regular payment of dividends to investors significantly increases the market value of shares (Gordon, 1963). On the other hand, while some others have debated on the irrelevance of dividends (Miller & Scholes, 1978), others have opined that payment of dividends leads to the reduction in shareholders' wealth.

Bamidele and Luqman (2021) examined the relation between dependent and independent variables on the 29 companies listed in Nigerian stock exchange covered the period of 2010-2014. Descriptive statistics, correlation and regression analysis,

pooled regression and panel data were used. The results of their study showed that the dividend yield, earnings per share, and size each had a significant positive relationship with stock price. Leverage, on the other hand, had a negative effect on stock price, market to book value had an insignificant positive effect on stock price.

Bouزيد, Makala (2020) considered the effects of dividend on stock returns in the Casablanca Stock Market on 42 most active firms from September 1, 2017, to December 31, 2018. Event study methodology has been used, (20) days before and twenty (20) days after the dividend announcement day and Hypothesis, t-test, AARs, CARRs were used. The study revealed that in both pre- and post-dividend announcement periods, the AARs and CAARs were statistically insignificant in the whole event window.

Musaed, Ali, Awadhi (2019), analyzed the effect of dividend policy on the insurance company's share and examined the relation between dependent and independent variables on insurance companies listed at Kuwait Stock Exchange Cover the period 2009-2017. Descriptive Analysis, Regression analysis were used. The researcher found that dividend yield and dividend payout ratio had a statically significant negative effect on the share prices while earnings per share, book value per share, and market price to book value ratio had a statistically significant positive effect on the share price.

Almanaseer (2019) studied the relationship between dividend policy and share price volatility in 20 insurance companies listed in the Amman Stock Exchange from the period 2008 to 2017. Descriptive analysis, Pearson correlation and regression analysis were used. The study revealed that firm size was negatively related. However, earnings volatility and growth in assets had a relation between share price volatility and there was an insignificant negative relationship between share price volatility and financial leverage.

Singh, Tandon (2019) studied dividend policy and share price valuation in Indian banks and examined the relation between variables on 50 companies listed on the National Stock exchange from the period of 2008-2017. Descriptive statistics, correlation analysis, fixed effect model, pooled OLS, unit root test were used. The result of correlation indicated that dividend yield had negative impact, while other variables such as EPS, DPS, and Return on earnings and RR were positively



correlated with MPS. The study indicated that dividend yield had negative impact, while other variables such as EPS, DPS, and Return on earnings and RR were positively correlated with MPS.

Tanveer, Muhammad (2019) studied whether dividend announcement have significant impact on the prices and checked whether insider trading exists on the event of dividend announcement on Top 10 active sectors out of 35 sectors of Pakistan Stock Exchange the period of 3rd January 2000 to 11th September 2017. Event study methodology was used. The study examined that The BANK, TEXT, CAEP, TECH, and CMNT sectors have a substantial impact of the announcement on their prices. However, ENGR, FPCP, FRTZ, CHEM and OGMC sectors are in favour of the dividend irrelevance theory. And also clearly revealed that almost all sectors of PSX were facing the problem of insider trading.

Syedimany (2019) examined if stock price react once special dividend announced on 5 companies of NASDAQ Stock Exchange from the period of 2014-2018. Event study, -20 days prior to +20 days post was used. The study examined that Market adjusted abnormal return (ARs) and cumulative abnormal returns (CARs) in event window (-20 days prior and +20 days post) for dividend announcement was not statistically significant.

Sharif, Ali and Ali Jan (2018) analysed if there exists any relationship between dividend policy and stock prices and investigated the effect of dividend policy on stock prices on 45 non-financial companies listed on KSE-100 index. Convenience sampling method was used. The researcher found that Dividend payout ratio had a significant positive relationship while return on equity had negative significant relationship with the dependent variable. On the other hand all other variables, i.e. dividend per share, earnings per share, retention ratio and profit after tax had a negative relationship with stock market price. Their stock price was affected by dividend policy.

Alaeto (2018) explored the possible relationship between dividend announcement and stock price reactions 100 companies quoted in the LSE from the period of 2008-2014. Event-study methodology and stratified random sampling method were used. The study explored that there were no significant relationship between dividend announcement and share price.

Bhuiyan and Rahman (2018) analyzed the effect of different types of dividend announcements on the stock prices in Dhaka Stock Exchange during both bullish markets on 30 companies, 10 for each type of dividends were found to be being actively traded among listed with Dhaka Stock Exchange during both bullish market in 2010 and bearish market in 2011. Event Study Methodology and it ranges from Day -5 to Day +5 were used. The study showed that there were significant negative abnormal returns in stock prices as a result of cash dividend announcements, but no significant abnormal returns in stock prices in response to stock dividend announcements, and combined cash and stock dividend announcements during both bullish market in 2010 and bearish market in 2011.

Ahmad, Alrjoub & Alrabba (2018) examined the effect of dividend policy on the stock price volatility on 228 firms listed on the Amman Stock Exchange from the period 2010 to 2016. Descriptive statistics, Pearson correlation and panel GMM estimation were used. The findings showed that both main variables of dividend policy dividend yield and dividend payout had negative significant relationship with stock price volatility.

Ali & Waheed (2018) identified the impact of dividend payout, dividend yield, firm's size, growth, earning volatility and firm's leverage on stock price volatility on top 10 listed companies of Pakistan Stock Exchange from 2007 to 2016 has been taken. Convenient sampling was used. The study found that dividend yield, dividend payout, firm's size, and firm's growth had a significantly negative whereas earning volatility and firm's leverage had a significantly positive association with share price volatility.

Adesina, Uwuigbe, Asiriwa & Oriabe (2017) studied dividend policy and share price valuation in Nigerian banks on 4 Deposit Money Banks (DBMs) from 14 DMBs covering the period from 2006-2016. Ordinary least square (OLS) statistical tool was used. The researcher identified that there was a positive relationship between EPS and MPS, but on the other hand, DY and RRs have a negative influence on the MPS.

Sreejith, Riya & Ananth (2017) studied the impact of dividend policy determinants on the market price on a sample of 15 from three industries covering the period from 2007-2016. AMOS graphics, regression analysis model, p-value were used. The study revealed that the independent variables like Return on equity, Dividend pay-out

ratio, Dividend, Dividend Yield ratio were highly significant to the dependent variable Market price.

Marisetty (2016) investigated to find the dividend announcements impacts on the abnormal returns of the stocks in India on 120 companies were randomly selected for analysis. Event window of 21 trading days is considered, the research design is descriptive. The results of the study revealed that the dividend announcement has no significant impact on abnormal returns.

Sharif, Ali & Ali Jan (2015) studied if there was any relation between dividend policy factors and stock prices on 45 nonfinancial firms listed in Karachi Stock Exchange from 2001-2012. Panel data technique was applied, using random effect models. The researcher found that earnings per share and dividend payout ratio had a significant positive relationship while return on equity had negative significant relationship with the dependent variable. On the other hand all other variables, i.e. dividend per share, retention ratio and profit after tax had an insignificant relationship with stock market price.

Prosper, Yuda & Samwel (2015) examined the relationship between dividend policy and share price on 13 companies out of 18 companies on Dar es Salaam stock exchange of 5 years from 2007 to 2011. Descriptive analysis, linear regression analysis, Pearson correlation analysis in the SPSS was used. The results showed that the P/E ratio had positive relationship while other variables namely dividend yield, dividend payout ratio, earnings per share and price earnings ratio were negatively related.

Majanga (2015) identified if there exists direct relationship between a firm's dividends and its stock price on 13 local companies listed on the Malawi Stock Exchange from the period 2008 to 2014. Descriptive statistics, Pearson's correlation analysis were used. The findings of this study revealed that there was a significant positive relationship between dividends, earnings per share and return on equity and stock price. However, negative relationship with retention ratio and profit after tax.

Shawawreh (2014) examined the relationship between dividend policy and volatility of share price on 13 companies out of 18 companies on Dar es Salaam stock exchange of 5 years from 2007 to 2011. Hypotheses, pooled cross-section and time-series data

were used. Findings showed that there was a significant negative relationship between payout ratios, weak positive relationship between dividend yields, size had a very low positive relationship, and stock repurchase had insignificant relationship with price volatility. That payout ratio was the main determinant of the volatility of stock price.

Masum (2014) investigated the relation between the shares market price and the dividend policy of the banks and to measure the impact of the bank's dividend policy on its shares market price 30 commercial banks listed in Dhaka Stock Exchange covering the period of five years from 2007 – 2011. Panel data, Pearson Correlation Coefficients, Descriptive Statistics, fixed and random effects model were used. Results showed that significant negative relation between Dividend Yield and Stock Price while Retention Ratio had a negative but statistically insignificant relationship. It further showed that Return on Equity and Earnings per share had statistically significant positive impact on stock price and Profit after Tax had a significant negative impact on stock market price. Study also indicated that Dividend Policy had significant positive effect on Stock Prices.

Iqbal, Ahmed & Ali (2014) demonstrated the effect of dividend bubble on market value of share price 30 listed companies of Karachi Stock Exchange ranging from 2003 to 2012. Hypothesis, descriptive statistics, correlation were used. The study found that Retention ratio, earning per share, return on equity, profitability ratio, dividend payout and return on equity had significant positive impact on market value. Dividend yield and price earnings ratio had significant negative effect on market value.

Hashemijoo et al. (2012) examined the relationship between dividend policy and share price volatility in 84 companies listed on the Bursa Malaysia from 2005 to 2010. Multiple regression analysis was used. The findings revealed a significant inverse relationship between share price volatility and the two main measures of dividend policy, payout ratio and dividend yield. Furthermore, there was a significant inverse relationship between share price volatility and market capitalization.

In comparison, Baskin (1989) identified relationship between stock prices and dividend yield using data from Australian stock market. Jakarta and Nyamugu (2014) also used data from selected listed companies on the Zimbabwean stock exchange

(ZSE) between 2003 and 2011. The result discovered no link between dividend policy and share prices.

Salman, Lawal, and Anjorin (2015) explored the impact of dividend policy on the share price of ten selected Nigerian listed firms from 1997 to 2012. The least squares method was employed to analyze the panel data. Based on the findings of their study, the earning stream of the companies studied had a greater impact on the market price of their shares than their dividend payouts.

Hunjra, Ijaza, Chani, Hassan, and Mustafa (2014) researched how dividend policy, return on equity, earnings per share, and profit after tax affect the stock prices of 63 companies listed on the Karachi Stock Exchange between 2006 and 2011. Ordinary least squares were used to analyze the panel data. The study discovered that dividend yield had a negative relationship with the stock price, so while the dividend payout ratio had a positive relationship with the stock price, supporting the dividend irrelevance theory. It also asserted that variables the same as profit after tax and earnings per share had a significant positive impact on stock price, so although the return on equity had a favorable but insignificant impact.

Syedimany (2019) investigated the effect of cash dividend announcements on company shares traded on the Stock Exchange of Dhaka from 2014 to 2018. To explain the variables, panel data were used with the ordinary least squares method and the Capital Asset Pricing Model. (CAPM). The results showed that cash dividend payments were the only significant factors affecting all prices in the days previous to the events. The study identified a statistically significant above-average stock market return after a cash dividend announcement.

Khan (2012) investigated the impact of cash and stock dividends on the stock prices of 25 selected chemical and pharmaceutical firms listed on Pakistan's Karachi Stock Exchange between 2001 and 2010. The panel data were analysed using fixed and random effect estimation techniques, with earnings per share, retention ratio, and return on equity all governed. In accordance with the study, while cash dividend, retention ratio, and return on equity had a positive and significant impact on stock prices, earnings per share and stock dividend had a negative and insignificant impact.

Iqbal, Ahmed, as well as Shafi (2014) investigated the impact of dividends on stock price volatility in the supplementary stock market of 25 selected companies in Bangladesh from 2004 to 2012. The time series data were examined using the correlation and regression techniques, as for dividend announcements controlled for. The findings showed that the sample companies' dividend announcements had such a negative and insignificant impact on stock price sensitivity.

Allen and Rachim (1996) found no correlation between dividend policy and stock prices despite observing 173 dividend effects on share prices. Their findings elaborated that dividend policy had no effect on the value of share prices; rather, it is influenced by the investor's judgment in selecting high or low yielding securities, even though the profit gained by stockholders was the same in both cases. Nonetheless, Shawawrehn (2014), Yegon, Cheruiyot, and Sang (2014), Baker, Powell, and Veit (2018), Myers and Frank (2014), Dong, Robinson, and Veld (2005), and Ali, Yatama, Shamali, and Awadhi (2019) conducted studies and maintained the dividend relevance theory surviving. Ali and Waheed (2017) as well as Gupta, Dogra, and Vashisht (2011), criticized the Dividend Irrelevance Theory, claiming that it was based on impractical rules.

