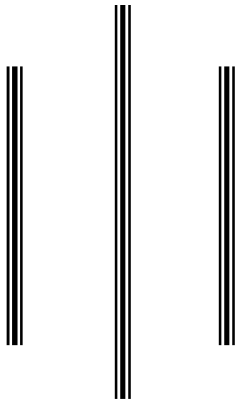
EFFECT ON STOCK PRICE FROM DIVIDEND POLICY

(With Reference to NABIL & HBL)



Submitted By :

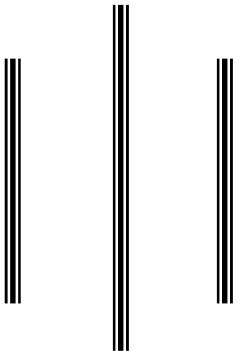
Prakash Sapkota

Shanker Dev Campus

TU Regd. No: 7-2-241-191-2004

Class Roll no: 1810/064

Exam Roll no: 391307/067



A Thesis

Submitted to:

Shanker Dev Campus

Tribhuvan University

In partial fulfillment of the requirement for the Degree of

Master of Business Studies (M.B.S)

Kathmandu, Nepal

2013

RECOMMENDATION

This is to certify that the thesis

Submitted by
Prakash Sapkota

Entitled
Effect on Stock Price from Dividend Policy
(With Reference to NABIL & HBL)

has been prepared as approved by this department in the prescribed format of faculty of management. This thesis is forwarded for evaluation.

.....	.....	.....
Mr. Kapil Khanal	Pro. Dr. Kamal Deep Dhakal	Asso. Prof. Prakash SinghPradhan
(Thesis Supervisor)	(Head, Research Department)	(Campus Chief)

VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the
Thesis presented by

Prakash Sapkota

Entitled
EFFECT ON STOCK PRICE FROM DIVIDEND POLICY
(With Reference to NABIL & HBL)

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

Master Degree in Business Studies (MBS)

VIVA-VOCE COMMITTEE

Chairperson, Research Committee: ……..

Member (Thesis Advisor): ……

Member (External Expert): ……

DECLARATION

I hereby declare that the work done in thesis entitled **"**Effect on Stock Price from Dividend Policy (With reference to NABIL and HBL)" Submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work. It is done in the form of partial fulfillments of the requirement of the degree of Master of Business studies (MBS) under the supervision and guidance of **Mr. Kapil Khanal, Lecturer of Shanker Dev Campus, Kathmandu.**

2013

Prakash Sapkota

Researcher

ACKNOWLEDGEMENT

Dividend decision is major financial decision of the financial management. This thesis entitled “Effect on Stock Price from Dividend Policy (With Reference to NABIL and HBL)". This research has been prepared to fulfill the partial requirement for the degree of Master of Business studies (MBS).

For this research work, I would like to express my heart-felt gratitude to my respected supervisor Mr. Kapil Khanal, Lecturer of Shanker Dev Campus, TU, Kathmandu. His Valuable Guidance and Instruction for preparing this thesis .This thesis has been appeared in this form only because of his valuable suggestions and Supervision.

I would like to express my profound gratitude to all my teachers of Shanker Dev Campus, TU, Kathmandu, Staff of library and administration of the Campus and all my colleagues who helped me directly and indirectly for completion of this thesis.

Finally, I would like to extend my hearty thanks to all my family member and relatives who inspired me in many ways to cope during the entire period of study.

Last but not least, I am also appreciating to Mr. Rajendra Dhungana & Mr. Ajaya Dhungana for his expert work in designing this into print.

Prakash Sapkota
Shanker Dev Campus
Kathmandu

TABLE OF CONTENTS

Recommendation **i**

Viva-Voce Sheet **ii**

Declaration **iii**

Acknowledgment **iv**

Table of Contents **v-vi**

List of Tables **vii**

List of Figures **viii**

List of Abbreviations **ix-x**

CHAPTER -I **Page No.**

INTRODUCTION **1-11**

1.1 Background of the Study 1

1.2 Focus of the Study 7

1.3 Statement of the Problems 7

1.4 Objective of the Study 9

1.5 Significance of the Study 9

1.6 Limitation of the Study 10

1.7 Organization of the Study 10

CHAPTER -II

REVIEW OF LITERATURE **12-34**

2.1 Conceptual Framework 12

2.1.1 Meaning of Dividend 12

2.1.2 Theories of dividend 13

2.1.3 Forms of Dividend 14

2.1.4 Dividend Policy 16

2.1.5 Factors Influencing Dividend Policy 18

2.2 Review of empirical Studies 20

2.2.1 Review of Major Empirical Studies 20

2.3 Summary and focus of previous Studies as per time period 29

2.3.1 Review of Journals and Article 29

2.3.2 Review of Previous Thesis 31

2.4 Research Gap 34

CHAPTER -III

RESEARCH METHODOLOGY **35-50**

3.1 Research Design 35

3.2 Sources of Data 36
3.3 Population and Sample 36
3.4 Data Processing Technique 38
3.5 Data Analysis Tools 38
3.5.1 Financial Tools 38
3.5.2 Statistical Tools 42

