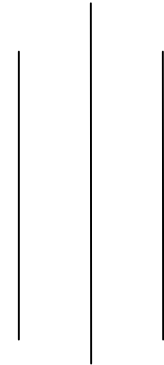
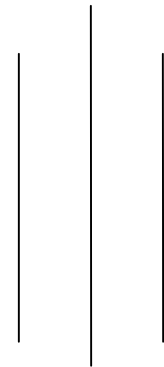


**A COMPARATIVE STUDY ON DIVIDEND POLICY  
AND PRACTICE IN JOINT VENTURE  
COMMERCIAL BANK IN NEPAL**



**A Thesis**



Submitted By:

**BHASKAR MAN SHRESTHA**  
**Thakur Ram Multiple Campus**

T.U. Regd. No: 7-2-238-162-2005

Campus Roll No: 195/065

Exam Roll No: 150045

Submitted To:

Office of the Dean  
Faculty of Management  
Tribhuvan University

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

**Kathmandu, Nepal**  
**March, 2013**

## RECOMMENDATION

This is to certify that the Thesis

Submitted by:

**BHASKAR MAN SHRESTHA**

Entitled:

**A COMPARATIVE STUDY ON DIVIDEND POLICY AND  
PRACTICE IN JOINT VENTURE COMMERCIAL BANK  
IN NEPAL**

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

.....  
**Shambhu Sharan Sah**  
**(Thesis Supervisor)**

.....  
**Assoc. Prof. Dr. Deepak Shakya**  
**(Head of Research Department)**

.....  
**(Campus Chief)**  
**Thakur Ram Multiple Campus**  
**Birgunj, Nepal**

**Date:** .....

# VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

**By:**

**BHASKAR MAN SHRESTHA**

**Entitled:**

**A COMPARATIVE STUDY ON DIVIDEND POLICY AND  
PRACTICE IN JOINT VENTURE COMMERCIAL BANK  
IN NEPAL**

*And found the thesis to be the original work of the student and written  
according to the prescribed format. We recommend the thesis to  
be accepted as partial fulfillment of the requirement for*

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

**Viva-Voce Committee**

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

**Date:** .....

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**A COMPARATIVE STUDY ON DIVIDEND POLICY AND PRACTICE IN JOINT VENTURE COMMERCIAL BANK IN NEPAL**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master Degree in Business Studies (M.B.S.) under the supervision of **Shambhu Sharan Sah** of Thakur Ram Multiple Campus.

.....  
**BHASKAR MAN SHRESTHA**  
**Researcher**  
T.U. Regd. No. : 7-2-238-162-2005  
Campus Roll No. : 195/065  
Exam Roll No. : 150045

## **ACKNOWLEDGEMENTS**

I am please to present this thesis entitled "**A Comparative Study on Dividend Policy and Practice in Joint Venture Commercial Bank in Nepal**" to the Tribhuvan University, faculty of management for the partial fulfillment of the requirement of the Master degree in Business Studies at Thakur Ram Multiple Campus. It would have been almost impossible to complete without cooperation and help from different section of intellectuals.

I acknowledge my sincere gratitude to my supervisor, Shambhu Sharan Sah, Head of Research Committee, Assoc. Prof. Dr. Deepak Shakya, Assoc. Prof. Avinash Prasad Singh, Mr. Sanjay Shrestha for his invaluable guidance, support and encouragement throughout this study. I am very thankful to all the staff members of NABIL Bank Ltd., Nepal SBI Bank Ltd., Everest Bank Ltd., Standard Chartered Bank Nepal Ltd. and Thakur Ram Multiple Campus who have been very cordial, friendly and helpful to provide me with the necessary information and guidelines every time I paid a visit to them during the making of this work.

Finally, I am very much grateful to my family for their encouragement and moral & physical support during the preparation of this thesis. I express debt of gratitude to my teachers, my colleagues, my friend Bikash Jung Rana, Dipendra Prasad Neupane for their continuous support, help and inspiration in my study. Lastly, I apologize for my errors committed in this work.

**BHASKAR MAN SHRESTHA**

**Researcher**  
**Thakur Ram Multiple Campus**  
**Birgunj, Nepal**

**Recommendation**  
**Viva-Voce Sheet**  
**Declaration**  
**Acknowledgements**  
**Table of Contents**  
**List of Tables**  
**List of Figures**  
**Abbreviations**