### **2.3 Research gap**

Various studies at national and international level have been conducted but the justifiable relation of dividend on MPS has not been reported yet since the studied are conducted under certain assumption but the real world is different. A study made in America does not significant for our country since the capital market mechanism is different. Similarly, a research made on a period may not be true at all other points of time; hence, updating those results is a must. Due to time and resource constraint, not a comprehensive study has been made. Only by taking the sample as representative data, almost studies have been conducted. Therefore, the results cannot be generalized to explain the whole behaviour of market.

Though many research studies have been undertaken in the field of dividend policy and market price, the studies such as Bamidele, M. I. (2021), Ali, M.S., Yatama, S.K., Shamali, N.M. & Awadhi, K.M. (2019) explained the effect of dividend policy on the MPS by ignoring retention ratio. Retention Ratio is opposite to dividend payout ratio and is calculated by subtracting Total Dividend from Total Earnings and

then dividing the resulting amount by Earnings. So, this study uses dividend to Retention Ratio to see its effect on Stock Prices. This ratio is previously ignored by the researchers and they used either dividend payout ratio or dividend yield ratio in their studies for explaining the variation in stock price.

Therefore, to fill this research gap and contribute to the literature, the present study attempts to analyse the effect of dividend policy on MPS with special reference to selected companies in Nepal including retention ratio.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problems. It refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objects in views (Kothari, 1978, p: 19). All the methodological aspects of the study are the main contents of this chapter. Describing the methods and process applied to complete the entire study is methodology. To attain the objectives of the study, sources of data and data collection procedure, sampling methods used, research design applied, tools used, etc. covers the first part of this chapter. In next section, the tools and techniques that are used to tabulate, interpret and analyse the collected data are depicted. To address the aforesaid problems and to achieve the objectives, this section of the study is directed. However, this chapter describes the methodology employed to conduct the study.

#### **3.1 Research design**

Research design is the plan, structure and strategy of investigation conceived to obtain an answer to research questions and to control variances (Kerlinger, 1978). Both qualitative and quantitative types of data and information have been processed. So, descriptive, comparative (co-relational) designs have been used to find the impact of dividend policy on market price of shares. To ascertain the extent to which dividend and market price are related, comparative design would be appropriate. Similarly, descriptive nature of associated problems and other objectives of the study, the descriptive design would be additional benefit to make this study complete and meaningful.

In addition to this, casual comparative design has been employed. This design has helped to investigate the possible causes affecting market price of shares by observing existing situation and to search the possible factors leading to these results. Hence, descriptive, co-relational and casual comparative designs have been used to complete this study.

#### **3.2 Population and sample, and sampling design**

All the commercial banks whose securities are listed in NEPSE and whose shares are actively traded in the market are total population of this study. By the end of fiscal



year 2076/77, total number of commercial banks listed in NEPSE is 26 represents the entire population of the study. Due to time and resource constraints and due to limited scope of this study, the study of behaviour of those all is not possible. Hence, judgmental sampling method has been applied in the study. Out of 26 companies, 6 companies of them are selected as a sample of the study based on the following conditions:

1. Availability of all required data to examine the variables.
2. No merger process occurred.
3. The fiscal year ends on the 31st of Ashad.
4. Availability of the financial reports for all companies.
5. The continually of the company listed in the Nepal Stock Exchange during the period of testing and analysis.

### **3.3 Nature and sources of data, and the instrument of data collection**

Secondary data is defined as data collected earlier for a purpose other than the one currently being pursued (Pant, 2005). This research is mainly based on the secondary data. The data relating to dividend policy has been obtained from concerned banks. In this study, data has been collected from different sources either in published or unpublished forms. Annual reports of the concerned banks, publications of SEBON, NEPSE, NRB, Annual reports of SEBON, Annual trading Reports of NEPSE, Economic Survey published by Ministry of Finance, Research Reports, newspapers, journals, articles, books etc are the major sources of data for this study. In addition to this, data from websites of NEPSE, SEBON, NRB, MOF and concerned banks are other sources of data. The relevant data have been collected by official visit, website search and library visit. And, the share prices were calculated from the Nepal Stock Exchange website.

### **3.4 Methods of analysis**

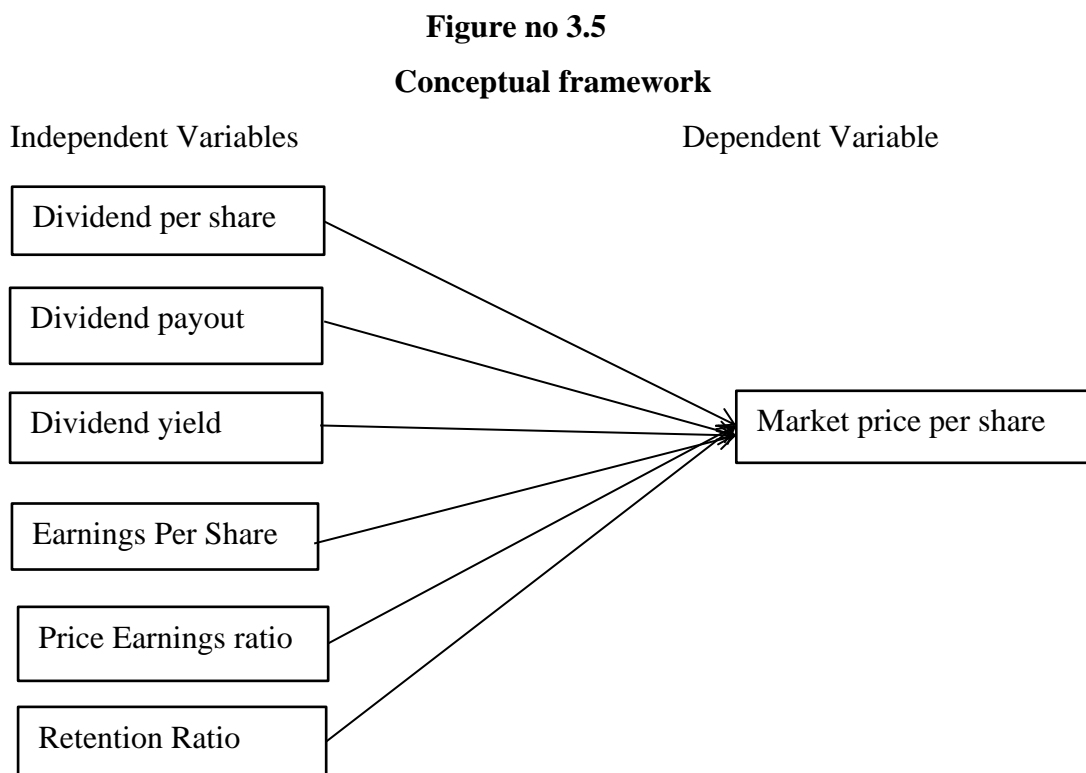
The purpose of processing the data is to change it from an unprocessed form to an understandable presentation so as to obtain answers to the research questions. Presentation of available data in tables and different diagrams help in analysing and interpreting to draw meaningful conclusions there from. All the collected data, relevant facts have been systematically figured, and tabulated under the different headings for the purpose of analysis. So far as computation is concerned, it has been done with the help of computer program SPSS Statistics-25, Excel and scientific

calculator. Basically, financial and statistical tools have been used to analyse the collected data. Financial tools include earnings per share, dividend per share, dividend pay-out ratio, retention ratio, dividend yield, price earnings ratio and market price per share. Similarly, statistical tools include Arithmetic Mean, standard deviation, Coefficient of Variation, Coefficient of Correlation, Coefficient of determination, Standard error of estimate, multiple regression analysis, T-test.

### 3.5 Research framework and definition of variables

The aim of this study is to examine the dividend policy effect on the share prices of commercial banks listed at Nepal stock exchange over the period 2068/69-2076/77. A regression is used to evaluate that relation where the share price is the dependent variable and dividend yield, earning per share, dividend pay-out ratio, book value, and market to book ratio are the independent variables.

Variables are shown in figure 2.2 as a conceptual framework.



#### 3.5.1 Financial tools

Financial tools are those which help to study the financial strength and weakness of the sample firms. The financial tools used in this study are briefly presented below.

### **i. Earnings per share (EPS)**

EPS is a financial tool used to know the earning capacity of the firm. Directly or indirectly, the market price of share is affected by the earning capacity of the firm. Thus, it helps in determining the market price of equity shares and in estimating the company's capacity to pay dividend to its equity shareholders. The performance and prospects of the company are also affected by EPS. Higher EPS reveals there is possibility of paying more dividend or issue bonus shares and thus it is true that MPS will be affected by all these factors. Similarly, comparison of EPS will also help in deciding whether equity capital is being effectively used or not. In this research, study of EPS enables to make a comparison between the sampled banks and its effect on MPS. The ratio can be computed by dividing the earning available to equity shareholders by the total number of equity shares outstanding.

$$\text{EPS} = \frac{\text{Earnings available to equity shareholders}}{\text{Numbers of equity shares outstanding}}$$

### **ii. Dividend per share (DPS)**

Dividend per share indicates the part of earning distributed to the equity shareholders on per share basis. DPS shows the portion of earning distributed to the stockholders. In order to flow the positive message in the market about the performance of the company, to meet the shareholders expectation a company makes the dividend distribution after retaining the required funds for internal financing and growth. It is true that higher DPS not only creates positive attitudes among shareholders but also helps to increase the market price of shares. Thus, MPS is also affected by DPS. In this research, study of DPS enable us to know the prevailing practice of dividend distribution in one hand and it works as an indicator of better performance in another. It is calculated by dividing the total dividend distributed to equity shareholders by the total number of equity shares outstanding.

$$\text{DPS} = \frac{\text{Total amount of dividend paid ordinary shareholders}}{\text{Numbers of equity share of outstanding}}$$

### **iii. Dividend pay-out ratio (DPR) and retention ratio (RR)**

DPR indicates as to what portion of EPS has been used for paying dividend and what has been retained for plugging back. This ratio is very important from shareholders point of view as it tells that if a company has used whole or substantially the whole of

its earnings for paying dividend and retained nothing for future growth and expansion purposes, then there will be very dim chances of capital appreciation in the price of shares of such company. DPR is used to evaluate the financing practice and dividend distribution practice of the company. Dividend payment and retained earning both have certain impact on MPS. But the relation of dividend and retained earnings is inverse each other. It means one factor has positive impact on MPS and another has negative impact and relation with MPS. In this research, it enables the researcher to make comparison of different banks. Moreover, it a variable affecting MPS, so, the relation of MPS and DPR will be another part of the study. It is calculated by using the following formula.

$$\text{DPR} = \frac{\text{Dividend per share}}{\text{Earning per share}}$$

And, Retention Ratio = (1-Dividend payout ratio)  
= (1-DPR)

#### **iv. Dividend yield (DY)**

Dividend Yield is a percentage of dividends per share on market price per share. It measures the dividend in relation to market value of share. So, dividend yield is the dividend received by the investors as a percentage of market prices per share in the stock market. This ratio highly influences the market price per share because a small change in dividend per share can bring effective change in the market value of the share. The share with higher dividend yields is worth buying. Thus the price of higher dividend yields increase sharply in the market. Dividend has important guidance to commit funds for the buying of shares in the secondary market. This ratio is important for those investors who are interested in the dividend income. This ratio is calculated by dividing dividend per share by market price of the stock. Thus,

$$\text{DY Ratio} = \frac{\text{Dividend per share}}{\text{Market price per share}}$$

#### **v. Price earnings ratio (P /E Ratio)**

Price earnings ratio is also called the earnings multiplier. Price- earnings ratio is the ratio between market price per share and earning per share. In other words, this represents the amount which investors are willing to pay for each rupee of the firm's earnings. The P / E ratio measures investor's expectation and market appraisal of the

performance of the firm. The higher P/E ratio implies the high market share price of a stock given the earning per share and the greater confidence of investor in the firm's future. This ratio is computed by dividing earning per share to market price per share. Thus,

$$\text{P/E Ratio} = \frac{\text{Market price per share}}{\text{Earning per share}}$$

#### **vi. Market price per share (MPS)**

MPS is that value of stock, which can be obtained by a firm from the sale of a share in the market. MPS is one of the variables, which is affected by DPS of the firm. If the earning per share and dividend per share are high, the market value of the share will also be high. The capital market determines MPS. In this study the market price of share means the rupees value of one share indicated in NEPSE index.

Theoretically, calculated current price of the share can be derived by using the following formula:

$$P_0 = D_1 / (k_s - g)$$

$$\text{Or, } P_0 = D_0 (1+g) / (k_s - g)$$

$P_0$  = Current market price per share

$D_0$  = Current dividend per share

$D_1$  = Expected dividend per share at the end of yr. 1

$G$  = Dividend growth rate

$k_s$  = Investor's required rate of return

= Risk free rate of return + Inflation rate + Market risk premium

Present Price = PV of dividends during supernormal growth period + Value of stock price at the end of supernormal growth period discounted back to present.

$$\text{Price} = \frac{\text{Dividend}}{\text{Capitalization rate}}$$

### **3.5.2 Statistical tools**

Besides the financial tools, various statistical tools have been used to conduct this study. The result of analysis has been properly tabulated, compared, analyzed and

interpreted. In this study, the following statistical tools are used to analyze the relationship between dividend and other variables.

