

**Effect of Dividend policy on Market Price per Share of Commercial Banks in  
Nepal**

A Dissertation submitted to the Office of the Dean Faculty of Management in Partial  
Fulfillment of the Requirements for the Master's Degree

By

Tara Pandey

Roll No: 18000/19

Registration No: 7-3-0288-0438

Central Department of Management

Tribhuvan University

Kirtipur, Kathmandu

September, 2022

### CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Effect of Dividend policy on market price per Share of Commercial Banks in Nepal”** for the award of Degree of Master of Business Studies in Central Department of Management from Tribhuvan University, is my original work and it has not been submitted or presented for the award of any other degree or other similar titles at any other university or institution.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I certify that all information sources and literature used are cited in the reference section of the dissertation.

.....

Tara Pandey

September, 2022

**REPORT OF RESEARCH COMMITTEE**

Mis. Tara Pandey has defended research proposal entitled “**Effect of Dividend policy on market price per Share of Commercial Banks in Nepal**” Successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Naba Raj Adhikari and submit the dissertation for evaluation and viva voce examination.

.....  
Asso. Prof. Naba Raj Adhikari  
Dissertation Supervisor

**Dissertation Proposal Defended Date:  
Date: 2022-03-21**

.....  
Asso. Prof. Naba Raj Adhikari  
Dissertation Supervisor

**Dissertation Submitted Date:  
Date: 2022-08-29**

.....  
Prof. Dr. Mahananda Chalise  
Chairperson, Research Committee

**Dissertation Viva Voce Date:  
Date: 2022-09-06**

**APPROVAL SHEET**

We have examined the dissertation entitled “**Effect of Dividend policy on market price per Share of Commercial Banks in Nepal**” presented by Mrs. Tara Pandey for degree of **Master of Business Studies**. We hereby certify that the dissertation is acceptable for the award of degree.

.....  
Asso. Prof. Naba Raj Adhikari  
Dissertation Supervisor

.....  
Asso. Prof. Dr. Gyan Mani Adhikari  
Internal Examiner

.....  
Asso. Prof. Dr. Arun Kumar Thakur  
External Examiner

.....  
Prof. Dr. Mahananda Chalise  
Chairperson, Research Committee

.....  
Dr. Ramji Gautam  
Head of Department, Central Department of Management  
Date:

## ACKNOWLEDGEMENTS

This study entitled “**Effect of Dividend policy on market price per Share of Commercial Banks in Nepal**” has been conducted to satisfy the partial requirements for the degree of Master of Business Studies, Tribhuvan University.

First and foremost, I offer my deep sincerest of gratitude to, Prof. Dr. Mahananda Chalise, Head of Research Department, Asso. Prof. Naba Raj Adhikari, my supervisor, for providing necessary ideas. This research study would not have been completed in absence of his assistance and encouragement. Furthermore, I would like to show my gratitude to Prof. Dr. Ramji Gautam head of department for encouraging me to do research guidance and providing continuous suggestions for better study to come up. I would also like thank central Department Management for providing the resources for research work and providing library and computing support without which knowledge and assistance of this study would have not been successful.

At last, but not least, I would like to express my heartfelt thanks to my family, relatives, friends and all those who helped me during the research work. However, I accept the sole responsibility for any errors and discrepancies that might have occurred in this report.

**Tara Pandey**

## TABLE OF CONTENTS

	Page No:
<i>Title page</i>	<i>i</i>
<i>Certificate of authorship</i>	<i>ii</i>
<i>Report of research committee</i>	<i>iii</i>
<i>Approval sheet</i>	<i>iv</i>
<i>Acknowledgement</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>vii</i>
<i>List of Figure</i>	<i>viii</i>
<i>Abbreviations</i>	<i>x</i>
<i>Abstract</i>	<i>xi</i>
<b>CHAPTER I: INTRODUCTION</b>	<b>1-5</b>
1.1. Background of the study	1
1.2 Statement of the problem	3
1.3 Objectives of the study	4
1.4 Rationale of the study	4
1.5 Limitations of the study	4
<b>CHAPTER II: LITERATURE REVIEW</b>	<b>6-15</b>
2.1 Theoretical framework	6
2.2 Empirical literature review	7
2.3 Research gap	14
<b>CHAPTER III: RESEARCH METHODOLOGY</b>	<b>16-26</b>
3.1 Research design	16
3.2 Population and sample, and sampling design	16
3.3 Nature and sources of data, and the instrument of data collection	17
3.4 Method of analysis	17
3.5 Research framework and definition of variables	18
3.5.1 Financial tools	18
3.5.2 Statistical tools	21
3.6 Regression analysis	24
3.7 Test of relationship	26