CHAPTER -IV

PRESENTATION AND ANALYSIS OF DATA 51-82
4.1 Analysis of Financial Indicators 51
4.1.1 Earning Per Share (EPS) 51
4.1.2 Dividend Per Share (DPS) 53
4.1.3 Dividend Payout Ratio 55
4.1.4 Dividend Percent (DP) 57
4.1.5 Market Value Per Share (MVPS) 58
4.1.6 Dividend Yield (DY) 60
4.1.7 Net Worth Per Share (NWPS) 62
4.1.8. Market Value per Share (MVPS) to Book Value per Share (BVPS) 63
4.1.9 Price Earnings Ratio (P/E Ratio) 65
4.1.10 Earning Yield (EY) 67
4.2 Company Wise Analysis 69
4.2.1 NABIL Bank Ltd. 70
4.2.2 Himalayan Bank Ltd. (HBL) 71
4.3 Statistical Analysis 73
4.3.1 Simple Correlation and Regression Analysis 73
4.4 Major Findings 80

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION 83-87
5.1 Summary 83
5.2 Conclusion 84
5.3 Recommendation 85
Bibliography
Appendices

LIST OF TABLES

Table No.	Titles	Page No.
3.1	List of Licensed Commercial Banks (Up to last-Feb 2012)	37
4.1	Earnings Per Share of Concerned Banks	52
4.2	Dividend Per Share of Concerned Bank	53
4.3	Dividend Payout Ratio of Concerned Bank	55
4.4	Dividend Percent of Concerned Banks on face value	57
4.5	Market Value Per Share of Concerned Banks	59
4.6	Dividend Yield of Concerned Banks	60
4.7	Net Worth Per Share (NWPS) of Concerned Banks	62
4.8	Market Value Per Share to Book Value Per Share of Concerned Banks	64
4.9	P/E Ratio of Concerned Banks	66
4.10	Earning Yield of Concerned Banks	68
4.11	NABIL Bank Ltd.	70
4.12	HBL	71
4.13	Simple Correlation and Regression Analysis Between EPS and DPS	73
4.14	Simple Correlation and Regression Analysis Between EPS and MVPS	75
4.15	Simple Correlation and Regression Analysis Between DPS and MVPS	76
4.16	Simple Correlation and Regression Analysis Between DPR and MVPS	77
4.17	Simple Correlation and Regression Analysis Between DPS and NWPS	79

LIST OF FIGURES

Figure No.	Titles	Page No.
2.1	Constant Dividend Per Share Policy	17
2.2	Constant Payout Ratio Policy	18
2.3	Earning, Investment& New Financing Under Walter's Model	22
4.1	Earnings Per Share of Concerned Banks	53
4.2	Dividend Per Share of Concerned Banks	55
4.3	Dividend Payout Ratio of Concerned Banks	57
4.4	Dividend Percent of Concerned Banks	58
4.5	Market Value Per Share of Concerned Banks	60
4.6	Dividend Yield of Concerned Banks	61
4.7	Net Worth Per Share (NWPS) of Concerned Banks	63
4.8	Market Value Per Share to Book Value Per Share of Concerned Banks	65
4.9	P/E Ratio of Concerned Banks	67
4.10	Earning Yield of Concerned Banks	69

LIST OF ABBREVIATIONS

&	:	And
a	:	Constant Related to Dividend Growth
A.D.	:	Anno Domini
b	:	Retention Ratio
B.S.	:	Bikram Sambat
BOD	:	Board of Director
BVPS	:	Book Value per Share
C.V.	:	Coefficient of Variation
d.f.	:	Degree of Freedom
DP	:	Dividend Percent
DPR	:	Dividend Payout Ratio
DPS	:	Dividend per Share
DY	:	Dividend Yield
EPS	:	Earning per Share
EY	:	Earning Yield
FV	:	Face Value
FY	:	Fiscal Year
g	:	Growth Rate
HBL	:	Himalayan Bank Limited
Ibid	:	Form the Same work
IPO	:	Initial Public Offering
k	:	Required Rate of Return
K_e	:	Cost of Equity
Ltd.	:	Limited
MBS	:	Master of Business Studies
MPS	:	Market Price per Share
MVPS	:	Market Value per Share
NABIL	:	Nabil Bank Limited

NEPSE	:	Nepal Stock Exchange
No.	:	Number
NRB	:	Nepal Rastra Bank
NWPS	:	Net Worth per Share
P.E.	:	Probable Error
P/E Ratio	:	Price Earning Ratio
r	:	Internal Rate of Return
R/E	:	Retained Earning
Rs.	:	Rupees
SD	:	Standard Deviation
SEBO	:	Security Board of Nepal
T.U.	:	Tribhuvan University