**i) Arithmetic mean or average ( $\bar{X}$ )**

An average is the value, which represents a group of values. It depicts the characteristic of the whole group. It is an envoy of the entire mass of homogeneous data. Generally, the average value lies somewhere in between the two extremes, i.e. the largest and the smallest items. It is also known as simple average. In general,  $n$   $X_1, X_2, X_3, \dots, X_n$  are the given “n” observations. Then their arithmetic mean, usually denoted by  $\bar{X}$  is given by:

$$\text{Arithmetic Mean } (\bar{X}) = \frac{X_1 + X_2 + X_3 + \dots + X_n}{N}$$

$$\text{Or, } \bar{X} = \frac{\sum X}{N}$$

Where,  $N$  = number of items  $\sum X$  = Sum of size of the items.

**ii) Standard deviation ( $\sigma$ )**

The measurement of the scatterness of the mass of figures in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion of a distribution. The greater the amount of dispersion, the greater the standard deviation will be, i.e. greater will be the magnitude of the deviations of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large standard deviation means just opposite. Standard deviation is denoted by a Greek letter ‘ $\sigma$ ’ (Sigma) and is calculated as follows:

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum X^2}{n} - \left(\frac{\sum X}{n}\right)^2}$$

Where,

$\bar{X}$  = Mean

$x$  = Variable

$n$  = Number of items in the series

**iii) Coefficient of variation (CV)**

The coefficient of variation reflects the relationship between standard deviation and mean. It is the relative measure of dispersion, comparable across, which is defined as

the ratios of the standard deviation to the mean expressed in percent (Levin, Richard I. and Rubin, David S.: 1994,p.144).The series with higher coefficient of variation is said to be more variable, less consistent, less stable and less homogenous. On the contrary, the series with less coefficient of variation is said to be less variable, more consistent, more uniform, and more stable and more homogenous. It is denoted by C.V. and is obtained by dividing the standard deviation by arithmetic mean. Thus, in

$$\text{symbol Coefficient of Variation (C.V)} = \frac{\text{SD}}{\bar{X}} \times 100$$

SD = Standard Deviation

$\bar{X}$  = Mean average

#### **iv) Coefficient of correlation (r)**

The correlation analysis is the technique used to measure the closeness of the relationship between the variables. Correlation is an analysis of the covariance between two or more variables and correlation analysis deals to determine the degree of relationship between variables (Pant and Choudhary; 2053:299). It is a tool that can be used to describe the degree to which one variable is linearly related to another. It describes not only the magnitude of correlation, but also its direction. The coefficient of correlation is a number, which indicated to what extent two variables are related with each other and to what extent variations in one leads to the variations in the other. The value of coefficient of correlation always lies between  $\pm 1$ .

A value of -1 indicates a perfect negative relationship between the variables and a value of +1 indicates a perfect positive relationship. A value of zero indicates that there is no relation between the variables. The zero correlation coefficient means the variables are uncorrelated. The closer r is to +1 or -1, the closer the relationship between the variables and closer r is to zero(0), the less close relationship. The algebraic sign of the correlation coefficient indicates the direction of the relationship between two variables, whether direct or inverse, while the numerical value of the coefficient is concerned with the strength, or closeness of the relationship between two variables.

Thus, in this study, the degree of relationship between market price and other relevant financial indicators such as dividend per share, earning per share, dividend pay-out ratio etc. is measured by the correlation coefficient. The correlation coefficient can be calculated as:

$$r = \frac{nSXY - SX.SY}{\sqrt{SX^2 - (SX)^2} \sqrt{nSY^2 - (SY)^2}}$$

#### v) Coefficient of determination ( $r^2$ )

The coefficient of determination is the primary way to measure the extent, or strength of the association that exists between two variables, X and Y. It refers to a measure of the total variance in a dependent variable that is explained by its linear relationship to an independent variable. The coefficient of determination is denoted by  $r^2$  and the value lies between zero and unity. The closer the  $r^2$  to unity; the greater will be the explanatory power. A value of one can occur only if the unexplained variation is zero, which simply means that all the data points in the scatter diagram fall exactly on the regression line. The  $r^2$  is always a positive number. It can't tell whether the relationship between the two variables is positive or negative. The  $r^2$  is defined as the ratio of explained variance to the total variance. Thus,

$$\text{Coefficient of Determination } (r^2) = \frac{\text{Explained variation}}{\text{Total variation}}$$

$$\text{Or, } r^2 = 1 - \frac{\text{Unexplained variance}}{\text{Total variance}}$$

### 3.6 Regression analysis

Francis Galton was the first person to introduce the concept of regression. Regression refers to an analysis, which involves the fitting of an equation to a set of data points, generally by the method of least square. In other words, the regression is a statistical method for determining relationships between the variables by the establishment of an approximate functional relationship between them. It is used to determine that whether the dependent variable is influenced by the given independent variable or not. It is considered as a useful tool for determining the strength or relationship between two or more variables.

#### 3.6.1 Multiple regression analysis

It is also used to predict value of one variable given the value of other variables. Multiple Linear regression analysis is used to find the relationship between variables. In this study, the following multiple regressions have been analyzed.

##### a. Market price per share on Earnings per Share, Dividend per Share, Dividend payout ratio, Price earnings ratio, Dividend yield and Retention Ratio

Generally, multiple regression equation is written as follows:



$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Y is Dependent variable

$\alpha$  is intercept, which is also known as constant,

$\beta$  is regression coefficient, it shows the amount of change in independent variable, corresponding to the change in independent variable,

X is independent variable, also known as predictive variable,

$\epsilon$  is known as error term, the difference between actual and predicted values in regression model.

### **i. Regression constant ( $\alpha$ )**

The value of constant is the intercept of the model, when the independent variables are zero; it indicates the average level of dependent variable. In other word, it is better to understand that ' $\alpha$ ' (constant) indicates the mean or average effect on dependent variable if all the variables omitted from the model.

### **ii. Regression coefficients ( $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and $\beta_6$ )**

The regression coefficient of each independent variable shows the relationship between that variable and of dependent variable, holding the effects of all other independent variables of the regression model constant. In other words, these coefficients explain how changes in independent variables affect the value of dependent variables estimate.

### **iii. Standard error of estimate ( $S_e$ )**

Practically, the perfect predication is not possible with the help of regression equation. Standard Error of Estimate is used to measure the reliability of the estimating equation. It measures the variability, or scatter of the observed values around the regression line. It also measures the reliability of the estimating equation, indicating the variability of the observed values differ from their predicated values on the regression line.

The larger the value of S.E.E, the greater the scattering or dispersion of points around the regression line, conversely, if S.E.E. is equals to zero, then, there is no variation about the line and the correlation will be perfect. So, we expect the estimating equation to be a 'perfect' estimator of the dependent variable. In that case, all the data points would be scattered around it. Similarly, the smaller the S.E.E., the closer will

be the dots to the regression line and the better the estimates based on the equation for this line. Thus, with the help of standard error of estimate, it is possible for ascertaining how well and representative the regression line is as a description of the average relationship between two series.

$$SEE = \frac{\sqrt{1-r^2}}{s \times \sqrt{n}}$$

### **3.7 Test of relationship**

The part of study is concerned with the relationship between EPS, DPS, MPS and other financial variables of sample bank. In other words, this part of study is concerned with the test of the relationship between mentioned factors from the banking sectors and their significance. Similarly, in order to examine the significance of regression analysis hypothesis testing has been made.

#### **a. T-test**

T-test is used to test the hypothesis when population variance is not known. It is basically used when the sample size is less than 30 and the population standard deviation is unknown. For applying t-test in context of small samples, the t-value is calculated and then compared with the tabulated value of t. If the calculated value of (t) exceeds the table value (say to.05) we infer that the difference is significant at 5% level. But if (t) is less than the concerning table value of the (t) the difference is not treated as significant.

## CHAPTER IV

### RESULTS AND DISCUSSION

In order to attain the goal mentioned in the chapter-I of this study, necessary & relevant data have been collected from various secondary sources. Dividend policy of commercial banks, their actual practice and its impact on share price are the major concern of this study. Therefore, relevant data are collected and these are presented & interpreted in this chapter. Using the tools developed in chapter-III, the data are processed and analyzed in subjective way.

#### 4.1 Interpretation of financial variables and indicators.

##### 4.1.1 Analysis of EPS

Earnings per share (EPS) are one of the important indicators while analysing the profitability of the commercial banks. Higher EPS is more preferable to the investors as it will translate into higher dividends. Hence, investor value companies with greater EPS and provide higher share prices to those companies. . EPS signify that the rate of utilization of capital funds.

**Table no. 4.1.1**

**The earnings per share of the banks**

<b>Year</b>	<b>EBL</b>	<b>GBL</b>	<b>HBL</b>	<b>MBL</b>	<b>NIBL</b>	<b>NMB</b>
2068/69	88.55	17.18	43.85	0.44	48.8	2.61
2069/70	91.88	18.17	37.12	5.97	34.5	18.02
2070/71	86.04	18.69	38.05	18.18	50.8	20.5
2071/72	78.4	16.24	32.87	20.79	46.8	25.05
2072/73	65.97	26.53	42.58	23.08	29.3	27.78
2073/74	44.32	13.29	35.44	23.96	29.3	26.88
2074/75	31.7	14.54	23.37	15.31	35.7	21.86
2075/76	38.05	14.81	33.41	15.51	26.4	18.79
2076/77	31.15	12.08	27.13	14.98	17	11.18
Mean	61.78	16.84	34.87	15.36	35.4	19.19
SD (%)	25.53	4.25	6.65	7.76	11.41	8.04
CV (%)	41.32	25.24	19.07	50.52	32.23	41.89

*Source: Appendix A*

The findings of above table are:

- a) EBL has higher prospect to pay high dividend since it has highest EPS.
- b) EBL has effectively utilized the capital fund to generate higher earnings in relation to others.

- c) MBL has lower EPS; therefore, dividend distribution is merely impossible.
- d) Market price in the stock exchange is to some extent affected by EPS and thus MPS is Rs.1568.56, Rs.397.22, 792.89, 353.79, 707.78 and Rs.438.44 respectively for EBL, GBL, HBL, MBL, NIBL and NMB with EPS of Rs.61.78, 16.84, 34.87, 15.36, 35.4, and 19.19 respectively. Being 'A' class commercial banks, deviation in EPS and earnings capacity is significantly different in the sampled banks.
- e) Lower value of standard deviation of GBL explains that EPS is more consistent in comparison to other sample Bank.
- f) Higher value of standard deviation of EBL reveals earnings capacity is highly fluctuating.
- g) Shareholders expectation has been sufficiently met by EBL with higher EPS since it maximizes the value of shareholders wealth, other sample Bank are also started dividend distribution in later years which is attempting to address the shareholders expectation.

#### 4.1.2 Analysis of dividend per share (DPS)

Dividend per share indicates the part of earning distributed to the equity shareholders on per share basis. DPS shows the portion of earning distributed to the stockholders. The study of DPS enables us to know the prevailing practice of dividend distribution in one hand and it works as an indicator of better performance in another.

**Table no: 4.1.2**  
**The dividend per share of the banks**

Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	31.58	13	28.42	0	30	9
2069/70	60.53	15	15	0	35	10
2070/71	62	25	21.05	12.63	40	21.05
2071/72	36.57	23	42.1	16.86	34.74	8.42
2072/73	73.68	16	31.57	21.84	41	20
2073/74	34.74	20	26.31	15	40	15.79
2074/75	20	16	15.78	10	40	30
2075/76	25	25.5	22	16	19	35
2076/77	10.53	16	20	10.4	18.5	16.2
Mean	39.40	18.83	24.69	11.41	33.14	18.38
SD (%)	21.33	4.66	8.53	7.39	8.89	9.28
CV (%)	54.14	24.76	34.56	64.77	26.85	50.51

*Source: Appendix B*

The following findings can be drawn from the above table.

- a) EBL has highest DPS of Rs.39.4 and MBL has paid low dividend.
- b) There is significant difference in DPS of Nepalese commercial banks.
- c) Dividend is distributed only when commercial banks is able to earn a reasonable profit.
- d) There is positive relation between MPS and DPS. Hence, the effect is shown positively in the stock market accordingly.

#### 4.1.3 Analysis of dividend payout ratio (DPR)

DPR indicates as to what portion of EPS has been used for paying dividend and what has been retained for plugging back. This ratio is very important from shareholders point of view as it tells that if a company has used whole or substantially the whole of its earnings for paying dividend.