<b>CHAPTER IV: RESULTS AND DISCUSSION</b>	<b>27-50</b>
4.1 Interpretation of financial variables and indicators	27
4.2 Statistical Analysis	33
4.3 Correlation between financial variables and interpretation	34
4.4 Multiple regression equation and interpretation	40
4.5 Findings	45
4.6 Results	49
4.7 Discussion	49
<b>CHAPTER V: SUMMARY AND CONCLUSION</b>	<b>51-54</b>
5.1 Summary	51
5.2 Conclusion	53
5.3 Implications	53
<b>References</b>	
<b>Annexes</b>	

**LIST OF TABLES**

	<b>Page No:</b>
4.1.1 Analysis of EPS	27
4.1.2 Analysis of DPS	28
4.1.3 Analysis of DPR	29
4.1.4 Analysis of P/E Ratio	31
4.1.5 Analysis of D.Y.	30
4.1.6 Analysis of RR	31
4.1.7 Analysis of MPS	32
4.2.1 Overall Mean, of EPS, DPS, DPR, PE Ratio, DY, RR and MPS	34
4.3.1 Correlation between Financial Variable of EBL	35
4.3.2 Correlation between Financial Variable of GBL	35
4.3.3 Correlation between Financial Variable of HBL	36
4.3.4 Correlation between Financial Variable of MBL	37
4.3.5 Correlation between Financial Variable of NIBL	38
4.3.6 Correlation between Financial Variable of NMB	39
4.4.1 Multiple Regression Analysis of MPS on EPS, DPS, DPR, P/E ratio, DY and RR.	40



**LIST OF FIGURE**

Figure no 2.2: Conceptual framework	18
-------------------------------------	----

## ABBREVIATIONS

BOD	:	Board of Directors
CV	:	Coefficient of Variation
DPR	:	Dividend Payout Ratio
DPS	:	Dividend per Share
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earning per Share
GBL	:	Global IME Bank Limited
HBL	:	Himalayan Bank Limited
IPO	:	Initial Public Offering
MBL	:	Machhapuchchhre Bank Limited
MOF	:	Ministry of Finance
MPS	:	Market Price per Share
NEPSE	:	Nepal Stock Exchange
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
NMB	:	NMB Bank Limited
NRB	:	Nepal Rasta Bank
P/E Ratio	:	Price Earnings Ratio
RR	:	Retention Ratio
SD	:	Standard Deviation
SEBON	:	Security Board of Nepal
SEE	:	Standard Error of Estimate
WWW	:	World Wide Web

## ABSTRACT

*Poverty is the problem of every developing country. Nepal is one of them where 17.4 % people are multidimensional Poor. Economically weak and poor households are in the rural parts of Nepal.*

*This is a case study conducted at Dhading district of Nepal, where researcher selected Neelakantha Municipality for the research. This study seeks the impact of microfinance in the poverty alleviation of the microfinance clients. This study is based on primary data and structured questionnaires are used as face to face interview. This study applies memory recall method to assess the past information about economy. In total, 300 households are interviewed to understand the impact of microfinance. Data are analyzed by using appropriate statistical tools and percentage analysis as well as described by tables and figures. Descriptive research design is used to collect the data and to know about behavior of respondents by convenient sampling technique. Study revealed that the annual average monthly income was increased due to the microfinance's financial services. Majority of clients benefitted from the microfinance in different sectors as food sufficiency, education, health facilities, loans, shelter and diversification of income sources.*

*Therefore, the microfinance played significant role in both uplifting the living standards and alleviation of poverty. This study is important for policy makers to provide much clearer guidance for anti-poverty policy on the basis of different dimensions, areas and demographic distribution.*