## **TABLE OF CONTENTS**

	<b>Page No.</b>
<b>CHAPTER-1</b>	<b>1-13</b>
<b>INTRODUCTION</b>	
1.1 Background of the Study	1
1.2 Origin of the Bank in Nepal	3
1.3 Focus of the Study	6
1.4 Statement of the Problem	8
1.5 Objectives of the Study	11
1.6 Importance of the Study	11
1.7 Limitations of the Study	12
1.8 Organization of the Study	13
<b>CHAPTER-II</b>	<b>14-40</b>
<b>REVIEW OF LITERATURE</b>	
2.1 Introduction	14
2.2 Conceptual Framework	14
2.3 Theories Regarding Dividend	15
2.4 Major Forms of Dividend	16
2.5 Dividend Policy	20
2.6 Factors affecting Dividend Policy	22
2.6.1 Legal Requirements	22
2.6.2 Liquidity Position	23
2.6.3 Access to the Capital Markets	23
2.6.4 Need to repay debt	23
2.6.5 Restrictions in Debt Contracts	24
2.6.6 Growth Rate of Firm	24
2.6.7 Control	24
2.6.8 Stability of Earnings	24

2.6.9 Tax Position of Shareholders	25	
2.7 Payment Procedure followed by Companies	25	
2.8 Legal Provisions Regarding Dividend Practice	25	
2.9 Review of Major Studies in the Relevant Field	26	
2.10 Concluding Remarks	39	
<b>CHAPTER-III</b>	<b>RESEARCH METHODOLOGY</b>	<b>41-50</b>
3.1 Introduction	41	
3.2 Research Design	41	
3.3 Population and Sample	42	
3.4 Sources of Data	43	
3.5 Methods of Analysis	43	
3.6 Tools Defined About Certain Financial Indicators	44	
3.7 Statistical Tools	46	
<b>CHAPTER-IV</b>	<b>DATA PRESENTATION AND ANALYSIS</b>	<b>51-78</b>
4 Presentation and Analysis of Data	51	
4.1 Analysis of Financial Tools (Indicators)	51	
4.1.1 Earnings Per Share (EPS)	51	
4.1.2 Dividend Per Share (DPS)	54	
4.1.3 Dividend Payout Ratio	58	
4.1.4 Price Earnings Ratio	60	
4.1.5 Market Value Per Share to Book Value Per Share Ratio	62	
4.1.6 Dividend Yield Ratio	64	
4.1.7 Return on Net Worth	66	
4.1.8 Analysis of Statistical Tools	68	
<b>CHAPTER-IV</b>	<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS</b>	<b>79-85</b>
5.1 Summary	79	
5.2 Conclusions and Recommendations	84	
<b>APPENDICES</b>		
<b>BIBLIOGRAPHY</b>		

## **LIST OF TABLES**

<b>Table No.</b>	<b>Name of Title</b>	<b>Page No.</b>
1	List of Commercial Bank	5
3.1	List of Joint Venture Bank in Nepal	42
4.1	Detail regarding EPS of selected JVBs	52
4.2	Detail regarding DPS of selected JVBs	55
4.3	Dividend Payout Ratio of selected JVBs	59
4.4	Price Earnings Ratio of selected JVBs	61
4.5	MVPS to BVPS of selected JVBs	63
4.6	Dividend Yield Ratio of selected JVBs	65
4.7	Return on Net Worth of selected JVBs	67
4.8	Relationship between DPS and EPS of selected JVBs	69
4.9	Relationship between MVPS and DPS of selected JVBs	71
4.10	Relationship between MVPS and EPS of selected JVBs	73
4.11	Relationship between DPS and NPAT of selected JVBs	75
4.12	Relationship between DPS and RONW of selected JVBs	77



## LIST OF FIGURES

<b>Figure No.</b>	<b>Name of Title</b>	<b>Page No.</b>
1	Bar Diagram of EPS	52
2	Bar Diagram of DPS	55
3	Bar Diagram of Dividend Payout Ratio	59
4	Bar Diagram of P/E ratio	61
5	Bar Diagram of MVPS to BVPS	63
6	Bar Diagram of Dividend Yield Ratio	65
7	Bar Diagram of Return on Net Worth	67

## ABBREVIATIONS

BVPS	-	Book Value Per Share
MVPS	-	Market Value Per Share
C.V.	-	Coefficient of Variation
DPR	-	Dividend Payout Ratio
DPS	-	Dividend Payout Ratio
EPS	-	Earning Per share
JVB	-	Joint Venture Bank
NBL	-	Nabil Bank Ltd.
NSBIBL	-	Nepal SBI Bank Ltd.
EBL	-	Everest Bank Ltd.
SCBNL	-	Standard Chartered Bank Nepal Ltd.
PE	-	Probable Error
P/E ratio	-	Price Earning Ratio
RONW	-	Return on Net Worth
Ltd.	-	Limited
S.D.	-	Standard Deviation
MBS	-	Master of Business Studies
No.	-	Number
SEE	-	Standard Error of Estimate
NRB	-	Nepal Rastra Bank
&	-	And
i.e.	-	That is
a	-	Regression constant
r	-	Correlation Coefficient
Rs.	-	Rupees
$r^2$	-	Coefficient of Determination
b	-	Regression Coefficient
X	-	Mean
	-	Standard Deviation
EY ratio	-	Earning Yield ratio
Fig.	-	Figure
A. D.	-	Anno Domini
B. S.	-	Bikram Sambat