**Table no. 4.1.3**  
**The dividend pay-out ratio of the banks**

Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	35.66	75.67	64.82	0	61.48	344.83
2069/70	65.88	82.55	40.41	0	101.45	55.49
2070/71	72.06	133.76	55.32	69.47	78.74	102.68
2071/72	46.65	141.63	128.08	81	74.23	33.61
2072/73	111.68	60.31	74.14	94.63	139.93	71.99
2073/74	78.38	150.49	74.25	62.60	136.52	58.74
2074/75	63.09	110.04	67.52	65.32	112.04	137.24
2075/76	65.70	172.18	65.85	103.16	71.97	186.27
2076/77	33.80	132.45	73.72	69.43	108.82	144.90
Mean	63.66	117.68	71.57	60.62	98.35	126.19
SD (%)	23.89	37.82	23.83	36.93	28.54	95.85
CV (%)	37.54	32.14	33.29	60.92	29.01	75.95

*Source: Appendix C*

From the above table following findings can be drawn.

- a) NMB has highest DPR than other sample Bank.
- b) There is higher consistency in DPR of MBL than other Bank since the value of standard deviation is smaller.

- c) Higher DPR generally create positive attitude of investors and as a consequence the MPS increases.

#### 4.1.4 Analysis of Dividend Yield (DY)

It measures the dividend in relation to market value of share. So, dividend yield is the dividend received by the investors as a percentage of market prices per share in the stock market. The share with higher dividend yields is worth buying. Thus the price of higher dividend yields increase sharply in the market.

**Table no. 4.1.4**  
**The dividend yield of the banks**

Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	3.06	5.37	4.35	0	5.87	5
2069/70	3.80	3.47	2.14	0	4.46	3.97
2070/71	2.36	3.60	2.24	2.19	4.04	4.09
2071/72	1.73	4.80	5.18	2.99	4.93	1.66
2072/73	2.18	3.11	2.10	3.21	3.94	2.47
2073/74	2.57	5.15	2.97	4.17	5.19	2.90
2074/75	3.02	5.52	2.86	4.78	6.44	8.38
2075/76	3.75	8.64	3.99	6.06	3.66	9.16
2076/77	1.56	6.69	3.70	4.73	4.29	4.08
Mean	2.67	5.15	3.28	3.13	4.76	4.63
SD (%)	0.80	1.74	1.09	2.11	0.93	2.56
CV (%)	30.14	33.80	33.18	67.35	19.63	55.13

Source: Appendix D

From the above table, the following findings can be drawn.

- Global IME Bank has higher dividend yield than other sample Bank.
- Higher value of dividend yield shows that dividend payment is higher in relation to MPS.
- The dividend yield is more consistent in case of EBL than that of other sample Bank.

#### 4.1.5 Analysis of price earnings ratio (P/E Ratio)

This represents the amount which investors are willing to pay for each rupee of the firm's earnings. The P / E ratio measures investor's expectation and market appraisal of the performance of the firm. The higher P/E ratio implies the high market share price of a stock given the earning per share and the greater confidence of investor in the firm's future.

**Table no. 4.1.5**  
**Price earnings ratio of the banks**

<b>Year</b>	<b>EBL</b>	<b>GBL</b>	<b>HBL</b>	<b>MBL</b>	<b>NIBL</b>	<b>NMB</b>
2068/69	11.67	14.09	14.89	24.23	10.47	68.93
2069/70	17.32	14.31	18.86	33.99	22.7	13.98
2070/71	30.58	28.68	24.73	31.68	19.5	25.13
2071/72	27.17	23.41	24.36	28.67	15.04	20.24
2072/73	51.31	19.41	34.86	29.47	35.5	29.15
2073/74	20.91	24.61	26.4	15.02	26.3	20.27
2074/75	17.5	13.68	25.21	13.65	17.4	12.48
2075/76	21.67	14.85	16.52	12.48	19.6	16.23
2076/77	35.9	19.78	19.91	14.86	25.3	31.45
Mean	26.00	19.20	22.86	22.67	21.31	26.43
SD (%)	11.35	5.13	5.74	8.16	6.85	16.23
CV (%)	43.63	26.70	25.10	35.97	32.15	61.41

*Source: Appendix E*

Based on this table the following findings can be drawn.

- a) NMB has better performance in growth of EPS and MPS both since the average P/E ratio is higher than others sample banks.
- b) GBL has more consistent P/E ratio than others since value of standard deviation is minimum.

The P/E ratio of all banks has been rise in fiscal year 2076/77 and is in progressing stage.

#### **4.1.6 Analysis of retention ratio (RR)**

Dividend payment and retained earning both have certain impact on MPS. But the relation of dividend and retained earnings is inverse each other. It means one factor has positive impact on MPS and another has negative impact with MPS. In this research, it enables the researcher to make comparison of different banks.

**Table no. 4.1.6**  
**The retention ratio of the banks**

<b>Year</b>	<b>EBL</b>	<b>GBL</b>	<b>HBL</b>	<b>MBL</b>	<b>NIBL</b>	<b>NMB</b>
2068/69	64	24	35	100	39	-244.83
2069/70	34	17	60	100	-1	44.51
2070/71	28	-34	45	31	21	-2.68
2071/72	53	-42	-29	19	26	66.39
2072/73	-12	40	26	5	60	28.01
2073/74	22	-50	26	37	-37	41.26
2074/75	37	-10	32	35	-12	-37.24
2075/76	34	-72	34	-3	28	-86.27
2076/77	66	-32	26	31	-9	-44.90
Mean	36.22	-17.67	28.33	39.44	12.78	-26.19
SD (%)	23.84	37.72	24.17	36.93	29.89	95.85
CV (%)	65.81	-213.52	85.31	93.62	233.93	-365.91

*Source: Appendix E*

From the above table, following findings can be drawn.

- a) NMB Bank has very low retention ratio than other sample banks.
- b) Comparative table shows that NMB and GBL Bank is addressing the she shareholders desire of dividend income.
- c) Retention ratio shows performance and position of the bank to some extent. The result of RR in the table helps to depict that NMB and GBL Bank is in the saturation stage, NIBL is in growing stage.

#### **4.1.7 Analysis of market price per share (MPS)**

MPS is that value of stock, which can be obtained by a firm from the sale of a share in the market. MPS is one of the variables, which is affected by DPS of the firm. If the earning per share and dividend per share are high, the market value of the share will also be high.



**Table no. 4.1.7**  
**The market price per share of the banks**

<b>Year</b>	<b>EBL</b>	<b>GBL</b>	<b>HBL</b>	<b>MBL</b>	<b>NIBL</b>	<b>NMB</b>
2068/69	1033	242	653	107	511	180
2069/70	1591	432	700	203	784	252
2070/71	2631	695	941	577	990	515
2071/72	2120	479	813	564	704	507
2072/73	3385	515	1500	680	1040	810
2073/74	1353	388	886	360	770	545
2074/75	663	290	551	209	621	358
2075/76	666	295	552	264	519	382
2076/77	675	239	540	220	431	397
Mean	1568.56	397.22	792.89	353.78	707.78	438.44
SD (%)	968.20	150.67	304.08	203.42	211.60	184.70
CV (%)	61.73	37.93	38.35	57.50	29.90	42.13

*Source: Appendix F*

From the above table, following findings can be drawn.

- a) In comparison to others, EBL has the highest MPS with higher deviation and fluctuation.
- b) The trend of increment and decrement in MPS is as same as with EPS. Thus this result further helps to prove the strong relation of MPS and EPS.
- c) MPS is the reflection of commercial banks's performance. Therefore, this MPS reflect the better performance of EBL, average performance of HBL and NIBL and satisfactory Performance of GBL, MBL and NMB.

#### **4.2 Statistical analysis**

Statistical analysis is a set of brief descriptive coefficients that summarizes a given data set, which can either be a representation of the entire population or a sample. The measures used to describe the data set are measures of mean, standard deviation coefficient of variance and more.

**Table no. 4.2.1**  
**Overall Mean, of EPS, DPS, DPR, PE Ratio, DY, RR and MPS**

<b>Banks</b>	<b>EPS(Rs)</b>	<b>DPS(Rs)</b>	<b>DPR(%)</b>	<b>P/E(Rs)</b>	<b>DY(%)</b>	<b>RR(%)</b>	<b>MPS(Rs)</b>
<b>EBL</b>	61.78	39.4	63.66	26	2.67	36.22	1568.56
<b>GBL</b>	16.84	18.83	117.68	19.2	5.15	-17.67	397.22
<b>HBL</b>	34.87	24.69	71.57	22.86	3.28	28.33	792.89
<b>MBL</b>	15.36	11.41	60.62	22.67	3.13	39.44	353.78
<b>NIBL</b>	35.4	33.14	98.35	21.31	4.76	12.78	707.78
<b>NMB</b>	19.19	18.38	126.19	26.43	4.63	-26.19	438.44
<b>Overall</b>	30.57	24.31	89.68	23.08	3.94	12.15	709.78

*Source: Appendix N*

It shows that the statistical analysis of sample banks. We got, the average value of MPS of all sample banks is 709.78 in which EBL has a highest average MPS Rs.1568.56 whereas MBL has least mean MPS. Also, the mean of overall EPS of sample banks is found to be Rs.30.57 in which mean EPS of EBL has maximum value which is 61.78 and minimum of Nepal MBL which is by 15.36. The overall DPS of all sample banks is found to be 24.31 in which EBL has maximum and MBL has least mean DPS. The overall DPR of all sample banks is found to be 89.68 in which NMB has maximum Mean DPR and MBL has least DPR. The overall PE ratio of all sample banks is found to be 23.08 in which NMB has maximum mean PE ratio and GBL has least mean PE ratio. Similarly, the overall DY of all sample banks is found to be 3.94 in which GBL has maximum and EBL has least mean DY. in the same way, the overall RR of all sample banks is found to be 12.15 in which MBL has maximum Mean RR and NMB has least RR.

### **4.3 Correlation between financial variables and their interpretation**

Correlation is generally used to describe the degree to which one variable is related to another. The coefficient of correlation shows the magnitude and direction of relationship between variables. It helps to determine both positive and negative relationship of the variables. The positive correlation indicates that increase in value of one variable leads to increase in value of another variable and negative correlation depicts the inverse relationship between variables. The dividend related variables EPS, DPS, DPR, P/E Ratio, DY, RR and MPS are the financial variables for this study. Correlation between these variables for the individual banks is shown separately in the following section of this report.

### 4.3.1 Correlation between Financial Variables of Everest Bank Limited

The direction and magnitude of correlation between various financial variables of the Everest Bank Limited is calculated. Basically, the degree of relationship of MPS with other variables is seen in the second last row of the table.

**Table no. 4.3.1**  
**Correlation of Everest Bank's variables**

Variables	EPS	DPS	DPR	P/E Ratio	DY	RR	MPS
EPS	1						
DPS	0.68	1					
DPR	0.01	0.72	1				
P/E Ratio	-0.11	0.42	0.54	1			
DY	0.11	0.07	0.10	-0.63	1		
RR	-0.02	-0.72	-1	-0.54	-0.10	1	
MPS(r)	0.55	0.89	0.67	0.67	0.35	-0.67	1
r <sup>2</sup>	0.30	0.79	0.45	0.45	0.12	0.45	1

Source: Appendix H

From the above table, following conclusions can be drawn.

- MPS of Everest Bank Limited has positive correlation with EPS, DPS, DPR, P/E Ratio and DY and negative correlation with retention ratio (RR).
- Explanatory variables EPS, DPS, DPR, P/E Ratio, DY and RR explain 30 percent, 79 percent, 45 percent, 45 percent 12 percent and 45 percent respectively of the total variation in predicting variable MPS.
- To some extent all these variables have correlation with MPS. Hence, MPS is a function of these all variables.

### 4.3.2 Correlation between financial variables of Global IME Bank Limited

The direction and magnitude of correlation between various financial variables of the Global IME Bank Limited has been calculated. Basically, the degree of relationship of MPS with other variables is seen in the second last row of the table.

**Table no. 4.3.2**  
**Correlation of Global IME Bank's variables**

<b>Variables</b>	<b>EPS</b>	<b>DPS</b>	<b>DPR</b>	<b>P/E Ratio</b>	<b>DY</b>	<b>RR</b>	<b>MPS</b>
<b>EPS</b>	1						
<b>DPS</b>	-0.15	1					
<b>DPR</b>	-0.69	0.80	1				
<b>P/E Ratio</b>	0.05	0.57	0.38	1			
<b>DY</b>	-0.67	0.27	0.65	-0.34	1		
<b>RR</b>	0.69	-0.80	-1.00	-0.38	-0.65	1	
<b>MPS(r)</b>	0.56	0.48	-0.05	0.72	-0.70	0.04	1
<b>r<sup>2</sup></b>	0.32	0.23	0.0021	0.52	0.49	0.0019	1

*Source: Appendix I*

From the above table, following findings can be drawn.

- a) MPS of Global IME Bank has positive correlation with EPS, DPS, P/E Ratio and RR and negative correlation with DPR and DY.
- b) Explanatory variables EPS, DPS, DPR, P/E Ratio, DY and RR explain 32 percent, 23 percent, 0.21 percent, 52 percent, 49 percent and 0.019 percent respectively of the total variation in predicting variable MPS. Here, DPR and RR of the Global IME Bank explain negligible variation in MPS.
- c) To some extent all these variables have correlation with MPS. Hence, MPS is a function of these all variables.

#### **4.3.3 Correlation between financial variables of Himalayan Bank Limited**

The direction and magnitude of correlation between various financial variables of the Himalayan Bank Limited has been calculated. Basically, the degree of relationship of MPS with other variables is seen in the second last row of the table.

**Table no. 4.3.3**  
**Correlation of Himalayan Bank's variables**

<b>Variables</b>	<b>EPS</b>	<b>DPS</b>	<b>DPR</b>	<b>P/E Ratio</b>	<b>DY</b>	<b>RR</b>	<b>MPS</b>
<b>EPS</b>	1						
<b>DPS</b>	0.36	1					
<b>DPR</b>	-0.19	0.85	1				
<b>P/E Ratio</b>	0.07	0.30	0.25	1			
<b>DY</b>	-0.15	0.58	0.71	-0.47	1		
<b>RR</b>	0.19	-0.85	-1.00	-0.25	-0.71		
<b>MPS(r)</b>	0.59	0.44	0.11	0.83	-0.45	-0.10	1
<b>r<sup>2</sup></b>	0.35	0.20	0.01	0.69	0.20	0.01	1

*Source: Appendix J*

From the above table, following findings can be drawn.

- a) MPS of Himalayan Bank Limited has positive correlation with EPS, DPS, DPR and P/E Ratio and negative correlation with retention ratio (RR) and DY.
- b) Explanatory variables EPS, DPS, DPR, P/E Ratio, DY and RR explain 35 percent, 20 percent, 10 percent, 69 percent 20 percent and 10 percent respectively of the total variation in predicting variable MPS.
- c) Market price of share has inverse relation with RR and DY which shows the opposite movement between them.

#### **4.3.4 Correlation between Financial Variables of Machhapuchhre Bank Limited**

Table no.4.3.4 exhibits the direction and magnitude of correlation between various financial variables of the Machhapuchhre Bank Limited. Basically, the degree of relationship of MPS with other variables is seen in the second last row of the table.

**Table no. 4.3.4**  
**Correlation of Machhapuchchhre Bank's variables**

<b>Variables</b>	<b>EPS</b>	<b>DPS</b>	<b>DPR</b>	<b>P/E Ratio</b>	<b>DY</b>	<b>RR</b>	<b>MPS</b>
<b>EPS</b>	1						
<b>DPS</b>	0.92	1					
<b>DPR</b>	0.82	0.94	1				
<b>P/E Ratio</b>	-0.15	-0.17	-0.35	1			
<b>DY</b>	0.63	0.67	0.84	-0.78	1		
<b>RR</b>	-0.83	-0.94	-1.00	0.35	-0.83	1	
<b>MPS(r)</b>	0.75	0.77	0.60	0.47	0.09	-0.60	1
<b>r<sup>2</sup></b>	0.56	0.60	0.35	0.22	0.01	0.36	1

*Source: Appendix K*

From the above table, following findings can be drawn.

- a) MPS of Machhapuchchhre Bank Limited has positive correlation with EPS, DPS, DPR, P/E Ratio and DY and negative correlation with retention ratio (RR).
- b) Explanatory variables EPS, DPS, DPR, P/E Ratio, DY and RR explain 56 percent, 60 percent, 35 percent, 22 percent 10 percent and 36 percent respectively of the total variation in predicting variable MPS.
- c) To some extent all these variables have correlation with MPS. Hence, MPS is a function of these all variables.

#### **4.3.5 Correlation between Financial Variables of Nepal Investment Bank Limited**

Table no.4.3.5 exhibits the direction and magnitude of correlation between various financial variables of the Nepal Investment Bank Limited. Basically, the degree of relationship of MPS with other variables is seen in the second last row of the table.

**Table no.4.3.5**  
**Correlation of Nepal Investment Bank's variables**

<b>Variables</b>	<b>EPS</b>	<b>DPS</b>	<b>DPR</b>	<b>P/E Ratio</b>	<b>DY</b>	<b>RR</b>	<b>MPS</b>
<b>EPS</b>	1						
<b>DPS</b>	0.48	1					
<b>DPR</b>	-0.58	0.42	1				
<b>P/E Ratio</b>	-0.64	0.19	0.85	1			
<b>DY</b>	0.32	0.33	-0.01	-0.52	1		
<b>RR</b>	0.33	-0.03	-0.35	0.0026	-0.35	1	
<b>MPS(r)</b>	0.31	0.79	0.40	0.51	-0.32	0.28	1
<b>r<sup>2</sup></b>	0.10	0.62	0.16	0.27	0.10	0.08	1

*Source: Appendix L*

From the above table, following findings can be drawn.

- a) MPS of Nepal Investment Bank Limited has positive correlation with EPS, DPS, DPR, P/E Ratio and RR and negative correlation with dividend yield (DY).
- b) Explanatory variables EPS, DPS, DPR, P/E Ratio, DY and RR explain 10 percent, 62 percent, 16 percent, 27 percent 10 percent and 8 percent respectively of the total variation in predicting variable MPS.
- c) To some extent all these variables have correlation with MPS. Hence, MPS is a function of these all variables.

#### 4.3.6 Correlation between financial variables of NMB Bank Limited

The direction and magnitude of correlation between various financial variables of the NMB Bank Limited has been calculated. Basically, the degree of relationship of MPS with other variables is seen in the second last row of the table.

**Table no. 4.3.6**  
**Correlation of NMB Bank's variables**

Variables	EPS	DPS	DPR	P/E Ratio	DY	RR	MPS
EPS	1						
DPS	0.25	1					
DPR	-0.85	0.08	1				
P/E Ratio	-0.75	-0.44	0.79	1			
DY	-0.26	0.80	0.49	-0.15	1		
RR	0.85	-0.08	-1.00	-0.79	-0.49	1	
MPS(r)	0.77	0.15	-0.59	-0.29	-0.46	0.59	1
r <sup>2</sup>	0.59	0.02	0.35	0.08	0.21	0.35	1

*Source: Appendix L*

From the above table, following findings can be drawn.

- a) MPS of Himalayan Bank Limited has positive correlation with EPS, DPS, DPR and P/E Ratio and negative correlation with retention ratio (RR) and DY.
- b) Explanatory variables EPS, DPS, DPR, P/E Ratio, DY and RR explain 59 percent, 2 percent, 35 percent, 8 percent 21 percent and 35 percent respectively of the total variation in predicting variable MPS.
- c) Market price of share has inverse relation with DPR, P/E ratio and DY which shows the opposite movement between them.

#### 4.4 Multiple regression equation and their interpretation

This part of the study is designed to examine the relationship between EPS, DPS, DPR, P/E ratio, DY and RR with MPS. These models with their statistical meaning are presented in the following section of this chapter.

##### 4.4.1 Multiple regression analysis of MPS on EPS, DPS, DPR, P/E ratio, DY and RR of sample banks.

Generally, multiple regression equation is written as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Y is Dependent variable

$\alpha$  is intercept, which is also known as constant,

$\beta$  is regression coefficient, it shows the amount of change in independent variable, corresponding to the change in independent variable,

X is independent variable, also known as predictive variable,

$\epsilon$  is known as error term, the difference between actual and predicted values in regression model.

**Table no 4.4.1**  
**Multiple regression analysis of sample banks**

Banks	Variables	Value of variables	t-value	SEE( $S_e$ )	Coeff. of multiple Determination ( $r^2$ )
<b>EBL</b>	Constant ( $\alpha$ )	1856.33	2.38	181.09	0.99
	EPS( $\beta_1$ )	26.784	2.01		
	DPS( $\beta_2$ )	-6.95	-0.30		
	DPR( $\beta_3$ )	-19.77	-0.77		
	P/E ratio( $\beta_4$ )	17.90	1.24		
	DY( $\beta_5$ )	-422.16	-2.89		
	RR( $\beta_6$ )	-27.82	-2.23		
<b>GBL</b>	Constant ( $\alpha$ )	100.01	0.53	34.140	0.98
	EPS( $\beta_1$ )	-1.53	-1.48		
	DPS( $\beta_2$ )	29.39	0.91		
	DPR( $\beta_3$ )	21.99	0.99		
	P/E ratio( $\beta_4$ )	4.30	0.94		
	DY( $\beta_5$ )	-54.73	-2.95		
	RR( $\beta_6$ )	1.78	0.75		
<b>HBL</b>	Constant ( $\alpha$ )	-709.41	-0.84	69.72	0.98
	EPS( $\beta_1$ )	-11.19	-0.11		



	DPS( $\beta_2$ )	53.98	0.35		
	DPR( $\beta_3$ )	-6.38	-0.29		
	P/E ratio( $\beta_4$ )	23.38	0.60		
	DY( $\beta_5$ )	108.13	-0.43		
	RR( $\beta_6$ )	13.41	0.32		
<b>MBL</b>	Constant ( $\alpha$ )	784.01	2.92	19.38	0.99
	EPS( $\beta_1$ )	16.95	4.84		
	DPS( $\beta_2$ )	-5.54	-0.76		
	DPR( $\beta_3$ )	20.54	1.49		
	P/E ratio( $\beta_4$ )	0.80	0.22		
	DY( $\beta_5$ )	-117.61	-4.01		
	RR( $\beta_6$ )	-7.05	-3.79		
<b>NIBL</b>	Constant ( $\alpha$ )	-63.75	-0.36	10.67	0.98
	EPS( $\beta_1$ )	0.46	0.20		
	DPS( $\beta_2$ )	24.44	8.78		
	DPR( $\beta_3$ )	-9.31	-2.64		
	P/E ratio( $\beta_4$ )	40.78	3.13		
	DY( $\beta_5$ )	1.07	0.02		
	RR( $\beta_6$ )	-1.01	-1.86		
<b>NMB</b>	Constant ( $\alpha$ )	-240.72	-0.51	40.03	0.98
	EPS( $\beta_1$ )	7.18	1.40		
	DPS( $\beta_2$ )	23.07	5.22		
	DPR( $\beta_3$ )	-	-		
	P/E ratio( $\beta_4$ )	13.63	1.17		
	DY( $\beta_5$ )	-39.88	-0.63		
	RR( $\beta_6$ )	2.22	1.15		

Source: Appendix O

The above results of Everest Bank show multiple regression equation of MPS on EPS, DPS, DPR, P/E ratio, DY and RR. The value of regression coefficients  $a$ ,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$ ,  $b_5$  and  $b_6$  are 1856.33, 26.784, -6.95, -19.77, 17.90, -422.16 and -27.82 respectively. Y-intercept of the regression line  $a$  is 1856.33. This indicates that MPS will be Rs. 1856.33 when EPS, DPS, DPR, P/E ratio, DY and RR are equal to zero. But EPS, DPS, DPR, P/E ratio, DY and RR cannot be zero at a time. Therefore, this coefficient is really insignificant. However, slope coefficients  $b_1$  and  $b_4$  are positive and  $b_2$ ,  $b_3$ ,  $b_5$  and  $b_6$  are negative. MPS of the bank has positive relation with EPS and P/E ratio. On an average one percent change in EPS brings the positive change of Rs. 26.78 in MPS, likewise one percent change in P/E ratio brings the positive change of Rs. 17.90 in MPS. But the coefficient of another independent variable DPS, DPR, DY and RR

are negative. Firstly, this result shows the inverse relation of MPS and secondly it shows one percent increase in DPS, DPR, DY and RR brings the decrease of Rs. 6.95, 19.77, -422.16 and 27.82 respectively and vice versa. Similarly, standard error of estimate  $S_e$  is 181.09 which there is greater scattering or dispersion of data points around the fitted regression line. Likewise, the coefficient of multiple determination  $r^2$  is 0.99. This empirical result shows about 99 percent of total variation in MPS is explained by EPS, DPS, DPR, P/E ratio, DY and RR. However, the standard error of Rs.181.09 is seen in MPS that is predicted by this regression line. In the table, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are 2.01, -0.30, -0.77, 1.24, -2.89 and -2.23 respectively. The tabulated value of t at 0.01 level of significance for 5 d.f. for two-tailed test is 4.032. Since, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are less than tabulated t-value so it infers that there is no statistically significant relationship with MPS of the Everest Bank Limited.

Multiple regression equation of MPS on EPS, DPS, DPR, P/E ratio, DY and RR of Global IME Bank shows the value of regression coefficients  $a$ ,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$ ,  $b_5$  and  $b_6$  are 100.01, -1.53, 29.39, 21.99, 4.30, -54.73 and 1.78 respectively. Y-intercept of the regression line  $a$  is 100.01. This indicates that MPS will be Rs 100.01 when EPS, DPS, DPR, P/E ratio; DY and RR are equal to zero. But these variables cannot be zero at a time. Therefore, this coefficient is really insignificant. However, slope coefficients  $b_2$ ,  $b_3$ ,  $b_4$ , and  $b_6$  are positive. MPS of the bank has positive relation with DPS, P/E Ratio, RR and DPR. On an average one percent change in DPS, P/E Ratio, RR and DPR brings the positive change of Rs. 29.39, 430, 1.78 and 21.99 respectively in MPS. However, EPS and DY have negative relation with MPS. Firstly, this result shows the inverse relation of MPS and secondly it shows one percent increase in EPS and DY brings the decrease of Rs.1.53 and -54.73 respectively and vice versa. The coefficient of multiple determination  $r^2$  is 0.98. This empirical result shows about 98 percent of total variation in MPS is explained by EPS, DPS, DPR, P/E ratio; DY and RR. However, the standard error of Rs.34.14 is seen in MPS that is predicted by this regression line. In the table, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are -1.48, 0.91, 0.99, 0.94, -2.45 and 0.75 respectively. The tabulated value of t at 0.01 level of significance for 5 d.f. for two-tailed test is 4.032. Since, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are less than tabulated t-value so it

infers that there is no statistically significant relationship with MPS of the Global IME Bank Limited.

Multiple regression equation of MPS on DPS, P/E Ratio and EPS of Himalayan Bank shows the value of regression coefficients  $a$ ,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$ ,  $b_5$  and  $b_6$  are -709.41, -11.19, 53.98, -6.38, 23.38, 108.13 and 13.41 respectively. Y-intercept of the regression line  $a$  is -709.41. This indicates that MPS will be Rs -709.41 when EPS, DPS, DPR, P/E ratio; DY and RR are equal to zero. But DPS, P/E Ratio and EPS cannot be zero at a time. Therefore, this coefficient is really insignificant. The slope coefficients  $b_2$ ,  $b_4$ ,  $b_5$  and  $b_6$  are positive. MPS of the bank has positive relation with DPS, P/E ratio, DY and RR. On an average one percent change in these variables brings the positive change of Rs.53.98, 23.38, 108.13 and 13.41 respectively in MPS. However, EPS and DPR have negative relation with MPS. Firstly, this result shows the inverse relation of MPS and secondly it shows one percent increase in EPS and DPR brings the decrease of Rs.-11.19 and 6.38 respectively and vice versa. From the above table it shows, the coefficient of multiple determination  $r^2$  is 0.98. This empirical result shows about 98 percent of total variation in MPS is explained by independent variables. However, the standard error of Rs.69.72 is seen in MPS that is predicted by this regression line. In the table, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are -0.11, 0.35, -0.29, 0.60, -0.43 and 0.32 respectively. The tabulated value of t at 0.01 level of significance for 5 d.f. for two-tailed test is 4.032. Since, calculated t-value of independent variables are less than tabulated t-value so it infers that there is no statistically significant relationship with MPS of the Himalayan Bank Limited.

Multiple regression equation of MPS on DPS, P/E Ratio and EPS of Machhapuchchhre Bank shows the value of regression coefficients  $a$ ,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$ ,  $b_5$  and  $b_6$  are 784.01, 16.95, -5.54, 20.54, 0.80, -117.61 and -7.05 respectively. Y-intercept of the regression line  $a$  is 784.01. This indicates that MPS will be Rs 784.01 when EPS, DPS, DPR, P/E ratio; DY and RR are equal to zero. But these variables cannot be zero at a time. Therefore, this coefficient is really insignificant. The slope coefficients  $b_1$ ,  $b_3$  and  $b_4$  are positive. MPS of the bank has positive relation with EPS, DPR and P/E ratio. On an average one percent change in these variables brings the positive change of Rs.16.95, 20.54 and 0.80 in MPS. However DPS, DY and RR have negative relation with MPS. Firstly, this result shows the inverse relation of MPS and secondly it shows one percent increase in these variables brings the decrease of

Rs5.54, 117.61 and -7.05 respectively and vice versa. From the above table it shows, the coefficient of multiple determination  $r^2$  is 0.99. This empirical result shows about 99 percent of total variation in MPS is explained by independent variables. However, the standard error of Rs.19.38 is seen in MPS that is predicted by this regression line. In the table, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are 4.84, -0.76, 1.49, 0.22, -4.01 and -3.79 respectively. The tabulated value of t at 0.01 level of significance for 5 d.f. for two-tailed test is 4.032. Here, calculated t- value of EPS is greater than tabulated t- value which shows there is significant relationship between EPS with MPS. But calculated t-value of other independent variables are less than tabulated t-value so it infers that there is no statistically significant relationship with MPS of the Machhapuchchhre Bank Limited.

Multiple regression equation of MPS on DPS, P/E Ratio and EPS of Nepal Investment Bank shows the value of regression coefficients  $a$ ,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$ ,  $b_5$  and  $b_6$  are -63.75, 0.46, 24.44, -9.31, 40.78, 1.07 and -1.01 respectively. Y-intercept of the regression line  $a$  is -63.75. This indicates that MPS will be Rs -63.75 when EPS, DPS, DPR, P/E ratio; DY and RR are equal to zero. But these variables cannot be zero at a time. Therefore, this coefficient is really insignificant. The slope coefficients  $b_1$ ,  $b_2$ ,  $b_4$  and  $b_5$  are positive. MPS of the bank has positive relation with EPS, DPS, P/E ratio and DY. On an average one percent change in these variables brings the positive change of Rs.0.46, 24.44, 40.98 and 1.07 in MPS. However DPR and RR have negative relation with MPS. Firstly, this result shows the inverse relation of MPS and secondly it shows one percent increase in these variables brings the decrease of 9.31 and 1.01 respectively and vice versa. From the above table it shows, the coefficient of multiple determination  $r^2$  is 0.98. This empirical result shows about 98 percent of total variation in MPS is explained by independent variables. However, the standard error of Rs.10.67 is seen in MPS that is predicted by this regression line. In the table, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are 0.20, 8.78, -2.64, 3.13, 0.02 and -1.86 respectively. The tabulated value of t at 0.01 level of significance for 5 d.f. for two-tailed test is 4.032. Here, calculated t- value of DPS is greater than tabulated t- value which shows there is significant relationship between DPS with MPS. But calculated t-value of other independent variables are less than tabulated t-value so it infers that there is no statistically significant relationship with MPS of the Nepal Investment Bank Limited.

From the multiple regression equation of MPS on DPS, P/E Ratio and EPS of NMB Bank shows the value of regression coefficients  $a$ ,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$ ,  $b_5$  and  $b_6$  are -240.72, 7.18, 23.07, 13.63, -39.88 and 2.22 respectively. Y-intercept of the regression line  $a$  is -240.72. This indicates that MPS will be Rs -240.72 when EPS, DPS, DPR, P/E ratio; DY and RR are equal to zero. But these variables cannot be zero at a time. Therefore, this coefficient is really insignificant. The slope coefficients  $b_1$ ,  $b_2$ ,  $b_4$  and  $b_6$  are positive. MPS of the bank has positive relation with EPS, DPS, P/E ratio and RR. On an average one percent change in these variables brings the positive change of Rs.7.18, 23.07, 13.63 and 2.22 in MPS. However, DY has negative relation with MPS. Firstly, this result shows the inverse relation of MPS and secondly it shows one percent increase in these variables brings the decrease of 39.88 and vice versa. From the above table it shows, the coefficient of multiple determination  $r^2$  is 0.98. This empirical result shows about 98 percent of total variation in MPS is explained by independent variables. However, the standard error of Rs.40.03 is seen in MPS that is predicted by this regression line. In the table, calculated t-value of EPS, DPS, DPR, P/E ratio, DY and RR are 1.40, 5.22, 1.17, -0.63 and 1.15 respectively. The tabulated value of t at 0.01 level of significance for 5 d.f. for two-tailed test is 4.032. Here, calculated t- value of DPS is greater than tabulated t- value which shows there is significant relationship between DPS with MPS. But calculated t-value of other independent variables are less than tabulated t-value so it infers that there is no statistically significant relationship with MPS of the NMB Bank Limited.

## 4.5 Findings

### 4.5.1 Findings from analysis of financial indicators

- a. From the analysis of EPS, it is found that Everest Bank has highest EPS of Rs.61.78 on an average. The differences in EPS and earnings capacity of these six banks are significantly different though all are A class financial institutions. The standard deviation of EPS from the average EPS is 25.53, 4.25, 6.65, 7.76, 11.41 and 8.04 for Everest Bank Limited, Global IME Bank Limited, Himalayan Bank Limited, Machhapuchchhre Bank Limited, Nepal Investment Bank Limited and NMB Bank Limited respectively. Among these banks, Global IME Bank has more consistent EPS than others since value of standard deviation is minimum.

- b. The range of DPS among the banks is zero per share to Rs.60.53 per share. This result showed the significant difference in DPS among the banks. It is found that dividend payment is regular in these banks. Further it is found that there is stable and consistent dividend policy of the banks; however, Everest Bank has given regular dividend either in cash or in the form of stock.
- c. The researcher found that DPR of NMB Bank is significantly high. On an average, DPR of Everest Bank Limited, Global IME Bank Limited, Himalayan Bank Limited, Machhapuchchhre Bank Limited, Nepal Investment Bank Limited and NMB Bank Limited are 63.66, 117.68, 71.57, 60.62, 98.35 and 126.19 per cent respectively. Another important thing is that the DPR of NMB Bank in fiscal year 2076/77 was 144.90 percent which indicates that the Bank has distributed dividend more than the earnings of that fiscal year. It is possible due to accumulated earnings from the previous years.
- d. The analysis of P/E Ratio for six banks showed that Global IME Bank has higher P/E ratio of 5.15 times on an average. Everest Bank has more consistent P/E ratio of 2.67 with small value of standard deviation 0.80 percent.
- e. Analysis of DY showed that the percentage of dividend yield is decreasing. Higher average DY of Global IME Bank is 5.15 percent and lower DY of Everest Bank is 2.67 percent. Small value of DY reveals the smaller amount of dividend payment in relation to MPS. Further, it is found that Nepal Investment Bank has more consistent DY than other bank since coefficient of variation is 19.63 percent in comparison to 30.14 percent of Everest.
- f. Nepal Investment Bank has retained only 12.78 percent of its earnings on an average and Machhapuchchhre Bank has retained 39.44 percent of its earnings on average and has less consistent RR since standard deviation is 93.62 percent. Further, the retention rate of NMB Bank in fiscal year 2076/77 is -44.90 percent signifies the dividend distribution higher than the earnings.

#### **4.5.2 Findings from correlation analysis of financial indicators**

- a. Correlation analysis of financial indicators of Everest Bank showed MPS of the bank is positively correlated with EPS, DPS, DPR and P/E ratio and DY negatively correlated with RR. Further, 30 percent, 79 percent, 45 percent, 45 percent, 0.12

- percent and 45 percent of total variation in MPS is explained by EPS, DPS, DPR, P/E Ratio, DY and RR respectively. The DPS and DPR have higher and significant relation with MPS which are 0.89 and 0.67 respectively. Correlation between EPS and DPS is 0.68 shows the strong positive relation between them.
- b. From the correlation analysis of financial indicators of Global IME Bank, the researcher found the following results.
    - i. The magnitude and direction of relation of MPS with EPS, DPS, DPR, P/E ratio, DY and RR are 0.56, 0.48, -0.05, 0.72, -0.70 and 0.04 respectively.
    - ii. About 32, 23, 0.02, 52, 49 and 0.19 percent of the variation in MPS is explained by EPS, DPS, DPR, P/E ratio, DY and RR respectively.
    - iii. There is positive correlation of MPS with other variables except DPR and DY.
    - iv. The relation of MPS with P/E ratio is more significant than others.
    - v. The negative relation of MPS with DPR and DY signifies the direction of their fluctuation is opposite. Increase in DPR and DY reduces the MPS and vice versa.
  - c. The analysis of correlation between financial variables of Himalayan Bank reveals the following results. The correlation of MPS with EPS, DPS, DPR, P/E ratio is 0.59, 0.44, 0.11 and 0.83 respectively and with DY and RR ratio is -0.45 and -0.10. P/E ratio has higher and significant relation with MPS. Correlation between DPS and DPR is 0.85 which shows the strong and positive relation between them. The negative relation of MPS with DY and RR signifies the direction of their fluctuation is opposite. Increase in DY and RR reduces the MPS and vice versa. P/E ratio, the explanatory variable explains 69 percent of total variation in MPS of the bank.
  - d. The correlation analysis of financial indicators of Machhapuchchhre Bank showed MPS of the bank is positively correlated with EPS, DPS, DPR and P/E ratio and DY negatively correlated with RR. Further, 56 percent, 60 percent, 35 percent, 22 percent, 10 percent and 36 percent of total variation in MPS is explained by EPS, DPS, DPR, P/E Ratio, DY and RR respectively. The DPS and EPS have higher and significant relation with MPS which are 0.77 and 0.75 respectively. Correlation between EPS and DPS is 0.92 shows the strong positive relation between them. The negative relation of MPS with RR signifies the direction of their fluctuation is opposite. Increase in RR reduces the MPS and vice versa.

- e. The analysis of correlation between financial variables of Nepal Investment Bank reveals the following results. The correlation of MPS is positive with EPS, DPS, DPR, P/E ratio and RR is 0.31, 0.79, 0.40, 0.51 and 0.28 respectively and negative with DY and the value is -0.32. DPS has higher and significant relation with MPS. Correlation between P/E ratio and DPR is 0.85 which shows the strong and positive relation between them. The negative relation of MPS with DY signifies the direction of their fluctuation is opposite. Increase in DY reduces the MPS and vice versa. DPS, the explanatory variable explains 62 percent of total variation in MPS of the bank.
- f. The correlation analysis of financial indicators of NMB Bank showed MPS of the bank is positively correlated with EPS, DPS and RR and negatively correlated with DPR, DY and P/E ratio. Further, 59 percent, 20 percent, 35 percent, 8 percent, 21 percent and 35 percent of total variation in MPS is explained by EPS, DPS, DPR, P/E Ratio, DY and RR respectively. The EPS and RR have higher and significant relation with MPS which are 0.77 and 0.59 respectively. Correlation between DY and DPS is 0.80 shows the strong positive relation between them. The negative relation of MPS with DPR, DY and P/E ratio signifies the direction of their fluctuation is opposite. Increase in DPR, DY and P/E ratio reduces the MPS and vice versa.

#### **4.5.3 Findings from multiple regression analysis of financial indicators**

- a. For Everest Bank Limited, multiple regression analysis shows that there is no significant relationship between dependent variable MPS and independent variables EPS, DPS, DPR, P/E ratio; DY and RR. Here, 99% of total variation in MPS is due to EPS, DPS, DPR, P/E ratio; DY and RR and the remaining 1% variation is due to other independent variables.
- b. In case of Global IME Bank Limited, multiple regression analysis shows that there is no significant relationship between dependent variable MPS and independent variables EPS, DPS, DPR, P/E ratio; DY and RR. Here, 98% of total variation in MPS is due to EPS, DPS, DPR, P/E ratio; DY and RR and the remaining 2% variation is due to other independent variables.
- c. Similarly, from multiple regression analysis of Himalayan Bank Limited shows that there is no significant relationship between dependent variable MPS and



- independent variables EPS, DPS, DPR, P/E ratio; DY and RR. Here, 98% of total variation in MPS is due to EPS, DPS, DPR, P/E ratio; DY and RR and the remaining 2% variation is due to other independent variables.
- d. From multiple regression analysis of Machhapuchchhre Bank Limited shows that there is significant relationship between dependent variable MPS and independent variables EPS however DPS, DPR, P/E ratio; DY and RR are not related with MPS. Here, 99% of total variation in MPS is due to EPS, DPS, DPR, P/E ratio; DY and RR and the remaining 1% variation is due to other independent variables.
  - e. In case of Nepal Investment Bank, multiple regression analysis shows that there is significant relationship between dependent variable MPS and independent variables DPS but no significantly related with EPS, DPR, P/E ratio; DY and RR. Here, 98% of total variation in MPS is due to EPS, DPS, DPR, P/E ratio; DY and RR and the remaining 2% variation is due to other independent variables.
  - f. Likewise in case of NMB Bank, multiple regression analysis shows that there is significant relationship between dependent variable MPS and independent variables DPS but no significantly related with EPS, DPR, P/E ratio; DY and RR. Here, 98% of total variation in MPS is due to EPS, DPS, DPR, P/E ratio; DY and RR and the remaining 2% variation is due to other independent variables.

#### **4.6 Results**

- a. From the findings of the analysis of financial indicators it shows that the bank's dividend policies are inconsistent.
- b. Following the findings from correlation analysis of financial indicators, it finds that there is positive relation of MPS with EPS and DPS shows the higher dependability of MPS on EPS and DPS. Together with this, the relation of MPS with DPR, P/E ratio, DY and RR is negative which shows the opposite relation of variables and the market price.
- c. In line with the third findings from multiple regression analysis, it demonstrates that dividend policy shows no impact on the value of share prices.

#### **4.7 Discussion**

Dividend policy of commercial banks seems to influence change of share price practically but theoretically it raises different views and result among researchers. The

findings of this research help to the discussion as it links the findings with literature in order to provide understandable interpretation and conclusion.

The results for two variables measuring dividend policy are consistent with the literature by showing positive relationship with share price and there are other variables showing the negative relation with share price. The independent variables EPS show positive relationship with share price. This is in line with the results of Musaed et al (2019) and Sufian (2019) which also founds a positive significant relationship between earnings per share and stock prices. Similarly, this study identifies that DPS is positively related with MPS. This result is similar to the study of Singh and Tandon (2019) and worked on EPs and DPS as independent variable where there was a positive relationship between stock prices and EPS and DPS. Ali and Waheed (2017) also found that EPS and DPS are positively related. Adesina, Uwuigbe, Asiriwa and Oriabe (2017), Sharif and Ali (2015) also show positive significant relationship with share price and EPS.

DPR, P/E ratio, DY and RR brings contradicting results toward share price meaning that the higher the DPR, P/E ratio, DY and RR the lower the share price. The finding for these variables seems to support the irrelevancy theory. The empirical findings suggest that there is a significant negative relationship between the DY and stock price. This is consistent with the findings of Samwel, Yuda (2015), Majanga (2015). But the findings on payout ratio were contrary to the findings of Baskin (1989), Ali, Yatama, Awadhi and Shamali (2019). The overall findings suggest that the higher the payout ratio the less stock price would be. That payout ratio is the main determinant of the stock price. P/E ratio brings contradicting results toward the share price meaning that the higher the P/E ratio the lower the share price. Though P/E ratio contradicts the literature, the result is in line with Iqbal, Ahmed and Ali (2014), Sharif, Purohit and Pillai (2015) who show that share price is negatively related to P/E ratio. The last independent variable RR shows the negative relationship with share price. The higher the RR the lower the share price, the result is in line with Sharif and Ali (2018), Adesina, Uwuigbe and Oriabe (2017) and Majanga (2015).

## CHAPTER-V

### SUMMARY AND CONCLUSION

This chapter focuses on summarizing the study held with the researcher's conclusion. The next attempt in this chapter will be made for the conclusion on the basis of findings. For this whole purpose the chapter is sub divided into summary, conclusion and implication as following:

#### 5.1 Summary

Dividends are a major concern for investors who invest in stocks. Similarly, it is a significant financial decision for the company. Several studies have been conducted, but no conclusive relationship between dividend price and share market price has been established. People in Nepal are investing on a hunch without any necessary information. The issues are determining the impact of dividends on the market price of the selected organizations' shares, comparing their MPS, EPS, and DPS, and this research focuses on resolving these issues. Furthermore, this study focuses on the dividend practices of selected commercial banks, as well as other qualitative discussions. Dividend policy is a general area of interest in the finance literature, so the focus of this study is to determine the relationship between dividends and the market price of shares of the selected commercial banks.

This study aims to investigate the impact of dividend policy on share price with commercial banks listed in Nepalese stock market. For this purpose, a sample of 6 banks from 26 banks listed in main market of NEPSE are selected and the influence of EPS, DPS, DPR, P/E ratio, DY and RR on share price are examined by applying multiple regression for a period of nine years from 2068/69 to 2076/77.

This study is significant to all the stakeholders such as shareholders, prospective investors, the company itself to some extent. Moreover, this study will support the future researcher by providing valuable information.

Basically this research is for the partial fulfilment of MBS. But the research has its own limitations such as the research is based on secondary data hence, there may be the reporting error, and validity of the data determines the reliability of the result, data for the last nine years from 2067/68 to 2076/77 has been used to make the study, selection of less number of sample organizations is another

limitation of this study and a number of factors affect the market price of shares but study of only an aspect i.e. dividend policy is the focus of the study.

To attain the objectives of the study, descriptive, co-relational and casual comparative research designs have been used. All the commercial banks whose securities are listed in NEPSE and whose shares are actively traded in the market are total population of this study. Out of 26 companies, 6 companies of them by applying judgemental sampling method are selected as a sample of the study. This research is mainly based on the secondary data. In addition to this, data from websites of NEPSE, SEBON, NRB, MOF and concerned banks are other sources of data. And, the share prices were calculated from the Nepal Stock Exchange website. So far as computation is concerned, it has been done with the help of computer program SPSS Statistics-25, Excel and scientific calculator. Basically, financial and statistical tools have been used to analyse the collected data. Financial tools include earnings per share, dividend per share, dividend pay-out ratio, retention ratio, dividend yield, price earnings ratio and market price per share. Similarly, statistical tools include Arithmetic Mean, standard deviation, Coefficient of Variation, Coefficient of Correlation, Coefficient of determination, Standard error of estimate, multiple regression analysis, T-test.

From the findings it indicates that there is positive relation of market price of share with EPS and DPS which shows the higher dependability of MPS on EPS and DPS. Together with this, the relation of MPS with DPR, P/E ratio, DY and RR is negative which shows the opposite relation. From the study it is also found that market price of the commercial banks can be increased with increase in EPS and DPS. In other words, management can be able to increase stock price in the market by increasing dividend per share and earnings per share to some extent.

The independent variables EPS show positive relationship with share price. This is in line with the results of Musaed et al (2019) and Sufian (2019) which also finds a positive significant relationship between earnings per share and stock prices. In the study of Singh and Tandon (2019) there is a positive relationship between stock prices and EPS and DPS. However, in the study of Samwel, Yuda (2015), Majanga (2015), Iqbal, Ahmed and Ali (2014) and Sharif, Purohit and Pillai (2015), DPR, P/E ratio, DY and RR brings contradicting results toward

share price meaning that the higher the DPR, P/E ratio, DY and RR the lower the share price. The finding for these variables seems to support the irrelevancy theory.

The above findings also support Miller and Modigliani (1961) who claim that dividend policy is irrelevant because it has no effect on stock price and contradict the Gordon's Study (Gordon, 1962) who explained that a company's dividend policy influences the value of its stock. While the results on this research applies to the shares of six Nepalese commercial banks that does not mean by any way that other banks should yield the same results.

## **5.2 Conclusion**

This paper examines the valuation of shares in the market for six different banks. It attempts to determine relative importance of dividend policy, earnings and retained earnings in determining market price of shares. The conclusions of this study are as follows.

- a) In order to meet the objectives of identifying the status of dividend policy, study concludes that there is not any consistent dividend policy of the sample banks.
- b) By following the objective of measuring the relationship between dividend policy and market price of stock, the study uses the correlation analysis and it concludes that EPS and DPS are positively correlated and thus have a positive impact on market price, whereas DPR, P/E ratio, DY, and RR are negatively correlated and thus have a negative impact.
- c) Similarly, in line with the objective of identifying impact of dividend policy on market price of stock, the researcher uses multiple regression analysis and concludes that dividend policy shows no impact on the value of share prices.

## **5.3 Implications**

Based on the research findings and conclusions, the following implications can be forwarded to interested parties.

- a. By extracting the relationship between dividend and market price of shares, it empowers the investors to make more rational investments in the secondary market.

- b. The banks under this study are benefited in the sense that they should formulate the appropriate dividend policy to meet the shareholder's expectation and maximize value of the firm.
- c. The developed concept about the co-relation between dividend policy and market price for sample banks and concerned bodies and policy maker can use this research as a reference to make the necessary provisions regarding dividends.
- d. Researcher should increase numbers of analysis sample data of the companies on this topic.
- e. Furthermore, scholars are advised to reason about a variety of studies in order to maintain the public image of all dividend ideas in the Nepalese market environment.

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## Annexes

<b><u>Appendix-A</u></b>						
Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	88.55	17.18	43.85	0.44	48.8	2.61
2069/70	91.88	18.17	37.12	5.97	34.5	18.02
2070/71	86.04	18.69	38.05	18.18	50.8	20.5
2071/72	78.4	16.24	32.87	20.79	46.8	25.05
2072/73	65.97	26.53	42.58	23.08	29.3	27.78
7073/74	44.32	13.29	35.44	23.96	29.3	26.88
2074/75	31.7	14.54	23.37	15.31	35.7	21.86
2075/76	38.05	14.81	33.41	15.51	26.4	18.79
2076/77	31.15	12.08	27.13	14.98	17	11.18
Mean	61.78	16.84	34.87	15.36	35.40	19.19
S.D	25.53	4.25	6.65	7.76	11.41	8.04
CV	41.33	25.22	19.07	50.54	32.23	41.89

<b><u>Appendix-B</u></b>						
Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	31.58	13	28.42	0	30	9
2069/70	60.53	15	15	0	35	10
2070/71	62	25	21.05	12.63	40	21.05
2071/72	36.57	23	42.1	16.86	34.74	8.42
2072/73	73.68	16	31.57	21.84	41	20
7073/74	34.74	20	26.31	15	40	15.79
2074/75	20	16	15.78	10	40	30
2075/76	25	25.5	22	16	19	35
2076/77	10.53	16	20	10.4	18.5	16.2
Mean	39.40	18.83	24.69	11.41	33.14	18.38
SD	21.33	4.66	8.53	7.39	8.90	9.29
CV	54.14	25	35	65	27	51

<b>Appendix-C</b>						
Year	EBL	Global ime	HBL	MBL	Nibl	NMB
2068/69	35.66	75.67	64.82	0	61.48	344.83
2069/70	65.88	82.55	40.41	0	101.45	55.49
2070/71	72.06	133.76	55.32	69.47	78.74	102.68
2071/72	46.65	141.63	128.08	81	74.23	33.61
2072/73	111.68	60.31	74.14	94.63	139.93	71.99
7073/74	78.38	150.49	74.25	62.60	136.52	58.74
2074/75	63.09	110.04	67.52	65.32	112.04	137.24
2075/76	65.70	172.18	65.85	103.16	71.97	186.27
2076/77	33.80	132.45	73.72	69.43	108.82	144.90
Mean	63.66	117.68	71.57	60.62	98.35	126.19
SD	23.89	37.82	23.83	36.93	28.54	95.85
CV	37.54	32.14	33.29	60.92	29.01	75.95

<b>Appendix-D</b>						
Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	3.06	5.37	4.35	0	5.87	5
2069/70	3.80	3.47	2.14	0	4.46	3.97
2070/71	2.36	3.60	2.24	2.19	4.04	4.09
2071/72	1.73	4.80	5.18	2.99	4.93	1.66
2072/73	2.18	3.11	2.10	3.21	3.94	2.47
7073/74	2.57	5.15	2.97	4.17	5.19	2.90
2074/75	3.02	5.52	2.86	4.78	6.44	8.38
2075/76	3.75	8.64	3.99	6.06	3.66	9.16
2076/77	1.56	6.69	3.70	4.73	4.29	4.08
Mean	2.67	5.15	3.28	3.13	4.76	4.63
S.D	0.80	1.74	1.09	2.11	0.93	2.56
CV	30.14	33.80	33.18	67.35	19.63	55.13

<b>Appendix-E</b>						
Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	11.67	14.09	14.89	24.23	10.47	68.93
2069/70	17.32	14.31	18.86	33.99	22.7	13.98
2070/71	30.58	28.68	24.73	31.68	19.5	25.13
2071/72	27.17	23.41	24.36	28.67	15.04	20.24
2072/73	51.31	19.41	34.86	29.47	35.5	29.15
7073/74	20.91	24.61	26.4	15.02	26.3	20.27
2074/75	17.5	13.68	25.21	13.65	17.4	12.48
2075/76	21.67	14.85	16.52	12.48	19.6	16.23
2076/77	35.9	19.78	19.91	14.86	25.3	31.45
Mean	26.00	19.20	22.86	22.67	21.31	26.43
S.D	11.35	5.13	5.74	8.16	6.85	16.23
CV	43.63	26.70	25.10	35.97	32.15	61.41

<b>Appendix-F</b>						
Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	64	24	35	100	39	-244.83
2069/70	34	17	60	100	-1	44.51
2070/71	28	-34	45	31	21	-2.68
2071/72	53	-42	-29	19	26	66.39
2072/73	-12	40	26	5	60	28.01
7073/74	22	-50	26	37	-37	41.26
2074/75	37	-10	32	35	-12	-37.24
2075/76	34	-72	34	-3	28	-86.27
2076/77	66	-32	26	31	-9	-44.90
Mean	36.22	-17.67	28.33	39.44	12.78	-26.19
S.D	23.84	37.72	24.17	36.93	29.89	95.85
CV	65.81	-213.52	85.31	93.62	233.93	-365.91

<b><u>Appendix-G</u></b>						
Year	EBL	GBL	HBL	MBL	NIBL	NMB
2068/69	1033	242	653	107	511	180
2069/70	1591	432	700	203	784	252
2070/71	2631	695	941	577	990	515
2071/72	2120	479	813	564	704	507
2072/73	3385	515	1500	680	1040	810
2073/74	1353	388	886	360	770	545
2074/75	663	290	551	209	621	358
2075/76	666	295	552	264	519	382
2076/77	675	239	540	220	431	397
Mean	1568.56	397.22	792.89	353.78	707.78	438.44
S.D	968.20	150.67	304.08	203.42	211.60	184.70
CV	61.73	37.93	38.35	57.50	29.90	42.13

<b><u>Appendix-H</u></b>							
Year	MPS	EPS	DPS	DPR	P/E ratio	DY	RR
2068/69	1033	88.55	31.58	35.66	11.67	3.06	64
2069/70	1591	91.88	60.53	65.88	17.32	3.80	34
2070/71	2631	86.04	62	72.06	30.58	2.36	28
2071/72	2120	78.4	36.57	46.65	27.17	1.73	53
2072/73	3385	65.97	73.68	111.68	51.31	2.18	-12
2073/74	1353	44.32	34.74	78.38	20.91	2.57	22
2074/75	663	31.7	20	63.09	17.5	3.02	37
2075/76	666	38.05	25	65.70	21.67	3.75	34
2076/77	675	31.15	10.53	33.80	35.9	1.56	66

<b><u>Appendix-I</u></b>							
Year	MPS	EPS	DPS	DPR	P/E ratio	DY	RR
2068/69	242	17.18	13	75.67	14.09	5.37	24
2069/70	432	18.17	15	82.55	14.31	3.47	17
2070/71	695	18.69	25	133.76	28.68	3.60	-34
2071/72	479	16.24	23	141.63	23.41	4.80	-42
2072/73	515	26.53	16	60.31	19.41	3.11	40
2073/74	388	13.29	20	150.49	24.61	5.15	-50
2074/75	290	14.54	16	110.04	13.68	5.52	-10
2075/76	295	14.81	25.5	172.18	14.85	8.64	-72
2076/77	239	12.08	16	132.45	19.78	6.69	-32

<b><u>Appendix-J</u></b>							
Year	MPS	EPS	DPS	DPR	P/E ratio	DY	RR
2068/69	653	43.85	28.42	64.82	14.89	4.35	35
2069/70	700	37.12	15	40.41	18.86	2.14	60
2070/71	941	38.05	21.05	55.32	24.73	2.24	45
2071/72	813	32.87	42.1	128.08	24.36	5.18	-29
2072/73	1500	42.58	31.57	74.14	34.86	2.10	26
2073/74	886	35.44	26.31	74.25	26.4	2.97	26
2074/75	551	23.37	15.78	67.52	25.21	2.86	32
2075/76	552	33.41	22	65.85	16.52	3.99	34
2076/77	540	27.13	20	73.72	19.91	3.70	26

<b><u>Appendix-K</u></b>							
Year	MPS	EPS	DPS	DPR	P/E ratio	DY	RR
2068/69	107	0.44	0	0	24.23	0	100
2069/70	203	5.97	0	0	33.99	0	100
2070/71	577	18.18	12.63	69.47	31.68	2.19	31
2071/72	564	20.79	16.86	81	28.67	2.99	19
2072/73	680	23.08	21.84	94.63	29.47	3.21	5
2073/74	360	23.96	15	62.60	15.02	4.17	37
2074/75	209	15.31	10	65.32	13.65	4.78	35
2075/76	264	15.51	16	103.16	12.48	6.06	-3
2076/77	220	14.98	10.4	69.43	14.86	4.73	31

<b>Appendix-L</b>							
Year	MPS	EPS	DPS	DPR	P/E ratio	DY	RR
2068/69	511	48.8	30	61.48	10.47	5.87	39
2069/70	784	34.5	35	101.45	22.7	4.46	-1
2070/71	990	50.8	40	78.74	19.5	4.04	21
2071/72	704	46.8	34.74	74.23	15.04	4.93	26
2072/73	1040	29.3	41	139.93	35.5	3.94	60
2073/74	770	29.3	40	136.52	26.3	5.19	-37
2074/75	621	35.7	40	112.04	17.4	6.44	-12
2075/76	519	26.4	19	71.97	19.6	3.66	28
2076/77	431	17	18.5	108.82	25.3	4.29	-9

<b>Appendix-M</b>							
Year	MPS	EPS	DPS	DPR	P/E ratio	DY	RR
2068/69	180	2.61	9	344.83	68.93	5	-244.83
2069/70	252	18.02	10	55.49	13.98	3.97	44.51
2070/71	515	20.5	21.05	102.68	25.13	4.09	-2.68
2071/72	507	25.05	8.42	33.61	20.24	1.66	66.39
2072/73	810	27.78	20	71.99	29.15	2.47	28.01
2073/74	545	26.88	15.79	58.74	20.27	2.90	41.26
2074/75	358	21.86	30	137.24	12.48	8.38	-37.24
2075/76	382	18.79	35	186.27	16.23	9.16	-86.27
2076/77	397	11.18	16.2	144.90	31.45	4.08	-44.90

<b>Appendix-N</b>								
Banks	Tools	EPS (Rs)	DPS (Rs)	DPR ( )	P/E (Rs)	DY ( )	RR ( )	MPS (Rs)
<b>EBL</b>	<b>Mean</b>	61.78	39.4	63.66	26	2.67	36.22	1568.56
<b>GBL</b>	<b>Mean</b>	16.84	18.83	117.68	19.2	5.15	-17.67	397.22
<b>HBL</b>	<b>Mean</b>	34.87	24.69	71.57	22.86	3.28	28.33	792.89
<b>MBL</b>	<b>Mean</b>	15.36	11.41	60.62	22.67	3.13	39.44	353.78
<b>NIBL</b>	<b>Mean</b>	35.4	33.14	98.35	21.31	4.76	12.78	707.78
<b>NMB</b>	<b>Mean</b>	19.19	18.38	126.19	26.43	4.63	-26.19	438.44
<b>Overall</b>	<b>Mean</b>	30.57	24.31	89.68	23.08	3.94	12.15	709.78



**Appendix-O**

<b>Banks</b>	<b>Variables</b>	<b>Value of variables</b>	<b>t-value</b>	<b>SEE(<math>S_e</math>)</b>	<b>Coeff. of multiple Determination (<math>r^2</math>)</b>
<b>EBL</b>	Constant ( $\alpha$ )	1856.33	2.38	181.09	0.99
	EPS( $\beta_1$ )	26.784	2.01		
	DPS( $\beta_2$ )	-6.95	-0.30		
	DPR( $\beta_3$ )	-19.77	-0.77		
	P/E ratio( $\beta_4$ )	17.90	1.24		
	DY( $\beta_5$ )	-422.16	-2.89		
	RR( $\beta_6$ )	-27.82	-2.23		
<b>GBL</b>	Constant ( $\alpha$ )	100.01	0.53	34.140	0.98
	EPS( $\beta_1$ )	-1.53	-1.48		
	DPS( $\beta_2$ )	29.39	0.91		
	DPR( $\beta_3$ )	21.99	0.99		
	P/E ratio( $\beta_4$ )	4.30	0.94		
	DY( $\beta_5$ )	-54.73	-2.95		
	RR( $\beta_6$ )	1.78	0.75		
<b>HBL</b>	Constant ( $\alpha$ )	-709.41	-0.84	69.72	0.98
	EPS( $\beta_1$ )	-11.19	-0.11		
	DPS( $\beta_2$ )	53.98	0.35		
	DPR( $\beta_3$ )	-6.38	-0.29		
	P/E ratio( $\beta_4$ )	23.38	0.60		
	DY( $\beta_5$ )	108.13	-0.43		
	RR( $\beta_6$ )	13.41	0.32		
<b>MBL</b>	Constant ( $\alpha$ )	784.01	2.92	19.38	0.99
	EPS( $\beta_1$ )	16.95	4.84		
	DPS( $\beta_2$ )	-5.54	-0.76		
	DPR( $\beta_3$ )	20.54	1.49		
	P/E ratio( $\beta_4$ )	0.80	0.22		
	DY( $\beta_5$ )	-117.61	-4.01		
	RR( $\beta_6$ )	-7.05	-3.79		
<b>NIBL</b>	Constant ( $\alpha$ )	-63.75	-0.36	10.67	0.98
	EPS( $\beta_1$ )	0.46	0.20		
	DPS( $\beta_2$ )	24.44	8.78		
	DPR( $\beta_3$ )	-9.31	-2.64		
	P/E ratio( $\beta_4$ )	40.78	3.13		
	DY( $\beta_5$ )	1.07	0.02		
	RR( $\beta_6$ )	-1.01	-1.86		
<b>NMB</b>	Constant ( $\alpha$ )	-240.72	-0.51	40.03	0.98
	EPS( $\beta_1$ )	7.18	1.40		
	DPS( $\beta_2$ )	23.07	5.22		
	DPR( $\beta_3$ )	-	-		
	P/E ratio( $\beta_4$ )	13.63	1.17		
	DY( $\beta_5$ )	-39.88	-0.63		
	RR( $\beta_6$ )	2.22	1.15		